C&R CAPITAL & REGIONAL

Supporting community living

Annual Report and Accounts

for the year ended 30 December 2022

Capital & Regional is a UK-focused retail property REIT specialising in community shopping centres that provide needs-based, non-discretionary and value-orientated retail goods and services.

Our centres are tailored to the needs and aspirations of each centre's local community and form a critical part of the local infrastructure.

Capital & Regional has a strong track record of delivering value-enhancing retail and leisure asset management opportunities across its portfolio of tailored intown community shopping centres.

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

Our Purpose

We invest, manage and enhance retail property through the creation of dynamic environments tailored to the local communities. As a specialist owner and manager of shopping centres, we invest in the retail assets in our portfolio to unlock their full value.

Our Vision

To define and lead community shopping centres, through our passionate creation of vibrant retail spaces and exceptional customer and guest experience. To develop and deliver dynamic community hubs in the heart of town centres. These centres provide a mix of uses including everyday services and facilities to satisfy our growing and evolving communities' needs.

Our Values

Inspiring **Creative** thinking

Delivering **Dynamic** solutions

Encouraging **Collaborative** engagement

Leading in **Sustainability** within our communities

Acting with **Integrity**

View our Corporate Website
capreg.com

Find out more about our Pathway to Net Zero Report
capreg.com/esg/environmental-sustainability/pathway-to-net-zero/

Highlights

Revenue

2022	**£60.6m**
2021[1]	£54.6m

Net Rental Income (Investment Assets)

2022	**£23.5m**
2021[1]	£21.7m

Adjusted Profit

2022	**£10.3m**
2021[1]	£8.8m

Adjusted Earnings per share

2022	**6.2p**
2021[1]	7.3p

IFRS Profit/(loss) for the period

2022	**£12.1m**
2021[1]	£(24.1)m

Basic Earnings per share

2022	**7.3p**
2021[1]	(20.0)p

Total dividend per share

2022	**5.25p**
2021	n/a

Net Asset Value (NAV) per share

2022	**106p**
2021	102p

EPRA NTA per share

2022	**103p**
2021	102p

Group net debt

2022	**£130.9m**
2021	£183.2m

Net debt to property value

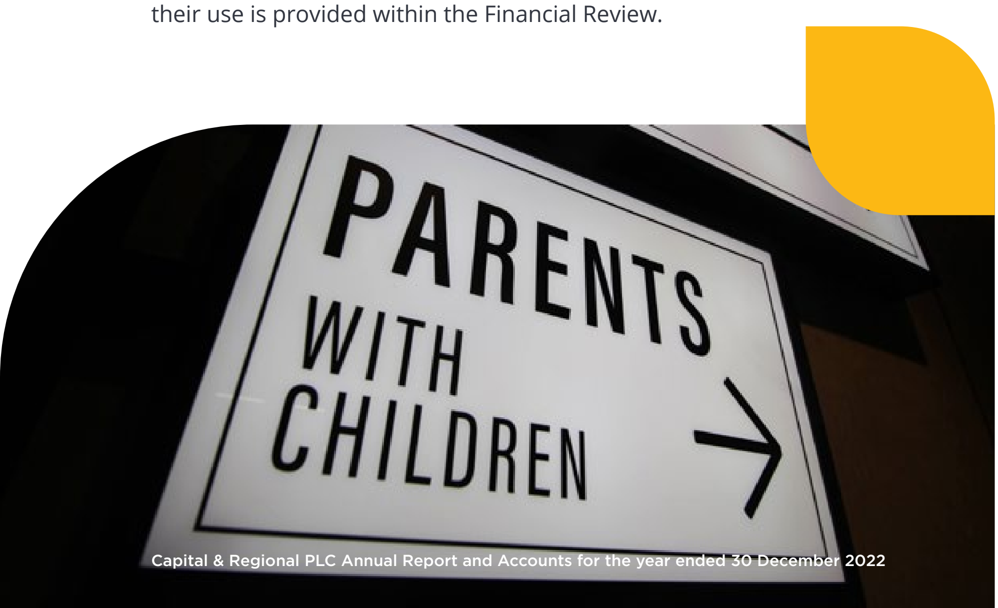
2022	**41%**
2021	49%

Read more about our
Key performance indicators
on pages 24–26

1. 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions due to an IASB IFRS interpretation issued in October 2022 as detailed in Note 1 to the financial statements. The amendment stipulates that losses which were incurred on granting rent concessions, which for the Group occurred during the Covid-19 pandemic, should be charged to the income statement in the year they are granted. 2021 revenue has also been impacted by the reclassification of Luton as a Discontinued Operation. The combined impacts of the restatements have reduced 2021 Revenue by £15.4 million, increased 2021 Adjusted Profit by £0.7 million and increased IFRS profit for the year by £2.3 million. The Adjusted Profit for 2022 is £0.3 million higher than it would have been without the adjustment to rent concessions.

Use of Alternative Performance Measures (APMs)

Throughout the results statement we use a range of financial and non-financial measures to assess our performance. A number of the financial measures, including Net Rental Income, Adjusted Profit, Adjusted Earnings per share, Net Debt and the industry best practice EPRA (European Public Real Estate Association) performance measures are not defined under IFRS, so they are termed APMs. APMs are not considered superior to the relevant IFRS measures, rather Management use them alongside IFRS measures to monitor the Group's financial performance because they help illustrate the trading performance and position of the Group. All APMs are defined in the Glossary and further detail on their use is provided within the Financial Review.



Contents

Our Community Shopping Centre Approach

Our community shopping centre approach has continued to demonstrate its resilience given the persistent challenges within our sector. Our centres have evolved from focusing on needs-based retail to creating value through vibrantly tailored spaces for each of our communities.

We have been proactive in providing dominant retail offers that consist primarily of services and non-discretionary retail. We also aim to ensure each location has access to transport and improved infrastructure providing a convenient and frictionless experience for our guests.

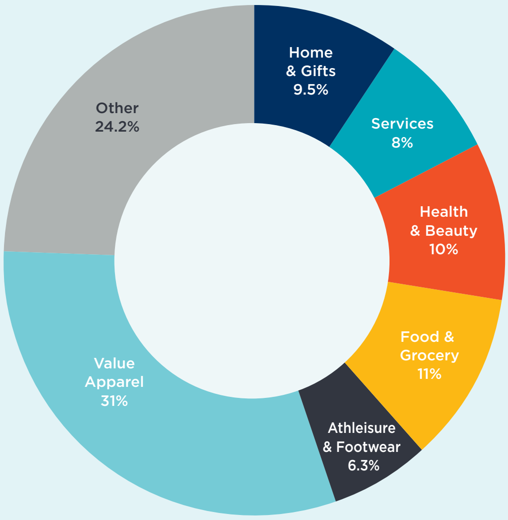
We place each of our communities at the heart of everything we do, ensuring we add value at a local level enables us to provide a strong and successful customer proposition.

Our customer product and service offerings

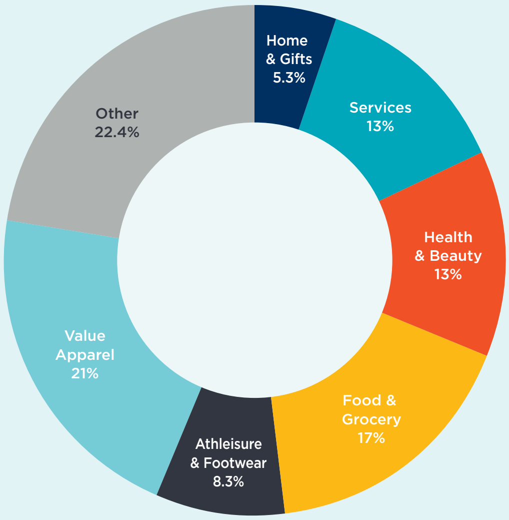
We sit firmly in a position to serve our guests' essential and regular non-discretionary shopping needs and services.

Change in merchandising mix since we launched our Community Shopping Centre strategy in 2017:

2017 Customer Proposition



2022 Customer Proposition



Our difference

Our fundamental difference from competitors within the retail sector is that we place value on being more than just a place to shop, we are considered to be a part of our guests' everyday lives.

01

Dominant Community Locations

Our centres make up a vital part of their communities; they are centrally located with strong surrounding transport links making them perfectly positioned to serve the local residents.

02

Diversified Income Streams

We focus on a mixed-use proposition maximising our exposure to retail, hospitality and service categories.

03

Strength of Community Links

Enables us to respond to community needs quickly and effectively.

04

Experienced Management

Our management teams have a wealth of knowledge within the retail sector and continue to build on this through the training and development programmes C&R provide.

The continued evolution of our assets

Community and local focus

Our assets are located in local town centres and form essential parts of the community infrastructure at the heart of these neighbourhoods. We aim to strengthen each of our communities through meeting their everyday needs and supporting the causes that matter to them.

Remerchandising retail offer

Our ability to evolve and accelerate remerchandising towards more nondiscretionary retail and services has been our main focus for 2022.

Role of the store

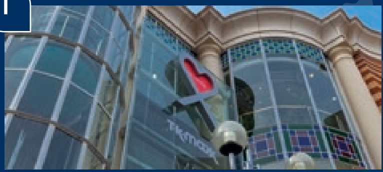
In 2022 we have seen the role of the physical store remain intrinsic to the consumer as well as the retailer. Despite previous speculations of online retail becoming more prevalent, the role of a physical store creates a crucial touch point for retailers to engage and maintain consumer loyalty. Our centres remain focused on providing nondiscretionary shopping needs and services to our guests.

Diversification of uses

Our diverse retail mix ensures frequent and repeat footfall and high conversion rates.

Our Portfolio

1



The Exchange, Ilford

- Predominantly freehold covered shopping centre on three floors
- 310,000 sq ft
- 81 lettable units
- Principal occupiers: Next, H&M, TK Maxx

2

The Mall, Maidstone

- Freehold covered shopping centre on three floors
- 500,000 sq ft
- 98 lettable units
- Principal occupiers: Matalan, Pure Gym, Boots, Sports Direct, Wilko, Iceland, Next

Centre Characteristics

01
Dominant strategic locations in the centre of growing towns

02
Easily accessible with strong transport links

03
London/South-East bias

04
Accretive asset management opportunities including leisure, residential, medical and office uses

05
Snozone leisure venues, dominant in their sector

3

17&Central, Walthamstow

- Leasehold covered shopping centre on two floors
- 290,000 sq ft
- 67 lettable units
- Principal occupiers: Lidl, Asda, Boots, The Gym, TK Maxx, Sports Direct

4

The Marlowes, Hemel Hempstead

- Freehold covered shopping centre and high street parade
- 320,000 sq ft
- 89 lettable units
- Principal occupiers: Sports Direct, Pure Gym, Wilko, Tesco Express

5

The Mall, Wood Green

- Freehold partially open shopping centre on two floors
- 630,000 sq ft
- 106 lettable units
- Principal occupiers: Primark, Lidl, H&M, Boots, TK Maxx, Travelodge, Cineworld

6

Snozone Leisure Business

- 100% subsidiary
- Largest indoor ski slope operator in the UK
- Operating at Milton Keynes, Yorkshire and in Snozone Madrid
- In existence since 2000 and has taught over 4 million people to ski or snowboard

7

Kingfisher Shopping Centre, Redditch

- C&R acts as Property & Asset Manager
- Freehold covered shopping centre on two principal trading levels
- 900,000 sq ft
- 174 lettable units
- Principal occupiers: The Range, Primark, Next, TK Maxx, Vue Cinema, H&M

Portfolio Statistics

Total sq ft
2.0m sq ft

Average dwell time
71 minutes

Total number of retail units
441

Average rent
c.£14 psf

Estimated retail conversion rate
71%

Chairman's Statement

David Hunter
Chairman

In headline terms Capital & Regional delivered a strong performance in 2022, completing a number of initiatives to strengthen its balance sheet and reduce debt, undertaking capital expenditure in line with its community strategy, and improving occupancy.

This positive momentum saw the Company increase Net Rental Income from its Investment Assets by 8.3% to £23.5 million, which led to a 17.0% increase in Adjusted Profit to £10.3 million.

Despite the wider economic backdrop and increases in inflation and interest rates which impacted the commercial property sector, the Company delivered 6.3% growth in NAV to £179 million (31 December 2021: £168 million) and a 1.8% increase in EPRA NTA per share to 103 pence per share, despite a valuation decline in the second half of the year.

After the very obvious challenges of 2020 and 2021, the retail environment facing the Company in 2022 was more nuanced. On the positive side, we saw an end to the pandemic restrictions with all traders open for business and footfall trending back upwards towards 2019 levels. Retail failures were significantly down and rent collection levels much improved. Counteracting the good news, the UK economy faced increasing difficulties from low growth, high inflation and a sharp end to over a decade of very low interest rates accompanying a dramatic fall in consumer confidence.

Despite fears that Christmas 2022 trading would be materially affected by these factors, seasonal retail sales were robust, albeit with volumes slightly below 2019 levels. Footfall for the year in the Company's centres was 27% ahead of 2021 and reached 84% of 2019 levels.

Another notable positive trend during the year was the slowdown in the growth of online retail reflected in challenges faced by a number of online only retailers, coupled with a widespread recognition that an omnichannel offering is an optimum model for retailers.

Based on these trends, the Company enters 2023 optimistic that our business model of Community Centres, meeting the needs of guests for non-discretionary goods and services, is well placed to benefit from a steady recovery in physical retail and weather the current economic headwinds.

Recognising the importance of income to REIT investors, we were pleased to resume the payment of dividends in 2022, supported by the improvements in NRI and Adjusted Profit.

Capital & Regional continued to demonstrate an active approach to portfolio management to ensure it delivers value for its shareholders and to be good stewards of capital, notably:

- The sale of The Mall, Blackburn for a price in excess of its December 2021 valuation.
- The purchase of the outstanding debt on Hemel Hempstead at a significant discount to face value, allowing the property to be restored to the Investment Assets portfolio.
- Signing major lease commitments at Ilford with TK Maxx and the local NHS Health Board, allowing a package of amendments to be agreed on the loan on that asset.
- Completing the sale of the Walthamstow residential development site.

Assisted by these initiatives, the Company's net debt ratio improved over the year from 49% to 41% despite a modest fall in values of 3.6%.

Whilst the market had anticipated that falls in 2020 and 2021 would mark the low point in valuations, steeply falling values in other sectors in the second half of 2022 coupled with an absence of available bank debt continued to impact retail valuations, albeit to a far lesser degree than other real estate sectors.

This also reflected very limited investment comparable transactions and general continuation of negative sentiment. Our view is that following the repricing there is now a very selective buying opportunity in the sector.

The underlying resilience of the leasing market was demonstrated by the Company's success in achieving lease renewals and new leases well ahead of both previous rent and ERV, with the affordability of rents being a key consideration in this. A total of 109 new lettings and renewals were signed in 2022, with an annual rent of £5.4 million and headline occupancy reaching 94% at the year end. Consistent with this, rent collection improved from approximately 93% in 2021 to 97.6% in 2022.

Snozone continued to make strong progress post the pandemic with overall revenues up 35% and with Madrid in particular growing by 66% supported by leveraging the UK management platform, improved productivity and full systems integration. The EBITDA contribution improved from £0.8 million in 2021 to £1.4 million in 2022, despite inflation in utility costs.

Although this was a year of recovery, it continued to present many challenges to the Company's management and staff and I should record the Board's appreciation of their exceptional efforts in meeting these and delivering a positive year for Capital & Regional. I should also thank my Board colleagues for their unstinting support.

David Hunter
Chairman

Read more about our Board activity during the year on page 105

Strategic Report
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Strategic Report


NETFLIX
The Photo Expert
VERA
JEWELLERS
GREGGS
MUFFIN BREAK
BAKED
FRESH
EVERY
DAY

Market Backdrop
Macroeconomic trends
Community strategy providing stability & opportunity

Macroeconomic trend	Driving Forces & Insights	Impacts and implications for C&R
Consumer Markets	**Covid-19 Recovery** Social distancing restrictions and working from home continued to impact shopping habits over the first quarter of 2022. While retailers were quick to re-open after the easing of lockdown in 2021, the recovery to normalised trading has taken time and consumer shopping and spending patterns have changed, in some part due to the persistence of hybrid working models, combined with continued unease in some areas of the population. Nonetheless, overall spending has proved to be robust, with many occupiers now trading at or above pre-pandemic levels. **Cost of Living** Global economic pressures increased as the year progressed with supply chain issues and the war in Ukraine particularly driving up pricing pressures on food and utility costs. These inflationary pressures saw the headline CPI index increase to 10.5% at the year end and a central bank response, which was also influenced by the mini-budget in September 2022, driving up interest rates from their historic low levels to 3.5% by the year end. In combination, these factors have placed increased financial burden on household budgets as we ended the year and entered 2023, although there were emerging signs as we started 2023 that we are at, or approaching, the peaks of inflation and interest rates. The personal saving levels built up through Covid-19 has helped to provide some cushion for consumers to absorb price increases, and despite interest rate rises affecting mortgage rates, many households have continued to benefit from locked in fixed interest arrangements. **Employment** Rates of employment have continued to remain high, with job vacancy rates at the end of 2022 standing at 1.13m, particularly affecting hospitality and leisure. Average national wage growth over the year stood at 5.9 %, tracking at below inflation levels. Public sector strikes over pay have been commonplace over the second half of 2022 and into 2023 as the government has sought to resist pay demands as it looks to bring inflation back down to long-term targets. The effects of changes to working patterns is also influencing community dynamics. Movement of people across the day has shifted from the historic 9-5, Monday-Friday working patterns, with towns having to adapt to a changing set of needs and wants from their communities.	Cost of living pressures are causing consumers to move down the retail pricing architecture, most obviously illustrated through the continued growth of the discount supermarkets. This requires alignment of goods and service provision to reflect a community's spending dynamic and an ability to flex creatively. Changing dynamics of how communities live, work and spend their leisure time requires continued evolution of the mix of shops and service provision and how and when they operate to remain relevant and aligned to visiting guest's needs. Inflationary pressures feed through to shopping centre operational running costs, particularly the impact of wage inflation and utility costs, impacting occupier profitability and unit affordability. Retail and leisure occupiers are focused on their occupational cost base, often seeking to secure cost certainty through passing risk onto owners.

Our Response

Our community merchandising strategy is focused on everyday needs and services, anchored, where possible, by supermarket/grocery offers. Our centres' mix of goods and services are typically more resilient to changing economic trends and ensure we are relevant to the needs of our communities.

We typically serve a core 15-minute neighbourhood. In an economic environment where fuel prices have materially increased, our centres provide easy and affordable accessibility to our visitors through a range of transport modes.

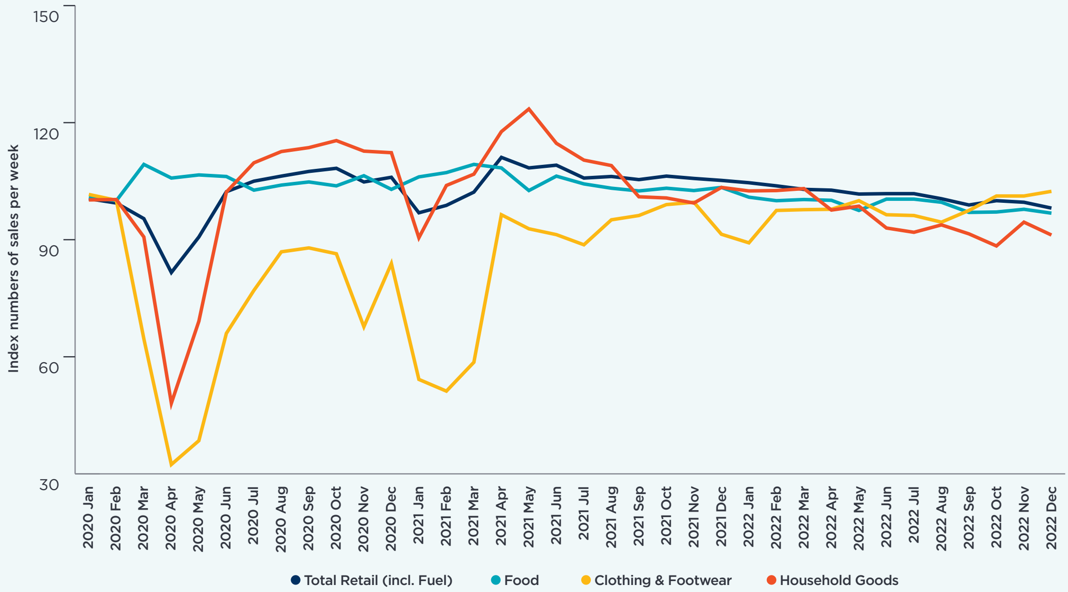
Our low average rents at circa £14 psf continue to provide a low cost of occupation for our occupiers to trade profitably. In an environment where occupiers are facing rising supply chain cost pressures, these occupational fundamentals are increasingly relevant.

We continually look to operate our centres in a cost-effective manner, with our portfolio service charge decreasing by 2.4% since 2017. We have taken out operational costs through investment in more energy efficient methods of operation (e.g. LED lighting, reduced water consumption) and by simplifying our operating environments through, for example, reductions in passenger lifts or rationalising M&E plant.

Our occupational mix continues to evolve with our community. The introduction of NHS medical diagnostic facilities is one example of broadening our services, while satisfying a local authority need, creating more efficient linked trips for our visitors in one location and new trips, which provide the opportunity to drive greater sales across our wider community mix of uses.

Data Insight

KPSA - Retail Sales Index: Chained Volume of Retail Sales Seasonally Adjusted



Market Backdrop CONTINUED

Macroeconomic trend	Driving Forces & Insights	Impacts and implications for C&R
Investment Markets	**Interest Rates** The increase in base rates from the historic low of 0.5% to 3.5% at the year end, has led to a material downward repricing and resetting of asset values across all core real estate sectors over the second half of 2022, relative to the perceived risk-free rate. Sectors, such as logistics, which have seen significant yield compression over recent years, have witnessed the most aggressive repricing, in response to the base rate level expanding beyond benchmark asset yields. Shopping centre values have not been immune to downward adjustment, as markets look to maintain asset class relativity. However, with retail yields already representing a significant discount to other asset classes, the impact of repositioning has been less harsh, helping to deliver relative sector outperformance over the year. **Debt Availability** Debt availability across the shopping centre sector remains limited, as lenders continue to work out existing loan default situations and remain reluctant to write new loans, while perceived uncertainty remains around retailer stability and robustness of retail income. Transaction values and volumes have been adversely impacted as a consequence, with wider macroeconomic factors leading to a smaller, more opportunistic equity buyer pool, investing on a simple yield dynamic, as opposed to total return investment. **Transactions** 2022 was a year of two halves. A strong first half of the year, with buoyant market interest and transactional execution, reversed over the second half of the year, which saw sales processes stalling and a reduction of stock coming to the market as wider economic uncertainty took hold. Total shopping centre transaction volumes over 2022 ended at £1.9 billion out of a total retail sector volume of £5.8 billion, with 59 transactions completed. Average transaction values at £24 million have edged upwards continuing the trend seen in 2021. Institutions remained significant divestors over the year, together with lenders sitting on loan default positions, who have more proactively led consensual sale processes with Sponsors. Buyers tend to be opportunistic, with significant cash firepower, generally inexperienced in the shopping centre sector, but attracted by the material yield differential to other asset classes, rather than the opportunity to invest in shopping centres per se. Investors and pricing dynamics are increasingly influenced by capital requirements to re-lease or repurpose floor space and the expected ongoing maintenance and ESG obligations.	Risks to asset values are greater in an environment where the buyer pool is opportunistic in nature and where return hurdles have to be achieved in the absence of debt leverage. Availability of debt will affect refinancing strategies for existing assets and new acquisition strategies. Loan to Value profiles will also have a bearing on refinancing abilities. Environmental considerations and specifically expenditure required to meet future compliance targets is becoming a more explicit pricing consideration. Our valuers look carefully at the sustainability of our centre income and the potential to maintain and grow income. The ability to demonstrate stable income and the profitable remerchandising or repurposing of floor space are essential components in defending and differentiating valuations.

Our Response

Through the sale of The Mall, Blackburn, we have repositioned our portfolio with a valuation and geographic weighting toward London, which has consistently delivered more stability in valuations and income and provided greater opportunity for asset management enhancements.

In repositioning our asset base, we have also proactively managed our balance sheet, taking advantage of a more buoyant investment market during the first half of 2022 to dispose of The Mall, Blackburn. This transaction allowed us to recycle proceeds from a weaker community asset and repatriate debt, bringing down group leverage.

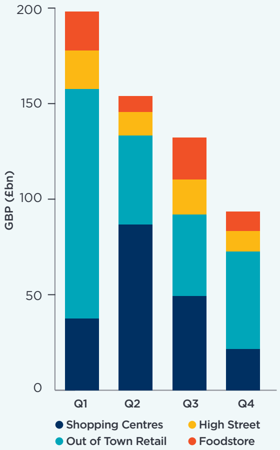
We proactively manage our non-recourse loan facilities, with no facility expiries falling due within the near term, which we expect will allow us to navigate the current economic cyclical challenges.

We continue to demonstrate the potential to create and unlock value from our assets. Securing planning and new extended headleases to facilitate a mixed use extension in Walthamstow allowed us to create a residential site and generate a £21.65m land receipt from a Build to Rent developer / investor. In Ilford, we are midway through the reconfiguration and re-merchandising of the former Debenhams department store, and in parallel we are re-purposing secondary retail and mall space to create a new NHS Community Health Care Central, securing long-term indexed income that replaces previous long-term vacancy.

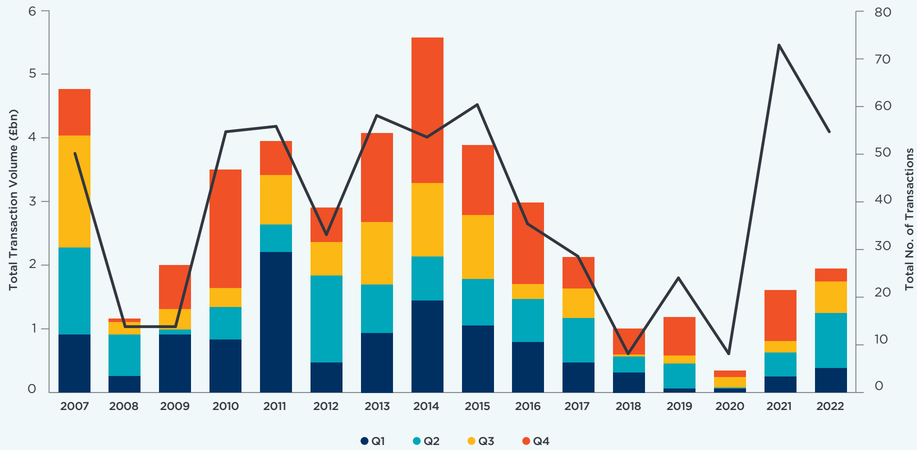
We have a focused and structured approach to planned preventative maintenance and environmental improvements. Our service charge budgets are supported by and incorporate ten-year planned preventative maintenance programmes of repair and renewal, which seek to deliver environmental enhancements. These programmes are complemented by our capital expenditure programmes, which provide options to deliver environmental enhancements both directly and indirectly.

Data Insight

UK Retail Transactions - FY22



Shopping Centre Transactions - FY22



Strategic Report

Market Backdrop CONTINUED

Macroeconomic trend	Driving Forces & Insights	Impacts and implications for C&R
Occupational Markets	**Online Impact** The peaks of online penetration seen at the height of lockdown at around 37% have continued to recede throughout 2022 settling to around 25% at the start of 2023. While this remains higher than pre-pandemic levels, growth trends have settled and there are emerging signs of online market maturity across different sectors. Food retailing online penetration remains relatively weak at sub-10% and there are increasing signs of profitability challenges amongst pure play online operators. The Covid-19 lockdowns provided a true test bed for retailers of the importance of the physical store to their overall retail proposition, through the benefits and overall trading impact of click and collect, browsing and returns flexibility, and a recognition of the relative profitability, and contribution to profitability, of physical stores within a multi-channel retailing proposition. **Insolvency** Distress amongst retail occupiers was limited across the year with 22 companies accounting for 1,678 stores failing during the year, continuing the trend seen in 2021. While there are concerns that cost of living impacts will put pressure on consumer spending and retailer sales, which is likely to lead to other failures, there is equally reason for optimism that the structural changes seen in physical retail over the last decade and the more recent impact of Covid-19 has resulted in the survival of the fittest, with the emerging retail base reflecting a far better capitalised retail base to navigate the current economic cycle. The greater trading pressures have been seen from the pure play online businesses, with failures including Misguided, Eve Sleep and Made.com and profit warnings from a number of major online players. **Business Rates** Covid-19 business rates reliefs over 2022 provided continued support to retail and leisure occupiers as they re-built balance sheets emerging from Covid-19 restrictions. The publication of the new Rating List that will take effect in April 2023 shows material reductions in Rateable Values and consequent rates payable across the majority of retail and leisure premises. Combined with a freeze on the Uniform Business Rates multiplier and the removal of downward transition phasing, occupiers will see the full benefit of savings from their introduction.	While the impact of online is now stabilising, many retail destinations are now faced with excess retail floorspace. There is a stark divergence between those locations where alternative retail opportunities or profitable re-purposing to different uses are credible, and which, as a consequence, have a secure future; and those locations where there is fundamentally excess floor space, with no alternative use prospects. Clarity of purpose is essential for all retail destinations. Occupiers increasingly recognise the value of destinations with clear functional purpose, be that community everyday needs or regionally dominant comparison centres, and the impact clarity provides to their own trading proposition. Costs of re-merchandising and lost income through the releasing / reconfiguration process can be a material drag on asset performance, requiring a proactive and creative approach to achieve swift releasing. Former department stores / major anchor stores have been the greatest insolvency failures in recent years, requiring creativity to re-merchandise and often requiring capex-hungry reconfiguration. Awareness and knowledge of use beyond retail is essential. Material reductions in business rates, benefitting the majority of retail and leisure occupiers, will provide an immediate and direct benefit to retailer profitability, improving trading resilience. This will provide greater ability to defend rental values and, in areas of maximum competitive tension for floorspace, an opportunity to take some savings through into rent.

Our Response

We continue to re-merchandise towards more resilient everyday retail basics and services and away from more challenged retail categories, where online is a more competitive threat.

We are actively focussed on building our supermarket anchoring as the principal footfall driver and community requirement, providing resilience and relevance to our income and mix. We continue to broaden our mix of uses, with the introduction of medical centres and refreshed and flexible food and leisure concepts.

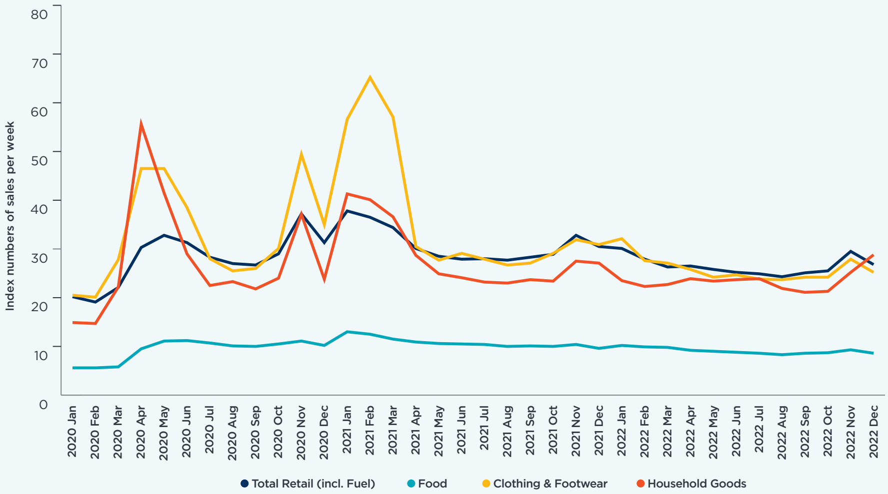
We have successfully re-merchandised the majority of our previous department store anchor spaces, with clear merchandise strategies and business plan targets to address the remaining residual space during the coming year.

We recognise and embrace the importance of multi-channel retail solutions and seek to ensure our centres provide an optimal, low-friction experience to our guests and occupying customers, ensuring our community destinations maintain a strong position in the retail hierarchy.

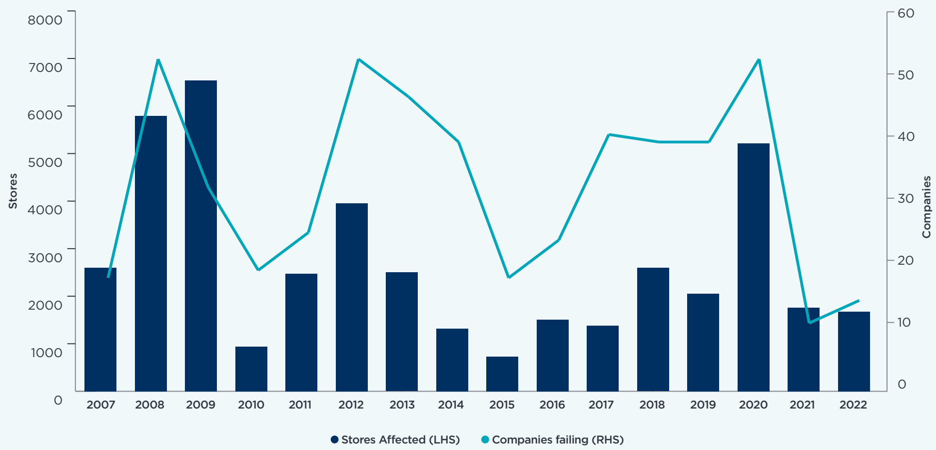
Affordable total cost of occupation remains a key differentiator for our community assets. We have a relentless focus on controlling operational costs and delivering value for money services to our occupational customers. We have been a founding member and active participant of the Shopkeepers' Campaign, which has successfully lobbied for more frequent rates revaluations and the removal of downwards rates transition. This will ensure our retail and leisure customers see the full and immediate benefit of significant rates reductions from the start of the April 2023 rating list. Our occupiers will see an average reduction in business rates across most centres of between 30-35%, delivering direct occupational cost savings to our occupiers.

Data Insight

ISCPNSA3 - Internet Sales: Value Non-seasonally Adjusted Internet Sales As A Proportion of All Retailing



Retail Failures 2007 - 2022YTD



Strategic Report

Business Model

We pride ourselves on being experts in Community shopping and our strength is in repositioning, managing and acquiring these types of centres.

Key resources

01

Experienced and agile management

Through our expert management platform, we seek to generate and grow sustainable income and drive capital value growth by combining active asset management with operational excellence.

02

Strong capital structure

We have continued to prioritise the preservation of cash. Each asset is held in order to generate sustainable income growth. When asset masterplans have been successfully executed and future returns are expected to become less accretive, we actively seek opportunities to recycle capital to allow us to reinvest into assets with greater growth potential.

03

Close relationships with communities

The utilisation of partnerships with research/benchmarking firms like CACI, alongside input from centre teams with regular engagement with retailers and local communities ensure our relevance to the communities in which we operate.

04

Diversified income streams

The ability to evolve the Community proposition offer and to accelerate remerchandising into the shift from discretionary to non-discretionary retail and services.

Key activities

Assess product offering
against local community needs and expectations

Establish strategic
and comprehensive 3–5 year asset masterplans for each centre

Engage specialist teams
to ensure accelerated delivery with focus on optimal performance

Post-implementation reviews
to refine processes and to inform future decision-making

Our community centre approach

is embedded into our Key Activities and our ESG commitment.

Our culture underpinned by our values:

Inspiring **Creative** thinking

Encouraging **Collaborative** engagement

Identify the right assets

Community shopping centres are our core strength. Assets that typically meet our potential investment criteria are those that are underperforming in their catchment but have significant asset management opportunities.

Underpinned by our ESG focus and our values.

Our environment

Our people

Our community

Read more about our ESG focus on pages 56–89

Value for Stakeholders

Shareholders

By investing in diversified income streams and maintaining close links to our communities, we look to drive long-term sustainable growth which will result in sustained shareholder return through dividend payments. As a UK REIT, this is an essential component.

Retailer Customers and Occupiers

We bring value to our stakeholders through leveraging our experienced management platform coupled with frequent, repeat footfall, high conversion rates and affordable occupier costs.

Our Employees

Capital & Regional strives for a culture that is performance led and this is done by creating a dynamic and positive work environment. We ensure our staff have the opportunity to achieve the best from their careers and allow for continuous development and training opportunities.

Communities and Guests

Ultimately, our business model provides attractive retail and leisure environments, which are consistently evolving to enhance our guests' experience. We are passionate about creating vibrant community hubs for our guests which also support local employment opportunities.

Our Suppliers

We work with a wide range of suppliers over the long term in order to make our business stronger and deliver a competitive edge.

Acting with **Integrity**

Delivering **Dynamic** solutions

Leading in **Sustainability** within our communities

Strategy
Long term strategy

The importance of our centres in the local communities has become increasingly apparent over the course of the last two years.

Despite the difficulties that came with Covid-19 and the current cost of living crisis, our centres' positions within the community have remained resilient. This further strengthens our confidence in our overarching community-centric strategy.

Define
Define and own the community shopping centre category in the UK guided by consumer insight and consistent with global best practice.

Focus
We have focused our business and resources around repositioning and re-purposing spaces to incorporate new stores and uses that reflect the demands of the communities that we serve.

Position
Our assets sit at the heart of their local communities. Typically located adjacent to local transport hubs enabling easy access via public transport as well as available car parking.

Enhance
The right offer drives footfall and dwell time, boosting retailer sales and thus increasing the demand, improving rental income, property values and consequently revenue and shareholder returns.

Our vision
We define and lead community shopping centres, through our passionate creation of vibrant retail spaces and exceptional customer and guest experience.

To develop and deliver dynamic community spaces that sit at the core of each town centre, we aim to be more than just a shopping centre. We pride ourselves on fully integrating our centres into the local community and provide a mix of everyday services and facilities to satisfy the evolving community needs.

Strategic Report

Our People

Brenda joined Capital & Regional as Operations Manager at The Mall, Wood Green in May 2022. Previously Brenda had enjoyed a successful 36-year career with Debenhams. Brenda spent much of her time with Debenhams within the food industry managing multiple restaurants covering the Southeast of England including the flagship Oxford Street store.

Having worked at Wood Green since 2019 as a Soft Services Manager for Bidvest Noonan, our cleaning and security contractor, Brenda was able to begin to showcase her passion for the local community and businesses, which played a key part in driving her to achieve operational excellence.

Brenda's industry experience plays a vital part in helping to drive C&R company values especially through communicating with our people, customers and guests.

Being part of the Wood Green team is a great opportunity for Brenda to develop her skills and demonstrate her expertise; her wealth of knowledge and experience has been central to building relationships with our retail customers and ensuring our guests have the best experience possible when visiting The Mall.

Brenda Wallen
Operations Manager
The Mall Wood Green

Define

Overview:

We define and assess our community shopping centre offer across three key aspects:

- Physical attributes including the location, size and dominance of the centre and its accessibility in terms of local transport links and parking provision.
- Products and services including the retail mix, the provision of grocery, leisure and service offerings and the quality of facilities.
- Differentiation of our centres to stand out as more than just a retail destination which would include the strength of community links, how well-tailored the offer is to each of our guests, how it contributes and measures on sustainability and in being a local employer of choice.

Progress:

2022 was a busy year for the business. The sale of Blackburn, the completion of the Walthamstow residential receipt, the acquisition of the Hemel Hempstead debt at a significant discount, de-consolidation of Luton and amendments agreed to the Ilford loan facility have enabled the business to now focus on further re-merchandising and investment in its portfolio.

The significant reduction in debt levels and more stabilised operating environment have enabled us to commit to investing in our portfolio through a small number of key capex projects which will further enhance the merchandising mix in our centres and deliver a significant uplift in income.

Future focus:

Expand the portfolio through specific acquisitions of assets that closely align with our community strategy.

Further enhance our centres by focusing on the five core pillars of our defined winning tenant mix. These pillars are:

- Selected national brands
- Grocery
- Health & wellness
- Quick service restaurants
- Fashion

We aim to create valuable physical spaces for both customers and guests to reliably serve the community needs, providing convenient low- friction fulfilment and delivering high customer engagement.

Focus

Overview:

Our centres are at the heart of what we do. Our business and resources are focused on enabling the strong management platform and operational structure to facilitate timely, responsive and optimal decision-making in the delivery of our overarching community centre strategy.

Progress:

The implementation and development of key systems in the finance and property investment departments that had started in 2020, continued through 2022. The investment in technology has helped drive efficiencies in the production of key management information enhancing productivity and enabling more informed decision making and greater speed of execution. We're investing in our leasing capability and bringing different skill sets into our business to assist. We are recruiting individuals from non-traditional real estate backgrounds, and they are actively out on the ground in our local trade areas, sourcing retailers that fit with our research and data-driven knowledge of our local communities.

Future focus:

Our people and systems are the backbone of the business. We are constantly assessing areas for investment in our in-house management platform, our people, our systems and data insight as this remains essential to the successful delivery and growth of our community strategy.

Position

Overview:

We believe retailers and communities are clear in their expectations for what they want to see from their Community Centres with a strong mix of everyday essentials including:

- Grocery, pharmacy and general merchandise;
- Catering options covering express food, great coffee and casual dining; Personal services including health, beauty, dry cleaners, shoe repairs; and
- Everyday value fashion, children's wear and leisure.

We aim for our centres to be the first port of call for local residents when it comes to their shopping needs, therefore making their experiences convenient and enjoyable is vital.

Progress:

We have made progress this year by continuing to evolve the balance of our shopping centres through active re-merchandising. The focus for 2022 has been to reconfigure existing space ensuring any new customers complement the needs of the local community.

We have seen a considerable increase within the health and beauty sector of our centres, with the opening of the new diagnostics centre at Wood Green and the signing of an agreement for lease for the new NHS Community Health Centre in Ilford. We also have market leaders in the pharmacy sector amongst our top occupiers. This continues to make health and beauty one of our largest and growing income sectors.

We have completed a number of lettings in the "Grab and Go" food space with options relevant to the local community.

Further highlights include:

- An agreement for lease was signed in December 2022 with local operator, CRATE to run the new 16,000 sq ft Food Hall at 17&Central in Walthamstow. It is due to open in late summer 2023.
- Construction has commenced on the new 'Bridgelink' food court at Wood Green.

Future focus:

Our leasing focus continues to align with our community merchandising pillars.

Our ongoing focus is to deliver remerchandising and repositioning opportunities by reducing our portfolio exposure to at-risk categories, such as fashion and department stores. We are concentrating on repurposing these spaces to incorporate new stores that are more suited for community use.

We believe in growing the next generation of retailers and are proud of the support and guidance we are able to provide through our investments. By working with these retailers, we are encouraged to think and operate differently. A good demonstration of this at work is through the design & operational support we provide to small local retailers that occupy temporary kiosks within our centres. Another great example of this is the CRATE project at 17&Central where we have provided guidance and expertise to ensure the retailers are ahead of the curve in their environmental, social and governance credentials.

We will continue to be mindful of the projects we plan for investment, balancing prudent capital management with commitments to those projects that will deliver optimal performance.

Enhance

Overview:

The right offer drives footfall and dwell time, boosting retailer sales and thus increasing the leasing demand, improving rental income, property values and consequently revenue and shareholder returns.

Progress:

We have continued to work with our existing portfolio to realise potential sales and recycle the resultant capital into redevelopment initiatives across the schemes.

2022 highlights include:

- The exchange and completion of the sale of The Mall, Blackburn.
- Redefining food catering in community shopping centres through projects such as CRATE and Bridgelink.
- The comprehensive masterplan for redeveloping the Exchange in Ilford. This is expected to deliver key improvements to the net operating income and overall merchandising mix and customer proposition.

Future focus:

Our people and resources are critical to the delivery of our community shopping centre strategy. We will aim to maximise the value of our assets through capital expenditure investment programmes planned to deliver a capital return over and above the income enhancement. This will put the Group in a position to proactively respond and grow as the market stabilises.

Strategy in Action
Health Care and Medical Services

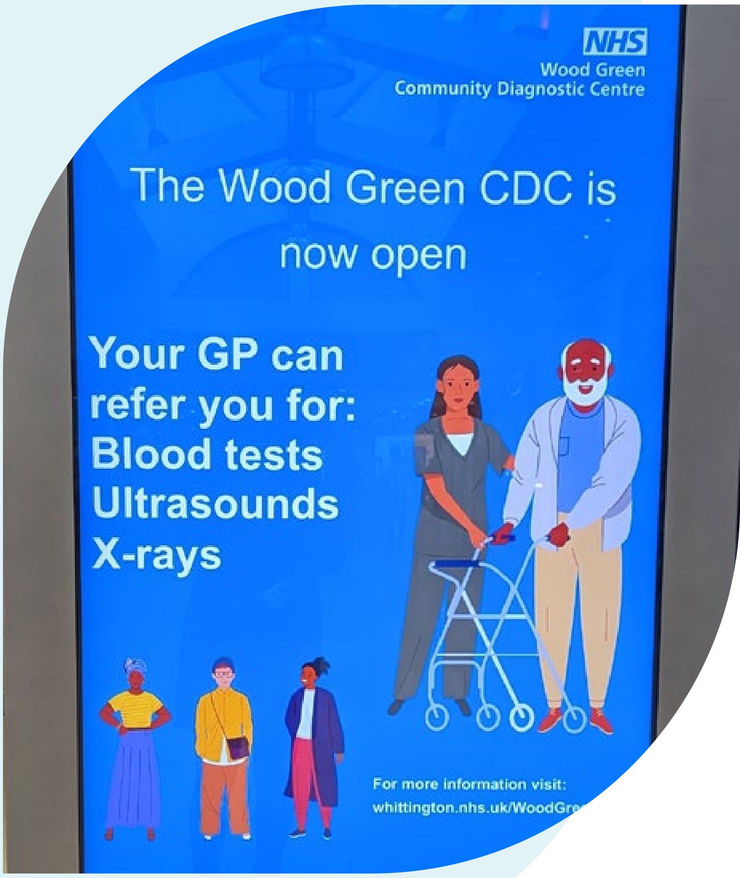
Enhancing the health & wellbeing options with the NHS

The NHS Community Diagnostic Centre (CDC) opened its doors in October 2022 at The Mall, Wood Green.

As part of the UK Government's rollout to combat the Covid-19 backlogs, these community centres are key to getting people diagnosed quicker.

Providing access to life-saving medical services, they are a one-stop shop in the community for checks, scans and tests including ultrasounds, X-rays, blood tests and an eye clinic. Bringing these services to the doorstep of our residents fundamentally contributes to enhancing our needs-based retail offer.

With further plans to expand the NHS CDC into a phase 2 at The Mall, Wood Green as well as exploring similar concepts to be rolled out in our other centres such as Exchange, Ilford.



Ilford Community Healthcare centre

In May 2022 we signed an agreement for a 25 year indexed lease with the local NHS trust for a new community healthcare facility at our Ilford Exchange, shopping centre.

The 20,000 sq ft facility will be on the top floor of the centre helping drive footfall traffic to and throughout the centre. As well as providing a new community anchor use it presents opportunities to merchandise around the centre with complimentary health offers.

Planning permission was obtained in October 2022 and construction commenced on site in early 2023 ahead of a planned opening in summer 2024.

Food catering

Enhancing Food catering options in 17&Central & Wood Green

We have recognised the need for more interactive spaces and accommodating food options for our communities in Walthamstow and Wood Green.

In conjunction with this we have identified the growing popularity of the Food Hall concept and how this can contribute to a vibrant community atmosphere.

The CRATE project at 17&Central, Walthamstow, is expected to open in July 2023. CRATE was selected amongst several different offers from similar operators due to their established ties to the community as well as their ethos of offering start-ups, small and growing businesses the opportunity to expand. The relocation of CRATE from an existing property in Walthamstow into 17&Central will bring a loyal and proven guest base from local residents.

The aim of our centres is to create a hub for the local residents, and the concept of a communal dining space with diverse food options and a leisure & entertainment offer perfectly aligns with our strategy.

Bridgelink Wood Green

The Bridgelink project is the latest development of the first floor at The Mall, Wood Green.

Formally an empty bridge space, our plans are to create six street-eats style kiosk units totalling 1,200 sq ft.

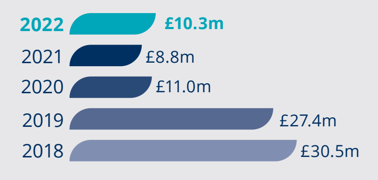
The area includes communal seating, serving to fulfil the demands for increased food and beverage options within Wood Green.

Planned operators include a Thai, Indian, Middle Eastern, American and Japanese street-food offers, with unique branding, design and menus.

The project is targeting an opening date of May 2023.

Key Performance Indicators
Financial

Adjusted profit[1,2]



Why we use this as an indicator
Adjusted Profit seeks to track the recurring profits of the business which is the key driver for dividend payments.

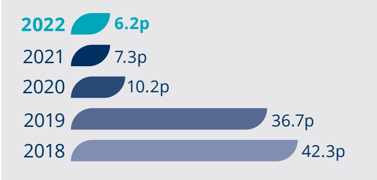
How this links to our strategy
We target delivering a strong and sustainable income return.

Progress during the year
The improvement in Adjusted Profit of £1.5 million or 17.0% reflects the improved operational performance of the business in its recovery from the impact of Covid-19. Occupancy, car parking income and rent collection metrics all improved over the year and Snozone's EBITDA contribution also improved by £0.6 million reflecting a more normalised trading year.

Link to strategy
Enhance

Link to risks
2 9

Adjusted profit per share[1,2]



Why we use this as an indicator
Adjusted Profit seeks to track the recurring profits of the business which is the key driver for dividend payments. Assessing this on a per share basis reflects both underlying profitability and any changes in the Group's shareholding structure such as the raising of new equity.

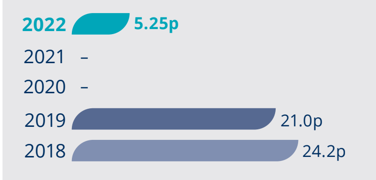
How this links to our strategy
We target delivering a strong and sustainable income return.

Progress during the year
Adjusted Profit per share decreased by 1.1p. This was a result of the dilutive impact of the £30 million share issue completed in November 2021 partially offset by the improvement in Adjusted Profit.

Link to strategy
Enhance

Link to risks
2 9

Dividend per share



Why we use this as an indicator
This is the cash return to be delivered to investors in respect of the year under review.

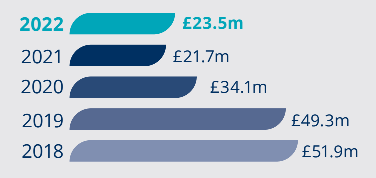
How this links to our strategy
Dividends are a key element of shareholder returns. We aim to preserve strong income return to shareholders and meet our requirements under the REIT regime, balanced with managing cash within the business to fund investment in capital expenditure and mitigate the impact on leverage.

Progress during the year
Reflecting the stabilisation of operating and investment markets from the impacts of Covid-19, the substantial progress made in reducing debt levels and the Board's confidence in the future prospects, the Group resumed dividend payments during 2022. Subject to shareholder approval at the AGM the Group is proposing a final dividend of 2.75p per share resulting in a total dividend for the year of 5.25p per share.

Link to strategy
Enhance

Link to risks
2 4 9

Net rental income[2]



Why we use this as an indicator

This is the key driver of Adjusted Profit.

How this links to our strategy

Net Rental Income is the most critical component of our Adjusted Profit and the source for maintaining a strong and sustainable income return.

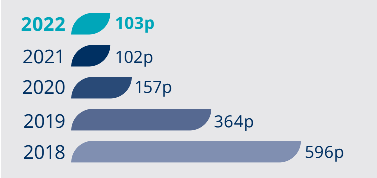
Progress during the year

Net Rental Income improved by 8.3% to £23.5 million reflecting the improved operational performance of the business in its recovery from the impact of Covid-19 with higher occupancy, car parking income and rent collection all contributing to the increase.

Link to strategy
Position & Focus

Link to risks
2 6 9

EPRA net tangible assets per share



Why we use this as an indicator

This is a measure of the movement in the underlying value of assets and liabilities underpinning the value of a share.

How this links to our strategy

We aim to maximise the value of our assets. Our capital expenditure investment programme is planned to deliver a capital return over and above the income enhancement.

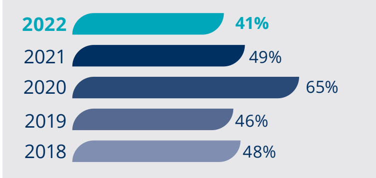
Progress during the year

EPRA NTA increased by 1p on 2021. This reflected the net impact of the Adjusted Profit for the year, the gains recognised from the discounted debt purchase on Hemel Hempstead and deconsolidation of Luton offset by a revaluation loss driven by the general expansion in property yields across all property sectors in the second half of 2022.

Link to strategy
Position & Enhance

Link to risks
1 2

Net debt to property value



Why we use this as an indicator

We aim to manage our balance sheet effectively with the appropriate level of gearing.

How this links to our strategy

Having the appropriate level of gearing is important to effectively manage our business through the property cycle.

Progress during the year

Net debt to property value decreased significantly in the year from 49% to 41%, despite a 3.6% fall in valuations. The improvement was driven primarily by the £40 million sale of The Mall, Blackburn and the realisation of the £21.65 million residential receipt on Walthamstow which were used to reduce the debt outstanding on The Mall.

Link to strategy
Enhance

Link to risks
1 2 3

Key

1 Property investment Market Risks
2 Impact of the Economic Environment
3 Treasury Risk
4 Tax and Regulatory Risks
5 People & Skills
6 Development Risk
7 Business Disruption from a Major Incident
8 Environmental, Social & Governance
9 Customers & Changing Consumer Trends
10 IT & Cyber Security
11 Climate Related
12 Health & Safety

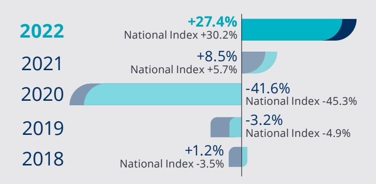
Notes

1. Adjusted Profit, Adjusted Earnings per share, Net Rental Income, Net Debt and the Snozone EBITDA metric are as defined in the Glossary. Adjusted Profit incorporates profits from operating activities and excludes revaluation of properties and financial instruments, gains or losses on disposal, and other non-operational items. A reconciliation to the equivalent EPRA and statutory measures is provided in Note 9 to the condensed financial statements.
2. 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions due to an IASB IFRS interpretation issued in October 2022 as detailed in Note 1 to the condensed financial statements. The amendment stipulates that losses which were incurred on granting rent concessions, which for the Group occurred during the Covid-19 pandemic, should be charged to the income statement in the year they are granted. 2021 revenue has also been impacted by the reclassification of Luton as a Discontinued Operation. The combined impacts of the restatements have reduced 2021 Revenue by £15.4 million, increased 2021 Adjusted Profit by £0.7 million and increased IFRS profit for the year by £2.3 million. The Adjusted Profit for 2022 is £0.3 million higher than it would have been without the adjustment to rent concessions.

Key Performance Indicators CONTINUED

Non-Financial

Footfall



Why we use this as an indicator

Footfall is an important measure of a centre's popularity with guests. Occupiers use this measure as a key part of their decision-making process.

How this links to our strategy

Footfall performance provides an indication of the relevance and attractiveness of our centres, influencing occupier demand and future letting performance.

Progress during the year

Footfall across portfolio during 2022 was 27.4% higher than in 2021. Footfall showed a general trend of an improving recovery to pre-pandemic levels with the whole year representing levels equivalent to 84.3% of 2019, compared to 79% for the first six months.

Link to strategy
Define & Position

Link to risks
2 9

Occupancy

Why we use this as an indicator

We aim to optimise the occupancy of our centres as attracting and retaining the right mix of occupiers will enhance the trading environment.

How this links to our strategy

Occupancy has a direct impact on the profitability of our schemes and also influences footfall and occupier demand.

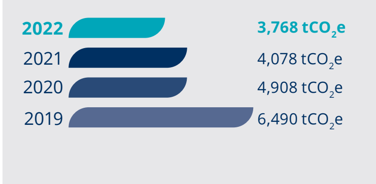
Progress during the year

Occupancy at 94.1% increased by 1.4% from 30 December 2021 with one of the main drivers being the inclusion of the NHS medical centre at Ilford following receipt of planning permission in October 2022.

Link to strategy
Define & Position

Link to risks
2 5 9

Total Scope 1 & Scope 2 tCO_2e[1]



Why we use this as an indicator

Total Carbon Emissions is a key measure to ensure we are minimising the negative impact of our assets on the environment.

How this links to our strategy

In order to truly embody our ESG values it's imperative that we lead in sustainability within our communities. Continuing to reduce our carbon emissions plays an integral role in this and assists us in our progress toward our goal of net zero by 2040.

Progress during the year

We reduced our carbon emissions across the UK portfolio by 42% in 2022 compared to 2019 figures. One of the main drivers of this is a steady reduction in energy consumption through targeted reduction of gas usage across the assets, initiatives to reduce electricity use and the implementation of solar panels.

Link to strategy
Define & Position

Link to risks
2 8

Key

1. Property investment Market Risks
2. Impact of the Economic Environment
3. Treasury Risk
4. Tax and Regulatory Risks
5. People & Skills
6. Development Risk
7. Business Disruption from a Major Incident
8. Environmental, Social & Governance
9. Customers & Changing Consumer Trends
10. IT & Cyber Security
11. Climate Related
12. Health & Safety

Notes

1. These figures are in relation to UK-based assets only

Our People

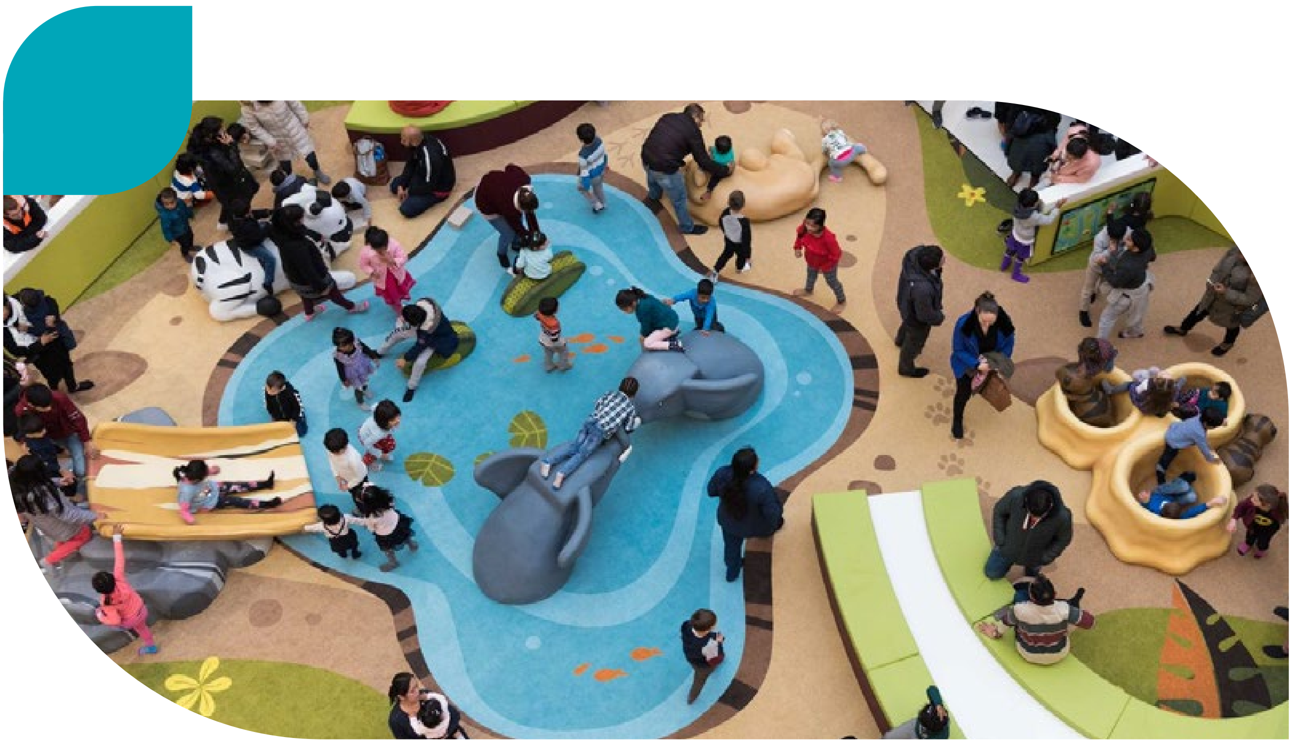
Gavin joined the business as a General Manager in May 2020, following a successful career with multiple fashion retailers in London's West End, including managing the former flagship Topshop store at Oxford Circus, plus time overseeing key stores for New Look and Debenhams.

Gavin's passion is people; either supporting their development and success as part of his team or ensuring that all guests have the best possible experience when they visit. He demonstrates these characteristics proficiently as the General Manager of both The Mall, Maidstone and 17&Central.

Gavin utilises all his previous experience within the retail sector along with the new C&R company leadership training programmes to support his two centres, their guests and teams through exciting periods of re-development. Rather than running as shopping malls, Gavin views the centres as one large department store, working towards creating a vibrant and unified space for the community.

As a member of the ESG sub-committee Gavin focuses on building strong relationships with the local residents, retailers and borough council. This is to ensure that the centres continue to implement sustainable practices, reduce waste and play an integral part in the wider community helping to reduce our overall impact on the environment.

Gavin Cockayne
General Manager
The Mall Maidstone
& 17&Central



Chief Executive's Review

Lawrence Hutchings
Chief Executive

The return to physical retailing by consumers, communities and retailers has been faster and more comprehensive than many retailers and analysts had envisaged.

I would like to start by echoing the Chairman's comments about the positive progress made across all aspects of the Group over the course of 2022, which have led to this strong set of results underpinned by further improvements at an operating level driven by demand-led growth in rental income.

In writing this statement I felt compelled to look back over 2022 with the realisation it was a year of two halves, and how challenging the second half has been for both UK plc and the global economy. It is easy to forget that we were still in varying forms of Covid-19 restrictions in the first quarter of 2022. These had a significant impact on our operations, albeit through the restrictions in 2020 and 2021 our teams had learnt how to support our communities, with providing safe access to our essential goods and services, and each other alongside protecting our business through the varying disruptions.

During the second quarter of 2022, we witnessed a sense of optimism throughout the retail sector after two years of significant disruption and an acceleration in the long cycle structural changes driven by technology, specifically online retailing. The restrictions on physical retail forcing retailers and consumers online through a closure of all but essential stores had provided the catalyst to test the role of the physical store in the distribution of goods and services. I am pleased to say that the market is now starting to once again appreciate the critical role that the physical store plays, a vital and expanding function in what remains one of the largest sectors of the UK economy. We have seen first-hand the renewed focus on the physical store with better leasing and occupancy outcomes throughout 2022 across our portfolio of community centres.

The impact of a maturing in online migration is very significant to the future of physical retailing and accordingly to our business and community centre strategy. The return to physical retailing by consumers, communities and retailers has been faster and more comprehensive than many retailers and analysts had envisaged. We believe the future of retailing will be a seamless, omnichannel ecosystem where the store plays a vital role in selling goods and services, facilitating, and lowering the cost of last mile, forward and return logistics and in the acquisition of new customers. The continued evolution of the physical store is positive for our community centre strategy which envisaged the challenges of online disruption when it was launched in December 2017. Encouragingly our retailer tenants often tell us that our stores are some of the most profitable in their operations, particularly in an era where the operational cost of online is increasing. The recent review of rateable values will also see our retailers benefit from significant savings in business rates payable from April 2023 with the typical reduction at our centres around 30%-35%.

In locations where we are most progressed with delivering our community strategy, including Wood Green and Walthamstow in London, we are seeing the greatest benefits to our stakeholders with a recovery in footfall, and occupancy as well as encouraging leasing outcomes which are driving growth in rental income. We have also seen a good recovery from our Snozone business with an EBITDA contribution of £1.4 million (2021: £0.8 million) reflecting a more normalised trading year and significant progress in our Snozone Madrid operation that was acquired in February 2021.

These factors and the hard work of our teams supported a recovery in our operational business, together with the stability in our balance sheet that our 'Refocus, Restructure and Recapitalise' transaction provided. The culmination of these actions has enabled us to reinstate our dividend after more than two years and we are pleased to be a fully functioning Real Estate Investment Trust once again.

Following the ongoing tragic events in Ukraine, and wider global cost-of-living and inflationary pressures, we witnessed a rapid unravelling of quantitative easing by central banks in the second half of 2022. This created further uncertainty for the sector with the prospect of higher energy and food costs impacting consumer confidence and spending. To date, the UK Consumer has proven more resilient than many forecasts or indices have suggested. This was evidenced in a more resilient performance over the key Christmas trading period, relative to media and industry predictions. Nonetheless, we remain vigilant and cautious of the impact of inflationary pressures as we look to accelerate the roll out of our community strategy through active repositioning of our centres via the deployment of our capex programme. Replacing discretionary retail with essential community centre retailers such as supermarkets and NHS medical centres remains a key income and value driver for the Company.

Our operational focus in the short to medium term is clear: to recover income and value lost over the past two years through increasing occupancy, converting temporary let shops to permanent, delivering the additional income from our capex programme and streamlining our cost base.

We are not immune from the impacts of high inflation or higher interest rates on property valuations. However, following six years of rebasing in rents and valuations we are better positioned than many sectors of the commercial property market with higher yielding, well-let centres in strong growing urban locations, especially in London, which now represents more than 85% of our portfolio by value.

Our commitment to ESG continues and we are very proud of all the work we have undertaken in partnership with over 180 charities in the communities we serve, supporting those most in need. I cannot recall a time when our support is more necessary. One of my favourite charities is the Level Trust in Luton which has provided more than 4,000 school uniforms for children from households who are unable to afford them. Key to us being able to tailor our support to where it is most needed is our relationships with the local councils. I was humbled whilst attending a function in Walthamstow where the council described our relationship and support as “exemplar”.

Continuing on the theme of making a difference to people’s lives, our GEMS (‘going the extra mile’) awards highlight the often extraordinary lengths our onsite team(s) go to in order to assist members of our communities. This can be as simple as helping people who have encountered difficulties, or visitors just appreciating having someone to chat to, at our guest service desks or in our security teams, on their regular visits to our centres.

Outlook

The macroeconomic environment continues to present a challenging backdrop, most prominently through the impact of inflationary pressures on the consumer exacerbated by the tragic war in Ukraine.

Nonetheless, the actions taken over the last 18 months to restructure the balance sheet and refocus the portfolio have stabilised and significantly strengthened the business. This, aligned with our operational resilience and a growing appreciation of the critical role which physical stores play in successful omnichannel retailing, leave us well positioned to withstand such pressures. The profile of our assets with their focus on non-discretionary goods and services, the previous resetting of rents and values, and the portfolio premium to the risk-free rate, puts us in a stronger position on a relative basis than some other retail property assets and the wider real estate sector.

We have a clear roadmap to increase Adjusted Profits by more than 20% in the medium term and are also well placed to take advantage of selective opportunities to grow the business and further utilise our proven skills and management expertise.

Finally, I would like to thank our team members for all their hard work over the past year in ever changing, often unfamiliar and challenging circumstances both professionally and personally.

We remain committed to navigating the economic and sectoral challenges whilst delivering for all our stakeholders of which our shareholders are of critical importance. We are ambitious as owners of commercial property and stewards of capital and we will continue our relentless focus on improving every aspect of our business.

Thank you to all our shareholders.

Lawrence Hutchings
Chief Executive

Operating Review

New lettings, renewals and rent reviews[1]

	12 months to December 2022	12 months to December 2021
New lettings		
Number of new lettings	**71**	89
Rent from new lettings	**£3.4m**	£4.0m
Renewals settled		
Renewals settled	**38**	54
Total resulting annual rent	**£2.0m**	£1.2m
Combined new lettings and renewals		
Comparison to previous rent[2]	**+34.0%**	+7.3%
Comparison to ERV at December 2020[2]	**+13.7%**	+15.6%

1. Includes transactions for Hemel Hempstead, Ilford, Maidstone, Walthamstow, Wood Green and Blackburn (until the point of sale in 2022).
2. For lettings and renewals (excluding development deals and CVA variations) with a term of five years or longer which do not include turnover rent or service charge restrictions.

Demonstrating the team's ability to capture rental growth and the continued demand for space at our centres, we completed 109 new lettings and renewals during the year, securing annualised rent of £5.4 million at a combined average premium to previous rent of 34.0%[2] and to previous ERV of 13.7%[2]. This was fewer deals than 2021 but a higher total value (2021: 143 new lettings and renewals for a combined annual rent of £5.2 million).

Highlights include signing an agreement for lease with the NHS for a new Community Healthcare Centre at Ilford on a 25-year lease term. Planning permission was obtained in October 2022 and construction work commenced at the end of 2022. The new 20,000 sq ft purpose-built facility is due to open to the public in 2024. At Wood Green the new NHS diagnostics centre opened in October 2022 and we subsequently signed an agreement to extend it by a further 3,000 sq ft, to approximately 8,500 sq ft.

Also at Ilford, we signed an agreement to relocate and upsize TK Maxx into a new 35,000 sq ft store occupying the first floor of what was the former Debenhams unit. This will enable remerchandising of the existing TK Maxx unit which sits in a prime location at the entrance next to Ilford station, which will benefit from the full opening of the new Elizabeth Line.

At Walthamstow we have let the entire new 16,000 sq ft food hall on the mezzanine level, which we created in the rebuild following the 2019 fire, to a great local operator, CRATE. The facility will involve seven street eat style food operators alongside an in-house bar and coffee kiosk, coupled with events and exhibition space, all of which is due to open in late summer 2023.

All of these initiatives are great examples of our strategy in action and further embed our centres at the heart of their local communities, helping drive footfall to the benefit of the other retailers while providing all in one convenience and experience to our guests.

Rental income and occupancy

Investment Assets[1]	December 2022	December 2021
Occupancy (%)	94.1%	92.9%
Contracted rent	31.5	31.8
Passing rent	30.5	30.0

1. Investment Assets include the Group's centres at Hemel Hempstead, Ilford, Maidstone, Walthamstow and Wood Green. Prior year comparatives restated on the same basis.

Occupancy increased by 120 basis points over the year to 94.1%, with one of the main drivers being the inclusion of the NHS Community Healthcare Centre at Ilford. Only around 4% of the total now relates to temporary lettings or development units. as we have gradually improved this from approximately 7% over the last 18 months. The potential to convert more of these temporary arrangements to permanent lettings on typically stronger terms provides opportunity to improve Net Rental Income.

Contracted rent is broadly in line with the December 2021 level. This excludes approximately £1.2 million of rent where deals have exchanged but completion remains subject to planning or other conditions. Such deals include the NHS Community Healthcare Centre at Ilford and the new CRATE food hall at Walthamstow.

Passing rent has improved by £0.5 million to £30.5 million since 30 December 2021, with the largest contributor being the letting to the Department for Work and Pensions for Job Centres at Ilford commencing cash rent payments during the period.

Operational performance

In total there were 53 million shopper visits across the portfolio during 2022. This was 27.4% higher than in 2021. This increase is 2.8% lower than the growth in the national index, reflecting the Company's strong out performance in 2021 when non-essential retailers were unable to open.

Footfall continued to recover to pre-pandemic levels with the 2022 levels equivalent to 84.3% of 2019, compared to 79% for the first six months. Anecdotal evidence from our retailers suggests that sales have bounced back at a higher rate than footfall reflecting more efficient use of visits.

Car park income for the year was £6.0 million for the Group's Investment Assets, approximately 26% higher than 2021 although 29% lower than 2019 both on a like for like basis excluding Blackburn.

Business rates

The recent review of business rates will result in a significant reduction in rates payable for most retail operators. Across our portfolio the typical reduction that will apply to occupiers will be 30%-35%, with the exception of Walthamstow where reductions are estimated to be approximately 10%. The withdrawal of downwards transitional arrangements means that occupiers will immediately see the full benefit of reductions from April 2023. The changes will deliver significant benefits to store affordability and profitability.

Rent Collection[1]

97.6% of rent in respect of 2022 has now been collected, broadly representing a return to pre-pandemic levels and an approximate 4.5% increase on 2021. The improved collection rates have enabled the net release of provisions totalling c. £1.4 million. The table below provides further detail:

	Rent collection 12m to 30 December 2022	
	£m	%
Rent collected	31.2	97.6%
Outstanding	0.6	2.2%
Bad Debt	0.1	0.2%
Total billed	31.9	100%

1. Investment Assets include the Group's centres at Hemel Hempstead, Ilford, Maidstone, Walthamstow and Wood Green. Prior year comparatives restated on the same basis.

Rent collection for the first quarter of 2023, including monthly invoices for January and February 2023, is currently running at 91.9%.

Capital expenditure investment

In total £9.0 million was invested across the Group's Investment Assets in 2022. £5.3 million was invested in planning fees, enabling works and other costs including relocating tenants, all to facilitate delivery of the £21.6 million Walthamstow residential land sale receipt. Other projects included £0.8 million for the creation of the new Job Centre at Ilford which opened in March 2022, £0.8 million across the NHS and TK Maxx projects in Ilford and £0.4 million on the new Walthamstow Food Hall.

We anticipate capital expenditure in 2023 to be more than £15 million with the major projects being:

- **Ilford** – NHS Community Healthcare Centre and TK Maxx, c. £10.0 million
- **Walthamstow** – CRATE food hall, c. £1.5 million
- **Wood Green**
  - Remerchandising of former WH Smith unit to leisure uses, £1.9 million
  - Bridgelink new grab and go catering units, c. £0.7 million

The average yield on cost of the above projects is expected to be in the range of 8-9%. This financial metric does not factor in the 'halo' effect these improvements have in terms of driving footfall and sales across the centres as a whole.

Shopping Centre ESG

For the shopping Centre portfolio, we have established our Net Zero Carbon (NZC) Pathway aligned with industry best practice and guidelines, including the UKGBC's definition of net zero and the Better Building Partnership's (BBP) Climate Commitment, both of which we are now signatories. Our NZC Pathway quantifies and prioritises the necessary emission reductions to our target year of 2040 and beyond and includes ambitious emission reduction targets across Scope 1 and 2. The creation of our NZC Pathway is an important milestone on our journey and defines the actions and priorities we need to put in place to stay true to our commitment to our communities, employees and the long-term resilience and success of our business.

We have upskilled our operational teams through training on sustainability awareness, especially in relation to supporting our occupiers and helping to reduce Scope 3 emissions. We are in the process of developing an occupier engagement programme on sustainability to increase awareness and profile.

We have made significant strides against our environmental targets increasing our energy efficiency, reducing Scope 1 natural gas consumption by 53% and Scope 2 electricity consumption by 20%, against 2019.

In addition to developing our NZC pathway we have also completed a detailed assessment of climate risk governance and the climate-related risks aligned to best practice recommendations of the Task Force of Climate-related Financial Disclosures (TCFD). By formalising oversight of issues into our risk management framework, we can mitigate the risks and garner related opportunities, such as reducing operational costs and capital expenditure and increasing revenues and asset values.

2022 was a year of giving back, putting our communities and guests at the core of our initiatives. Following a successful launch in 2021, the Community Wheel of Support continued to play a critical role in encouraging engagement and supporting our shopping centres to prioritise areas of impact. We set out nine KPI targets to align with our Wheel of Support. Improving from 2021, we saw an 11% increase in the number of charities supported, a 15% increase in volunteering hours and a 9% increase in charitable fundraising.

To account for local needs, our shopping centres are given the responsibility and autonomy to run their own fundraising events. In 2022, we hosted a total of 244 events, collectively supporting 187 charities and volunteering more than 1,300 hours of employees' time to important community causes.

Snozone

Snozone recorded a significant improvement in EBITDA for the year to £1.4 million (December 2021: £0.8 million) as it returned to a more normalised trading year. Total revenue for 2022 increased to £13.0 million (2021: £6.8 million), although trading in the early part of 2022 was still heavily impacted by the Omicron variant, with revenue in the key month of January down 20% on pre-pandemic levels. From mid-February 2022, Snozone has been able to offer guests its full offering in contrast to 2021 when the UK venues were shut for the first four months of the year due to government restrictions. As the impact of the Omicron variant subsided, Snozone made a good recovery and revenues generally exceeded the equivalent levels in 2019 although some key revenue streams such as corporate activities and food and beverage have not yet returned to pre-pandemic levels.

EBITDA in 2021 was supported by the receipt of a £2.5 million insurance payment under a pandemic insurance policy that the business has maintained since 2017.

The integration of the operations of the ski slope in the Xanadú shopping centre in Madrid, which was acquired in February 2021 for a nominal value, has progressed well with revenues increasing 65% to £3.5 million (2021: £2.1 million). The impact of significant increases in government-controlled electricity prices to £1.2 million (2021: £0.7 million) has latterly been mitigated by the installation of solar panels which became operational in November 2022.

Snozone's Group IFRS profit for the period, which includes the notional IFRS 16 interest charge on the occupational leases, was £0.1 million (December 2021: Loss of £0.3 million). The prior year benefited from £1.4 million of VAT rebate received in addition to the £2.5 million insurance payment.

Snozone ESG

Snozone's pathway to net zero strategy is underpinned by a cyclical four-year plan for capital investment into new plant and machinery which we are now halfway through. Nine units of blast coolers have been replaced at the Milton Keynes venue which will save 214,000 kWh per year. In addition, given the significant increase in government-controlled electricity pricing in Madrid, solar panels were fitted to the roof of our venue and were fully operational as of November 2022.

These two initiatives helped deliver a 6% reduction in electricity utility consumption in 2022 versus the 2019 base year and a 23% reduction in gas. There was an overall reduction in carbon tonnage by 8% to 2,633 tonnes versus 2,857 tonnes in 2019. All of Snozone's electricity is 100% renewable and is sourced from wind and solar power.

New supplier deals have been agreed for Snozone's restaurants. All coffee, non-alcoholic and alcoholic beverages are supplied in 100% recycled glass, recycled aluminium cans or compostable boxes. Snozone's shop merchandise and clothing provider also delivers all products 100% free of plastic packaging.

Snozone maintained its partnership with Tree Nation last year, planting trees when guests rebook certain activities or join as members to offset their emissions of visitation. These trees are planted in areas of the world where biodiversity and reforestation are most needed. Over 11,500 trees to date have now been planted in Africa with over 9,000 planted in 2022 - offsetting over 1,400 tonnes of CO_2 and now reforesting over 14 hectares of land.

Snozone's other social KPIs include an increase in disability snow sports participation by 29% versus 2021 and Snozone is the only European indoor centre to own and operate its own disability snow school. In addition, Snozone was once again voted Best Sporting Venue for children learning outside the classroom at the School Travel Awards, beating such illustrious businesses as The London Stadium, Manchester United, Silverstone, Twickenham Stadium and the UK Sailing Academy. Snozone was also voted partner of the year by Sense, the charity for deafblind adults and children for the awareness its team has drawn to the charity, as well as its many fundraising activities.

Refocus, Restructure and Recapitalise

The Group’s actions over the last 18 months have significantly reshaped the business and reduced debt to sustainable levels. Following on from the transaction to restructure the Group’s largest facility, The Mall, and the £30m capital raise which completed in November 2021, a number of other key initiatives were completed during 2022:

Ilford loan amendment

In May 2022, the Group signed a package of amendments to its £39 million secured loan facility in respect of The Exchange Centre, Ilford, to facilitate the investment of more than £10 million for the creation of the new NHS Community Healthcare Centre and anchor unit for TK Maxx.

The amendments include a conditional extension option that can be triggered by the Company at the end of 2023 to extend the loan maturity by 18 months from March 2024 until September 2025. They also provide a combination of covenant waivers and improvements to existing covenant terms that apply through to the end of 2024.

Restructuring of The Marlowes Centre, Hemel Hempstead debt

Also in May 2022, the Group completed the buyback of the loan facility of the Marlowes in Hemel Hempstead.

The Group paid £11.8 million in order to settle the loan and associated debt liabilities of c. £24.0 million, representing a discount of approximately 51%. The transaction increased the Group's Net Asset Value by approximately £12.5 million or 7.4%. The asset was reclassified to the Group’s Investment Assets as of 11 April 2022, being the date the transaction was agreed, and NRI from the asset is included from that date.

To partially fund the transaction, the Group subsequently drew down a new £4.0 million loan facility in July 2022, which was provided by BC Invest, a subsidiary of the Group's strategic residential partner Far East Consortium. The new non-recourse secured debt is for an initial period of three years at a margin of 5.95% over SONIA.

Sale of The Mall, Luton

As part of the agreement with the secured lender to run a consensual sale process, changes to the constitution of the Luton entities were made in May 2022 including the appointment of an independent director with specific rights regarding the sale process. The effective change of control that these amendments triggered resulted in the Group deconsolidating its interest in Luton from that date.

This increased the Group's Net Asset Value by £6.8 million being the net liabilities at the point of deconsolidation. The disposal of the Group's investment in The Mall, Luton completed on 16 March 2023. Given the Group's interest in Luton had been deconsolidated the sale did not result in any profit or loss on disposal. The Group's involvement as Property and Asset Manager, for which it generated fees of £1.4 million in 2022, ceased upon disposal. Luton has been deconsolidated the sale will not result in any profit or loss on disposal. The Group's involvement as Property and Asset Manager, for which it generated fees of £1.4 million in 2022, will cease upon disposal.

Sale of The Mall, Blackburn

In May 2022, the Group exchanged contracts for the sale of The Mall, Blackburn to the retail arm of the Adhan Group of Companies for £40 million, representing a premium to the £38.2 million December 2021 valuation.

The sale completed in August 2022 delivering net cash proceeds of £39 million. The sale alone reduced the Group's Net Loan to Value ratio by approximately 600 basis points.

Walthamstow residential

In July 2022, the Group completed the sale of land for residential development at its 17&Central community shopping centre in Walthamstow to Long Harbour for £21.65 million.

The Group had secured planning consent at the end of 2021 for a residential-led, mixed use development, incorporating a new Victoria Line tube station entrance and new public space including a new park. Construction work is now underway on the first phase of the development which will see the creation of 495 Build to Rent residential apartments in two residential towers. Completion is scheduled for 2025.

£52.9 million of the combined c. £60 million received from the Blackburn and Walthamstow transactions was utilised for repayment of the debt on the Group's Mall loan facility. This reduced the outstanding amount to £140 million and repaid in full the remainder of the £35 million Facility B tranche that was drawn to help fund the repurchase of £100 million of debt in November 2021. The combined impact of the above transactions has helped further reduce the Group's Net Loan to Value ratio from 49% at 30 December 2021 (and 72% at 30 June 2021) to 41% at 30 December 2022.

Financial Review

Stuart Wetherly
Group Finance Director

The Group's actions over the last 18 months have significantly reshaped the business and reduced debt to sustainable levels.

	Year to December 2022	Year to December 2021[2]
Profitability		
Statutory Revenue[1]	**£60.6m**	£54.6m
Net Rental Income (NRI)[1]	**£23.5m**	£29.7m
Net Rental Income (NRI) – Investment Assets only[1]	**£23.5m**	£21.7m
Adjusted Profit[1,2]	**£10.3m**	£8.8m
Adjusted Earnings per share[1,2]	**6.2p**	7.3p
IFRS Profit/(loss) for the period	**£12.1m**	£(24.1)m
Basic earnings/(loss) per share	**7.3p**	(20.0)p
EPRA cost ratio (excluding vacancy costs)[1,2]	**37.8%**	49.6%
Net Administrative Expenses to Gross Rent[1]	**22.4%**	29.1%
Investment returns		
Net Asset Value	**£179.1m**	£168.4m
Net Asset Value (NAV) per share	**106p**	102p
EPRA NTA per share[2]	**103p**	102p
Proposed Final Dividend per share[3]	**2.75p**	–
Total Dividend per share[3]	**5.25p**	–
Financing		
Group net debt	**£130.9m**	£185.3m
Group net debt to property value	**41%**	49%
EPRA LTV	**44.0%**	64.1%
Average maturity of Group debt[4]	**4.5 years**	5.4 years
Cost of Group debt (weighted average)	**3.58%**	3.74%

1. 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions due to an IASB IFRS interpretation issued in October 2022 as detailed in Note 1 to the condensed financial statements. The amendment stipulates that losses which were incurred on granting rent concessions, which for the Group occurred during the Covid-19 pandemic, should be charged to the income statement in the year they are granted. 2021 revenue has also been impacted by the reclassification of Luton as a Discontinued Operation. The combined impacts of the restatements have reduced 2021 Revenue by £15.4 million, increased 2021 Adjusted Profit by £0.7 million and increase IFRS profit for the year by £2.3 million. The Adjusted Profit for 2022 is £0.3 million higher than it would have been without this adjustment to rent concessions.
2. Adjusted Profit is as defined in the Glossary. A reconciliation to the statutory result is provided further below. EPRA figures and a reconciliation to EPRA EPS are shown in Note 5 to the Financial Statements. The calculation of EPRA cost ratio is provided in the EPRA performance measures section.
3. Represents dividends declared post period end but related to the period in question.
4. Assuming exercise of all extension options.

Use of Alternative Performance Measures (APMs)

Throughout the results statement we use a range of financial and non-financial measures to assess our performance. The significant measures are as follows:

Alternative performance measure used	Rationale
Adjusted Profit	Adjusted Profit is used as it is considered by management to provide the best indication of trading profits and hence the ability of the business to fund dividend payments. Adjusted Profit excludes revaluation of properties, profit or loss on disposal of properties or investments, gains or losses on financial instruments, charges in respect of long-term incentive awards and other non-operational one-off items. Adjusted Profit includes EBITDA from Snozone (see definition further below). This was a change implemented in 2021 arising from the adoption of IFRS 16 and the signing of new lease agreements on Snozone's two UK sites. We considered that the combination of these two factors meant that Snozone's statutory profit no longer alone provides a full reflection of Snozone's trading performance and hence introduced this additional Alternative Performance Measure. The key differences between Adjusted Profit and EPRA earnings, an industry standard comparable measure, relates to the exclusion of non-cash charges in respect of share-based payments and adjustments in respect of Snozone as detailed above. In the current year we have excluded from our Adjusted Profit a £0.3 million tax credit as it relates to prior years but this is included within the EPRA metric. Adjusted Earnings per share is Adjusted Profit divided by the weighted average number of shares in issue during the year excluding own shares held. A reconciliation of Adjusted Profit to the equivalent EPRA and statutory measures is provided in Note 5 to the condensed financial statements.
Like-for-like amounts	Like-for-like amounts are presented as they measure operating performance adjusted to remove the impact of properties that were only owned for part of the relevant periods. For the purposes of comparison of capital values, this will also include assets owned at the previous period end but not necessarily throughout the prior period. In the current year like-for-like comparisons have been used to adjust for the impact of the disposals of the Edmonds Parade and Maidstone House properties within the Hemel Hempstead and Maidstone shopping centre assets that were completed in June 2021 and December 2021 respectively as well as The Mall, Blackburn that was disposed of in August 2022 and Walthamstow residential receipt.
Net Debt	Net debt is borrowings, excluding unamortised issue costs, less cash at bank. Cash excludes cash held on behalf of third parties (e.g. in respect of service charges or rent deposits).
Net debt to property value	Net debt to property value is debt less cash and cash equivalents divided by the property value.
Net Rent or Net Rental Income (NRI)	Net Rental Income is rental income from properties, less provisions for expected credit losses, property and management costs. It is a standard industry measure. A reconciliation to statutory turnover is provided in Note 3 to the condensed financial statements.
Snozone EBITDA	Snozone EBITDA is based on net profit. It excludes Depreciation, Amortisation, (notional) Interest, Tax and non-operational one-off items. It includes rent expense, based on contractual payments adjusted for rent free periods. This provides a measure of Snozone trading performance which removes the profiling impact of IFRS 16 that would otherwise see a significantly higher charge in early years of a lease and significantly lower net charge in later years. A reconciliation to the IFRS net profit is included within Note 3 to the condensed financial statements.

Profitability

Components of Adjusted Profit and reconciliation to IFRS Profit

Amounts in £m	Year to December 2022	Year to December 2021[2]
Shopping Centres – Net Rental Income	**23.5**	21.7
Shopping Centres – Interest payable	**(9.3)**	(10.8)
Shopping Centres – Contribution	**14.2**	10.9
Managed Assets – Contribution	**–**	2.6
Snozone (indoor ski operation) EBITDA	**1.4**	0.8
External management fees	**3.3**	2.4
Central operating costs (including central interest)	**(7.0)**	(7.0)
Variable overhead	**(1.6)**	(0.9)
Adjusted Profit[1]	**10.3**	8.8
Adjusted Earnings per share (pence)	**6.2p**	5.4p
Reconciliation of Adjusted Profit to statutory result		
Adjusted Profit	**10.3**	8.8
Property revaluation	**(19.6)**	(47.6)
Profit/(loss) on disposal	**1.5**	(2.5)
Snozone depreciation and amortisation	**(2.1)**	(2.5)
Snozone notional interest (net of rent expense in EBITDA)	**0.8**	0.5
Gain on financial instruments	**1.1**	5.9
Corporation Tax credit/(charge) in lieu of dividends	**0.3**	(3.1)
VAT rebate within Snozone	**–**	1.4
Long Term incentives	**(0.5)**	(0.9)
Gain on discounted loan purchase (net of costs)	**12.5**	18.4
Write up following Luton deconsolidation	**6.8**	–
Other items (including transaction costs)	**1.0**	(2.5)
Profit/(loss) for the period	**12.1**	(24.1)

1. EPRA figures and a reconciliation to EPRA EPS are shown in Note 5 to the condensed Financial Statements.
2. 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions due to an IASB IFRS interpretation issued in October 2022 as detailed in Note 1 to the condensed financial statements. The amendment stipulates that losses which were incurred on granting rent concessions, which for the Group occurred during the Covid-19 pandemic, should be charged to the income statement in the year they are granted. 2021 revenue has also been impacted by the reclassification of Luton as a Discontinued Operation. The combined impacts of the restatements have reduced 2021 Revenue by £15.4 million, increased 2021 Adjusted Profit by £0.7 million and increased IFRS profit for the year by £2.3 million. The Adjusted Profit for 2022 is £0.3 million higher than it would have been without this adjustment to rent concessions.

Adjusted Profit – 30 December 2022: £10.3 million (30 December 2021: £8.8 million)

Net Rental Income (NRI) improved to £23.5 million (30 December 2021 - £21.7 million). This reflects improved occupancy and rent collection levels, the latter enabling the net release of approximately £1.4 million of provisions during the period.

The balance includes £0.5 million from Hemel Hempstead being the NRI from 11 April 2022, being the date the transaction was agreed and hence the asset was reclassified to Investment Assets, having been in Managed Assets NRI in the prior year. The £23.2 million includes £2.7 million from Blackburn, the sale of which completed in August 2022.

Interest payable has fallen from the prior year reflecting primarily the restructuring and reduction of debt in The Mall loan facility that completed in November 2021. The Mall debt was further reduced by £7.1 million in January 2022 from the proceeds of the sale of Maidstone House and then by £52.9 million in the second half of the year from the combined proceeds of the Walthamstow residential receipt and Blackburn disposal. The full year interest saving benefit of the latter repayments will see interest in 2023 reduce by approximately £1.8 million.

Managed Assets Contribution is no longer included within Adjusted Profit following the reclassification of what were deemed Managed Assets as Held for Sale from 30 December 2021. As noted, the results of Hemel Hempstead have been included within Adjusted Profit from 11 April 2022. The results from Luton have been excluded from Adjusted Profit in 2022 as it was Held for Sale until 23 May 2022 and then deconsolidated from the Group as at that date.

Snozone EBITDA at £1.4 million (30 December 2021 - £0.8 million) reflected a return to a more normalised trading year although the peak first trading quarter in 2022 was still significantly impacted by concerns over the Omicron variant. The result in 2021 was supported by a £2.5 million business continuity insurance receipt mitigating the impact of the operations being required to shut for most of the first half of 2021 due to Government Covid-19 restrictions.

External Management Fees of £3.3 million break down between Asset and Property Management fees on external properties (Redditch and in 2022, Luton) of £2.1 million (£1.4 million on Luton and £07 million on Redditch) and Property Management fees on the Group's Investment Assets of £1.2 million (as these are charged to the Service Charge).

The increase from the prior year relates to the inclusion of Asset Management fees on Luton as these were previously being eliminated on consolidation. The disposal of the Group's investment in The Mall, Luton on 16 March 2023 and the Group's involvement as property and asset manager ceased from that date. A sale process remains ongoing on Redditch which will likely see the Group's involvement cease.

Central operating costs at £7.0 million (30 December 2021 - £7.0 million) have been maintained at the same level as 2021. We are targeting annualised cost savings in 2023 of approximately 10%, with a reduction in the Group's underlying cost base, reflecting the lower number of assets under management, offsetting the impact of inflation.

Variable overheads of £1.6 million (30 December 2022 - £0.9 million) have increased due to a £0.6 million increase in the charge for the one-off Executive retention awards issued in November 2021 which run through until September 2023.

Adjusted Earnings per Share for the period were 6.2 pence (30 December 2021: 7.3 pence) reflecting the higher number of shares in issue from the £30 million capital raise which completed in November 2021 partially offset by the improvement in Adjusted Profit.

We expect 2023 to be a partly transitional year with the loss of income from the sale of Blackburn, the absence of the one-off benefit from bad debt provision releases and reduction in management fee income offset by underlying improvement in NRI, the reduction in interest costs as a result of the £52.9 million of debit repayments made in the second half of 2022, a further recovery in Snozone and reduced central costs.

In the medium term there is potential for Adjusted Profit to increase by more than 20%, driven primarily by further recovery in occupancy rates post-pandemic, car park income and Snozone, alongside beginning to realise the benefit of the Capex projects currently underway, most prominently the TK Maxx and NHS Community Healthcare Centre units at Ilford, introduction of new catering units to the bridge link, the remerchandising of the WH Smith's unit at Wood Green and the new CRATE food hall at Walthamstow.

IFRS profit for the period – 30 December 2022: £12.1 million (30 December 2021: Loss of £24.1 million)

The Group has returned to profitability in 2022. Aside from the Adjusted Profit of £10.3 million the key elements in the result were:

- The £12.5 million gain (after costs) on the discounted purchase of the Group's Hemel Hempstead loan facility.
- A £6.8 million gain in the Group's Net Asset Value on the deconsolidation of Luton due to it previously sitting as a liability on the Group's balance sheet.
- Property revaluation loss of £19.6 million (December 2021 – loss of £49.2 million). The fall in property values in the second half of the year driven by macro-economic conditions has seen an overall like for like decline of 3.6%, this compares to a 5.7% fall in 2021.
- A £1.5 million profit on disposal from the Blackburn sale and Walthamstow residential receipt.
- A £1.6 million gain within Other Items in respect of the Group's insurance claim related to the 2019 Walthamstow fire. The "gain" represents the difference between the final settlement and the carrying value in the Group's books.
- The gain on financial instruments of £1.1 million (December 2021 – gain of £5.9 million) is a result of the revaluation of interest rate swaps reflecting movements in future interest rate expectations.

The profit for the period has resulted in growth of both NAV by 6.3% to £179.1 million and EPRA Net Tangible Assets of 5.3% to £177.4 million compared to December 2021 amounts of £168.4 million for both measures. Basic NAV per share and EPRA NTA per share were 106p and 103p respectively, representing increases of 4p and 1p respectively (December 2021: 102p for both measures).

Having obtained shareholder support at the Company's Annual General Meeting on 19 May 2022, the Group completed a Capital Reduction which resulted in the creation of distributable reserves. The Group has maintained provision for any potential shortfall in the event that the minimum PID requirement for the 2021 financial year once finalised was not met by the distributions made in 2022 and/or alternative arrangements are not agreed with HMRC.

> In the medium term there is potential for Adjusted Profit to increase by more than 20%
>
> **Stuart Wetherly**
> **Group Finance Director**

Property portfolio valuation

The valuation of the portfolio at 30 December 2022 was £322.75 million. On a like for like basis, adjusting for the impact of the Walthamstow residential receipt, the portfolio fell by 3.6% over the year. This broke down between a 1.5% increase in the first half of the year and a 5.0% decline in the second half. The latter was driven by the general expansion of yields across the property sector in response to the resetting of interest and gilt rates despite valued rent and valuers ERV increasing in the second half of the year by 0.6% and 1.5% respectively.

	30 December 2022			30 December 2021		
Property at independent valuation	£m	NIY %	NEY %	£m	NIY %	NEY %
Maidstone	32.65	11.28%	11.49%	36.2	10.44%	11.22%
Walthamstow[1]	80.0	5.97%	7.00%	100.4	5.84%	6.55%
Wood Green	144.0	7.55%	7.38%	148.9	7.33%	6.88%
Hemel Hempstead	10.5	14.49%	17.49%	10.5	12.49%	18.20%
Ilford	55.6	5.04%	7.79%	56.4	5.86%	7.99%
Total	**322.75**	**7.23%**	**8.59%**	352.4	7.21%	8.29%

1. At 30 December 2021 Walthamstow valuation included £17.7 million in respect of the residential opportunity that was removed from the valuation following the receipt of £21.6 million in July 2022.

Financing

The Group has taken a series of important actions in the last 18 months enabling it to successfully bring down debt levels. This has involved a series of steps:

- Reclassification as at 30 June 2021 of Luton and Hemel as Managed Assets, with the former now deconsolidated as of May 2022 following the agreement to run a consensual sale process and appointment of an independent director to the Luton entities.
- Restructuring of The Mall debt facility with £100 million of debt acquired for £81 million in November 2021, partially funded by an equity raise of £30 million and a new £35 million tranche of debt on the facility with TIAA.
- The sale of the Maidstone House office block in December 2021 for £7.1 million.
- The discounted buyback in May 2022 of the Hemel Hempstead loan facility where liabilities of £24.0 million (including £1 million of accrued interest and interest rate swap creditor) were settled for £11.8 million representing a discount of approximately 51%. This was partially funded with a new £4.0 million loan facility that was subsequently drawn down in early July 2022.
- The disposal of The Mall, Blackburn that completed in August 2022 for net proceeds of £39 million.
- The completion of the sale of the Walthamstow land for residential development for £21.65 million in July 2022.
- In addition, in May 2022 the Group signed an amendment to its Ilford loan facility agreeing a long-term package of loan waivers and covenant improvements to help facilitate the TK Maxx relocation and creation of a new NHS Community Healthcare Centre.

The combined result of all of the above actions has been the continued reduction in the Group's Net Loan to Value ratio from 72% as at 30 June 2021 and 49% at 30 December 2021 to 41% at 30 December 2022.

The Group's debt position as at 30 December 2022 is summarised in the table below:

	Debt[1]	Cash[2]	Net debt	Loan to value[3]	Net loan to value[3]	Current interest rate	Fixed	Duration to loan expiry	Duration with extensions
30 Dec 2022 (proforma)	£m	£m	£m	%	%	%	%	Years	Years
The Mall	140.0	(10.3)	129.7	55%	51%	3.45%	100	4.1	5.1
Hemel Hempstead	4.0	(1.7)	2.3	38%	22%	9.04%	0.0	2.5	2.5
Ilford	39.0	(10.9)	28.1	70%	51%	3.51%	100	1.2	2.7
Central Cash	–	(29.2)	(29.2)	–	–	–	–	–	–
On balance sheet debt	**183.0**	(52.1)	**130.9**	57%	41%	3.58%	97.8	3.4	4.5

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

The Mall

Following the £60 million of repayments made during the year the Mall facility as at 30 December 2022 consisted of a single £140 million fixed rate loan at 3.45%, held with TIAA.

The loan matures in January 2027 but has a one-year conditional extension option.

As part of the November 2021 restructuring of the facility TIAA provided a waiver of all financial covenants for two years until November 2023. The facility is currently compliant with all covenants.

Hemel Hempstead

On 7 July 2022, the Group drew down a new £4 million facility with BC Invest, a subsidiary of the Group's strategic residential partner, Far East Consortium. The new debt has been provided for an initial period of three years at a margin of 5.95% over SONIA. It is secured on the Marlowes Centre on a non-recourse basis.

Ilford

The Group has a £39 million facility secured on the Ilford Exchange shopping centre with Dekabank Deutsche Girozentrale that is due to mature in March 2024.

In May 2022, the Group signed a package of amendments to facilitate the investment of approximately £10 million for the creation of the new NHS Community Healthcare Centre and anchor unit for TK Maxx. The amendment provides an 18-month conditional extension option that can be triggered at the end of 2023 to extend the loan maturity from March 2024 until September 2025 subject to meeting a debt yield and net loan to value covenant test. The cost of debt is hedged until the date or original maturity (March 2024) via an interest rate swap.

The amendments also provide for a waiver of covenants that ran until January 2023 and improvements to existing covenant terms to apply from January 2023 until the end of 2024. The all-in cost of the current loan is 3.51%.

Schnell Dwomoh
Chief Group Accountant

Our People

Schnell has worked at Capital & Regional since 2019, after working in audit at Price Waterhouse Coopers for five years where she qualified as a chartered accountant. She is currently part of the team responsible for internal and external financial reporting and brings a strong technical knowledge and analytical approach.

Schnell is passionate about diversity and inclusion and supporting people from underrepresented backgrounds to have fair access to career opportunities. In 2020 she also helped to launch the company's Diversity and Inclusion committee, which works to ensure that all employees feel valued, heard, and supported regardless of background.

In 2022 Schnell led the introduction of a series of Insight Days at C&R working with Step Now, a local organisation who work with young people from disadvantaged backgrounds, to give exposure and experience of the Company to individuals who otherwise wouldn't have access to it.

Financial Review CONTINUED

Going Concern

Under the UK Corporate Governance Code the Board needs to report whether the business is a going concern. In making its assessment of Going Concern, the Group has considered the general risk environment and the specific risks that relate to the Group and its sector. This has incorporated considering the current macro-economic inflationary pressures as well as the ongoing impacts and speed of recovery from Covid-19 as well as the structural trends that were already under way in the retail industry.

At 30 December 2022, the Group had total cash at bank on balance sheet of £52.1 million. Of the £52.1 million there was £28 million held centrally outside of secured loan arrangements. This provides a significant cash contingency to cover any reasonable disruption to operations in both the base and reasonable worst case scenarios that have been modelled for at least the period of the next 18 months that is considered for going concern purposes.

As part of the restructure of The Mall debt facility that completed in November 2021, the lender provided covenant waivers that run until November 2023 and modifications to cash trap provisions that run until May 2023. The Group is currently compliant with all covenant tests on the facility and hence not reliant on the waivers or modifications. On the Ilford facility, as noted, the Group had covenant waivers that ran until January 2023 and has improved covenant terms that extend beyond the end of 2024. The Mall loan facility matures in January 2027 with a one-year conditional extension option. The Ilford loan matures in March 2024 with an 18-month conditional extension option dependent upon meeting a debt yield and net loan to value covenant test in Q4 of 2023.

On Hemel Hempstead, the Group drew down on a new £4 million loan facility in early July 2022. The Group's forecasts demonstrate a reasonable level of covenant headroom on the Loan to Value and Projected Interest Cover Ratio tests that are relevant to the new agreement.

All of the Group's asset backed loan facilities are ring-fenced within their own SPV structures with no recourse to Capital & Regional plc and no cross-default provisions. The sale of the Group's investment in The Mall, Luton completed on 16 March 2023. While the sale realised less than the value of the net debt outstanding, due to the ring-fenced SPV structure, the net liability of Capital & Regional plc was effectively capped at nil.

In making its assessment of Going Concern, the Group has run updated forecasts on both a base case and downside basis. In the latter, the Group has sensitised rent collection to 90% collection, reduced car park and ancillary income by 10% and removed any contribution from Snozone to reflect how a downturn in expected trading, such as might be caused by a further wave of Government restrictions, could impact cashflows. The Group has also considered a 15% reduction in property valuations. The Group's headroom on The Mall and Hemel Hempstead is sufficient to withstand this level of decline.

On Ilford, such a decline would breach the LTV covenant level however the cash earmarked for capital expenditure investment into the asset would be sufficient to theoretically cure although in such a scenario the Group would seek to agree with the lender to invest the funds to develop the asset. The same position applies in respect of the LTV condition that is required in order to trigger the 18-month extension to the loan's maturity. Ultimately given the ring-fenced nature of the loan facility if the Group decided not to cure any breach and could not agree a compromise with the lender it could, in extremis, effectively surrender the asset and not face any recourse to the Group.

The Group's cashflow forecasts over the period considered for Going Concern purposes assume it is a net investor into Ilford to fund the masterplan initiatives and hence such a scenario would not reduce the amount of cash available to the Group.

In coming to its Going Concern conclusion, the Group has also considered, but not relied upon, other options available to generate or conserve additional cash, to reduce debt levels and to fund value accretive capital expenditure and letting initiatives. These include but are not limited to: the potential disposal of assets either in whole or part; the opportunity to reduce or suspend dividend payments (or offer a Scrip alternative); and the potential raising of additional funds.

Having due regard to all of the above matters and after making appropriate enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Therefore, the Board continues to adopt the Going Concern basis in preparing the financial statements.

Viability Statement

In accordance with the 2018 revision of the UK Corporate Governance Code, the Directors have assessed the prospect of the Company over a longer period than the 12 months required by the "Going Concern" provision.

The Board conducted this review for a two-year period to December 2024. The two-year period is covered by the Group's annual budget and business planning process. It includes sensitivity analysis to consider adverse scenarios, that could be caused by the principal risks and uncertainties outlined in the Managing Risk section below. This incorporated the impact on cash and covenant compliance of further significant falls in property valuations or property income. Ilford is the only one of the Group's loan facilities that is due to mature during the period but has a conditional 18-month extension option available to the Group which would extend maturity to September 2025. The Group has considered forecasts of the debt yield and LTV covenant tests that are necessary to meet the conditions of the extension in Q4 2023 and factored this into its analysis including the ability to support the LTV test by injecting cash into the structure if necessary.

The considerations made by the Directors in concluding on viability mirror those considered within the Going Concern conclusion as documented above. Based on this and the resources and actions available the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2024.

Stuart Wetherly
Group Finance Director

Dividends

Reflecting the stabilisation of operational results from the impacts of Covid-19, the substantial progress made in reducing debt levels and the Board's confidence in the future prospects, the Group resumed dividend payments with the payment of an interim dividend of 2.5 pence per share on 7 October 2022.

The Directors recommend a final dividend of 2.75 pence per share, making a total distribution for the year ended 30 December 2022 of 5.25 pence per share (2021: nil). This satisfies the Group's policy of paying a dividend of at least 90% of the Group's EPRA profits. The dividend will be paid entirely as a Property Income Distribution (PID) and a Scrip dividend option will be offered.

Subject to approval of shareholders at the Annual General Meeting (AGM) to be held on 25 May 2023, the final dividend will be paid on Friday, 2 June 2023. The key dates proposed are set out below:

- Confirmation of ZAR equivalent and Scrip dividend pricing
  Friday, 31 March 2023
- Last day to trade on Johannesburg Stock Exchange (JSE)
  Tuesday, 11 April 2023
- Shares trade ex-dividend on the JSE
  Wednesday, 12 April 2023
- Shares trade ex-dividend on the LSE
  Thursday, 13 April 2023
- Record date for LSE and JSE and last election for Scrip
  Friday, 14 April 2023
- AGM
  Thursday, 25 May 2023
- Dividend payment date/New Scrip shares issued
  Friday, 2 June 2023

South African shareholders are advised that the dividend will be regarded as a foreign dividend. Further details relating to Withholding Tax for shareholders on the South African register will be provided within the announcement detailing the currency conversion rate on 31 March 2023. Share certificates on the South African register may not be dematerialised or rematerialised between 12 April 2023 and 14 April 2023, both dates inclusive. Transfers between the UK and South African registers may not take place between 31 March 2023 and 14 April 2023, both dates inclusive.

Managing Risk

Risk management approach

The Audit Committee is delegated the authority for overseeing the effectiveness of the risk management process by the Board and is accountable for reporting on the identification of principle and emerging risks to the business. Ultimate responsibility for the oversight of risk management within the Group remains with the Board. The Board defines the risk appetite of the Group, establishes a risk management strategy and is responsible for maintaining a robust internal controls system. The Board formally reviews and signs off the Group's risk register on a six monthly basis. Emerging risks are considered as part of this process or on an ad hoc basis in instances such as the outbreak of the Covid-19 pandemic where the risk is of sufficient significance to require a separate discussion.

Risk management process

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

At every half year and year end, the members of senior leadership undertake a comprehensive risk and controls review involving interviews with relevant management teams. This considers a review of both the existing identified risks and any new or emerging risks that may have been identified during the period. The output of this process is an updated risk map and internal control matrix for each component of the business, which is then amalgamated into the Group risk map and matrix that is reviewed by the senior leadership team. Formal submission is then made to the Audit Committee for review, before going to the Board for final sign off. The process for the half year and full year 2022 review forms the basis for the disclosures made below.

This process clearly outlines the principal risks, considers their potential impact on the business, the likelihood of them occurring and the actions being taken to manage, and the individual(s) responsible for managing, those risks to the desired level.

This risk matrix is also used in performing our annual assessment of the material financial, operational and compliance controls that mitigate the key risks identified. Each control is assessed or tested for evidence of its effectiveness. The review concluded that all such material controls were operating effectively during 2022.

Principal risks at 30 December 2022

A review was carried out for the 30 December 2022 year end. Amongst the main factors considered were the impact of the current inflationary pressures being experienced by consumers within the UK exacerbated by the impact that the tragic war in Ukraine has had upon energy and commodity costs. Other matters considered were the ongoing impact of, and speed of recovery from, the Covid-19 pandemic and the continuing structural changes to UK retail although in the case of this latter point it was noted that there is growing evidence of online retail having begun to plateau in many areas.

The review concluded that while as a result of these combined factors the profile of some risks, including economic environment, property investment market risks and Treasury risks had changed, the ultimate nature of them had not and therefore the principal risks to the Group broadly remain unchanged at 30 December 2022.

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

Managing Risk CONTINUED

1. Property investment Market Risks

Risk

The weaker macro-economic environment and poor sentiment in commercial real estate markets has led to low transactional evidence across the industry with reduced investor confidence and a decline in valuations across all real estate sectors.

Valuations can be inherently subjective leading to a degree of uncertainty and the risk that property valuations may not reflect the price received on sale.

Impact

Small changes in property market yields or future cash flow assumptions can have a significant effect on valuations.

The impact of leverage could magnify the effect on the Group's net assets and the risk of breaching loan covenants with our lenders. This could result in the default of facilities and should we not be able to cure these, we run the risk of security being enforced.

Highly volatile trading environments have the potential to increase the speculation on Property valuations and are open to a wider range of possible outcomes.

Mitigation

Regularly monitoring market direction, comparable property valuations in the market and recent transactions.

Adequate and timely forward planning of investment decisions.

We engage multiple experienced, external valuers who understand the specific properties and whose output is reviewed and challenged by internal specialists.

Regular reviews and consideration of strategies to reduce debt levels, if appropriate.

Trend Relative to Last Year

↑

2. Impact of the Economic Environment

Risk

The Group is sensitive to tenant insolvency and distress, which can have increased pressure on rent levels. There is also risk of prolonged low tenant demand for space.

Macroeconomic risks in relation to rising inflation, income tax and the volatility of the energy market (and associated costs of energy) are likely to negatively impact consumer spending, which will impact retailing, particularly discretionary spending.

Rising inflation will also put pressure on the Group's cost base and operating margins.

Impact

Economic pressure on consumer spending will likely impact the levels of footfall across the centres and have a knock on effect on discretionary retail tenants.

Tenant failures and reduced tenant demand could adversely affect rental income, lease incentive, void costs, cash and ultimately property valuations.

Mitigation

A key part of our Group strategy is to ensure a large, diversified tenant base that is made up of primarily non-discretionary retail.

Review of tenant covenants before new leases are signed.

The offering of long-term leases as standard and maintaining active and personable credit control processes that foster positive relationships with tenants.

Regular dialogue between the support office and general managers across the portfolio, who have ad hoc discussions with tenants, to understand the issues facing tenants and guests.

Managing void units though temporary lettings and other mitigation strategies.

Energy costs mitigated by measures undertaken to reduce energy consumption such as introduction of LED lighting and utilising alternative sources of energy such as the installation of solar panels at Snozone Madrid.

Trend Relative to Last Year

↔

Key

↑ Increase ↔ No change ↓ Decrease

3. Treasury Risk

Risk

The Group is at risk of not being able to fund the business or to refinance existing debt on economic terms, particularly during periods of low lending market appetite.

Breach of the assets loan covenants resulting in defaults on debt and the potential for accelerated maturity and/or lenders taking control of secured assets.

Exposure to rising or falling interest rates, which could affect liabilities on property sales and refinancing.

Impact

The Group may not be able to meet financial obligations when they come due, causing limitation on financial and operational flexibility.

The cost of financing could be prohibitive.

Unremedied breaches of loan covenants can trigger demand for immediate repayment of loan facilities.

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.

Mitigation

Ensuring that the Group maintains appropriate levels of cash reserves.

Regular monitoring and projections of liquidity, gearing and covenant compliance with regular reporting to the Board.

Maintain close relationships with lenders.

The Group has significantly reduced debt levels in the last two years through a combination of asset sales and asset/debt restructuring.

All the Group's facilities are non-recourse and held in SPV structures.

Trend Relative to Last Year

↑

4. Tax and Regulatory Risks

Risk

Exposure to non-compliance with the REIT regime and changes in the form or interpretation of tax legislation.

Potential exposure to wider changes in tax legislation and potential tax liabilities in respect of historic transactions undertaken.

Exposure to changes in existing or forthcoming property or corporate regulation.

Impact

Tax related liabilities and other losses could arise causing significant financial loss.

Failure to comply with tax or regulatory requirements could result in loss of REIT status, financial penalties, loss of business or reputational damage.

Mitigation

Constantly monitoring the Group's REIT compliance and consideration of the effects of major decisions on REIT status.

Expert advice is taken on tax positions and checks conducted on any unusual matters that may arise.

Maintaining regular dialogue with the tax authorities and business groups.

Actively keep key staff up to date with regulation and ensure necessary policies and procedures are in place.

Expert advice taken on complex regulatory matters.

Trend Relative to Last Year

↔

Managing Risk CONTINUED

5. People & Skills

Risk

As a small business, there is a relatively small number of key individuals whose skills are depended on to operate the business effectively. Retaining these individuals cannot be guaranteed.

The attraction of new talent to the business with the right expertise cannot be guaranteed.

Impact

The loss of key individuals or an inability to attract new employees with the appropriate expertise could compromise the business's ability to operate efficiently.

Mitigation

Paying current and new employees market salaries and offering competitive incentive packages, including the use of retention awards and incentive plans.

Promoting positive working environments and culture in line with staff expectations.

Effectively maintaining a succession plan for key positions and departments.

Trend Relative to Last Year

↓

6. Development Risk

Risk

The costs involved with development projects overrunning and delays leading to extended completion times past expected deadlines.

The threat to the Group's property assets of competing in town and out of town retail and leisure schemes.

Impact

Increased costs and reputational damage which may lead to planned value not being realised.

Competition with other schemes may reduce footfall and reduce tenant demand for space and effect the levels of rents that can feasibly be achieved.

Mitigation

Use of experienced external project coordinators to oversee developments with staged execution to key milestones and updates to be monitored by steering committees with the Group.

Implemented well defined approval processes for new development projects and guidance provided for setting key milestones.

Partnered with external agencies to raise awareness of new planning proposals, which are fought, as necessary, in accordance with relevant planning laws.

Maintain close working relationships with local councils and promote willingness to support the community.

Maintain the flexibility to invest in marketing strategies to continue relevance in the market.

Trend Relative to Last Year

↓

Key

↑ Increase ↔ No change ↓ Decrease

7. Business Disruption from a Major Incident

Risk

Major incidents occur at any of the of the business's sites having a significant impact upon trading.

This includes specific incidents to a centre or trading location or a situation such as Covid-19 that impacts trading on a national scale.

Impact

Such events could cause a reduction in earnings and additional costs.

Exposure to reputational damage if the business acts, or is perceived to have acted, in a negligent manner.

The pandemic has had a significant impact on guest behaviour and habits. There is a risk that consumer habits have permanently changed and will impact business KPIs, such as footfall and leasing.

Mitigation

Trained operational personnel at all sites and documented major incident procedures.

Regular update meetings on operational procedures reflecting current threats and major incident testing runs.

Regular liaison with the police and environmental health officers.

Insurance for business disruption and rebuild is always maintained across the portfolio

Disaster recovery sites have been mapped and are maintained in the event of immediate needs

Trend Relative to Last Year

↔

8. Environmental, Social & Governance

Risk

The Group's activities may have an adverse impact on the environment and the communities in which we operate.

Health and safety incidents could cause death or serious injury

A risk that centres or specific retailers are identified as a 'hotspot' for Covid-19 transmission.

Impact

Failure to act on environmental and social issues could lead to reputational damage, deterioration in relationships with customers and communities and limit investment opportunities.

Failure to comply with relevant regulations could result in financial exposure.

Health and safety incidents could result in reputational damage, financial liability for the Group and potentially criminal liability for the directors.

Mitigation

Issues and actions considered by the Board, through regular reports from the ESG Committee and its designated sub committees.

Appointed ESG specialist to assist the business in mapping out its ESG roadmap and key milestones.

Specialist health and safety consultancy support in place with internal bespoke health and safety system to enable incident reporting and monitoring

EPC rating certificates are completed across the portfolio.

Trend Relative to Last Year

↓

Managing Risk CONTINUED

9. Customers & Changing Consumer Trends

Risk

Further migration towards online shopping, multi-channel retailing, and increased spending on leisure may adversely impact consumer footfall in shopping centres.

Increased use of CVAs by retailers as a means of restructuring or cost reduction.

Impact

Changes in consumer shopping habits towards online shopping and home delivery could reduce footfall and therefore potentially reduce tenant demand and the levels of rents which can be achieved.

Financial loss from tenants use and reliance on CVAs to both write off arrears and reset lease agreement terms.

Mitigation

Strong location and dominance of shopping centres (portfolio is weighted to London and Southeast England).

Strength of the community shopping experience with tailored relevance to the local community.

Concentration on convenience and value offer which is less impacted by online presence.

Increasing provision of "Click & Collect" within our centres.

Maintaining positive retailer relationships and providing for honest and open dialogue.

Monitoring key business metrics such as footfall, retail trends and shopping behaviour.

Trend Relative to Last Year

↓

10. IT & Cyber Security

Risk

Failure of, or, as a result of malicious attack on, the Group's information technology hardware and software systems.

Failure to continually keep up with best practice and invest in new technology.

Impact

Loss of operating capacity, business time or reputational damage.

Data breaches resulting in reputational damage, fines or regulatory penalties.

Mitigation

IT Security Governance Policy in place aligned with ISO27001.

Ongoing investment in technology infrastructure with key IT applications hosted offsite.

Systems in place to prevent and react to malicious attack.

Regular penetration testing carried out by a specialist security company.

Cyber Essentials Plus certified.

Information security training programmes in place to regularly upskill all employees. A strong password policy is in place to keep employees safe.

Maintenance of a disaster recovery site in the event of critical systems failures.

Trend Relative to Last Year

↔

Key

↑ Increase ↔ No change ↓ Decrease

11. Climate-related

Risk

In light of the introduction of TCFD Disclosure requirements, the impact of climate change has become a Board level issue.

As a result of COP26, the world stage is focussed on combatting climate change and businesses that fall behind on their efforts to mitigate their effect on the climate run the risk of becoming non-investable.

Impact

The Group's failure to act on environmental issues could lead to reputational damage, deterioration in customer and community relationships, or limit investment opportunities. Climate-related risks extend to the global supply chain, business disruption from extreme weather events.

Failure to comply with regulations could result in financial exposure.

Mitigation

Environmental policy in place and consistent with ISO14001.

Management of and compliance with the Carbon Reduction Commitment and compliance with the Carbon Trust.

Engaged with external agency, JLL, to assist with setting out framework to assess climate related risks.

Separate risk matrix on climate-related risks feeds into Group risk review and ESG Committee reporting to the Board.

Nominated individual from SLT to take oversight responsibility of climate-related issues.

Board has oversight of TCFD climate-related goals and targets through quarterly ESG reporting.

Trend Relative to Last Year

↔

12. Health & Safety

Risk

The risk that the Group's staff, customers or guests suffer illness, injury or fatality at one of the Group's operations.

Impact

If found to be as a result of failing processes or negligence the Group and/or individuals in management positions could face criminal charges, financial loss and reputational damage.

Mitigation

Regular risk assessments

Sharing of information with local Health & Safety Executive

Capacity limits agreed with Health & Safety Executive and reviewed with external lawyers

Training for staff by Health & Safety Consultancy

Insurance review meetings with insurance brokers

Trend Relative to Last Year

↔

Our Stakeholders
Section 172 Statement

With a focus on shopping centres with a community focus, inevitably our stakeholders are at the heart of our strategy and business model. Setting our strategic outlook and, in turn, ensuring our long term success as a business relies on engaging with all our stakeholders to understand their changing needs. Decisions made by the Board will not always satisfy the broad and varied desires of the Group's stakeholders, as at times, the interests and impacts of our stakeholder groups conflict. The Board aligns decision-making to the Company's purpose, values and strategy. The Board remains committed to considering the impact of key decisions on the Group's stakeholder groups and to ensure open dialogue.

Section 172 Statement

The Board has regard to the matters set out in Section 172(1) of the Companies Act 2006 when performing its duties under Section 172 to promote the success of the Company. When making decisions, the Board pays due regard to: the likely consequences of decisions in the long-term as the strategy of the Group is focussed on medium to long term returns and, as such, the long term is firmly within the sights of the Board when all material decisions are made; the interests of stakeholders, the impact actions have on the communities in which we operate and the environment (see more on this within the ESG Report on pages 56–89; maintaining high standards of business conduct through ensuring good governance is instilled from a top-down approach (see more of this in our governance report on pages 100–119); and acting fairly at all times.

Our key stakeholders, how we engage with them and consider their needs and concerns is outlined below:

Our Shareholders and Business Partners

What matters

- Robust financial accounts
- Delivering income and capital growth
- Dividend payments
- ESG performance

How we engage

- AGMs, results presentations and investor events
- One-to-one meetings with management and, by request the Chairman and Senior Independent Director

How we respond

- Review and act on regular reports from analysts and advisors
- Feedback from shareholder meetings is shared with the Board and forms part of boardroom discussions

Read more about how we engage with our shareholders and business partners on page 62.

The Environment

What matters

- Awareness of the environmental impact of our activities
- Reduction of CO_2 emissions and energy and water consumption
- Reducing waste, in particular plastic waste, and diverting waste from landfill

How we engage

- Develop and implement various sustainability schemes across our centres
- Engage with our retailers to increase awareness and education
- Member of the Better Building Partnership
- Signatory to the Climate Change Commitment

How we respond

- The Board's ESG Committee discuss key environmental issues as part of its agenda and provides regular updates at Board meetings.
- Environmental issues form part of our boardroom discussions

Read more about how we engage with the environment on pages 64–77.

Our People

What matters

- Opportunities for career and personal development
- Fair and equitable pay and benefits
- An inclusive and diverse environment with a respectful corporate culture
- Open and transparent communication
- Enhanced support and communication while working from home
- To share their views and have their voice heard in decision-making

How we engage

- Intranet; all-staff emails; weekly CEO updates and regular townhall meetings
- Posters and communications
- Whistleblowing procedures
- Employee surveys that provide option for further clarification of needs and desires
- Wellbeing Committees
- Regular one-to-one performance reviews between line manager and employee to ensure career personal satisfaction
- Provision of necessary equipment to work best while remote work is in place
- Designated NED, Laura Whyte, attends staff events throughout the year to gain insight and report on this back to the Board

How we respond

- The Board receives periodic reports on a range of people matters
- Board members regularly visit the Company's support office and other locations to meet with staff at all levels in the organisation
- The Board reviews employee engagement through employee surveys and follows up the actions taken
- The Board considered the impact on current employees when making strategic decisions

Read more about how we engage with our people on pages 78–81.

Our Community

Our retailer customers, our guests and our suppliers

What matters

- Outstanding customer service
- Affordable rents and service charge
- Centres that drive footfall and adapt to meet the needs of a changing market
- Prompt and fair payments to suppliers and contractors
- Ethical and fair dealings that protect human rights and the health and safety of our customers, guests and suppliers
- Having a positive impact on local areas, and creating vibrant and well maintained centres that enhance their surroundings
- Supporting employment in the community
- Open communication and engagement on development opportunities

How we engage

- Investment in data to understand consumer and market trends
- Regular visitor surveys
- Regular audits of facilities management and operational standards
- Strong engagement with local and central governments and Business Improvement Districts
- Partnering with industry organisations such as retailTRUST and REVO
- Supporting local charities and organisations through our C&R Cares programme.

How we respond

- The Board's ESG Committee discuss key issues as part of its agenda and provides regular updates at Board meetings
- The Board reviews and approves the Modern Slavery Statement
- Changing consumer and market trends form part of boardroom discussions and decision-making
- The Board reviews and approves all developments within our communities and receives regular updates on ongoing planning matters and community outreach programmes

Read more about how we engage with our community on pages 82–89.

Our Stakeholders CONTINUED
Principal decisions

Property transactions

During the year, the Company concluded several property transactions. The transactions that required Board decisions and the related considerations were:

- **Ilford major new lettings and related loan amendment** - In May 2022, the Group signed a package of amendments to its £39 million secured loan facility in respect of The Exchange Centre, Ilford, to facilitate the investment of more than £10 million for the creation of the new NHS Community Healthcare Centre and anchor unit for TK Maxx, the agreements for lease for which were signed in parallel.
  In coming to the decision to support entering into the agreements for lease and the loan amendments the Board needed to consider the financial and wider benefits to the Ilford centre and conclude that the amendments made to the loan provided sufficient comfort of the Group's ability to maintain compliance with its loan facility while the projects were ongoing.
- **Restructuring of The Marlowes Centre, Hemel Hempstead debt** – Also in May 2022, the Group completed the acquisition of its debt in respect of the Marlowes shopping centre in Hemel Hempstead. The Group paid £11.8 million in order to settle the loan and associated debt liabilities of c. £24.0 million, representing a discount of approximately 51%. The transaction increased the Group's Net Asset Value by approximately £12.5 million. To partially fund the transaction, the Group subsequently agreed a new £4.0 million loan facility in July 2022, which was provided by BC Invest, a subsidiary of the Group's strategic residential partner Far East Consortium. In concluding on the decision to support the transaction the Board considered the benefits of bringing Hemel Hempstead back on to its balance sheet as an investment asset and therefore securing its future income and capital appreciation potential alongside the immediate uplift to Net Asset Value.
- **Sale of The Mall, Luton** - As part of the agreement to run a consensual sale process, changes to the constitution of the Luton entities were agreed with the lender in May 2022 including the appointment of an independent director with specific rights regarding the sale process. The effective change of control that these amendments triggered resulted in the Group deconsolidating its interest in Luton from that date. This increased the Group's Net Asset Value by £6.8 million being the net liabilities at the point of deconsolidation. In agreeing to the constitutional changes made the Board considered the other options available. Having considered it was not in position to cure the loan it was concluded that supporting a consensual sale process was the best option available. The disposal of the Group's interest in The Mall, Luton completed on 16 March 2023.
- **Sale of The Mall, Blackburn** - In May 2022, the Group exchanged contracts for the sale of The Mall, Blackburn. The sale completed in August 2022 delivering net cash proceeds of approximately £39 million. In considering whether to proceed with the proposed sale the Board considered the trade off between the loss of income from the asset against the potential to further materially reduce the Group's debt position and key net loan to value ratio.

Consideration of stakeholders

With regards to the various property transactions the Board gave consideration to the views of shareholders and the balance between focus on Net Asset Value, Income and Dividend projections and the Group's Net Debt position.

The Board also considered the impact on staff noting that the investments in Hemel Hempstead and Ilford secured the position of those assets within the C&R Group but the outcome of the Luton and Blackburn positions would reduce the number of assets under management. In the case of Luton it was considered that all other viable alternative options had been explored and given the position of the loan it was not viable to recapitalise it within the Group. In the case of Blackburn it was viewed that the benefit of materially further reducing the Group's net loan to value ratio outweighed the loss of income and scale.

Resumption of dividend payments

During the year the Board discussed the resumption of dividend payments. The Group had suspended dividend payments since June 2020 to preserve cash given the impact of the Covid-19 pandemic and restrictions in the Group's banking facilities. As a result of restructuring the Mall debt facility in November 2021, restrictions to passing cash flow up to the Company from its core Mall Facility were removed from November 2021.

In the first half of 2022 the Group, as covered in the Property transactions section above, resolved the positions on its Ilford, Hemel Hempstead and Luton facilities along with agreeing the sale of The Mall, Blackburn for net cash proceeds of c £39 million. Furthermore the Group also received £21.65 million from the sale of the Walthamstow land for residential development. The combination of these transactions brought the Group's net debt to property ratio down to 41% as at 30 December 2022 from 49% at 30 December 2021 and 72% at 30 June 2021.

The Board concluded that the combination of robust operational performance, signs of a stable investment market and the significant reduction achieved in the Group's net debt levels that it was appropriate to resume dividend payments with the payment of an Interim Dividend for the year ending 30 December 2022 and as such a dividend was paid on 7 October 2022.

Consideration of stakeholders

The primary consideration for shareholders was in relation to the Company's objective to return to operating in line with UK REIT requirements and resuming the distribution of cash dividends.

The Group maintain an ongoing dialogue with HMRC on its REIT status and around the requirements to remain compliant. It was noted that HMRC had communicated that it would not indefinitely allow the Group to remain within the REIT regime without paying a dividend. Ensuring the Group operates as an efficient and compliant REIT member is paramount.

The Board concluded to run a Scrip option for the dividend providing opportunity for shareholders to take the dividend by way of an additional issue of shares. This provided shareholders with optionality and helped partially mitigate the impact of resuming dividends upon the Company's cash reserves and net debt position.

This Strategic report has been prepared in accordance with the requirements of the Companies Act 2006, has been approved and signed on behalf of the Board.

Stuart Wetherly
Group Finance Director and Company Secretary

20 April 2023

Introduction

2022 has been a landmark year for Capital & Regional (C&R) regarding its ESG activities.

We worked with our external sustainability consultants to develop a pathway to net zero carbon and achieved significant reductions in our energy consumption. We launched company-wide training to engage our employees on ESG and, as a result, have witnessed a shift in mindset that has led to widespread awareness and integration of ESG from senior management to onsite teams. Leveraging a strong understanding of our diverse communities and trusted relationships with local stakeholders, we have enhanced the inclusivity of our offerings and contribution to local needs such as education, charity fundraising, and economic inclusion.

These achievements are in the context of geopolitical tensions and a harsh economic climate, which have impacted businesses and communities alike, such as through rising energy prices and a cost-of-living crisis. Our integrated ESG strategy and focus on accountability, governance and stakeholder engagement required to realise its ambitions, means we were well positioned to adapt to these challenges and actively respond to the impact on our people, occupiers and communities.

Within this section, we detail the progress and achievements we have made in the year ending 30 December 2022 across our three pillars: Environment, People and Community as well as our environmental, social and governance (ESG) performance and ambitions moving forward.

Our business

Our success stems from our ability to create retail and leisure offerings that are tailored to the needs of their local communities and provide value-oriented goods and services. With a portfolio of shopping centres and Snozone leisure venues, our assets benefit from an integrated ESG strategy that allows them to customise their approach based on the individual needs of the asset type, location and stakeholders

Our ESG strategy

Our purpose is to invest in, manage and enhance retail property by creating dynamic environments tailored to the local communities. With rising investor requirements and evidence connecting ESG performance with resilience and financial returns, managing our ESG risks and opportunities has become an integral part of our business strategy and how we can continue to create value for our stakeholders. As such, in 2021, we made 'Leading in sustainability within our communities' one of our core values to demonstrate the seriousness of our commitment in driving long-term sustainability objectives (see page 16 for our business model).

Our sustainability-focused core value reinforces our stewardship activities and is guided by five intentions (outlined below). To realise these intentions and drive action, C&R has an integrated ESG strategy underpinned by clear policies, procedures and measurable targets. The strategy reflects three key pillars: minimising the negative impact of our assets on the environment, providing a superior experience to our people and responding to the unique needs of our local communities. This is all while upholding our commitment to shareholders and operating as a successful business.

Strategy & 2022 highlights

Our core values

Inspiring **Creative** thinking	Encouraging **Collaborative** engagement	Leading in **Sustainability** within our communities	Acting with **Integrity**	Delivering **Dynamic** solutions
To take an active lead in developing and delivering sustainability within our communities	To continue to identify sustainable practices to manage our buildings responsibly	To develop cultural ways of working that are obsessive about waste, recycling and reducing our carbon footprint	To play our part in an effective response to the urgent threat of climate change, aligning with the 2015 Paris Agreement commitments	To reach net zero by 2040

Strategic Report

Our ESG Strategy

Environment

We executed operational excellence, due to the hard work of on-site teams, implemented energy efficiencies and our net zero carbon pathway activities, leading to significant energy and carbon savings against the 2019 baseline.

28%
reduction in energy consumption vs. 2019

42%
reduction in Scope 1 & 2 emissions since 2019

Zero
waste to landfill achieved in shopping centres since 2018

£865k
invested by Snozone for carbon reduction initiatives

People

We focused on employees holistic wellbeing, offering financial support initiatives and fitness challenges, as well as their education and development through training, mentoring and coaching.

64%
of Snozone staff received accredited or certificated training

40%
of the C&R Senior Leadership Team are women

620
internal GEM awards given to employees

88%
of Snozone staff are 'very satisfied' in their place of work

Community

We built on our community support, engaging local charities and hosting events that contribute to local community needs including education, inclusion and economic development.

221
community groups supported

559
hours spent with local BIDs

29%
growth of participation in Disability and Adaptive snow sports lessons

c.£300k
invested into local communities

External initiatives and benchmarks

We are a member of the Better Buildings Partnership (BBP), and our shopping centres business is a signatory to the BBP Climate Commitment. We collaborate with property owners and real estate investors to improve the sustainability of commercial buildings and advocate for industry-wide transformation.

We have been reporting our climate disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) since 2021 to effectively manage our material climate-related risks and opportunities and support informed investment decision-making (see this year's response on page 90).

Aligning with external initiatives and benchmarks

GRESB is the world's leading ESG benchmark for real estate and infrastructure. C&R has participated in GRESB since 2018, achieving two stars in 2022, and has set a target, including within the objectives for Senior Leadership and the Board of Directors, to drive improvements.

The United Nations (UN) Sustainable Development Goals (SDGs) is a globally recognised framework that forms a shared global agenda for environmental improvement, social empowerment and greater equality. C&R's ESG strategy directly contributes to seven UN SDGs (see pages 59–60 for more information).

Realising the ambitions of the UN SDGs

Our strategy is aligned with seven SDGs where we can have the most significant mpact through our business operations. These are outlined below, along with the key initiatives and measures that display our impact against the SDGs' ambitions.

SDG	Summary	Key initiatives and measures
1 NO POVERTY	**We will help to eliminate poverty in all its forms, everywhere** by implementing our national minimum wage (NMW) policy across C&R and ensuring our third-party suppliers do the same, providing upskilling and job opportunities to local communities and fundraising for charities that support ending poverty and homelessness.	• 100% employees paid at least the NMW • Over £129,000 funds raised for charities across the business **Shopping centres:** • Supported food banks at each centre • Beat the Bills education events hosted across all shopping centres
3 GOOD HEALTH AND WELL-BEING	**We will promote wellbeing for everyone** through a suite of policies and procedures encompassing health and safety, wellbeing and mental health and human rights, promoting workplace initiatives such as the Wellbeing Challenge and providing all employees with safe working conditions and access to health services through our partnership with the Retail Trust.	**Shopping centres:** • Launch of Retail Trust Retail Awards App • 58 employees engaged with Retail Trust support services • 95 million steps taken through the Wellbeing Challenge • NHS Community Diagnostic Centre (CDC) opened in The Mall Wood Green • Signed lease agreement for a NHS Community Healthcare Centre in Ilford • Achieved an average 96% score in the independent DDS health and safety audit • 41% decrease in accidents vs. the 2019 base year • 0.9% absentee rate • Awarded the RoSPA Presidents Award (GOLD) for the 11th consecutive year **Snozone:** • Launch of 'Health Assured', a 24hr employee assistance service for staff health and wellbeing • Wagestream introduced, a money management app for staff to manage their finances • 96% score in the independent health and safety audit and 97% for food safety
4 QUALITY EDUCATION	**We will support lifelong learning opportunities** by providing education to the local community through the Community Wheel of Support initiative in our shopping centres, Snozone's status as the 'Best Sporting Venue' for children learning outside the classroom and our comprehensive employee training programme.	**Shopping centres:** • 50% of employees are World Host accredited • 35% of employees received bespoke training in line management and thriving through change • 620 internal awards were given to employees recognising their acts of kindness and efforts within our GEM (Going the Extra Mile) Training Program • Supported three young mentees through the Step Now initiative **Snozone:** • 64% of employees received either accredited or certificated skill-based training • Hall of Fame annual event recognises and rewards team members who are consistently demonstrating the company's values

Realising the ambitions of the UN SDGs

SDG	Summary	Key initiatives and measures
5 GENDER EQUALITY	**We will promote gender equality and empower all women and girls** through Snozone's female-first marketing approach, tailored recruitment and partnership with Sports England's This Girl Can, our membership with Real Estate Balance, implementation of diversity policies, zero-tolerance towards all forms of violence and monitoring of gender balance performance data.	• Launch of improved Maternity and Menopause Policy • 40% of the C&R Senior Leadership Team are women **Shopping centres:** • 50% of shopping centres' general managers are women • 61% of employees are women across the shopping centre business • Launched Package for Florence initiative to eliminate period poverty **Snozone:** • 49% women in Senior Management positions • Introduced over 400 women and girls to snow sports free of charge on International Women's Day
8 DECENT WORK AND ECONOMIC GROWTH	**We will promote sustainable economic growth and decent work for all** through our Modern Slavery Champion Programme, supporting local start-ups and small businesses to thrive in our centres, helping local charities who work with disadvantaged members of society, offering apprenticeships and developing career mentoring initiatives for youth in our communities.	**Shopping centres:** • 36 start-ups and small businesses supported • One apprenticeship in place • Three youth mentees engaged through the Step Now initiative
11 SUSTAINABLE CITIES AND COMMUNITIES	**We will provide inclusive, safe and resilient spaces for all** by managing our buildings responsibly and operating inclusively such as through Snozone obtaining Disability Confident Employer status and its long-term partnership with Sense. Ensuring access to affordable housing is included within our residential developments and maintaining access to public spaces to promote wellbeing and community cohesion.	**Shopping centres:** • 44,096 sq.m of public realm space • Quiet Hour introduced weekly across all centres • c.£300,000 invested in supporting community services **Snozone:** • 29% growth in participation in Disability and Adaptive snow sports lessons • Exceeded 1,000 disability and adaptive lessons at Snozone for the first time • £6,000 raised for Sense, Snozone's charity partner
13 CLIMATE ACTION	**We will take urgent action to combat our contribution to the climate crisis** by realising progress against our commitments to net zero carbon, executing best practice in energy, water and waste management, continually reviewing the capital investment plan for each venue and centre, working with occupiers to achieve mutual environmental performance gains and spearheading green community initiatives.	• Net zero carbon by 2040 for shopping centres and Snozone **Shopping centres:** • 24% electricity and 64% gas use reduction vs. 2019 • Zero waste to landfill • 11% water use reduction vs. 2019 **Snozone:** • 1,765 solar panels installed at the Madrid venue • 11,500 trees planted to date by Snozone's offsetting activities with Tree-Nation • New and more efficient blast coolers installed at the Milton Keynes venue • 18% water use reduction vs. 2019 • 6% electricity and 23% gas use reduction vs. 2019

Governing ESG responsibly

C&R's strategy is overseen by the ESG Committee , who is responsible for driving accountability as well as the implementation of the ESG strategy across the business. Coordinating between both shopping centres and Snozone, the committee continuously seeks to identify opportunities where ESG principles can be integrated into daily business operations and meets quarterly to receive updates on activities and progress made against targets. The committee is supported by sub-committees for each of the three pillars: Environment, People and Community, who are responsible for monitoring progress against targets. The ESG Committee then reports quarterly to the Board regarding progress made against the strategy.

ESG activities, spearheaded by shopping centres' Director of Operations & Guest Experience and Snozone's Managing Director, are developed and implemented through continuous collaboration with onsite managers and teams. Examples include the development of the Net Zero Carbon Wheel of Delivery and initiatives to tackle current issues such as the cost-of-living crisis with our Beat the Bills campaign.

Empowered by a company-wide education programme in 2022, ESG is now present on the agenda in all Senior Leadership Team (SLT) meetings to promote the discussion of key topics and the dissemination of best practice. For the first time, organisational ESG objectives have been set for all employees in 2023. To ensure the strategy is being driven from every level and embed accountability, objectives are tailored to teams and by seniority level. The objectives aim to improve ESG engagement, reporting and performance across our three pillars, for example, to achieve progress towards C&R's net zero carbon commitments, measure the social value we create for local communities and train all staff on key ESG topics to empower them to act in their roles. Progress against the objectives will be monitored through a selection of key performance indicators (KPIs).

ESG is also integrated into C&R's communications strategy, both internally and externally, to generate awareness of our activities and progress. For example, in 2022, we launched a dedicated ESG page on the C&R website and graphics are present throughout all our shopping centres informing visitors about our sustainability credentials and initiatives. Updates on ESG also featured in all investor presentations and we communicated key highlights during our most recent Capital Markets Day.

Environmental, Social and Governance (ESG) Committee

Laura Whyte
Non-executive Director – Chair

Katie Wadey
Non-executive Director

Lawrence Hutchings
Chief Executive Officer

Sara Jennings
Director of Operations & Guest Experience

Nick Phillips
Managing Director of Snozone

Alanna Henry
HR Consultant

Nikki Jones
HR Director, Snozone

Olivia Grout
PA Operations

Environment Committee

People Committee

Community Committee

ESG Report CONTINUED

Creating value for our stakeholders

Our community focus means engaging with stakeholders is a vital part of how we understand their changing needs and safeguard the long-term success of our business. We proactively listen and share through regular, constructive engagement to communicate our strategic direction and be agile in responding to our diverse occupiers, community and public sector partner needs.

Our stakeholders	How we engage them	Issues that are important
Our shareholders	Results presentations, roadshow meetings, annual general meeting (AGM), Group ESG meetings, ad hoc meetings, requests and email correspondence, Capital Markets Days and asset tours, attendance at investor conferences	Financial and operational results, awards, retail and property market perspectives, potential growth opportunities and/or corporate activity, environmental performance, social contributions, compliance
Our employees	Staff pulse engagement surveys, ESG staff training, ESG Officers, business-wide town halls with internal updates and guest speakers, monthly employee voice meetings and 24/7 anonymous feedback platform, coaching and mentoring programme	ESG, health and wellbeing, community support, British Heart Foundation cardiopulmonary resuscitation (CPR) training, International Women's Day, business planning, board updates, annual and half year results, leadership and line management training
Our suppliers	Tendering, appointment and monitoring against defined capital and revenue project scopes, regular performance review meetings	Values and vision, community relevance, local employment, sustainability credentials, cost-effectiveness, performance
Our retail customers and occupiers	Marketing boards, website, engagement with agents, onsite meetings, social media, business exposure onsite, local authorities and investment	Identifying the right location, demographic, leasing, term and budget, branding and fit out of their unit, footfall
Our communities and guests	Websites, social media, marketing events and key launches, continuous guest activities and programmes, loyalty card, emails	Consumer marketing campaigns, ESG, charity and community support, new retailer openings
Local authorities	Ad hoc interactions between varying levels, Business Improvement Districts (BIDs), support to a variety of delivery boards, town centre boards and stakeholder frameworks, charitable support, headlease engagement where local authorities are freehold partners	Planning applications, headlease administration, town centre master planning, Business Improvement Districts, business rates, town centre marketing/event support, key stakeholder interactions

Strategic Report

Environment

At C&R, managing the environmental impact of our owned and leased assets through the property lifecycle, from refurbishment to operation, means we can embed resilience against our ESG risks, realise opportunities associated with environmental improvements and ensure better places for all the enjoy. With the effects of climate change being felt worldwide, and the built environment responsible for 25% of the UK's carbon emissions[1], the real estate sector has a responsibility, now more than ever, to play its part in the green transition.

This year we achieved significant reductions in energy consumption compared to 2019, our most recent year unaffected by the consequences of COVID-19. In 2021, our business operations continued to see effects from pandemic-related government restrictions, such as Snozone closures during their peak season (January 2021 to 14 April 2021). As a result, 2022 saw increases in energy and water consumption relative to the previous year. Record-breaking high temperatures in the summer and lower-than-average negative temperatures in the winter created direct impacts at the asset level, with C&R experiencing first-hand, climate-related issues including increased flood risk and cooling/heating requirements. This year also saw a dramatic increase in energy costs, requiring C&R to implement tools and initiatives to limit the impact on the business, its people and the communities we operate within.

C&R has committed shopping centres and Snozone to achieve net zero by 2040. To reach this goal, with the support of experts in the industry, we have developed individual net zero pathways for each business to reflect the different opportunities and challenges they both face, with short, medium, and long-term goals across Scope 1, 2 and 3 emissions. As we build a deeper understanding of our performance based on actual data, we will set further targets and milestones to guide the achievement of our commitments.

Key Highlights[2]

Net zero by 2040 target set by shopping centres and Snozone

28% reduction in Scope 1 and 2 emissions across the Group compared to the 2019 baseline

£865k capital invested by Snozone in carbon reduction initiatives

Zero waste to landfill achieved in shopping centres since 2018

11,500 trees planted by Snozone in their partnership with Tree-Nation since 2021

1. UKGBC, (2021), Climate Change – UKGBC's vision for a sustainable built environment is one that mitigates and adapts to climate change. Available from: https://www.ukgbc.org/climate-change-2/
2. All figures relating to energy, emission, and water reductions exclude Snozone Madrid unless noted otherwise.

Yentl Yeung
Performance Analyst

Our People

Yentl started working at Capital & Regional in 2021, after making the move to London from Hong Kong. Before joining C&R, she qualified as a Chartered Engineer and became a certified Project Management Professional (PMP®) with over seven years of experiences in various industries. Yentl is currently part of the Investment and Analytics Team. She is passionate about process improvement and data analysis. She enjoys drilling down in the data to provide insights that help influence strategy planning and business decisions.

Yentl is also part of the company's Diversity and Inclusion and Employee Voice committees, eager to bring people closer together and create a harmonious working environment for people to grow and strive.

Net zero roadmap

Net Zero by 2040

Embodied carbon

- Define and introduce sustainable refurbishment guidelines for major and minor refurbishments
- Conduct whole life carbon and climate risk assessments for all refurbishments and fit outs

Operational carbon

- Implement occupier engagement strategy and scale-up the use of green lease clauses
- Improve data accuracy and coverage
- Embed net zero criteria into the pre-acquisition process
- Integrate findings of asset level audits into existing multi-year carbon reduction plans for each asset, and extend plans to incorporate asset level climate risk information
- Continue LED lighting upgrades
- Continued investment in decarbonising consumption with new technologies
- Achieve 80% reduction in operational carbon (Scope 1 & 2) by 2036

2022 Progress

- Reduced Scope 1 & 2 emissions by 42% since 2019
- Venues now 100% equipped with LED lamping

Onsite generation

- Onsite renewable energy strategy in development
- Solar PV installation

2022 Progress

- 1,765 solar panels installed on the roof at Snozone Madrid, estimated to reduce operational costs by up to 40% p.a.

Renewable energy procurement

- Work with occupiers to increase high-quality renewable energy procurement
- Continue to procure 100% landlord renewable electricity and identify high-quality renewable energy sources

2022 Progress

- 100% electricity consumption is from renewable sources
- Zero emissions from refrigerants at Snozone

Offsetting

- Develop a carbon offsetting strategy
- Plant 9,000 trees in partnership with Tree Nation by the end of 2023

2022 Progress

- 11,500 trees planted in partnership with Tree Nation by the end of 2022, reforesting 12 hectares of land and offsetting 1,440 t CO_2

ESG Report CONTINUED

Environment

In 2022, shopping centres achieved a

64%

reduction in Scope 1 emissions and a

43%

reduction in Scope 2 emissions compared to the 2019 baseline. This is equivalent to 2,282 tCO_2.

Shopping centres are net zero carbon by 2040

For our shopping centres, we have developed a robust pathway aligned with the BBP Climate Commitment and the UK Green Building Council's (UKGBC) definition of net zero. Our commitment covers embodied carbon associated with refurbishments and fit-outs and operational carbon from landlord and occupier energy consumption, along with other measured emission sources (see Our pathway to Net Zero Carbon for more information).

The first step in developing our pathway was to understand our baseline portfolio emissions. From this, we then developed our projections for 2040, identifying opportunities and targets for emission reductions. These steps resulted in a pathway that prioritises the necessary emission reductions up to our target year and beyond. To support our carbon pathway, we developed a clear and actionable implementation plan designed with all stages of the property lifecycle in mind. We have ensured that our transition to net zero carbon is aligned with Snozone's net zero carbon pathway and best practice industry targets, such as the Carbon Risk Real Estate Monitor (CRREM) and the forthcoming UK Net Zero Carbon Buildings Standard.

Our shopping centres' Scope 3 emissions relating to occupier energy consumption make up an estimated 83% of our total emissions (based on our baseline year of 2019). This means that managing these emissions is central to achieving our net zero carbon commitment. With occupier emissions falling outside of our direct management or ownership, tackling them proves a challenge for C&R and across the wider industry. To address this, we have created an enhanced occupier engagement strategy to promote collaboration. The strategy includes net zero carbon audits, sustainability training and upskilling for both our team and occupiers, as well as the implementation of engagement initiatives. For example, we have been engaging with CRATE UK on the design of a new Market Hall in Walthamstow, a vibrant hub for the community. CRATE, C&R's design team and external agencies have been collaborating to ensure the final design incorporates best practice sustainability principles such as renewable energy sources, maximising the use of natural light and biophilia.

This has resulted in an estimated EPC rating of A. We also intend to incorporate collaboration and sustainability into our new leases and renewals, including scaling up our use of green lease clauses. A key focus for 2023 is to increase the collection of occupier data to enhance this strategy.

This year we also introduced the Net Zero Carbon Committee. The committee aims to ensure the effective progress of our net zero carbon pathway by managing any required interventions, increasing retailer and occupier engagement, and planning EPC performance improvements. The Net Zero Carbon Committee Wheel of Delivery was launched across our shopping centre business as part of our ESG Takeover Day in Q3 2022 and covers 12 key areas to target. The committee proactively looks at performance trends and opportunities that might help progress towards our net zero commitment. Through our ESG committee, each centre's committee updates are presented quarterly to the Board to monitor progress.

Snozone is net zero carbon by 2040

Snozone's net zero pathway consists of a comprehensive plan to decarbonise its portfolio. Targeting an 80% reduction in operational carbon by 2036 and guided by the Greenhouse Gas (GHG) Protocol, Snozone's net zero plan includes energy consumption targets as well as the improvement of energy sourcing.

Snozone has already made strong progress through investment in its assets and continues to seek ways to balance the impact our portfolio has on the environment through carbon reduction projects. This year we invested £865,000 in carbon reduction initiatives: a blast cooler replacement in Milton Keynes; upgrading of our cooling tower in Yorkshire; solar panel installation in Madrid; upgrading of our glycol liquid piping in Milton Keynes; and installation of LED lighting in Yorkshire. All three Snozone sites are powered by 100% renewable energy, comprising both wind and solar energy generation.

Similar to our shopping centres, the little control we have over Snozone's Scope 3 emissions has provided a challenge. Travel to Snozone venues represents a large proportion of these emissions, and to overcome this, several initiatives have been launched. These include cycle-to-work schemes for team members and maintenance optimisation such as consolidating service providers within our supply chain to reduce venue visit frequency.

Energy

Energy efficiency is critical to achieve our net zero carbon commitment and therefore a priority across the business. Due to our efforts in 2022, we have seen a significant improvement in our performance. Shopping centres observed a 24% reduction in electricity consumption and a 64% reduction in gas consumption compared to the 2019 baseline. Reductions were partially achieved due to an ongoing large-scale LED lighting upgrade project, which involves the replacement of lamps with LED lighting in common parts and car parks by June 2023. It is estimated that this will result in 50% energy savings on the newly installed units.

However, the substantial energy savings in shopping centres is testament to the determination of onsite staff to implement operational efficiencies. Despite significant hikes in energy prices, we saw minimal overspend on our utilities due to the team's onsite energy reduction efforts. At The Mall Maidstone, for example, our team executed significant behaviour change, contributing to a 33% electricity saving compared to 2019. This was achieved through BMS efficiencies, out-of-hour load checks and a significant shift in culture, where all staff changed their behaviours to mitigate unnecessary energy use. Similar efforts within Snozone led the local team in Madrid to reduce its energy consumption by 9% compared to 2021.

This year, Snozone's utility consumption reduction vs. the 2019 baseline year either met or exceeded all reduction targets. This included a 6% reduction in electricity and a 23% reduction in Scope 1 gas. Snozone's biggest source of energy consumption is creating a snow block and maintaining a temperature of -3ºC. To manage this energy source more effectively, Snozone has invested in ammonia-based coolant technologies and will continue to upgrade this equipment to deliver significant cost and carbon benefits. Further to this, the monitoring of chiller shutdowns by our ESG Officers has resulted in a reduction in carbon emissions by 8%. At the Madrid venue, alongside the ski boxes in the UK, all conventional light fittings have been retrofitted with LED technology, which has both lowered heat emissions associated with the lighting and reduced direct energy consumption. In 2022, Snozone also completed the transition of all restaurants and office space to 100% LED lighting.

Energy Performance Certificates (EPC)

From 1 April 2023, the regulations around EPC ratings are tightening. It will be a requirement for all existing leases to achieve a minimum EPC rating of E. To achieve this, our shopping centres are recording EPC ratings at the store level to increase focus and highlight areas where ratings need to be improved and we will work on providing our retailers with tools to help improve performance. We have also included EPC management as a key target area in our Net Zero Carbon Pathway Wheel of Delivery.

Onsite renewables

As part of both shopping centres' and Snozone's net zero carbon pathways, high-quality renewable onsite energy generation will be sought out and installed where feasible. Our electricity consumption across all assets is from 100% renewable sources, with Snozone producing zero emissions from ammonia refrigerants despite its cooling requirements.

In 2022, Snozone Madrid had 1,765 solar panels installed across the roof of the Xanadu centre, which is estimated to reduce operational costs by up to 40% per annum. With an installed capacity of 545 kWh per panel, in total, this amounts to 962,000 kWh of solar energy generation.

> Well done Snozone for supporting the Tree-Nation initiative. We all need to look after this wonderful planet of ours to ensure it survives for us now and for generations to come.
>
> **Angela Ireland**
> (Guest)

Environment

In 2022, Snozone **reduced** its Scope 1 emissions by

24%

and Scope 2 emissions by

29%

compared to the 2019 baseline, equivalent to 430 tCO_2.

For shopping centres, our Food & Beverage (F&B) occupiers' high reliance on gas sources has created a challenge and we aim to investigate ways to transition to renewables in the future. We have actively worked with CRATE Places UK, our new Market Hall tenant to design a food offering that will utilise renewable energy sources, maximise natural light and incorporate greenery within the space.

Waste and water

The retail sector in the UK is responsible for around 12% of all industrial and commercial waste[1]. C&R therefore consider the promotion of circular economy principles through reducing waste as one of our core sustainability values. This year, shopping centres have experienced progress through initiatives such as the deployment of retailer waste management training from Don't Waste, our waste management consultant, which has led to a reduction in waste contamination as well as improved waste disposal controls. Once again, zero waste was sent to landfill in 2022.

At all our shopping centre locations, we collaborate with Don't Waste to ensure we continue to achieve this. For example, The Exchange, Ilford was awarded an International Green Apple Environment Award this year for its environmental best practice. The centre, in partnership with Don't Waste, made significant progress on improving its recycling accuracy onsite. A new signage package, additional bins, an occupier engagement programme and a full review of the recycling process, helped the centre maintain zero waste to landfill, reduce the frequency of food waste bin collections as well as improve rebates, with cardboard rebates offsetting all waste costs for April 2022.

Our strong performance is also due to the success of our community events that engage visitors on waste reduction and recycling. Disposable coffee cup recycling, a pilot initiative at our shopping centre in Redditch, proved to be extremely successful, with over 1,000 cups collected. These have gone on to be repurposed as greeting cards or other products.

As a tenant within a larger leisure scheme, Snozone is not directly responsible for its waste management. We do, however, ensure that we only work with suppliers who share our waste reduction values, such as those who do not use single-use plastic packaging. Our coffee provider, who delivers products using an electric fleet, supplies their bags in compostable packages, while all onsite drinks are provided in aluminium or glass packaging, which has a higher recycling rate.

Snozone also has ESG Officers at each venue who help with waste reduction initiatives such as encouraging the use of recycling bins, reducing printer paper, and working with food and beverage teams to reduce food waste.

C&R considers water reduction measures throughout the business, and our water management system has been highlighted as an area of focus moving forward. In comparison to the 2019 baseline, we saw water consumption reductions of 11% in shopping centres and 18% in Snozone locations, exceeding our 10% reduction target.

Nature

With a nature-positive ambition, C&R aims to regenerate and increase biodiversity where possible and reduce the impacts of our business on nature. With this goal in mind and to offset its carbon footprint, Snozone has a partnership with Tree-Nation, supporting the mission of global reforestation. By planting trees all around the world, Tree-Nation aids Snozone in reducing carbon emissions and restores and regenerates the environment in places where biodiversity transformation is required. As part of this initiative, Snozone has planted 11,500 trees since its partnership with Tree-Nation began in October 2021, with 8,726 planted in 2022. This means Snozone has now reforested over 12 hectares of land and offset over 1,440 tonnes of CO_2.

An example of how our shopping centres foster biodiversity is through the introduction of beehives at The Mall, Luton. In April 2021, members of the team created beehives and an enclosure on the rooftop car parks to house a delivery of bees from a local beekeeper. Members of the team work regularly with the local beekeeper to ensure that the bees swarm and have now moved them to a permanent hive on the rooftop, as well as setting up a pollinating garden.

Climate Risk

Human-induced climate change is already causing shifts in weather patterns in every region across the world, with droughts, heavy precipitation and flooding all projected to intensify in the coming years. Physical climate events are being experienced on a now-regular basis across the UK and awareness is growing on the significant risk climate change poses to the entire financial system. This has contributed to significant policy action across the UK to support the transition to a low-carbon economy and mitigate future impacts of climate change.

1. Fresco Environmental, (2021), Shopping Centres: How You Can Recycle More, Available from: https://frescoenvironmental.com/shopping

To understand the risks associated with climate-related physical and transition risks and protect our communities from being impacted, we have conducted a detailed assessment of climate risk governance at C&R and the climate-related risks posed to the business and portfolio across multiple climate scenarios and time horizons. To effectively manage these risks and benefit from related opportunities, such as reducing operational costs and capital expenditure and increasing revenues and asset values, we have integrated climate-related risks into our risk management framework and formalised oversight responsibilities. Climate risk has also been embedded into our strategic approach and informs our strategic financial planning and investment decisions. We have also started to implement climate risk mitigation and adaptation measures at the site level to directly manage climate-related risks.

To learn more about our climate risk management see pages 90–97 for our second response to the Task Force on Climate-related Financial Disclosures.

Environmental Education

We believe in the importance of helping individuals develop a deeper understanding of environmental issues and encouraging responsible behaviour. In 2022, we ran several community initiatives with this goal in mind. For example, The Mall Maidstone's 'Go Green' event celebrated Great Big Green Week by hosting an entire week of free activities, talks and events, which were open to everyone. This included a Climate and Healthy Talk with Councillor Stuart Jeffery, a 'Small Changes in Sustainable Living' workshop as well as a 'Going Veggie' talk hosted by The Vegetarian Society UK. Maidstone Borough Council's Climate Change and Biodiversity team also created a 'Go Green Information Centre' within the shopping centre. They took over an empty unit until the end of September and used it to help anyone who may be confused, sceptical or unsure of where to start with becoming greener and more sustainable.

For three weeks during the summer school holidays, 17&Central, Walthamstow ran their sustainable summer camp, teaching children to be sustainable and offering fun activities to get involved in. The summer camp helped children learn how their garden grows and how they can help make their homes and the world greener. Grow-Your-Own workshops were held, where children could make their own gardening aprons and water bottles, as well as sustainable interactive story-times, special games, trials and activities. The camp aimed to educate children on how small changes at home can create a big green difference. In another example, The Tiny Gardens Project in Ilford displayed different plants, herbs and small gardens to give inspiration, hints and tips on how people can plant indoors or in small outdoor spaces. The unit was open to the public for two weeks, where guests could visit and vote for their favourite garden by placing a coffee bean into a pot by the garden of their choice. The team was awarded the Sceptre Award for Sustainability Initiative of the Year 2022.

> There are resources to help people better understand the solutions, products, and services already available that can help them lead a more sustainable life.
>
> **Councillor David Burton**
> Leader of Maidstone Borough Council

Environment

European Public Real Estate Association (EPRA) Sustainability Best Practices Recommendations (sBPR)

The EPRA sBPR intend to raise the standards of sustainability reporting for listed real estate companies and provide a consistent way in which to report environmental, social and corporate impacts. Below we have disclosed our 2022 energy, carbon, water and waste performance in accordance with the sBPR and has been externally verified by HDR, Inc.

Capital and Regional 2022 Annual Reporting

	Total electricity consumption (kWh)	Total gas consumption (kWh)	Energy Intensity (kwh/sqft/year)	Total direct GHG emissions (annual metric tonnes tCO_2e)	Total indirect GHG emissions (tCO_2e)	GHG Intensity from building energy ($kgCO_2e$/sqft/year)
EPRA Performance Indicator	**Elec-Abs**	**Fuel-Abs**	**Energy - Int**	**GHG-Dir-Abs**	**GHG-Indir-Abs**	**GHG-Int**
2022						
Retail Portfolio Shopping centres						
Redditch	2,015,489	55	2.0	0.01	390	0.39
Blackburn*	654,647	n/a	1.1	–	127	0.21
Luton	2,164,026	767,018	3.2	140	418	0.62
Maidstone	1,445,766	411,656	3.7	75	280	0.71
Walthamstow	851,431	n/a	3.3	–	165	0.63
Wood Green	2,149,389	431,921	4.7	79	416	0.90
Hemel Hempstead	903,692	50,035	1.4	9	175	0.28
Ilford*	1,948,242	–	6.5	–	377	1.26
Total	**12,132,682**	**1,660,685**	**2.9**	**303**	**2,346**	**0.55**
Snozone**						
Milton Keynes	1,852,704	871,005	50.9	159	358	6.69
Castleford	2,634,728	426,194	112.6	78	510	18.75
Madrid, Spain	5,156,311	–	179.9	–	1,005	33.52
Total (Not incl. Madrid)	**4,487,431**	**1,297,199**	**71.7**	**237**	**868**	**10.75**
Total (incl. Madrid)	**9,643,742**	**1,297,199**	**99**	**237**	**1,873**	**19.06**
2021						
Retail Portfolio Shopping centres						
Redditch	2,203,628	55	2.2	–	468	0.47
Blackburn*	1,034,335	n/a	1.7	–	220	0.04
Luton	2,187,776	1,242,103	3.8	228	465	0.76
Maidstone	1,431,499	519,174	3.9	95	304	0.80
Walthamstow	623,465	n/a	2.4	n/a	132	0.51
Wood Green	1,969,431	372,199	4.3	68	418	0.88
Hemel Hempstead	936,921	128,410	1.6	24	199	0.33
Ilford	1,636,895	67,615	5.7	12	348	1.20
Total	**12,023,949**	**2,329,556**	**3.0**	**427**	**2,553**	**0.62**
Snozone**						
Milton Keynes	1,894,353	649,286	47.5	119	402	7.51
Castleford	2,323,409	343,905	98.1	63	493	18.15
Madrid, Spain	4,994,451	–	166.5	–	849	28.30
Total (Not incl. Madrid)	**4,217,762**	**993,191**	**64.6**	**182**	**896**	**11.10**
Total (incl. Madrid)	**9,212,213**	**993,191**	**92**	**182**	**1,745**	**15.76**
2020						
Retail Portfolio Shopping centres						
Redditch	2,368,543	29,702	2	5	552	0.56
Blackburn*	1,093,871	n/a	2	n/a	255	0.04
Luton	2,446,827	1,865,347	5	343	570	1.01
Maidstone	1,532,259	986,226	5	181	357	1.08
Walthamstow	494,696	n/a	2	n/a	115	0.44
Wood Green	2,053,453	1,171,821	6	215	479	1.26
Hemel Hempstead	1,030,125	285,410.00	2	52	240	0.44
Ilford	1,685,665	291,282.12	7	54	393	1.49
Total	**12,705,437**	**4,629,788**	**4**	**851**	**2,962**	**0.80**
Snozone**						
Milton Keynes	1,839,721	488,030	43	89.73	429	9.69
Castleford	1,980,520	500,938	91	92	462	20.38
Total	**3,820,241**	**988,968**	**60**	**182**	**891**	**13.29**

Notes

London office data has not been used in EPRA reporting. The office accounts for less than 0.5% of electricity consumption across the portfolio. The London office has been captured in the mandatory reporting figures.

Actual invoice data has been used for reporting wherever possible, however some estimated data has been used where data has not been available. The information in this report represents the best information available at the time of issue.

* The Blackburn site was disposed of in August 2022, slightly impacting the centres' energy use

** Waste at all Snozone dealt with directly by the landlord, with costs for this including in the service charge. Snozone are not able to obtain accurate waste figures at this time as the waste bins are shared by all tenants.

Total water withdrawn from source (annual m^3)	Building water intensity (m^3/sqft/ year)	Total weight of waste by disposal route (annual metric tonnes – landfill)	Total weight of waste by disposal route (annual metric tonnes – incineration)	Total weight of waste by disposal route (annual metric tonnes – recovery)	Total weight of waste by disposal route (annual metric tonnes – recycled)	Total weight of waste by disposal route (annual metric tonnes – anaerobic digestion)
Water-Abs	Water-Int	Waste-Abs	Waste-Abs	Waste-Abs	Waste-Abs	Waste-Abs
8,250	0.01	–	–	82	119	2
1,574	0.003	–	133	–	78	2
10,061	0.01	–	106	–	320	10
4,019	0.01	–	287	–	67	4
7,842	0.03	–	239	–	107	–
14,738	0.03	–	–	54	929	44
10,971	0.02	–	36	–	94	5
13,106	0.04	–	183	–	79	4
70,561	**0.01**	**–**	**984**	**136**	**1,793**	**70**
4,056	0.08	Not Available	Not Available	Not Available	Not Available	Not Available
7,248	0.27	Not Available	Not Available	Not Available	Not Available	Not Available
15,312	0.51	Not Available	Not Available	Not Available	Not Available	Not Available
11,304	**0.14**	**Not Available**	**Not Available**	**Not Available**	**Not Available**	**Not Available**
26,616	**0.24**	**Not Available**	**Not Available**	**Not Available**	**Not Available**	**Not Available**
7,494	0.01	–	–	–	144	3
1,687	0.003	–	194	–	133	14
6,958	0.01	–	70	–	287	7
4,019	0.01	–	182	–	157	4
7,565	0.03	–	185	–	95	2
7,426	0.01	–	–	55	883	52
13,363	0.02	–	35	–	91	2
8,866	0.03	–	120	–	54	9
57,377	**0.01**	**–**	**787**	**55**	**1,845**	**92**
2,527	0.05	Not Available	Not Available	Not Available	Not Available	Not Available
6,096	0.22	Not Available	Not Available	Not Available	Not Available	Not Available
13,410	0.45	Not Available	Not Available	Not Available	Not Available	Not Available
8,623	**0.11**	**Not Available**	**Not Available**	**Not Available**	**Not Available**	**Not Available**
22,033	**0.20**	**Not Available**	**Not Available**	**Not Available**	**Not Available**	**Not Available**
6,412	0.01	–	–	–	140	3
1,836	0.003	–	36	–	302	8
5,684	0.01	–	58	–	264	8
3,079	0.01	–	162	–	122	4
5,537	0.02	–	204	–	74	–
5,738	0.01	–	–	74	865	18
6,982	0.01	–	10	31.6	67	4
14,733	0.05	–	110	–	60	27
50,000	**0.01**	**–**	**580**	**105.3**	**1,894**	**71**
1,254	0.02	Not Available	Not Available	Not Available	Not Available	Not Available
5,560	0.20	Not Available	Not Available	Not Available	Not Available	Not Available
6,814	**0.08**	**Not Available**	**Not Available**	**Not Available**	**Not Available**	**Not Available**

ESG Report CONTINUED

Environment

	Total electricity consumption (kWh)	Total gas consumption (kWh)	Energy Intensity (kwh/sqft/year)	Total direct GHG emissions (annual metric tonnes tCO_2e)	Total indirect GHG emissions (tCO_2e)	GHG Intensity from building energy ($kgCO_2e$/sqft/ year)
EPRA Performance Indicator	**Elec-Abs**	**Fuel-Abs**	**Energy - Int**	**GHG-Dir-Abs**	**GHG-Indir-Abs**	**GHG-Int**
2019						
Retail Portfolio Shopping centres						
Redditch	3,046,669	93,230	3	17.14	779	0.80
Blackburn*	1,391,121	n/a	2	n/a	356	0.59
Luton	3,128,967	1,622,309	5	298	800	1.21
Maidstone	2,155,695	1,165,604	7	214	551	1.53
Walthamstow	549,506	n/a	2	n/a	140	0.54
Wood Green	2,596,843	1,240,396	7	228	664	1.62
Hemel Hempstead	1,040,008	109,412	2	20	266	0.43
Ilford	2,103,621	325,780	8	60	538	1.99
Total	**16,012,429**	**4,556,731**	**4**	**838**	**4,093**	**1.03**
Snozone**						
Milton Keynes	2,408,567	1,033,442	64	190	616	15.05
Castleford	2,381,288	658,414	112	121	609	26.85
Total	**4,789,855**	**1,691,856**	**80**	**311**	**1,224**	**19.0**
2018						
Retail Portfolio Shopping centres						
Redditch	3,182,276	151,235	3	28	901	0.93
Blackburn	1,449,552	n/a	2	n/a	410	0.68
Luton	3,068,009	1,270,673	5	234	868	1.22
Maidstone	2,406,230	1,668,799	8	307	681	1.98
Walthamstow	583,924	n/a	2	n/a	165	0.64
Wood Green	2,612,918	1,112,720	7	205	740	1.72
Hemel Hempstead	1,118,218	157,122	2	29	317	0.52
Ilford	3,665,083	160,709	13	30	1,037	3.56
Total	**18,086,210**	**4,521,258**	**5**	**832**	**5,120**	**1.2**
Snozone**						
Milton Keynes	2,395,383	921,558	62	170	678	15.83
Castleford	2,485,531	678,959	116	125	704	30.48
Total	**4,880,914**	**1,600,517**	**80**	**294**	**1,382**	**21**

Notes

Snozone Madrid has been reported for completeness but lies outside of the UK mandatory reporting. The Madrid site was purchased in February 2021 therefore the 2021 figure only includes 11 months of usage from when operational control began. While the site purchases renewable electricity, for consistency with the UK report London office data has not been used in EPRA reporting. The office accounts for less than 0.5% of electricity consumption across the portfolio. The London office has been captured in the mandatory reporting figure Actual invoice data has been used for reporting wherever possible, however some estimated data has been used where data has not been available. The information in this report represents the best information available at the time of issue.

* The Blackburn site was disposed of in August 2022, slightly impacting the centres' energy use
** Waste at all Snozone sites is dealt with directly by the landlord, with costs for this including in the service charge. Snozone are not able to obtain accurate waste figures at this time as the waste bins are shared by all tenants.

Total water withdrawn from source (annual m^3)	Building water intensity (m^3/sqft/ year)	Total weight of waste by disposal route (annual metric tonnes – landfill)	Total weight of waste by disposal route (annual metric tonnes – incineration)	Total weight of waste by disposal route (annual metric tonnes – recovery)	Total weight of waste by disposal route (annual metric tonnes – recycled)	Total weight of waste by disposal route (annual metric tonnes – anaerobic digestion)
Water-Abs	**Water-Int**	**Waste-Abs**	**Waste-Abs**	**Waste-Abs**	**Waste-Abs**	**Waste-Abs**
13,973	0.01	–	2	–	215	3
2,266	0.00	–	213	–	297	–
10,567	0.01	–	76	–	461	10
3,079	0.01	–	309	–	293	5
12,452	0.05	–	314	–	137	–
10,784	0.02	–	37	–	573	–
9,391	0.01	–	41	–	107	–
16,766	0.06	–	237	–	70	44
79,278	**0.02**	**–**	**1,229**	**–**	**2,152**	**62**
6,718	0.13	Not Available	Not Available	–	Not Available	Not Available
7,109	0.26	Not Available	Not Available	–	Not Available	Not Available
13,827	**0.17**	**Not Available**	**Not Available**	**Not Available**	**Not Available**	**Not Available**
10,120	0.01	–	6	–	275	2
2,736	0.00	–	–	–	613	-
13,199	0.01	–	82	–	494	9
3,079	0.01	–	273	–	340	-
12,255	0.05	–	252	–	151	-
10,784	0.02	–	81	–	1,303	-
12,701	0.02	–	45	–	119	-
9,200	0.03	–	212	–	24	58
74,074	**0.02**	**–**	**951**	**–**	**3,320**	**69**
4,703	0.09	Not Available	Not Available	–	Not Available	Not Available
7,975	0.29	Not Available	Not Available	–	Not Available	Not Available
12,678	**0.16**	**Not Available**	**Not Available**	**Not Available**	**Not Available**	**Not Available**

Environment

	Total electricity consumption (kWh)	Like for like electricity consumption (kWh)*	Total gas consumption (kWh)	Like for like gas consumption (kWh)*	Energy Intensity (kwh/sqft/year)	Total direct GHG emissions (annual metric tonnes tCO_2e)	Total indirect GHG emissions (tCO_2e)
EPRA Performance Indicator	**Elec-Abs**	**Elec - Lfl**	**Fuel-Abs**	**Fuels - Lfl**	**Energy - Int**	**GHG-Dir-Abs**	**GHG-Indir-Abs**
2022							
Retail Portfolio							
Shopping centres	12,132,682	12,132,682	1,660,685	1,660,685	2.88	303	2,346
Snozone - UK Centres**	4,487,431	4,487,431	1,297,199	1,297,199	71.67	237	868
Snozone - Madrid Centre, Spain	5,156,311	5,156,311	–	–	171.88	–	1,005
Total (not incl. Madrid	**16,620,113**	**16,620,113**	**2,957,885**	**2,957,885**	**4.02**	**540**	**3,214**
Total (incl. Madrid)	**21,776,424**	**21,776,424**	**2,957,885**	**2,957,885**	**5.05**	**540**	**4,219**
2021							
Retail Portfolio							
Shopping centres	12,023,949	12,023,949	2,329,556	2,329,556	3.0	427	2,553
Snozone - UK Centres**	4,217,762	4,217,762	993,191	993,191	64.6	182	896
Snozone - Madrid Centre, Spain	4,994,451	4,994,451	–	–	166.5	–	849
Total (not incl. Madrid	**16,241,712**	**16,241,712**	**3,322,747**	**3,322,747**	**4.0**	**609**	**3,449**
Total (incl. Madrid)	**21,236,163**	**21,236,163**	**3,322,747**	**3,322,747**	**5.02**	**609**	**4,298**
2020							
Retail Portfolio							
Shopping centres	12,705,437	12,705,437	4,629,788	4,629,788	3.6	851	2,962
Snozone**	3,820,241	3,820,241	988,968	988,968	59.6	182	891
Total	**16,525,678**	**16,525,678**	**5,618,756**	**5,618,756**	**4.6**	**1,033**	**3,853**
2019							
Retail Portfolio							
Shopping centres	16,012,429	16,012,429	4,556,731	4,556,731	4.3	838	4,093
Snozone**	4,789,855	4,789,855	1,691,856	1,691,856	80.3	311	1,224
Total	**20,802,284**	**20,802,284**	**6,248,587**	**6,248,587**	**5.6**	**1,149**	**5,317**
2018							
Retail Portfolio							
Shopping centres	18,086,210	18,086,210	4,521,258	4,521,258	4.7	832	5,120
Snozone**	4,880,914	4,880,914	1,600,517	1,600,517	80.3	294	1,382
Total	**22,967,123**	**22,967,123**	**6,121,774**	**6,121,774**	**6.0**	**1,126**	**6,501**

Notes

Snozone Madrid has been reported for completeness but lies outside of the UK mandatory reporting. The Madrid site was purchased in February 2021 therefore the 2021 figure only includes 11 months of usage from when operational control began. While the site purchases renewable electricity, for consistency with the UK reporting a location based factor has been used.

London office data has not been used in EPRA reporting. The office accounts for less than 0.5% of electricity consumption across the portfolio. The London office has been captured in the mandatory reporting figures.

Actual invoice data has been used for reporting wherever possible, however some estimated data has been used where data has not been available. The information in this report represents the best information available at the time of issue.

The Blackburn site was disposed of in August 2022, slightly impacting the centres' energy use

* The boundary and portfolio of this assessment have not changed since March 2017 when the Exchange at Ilford was purchased. This means that the like for like reporting is the same as the absolute values.

** Waste at both Snozone sites is dealt with directly by the landlord, with costs for this including in the service charge. Snozone are not able to obtain accurate waste figures at this time as the waste bins are shared by all tenants.

GHG Intensity from building energy ($kgCO_2e$/sqft/year)	Total water withdrawn from source (annual m^3)	Like for like water withdrawn from source (annual m^3)	Building water intensity (m^3/sqft/year)	Total weight of waste by disposal route (annual metric tonnes – landfill)	Total weight of waste by disposal route (annual metric tonnes – incineration)	Total weight of waste by disposal route (annual metric tonnes – Recovery)	Total weight of waste by disposal route (annual metric tonnes – recycled)	Total weight of waste by disposal route (annual metric tonnes - anaerobic digestion)
GHG-Int	**Water-Abs**	**Water-Lft**	**Water-Int**	**Waste-Abs**	**Waste-Abs**	**Waste-Abs**	**Waste-Abs**	**Waste-Abs**
0.55	70,561	70,561	0.01	–	984	136	1,793	70
13.69	11,304	11,304	0.14	Not Available	Not Available	Not Available	Not Available	Not Available
33.52	15,312	15,312	0.51	Not Available	Not Available	Not Available	Not Available	Not Available
0.77	**81,865**	**81,865**	**0.02**	**–**	**984**	**136**	**1,793**	**70**
0.97	**97,177**	**97,177**	**0.02**	**–**	**984**	**136**	**1,793**	**70**
0.62	57,377	57,377	0.01	–	787	55	1,845	92
13.35	8,623	8,623	0.11	Not Available	Not Available	Not Available	Not Available	Not Available
0.03	13,410	13,410	0.45	Not Available	Not Available	Not Available	Not Available	Not Available
0.83	**66,000**	**66,000**	**0.01**	**–**	**787**	**55**	**1,845**	**92**
1.00	**79,410**	**79,410**	**0.02**	**–**	**787**	**55**	**1,845**	**92**
0.80	50,000	50,000	0.01	–	580	105.3	1,894	71
13.29	6,814	6,814	0.08	Not Available	Not Available	Not Available	Not Available	Not Available
1.00	**56,814**	**56,814**	**0.01**	**–**	**580**	**105.3**	**1,894**	**71**
1.03	79,278	79,278	0.02	–	1,229	0	2,152	62
19.02	13,827	13,827	0.17	Not Available	Not Available	Not Available	Not Available	Not Available
1.33	**93,105**	**93,105**	**0.02**	**–**	**1,229**	**0**	**2,152**	**62**
1.24	74,074	74,074	0.02	–	951	–	3,320	69
20.77	12,678	12,678	0.16	Not Available	Not Available	Not Available	Not Available	Not Available
1.57	**86,752**	**86,752**	**0.02**	**–**	**951**	**–**	**3,320**	**69**

Environment

Streamlined Energy and Carbon Reporting (SECR)

The SECR was introduced to encourage the implementation of energy efficiency measures. The reporting framework makes it mandatory for large UK businesses to report their energy consumption and greenhouse gas emissions annually. HDR, Inc. has verified our 2022 performance, which is disclosed below in accordance with SECR requirements.

Capital and Regional 2022 Annual Reporting

	2018	2019	2020	2021	2022	% difference 2019 – 2022
Energy Consumption (kWh)						
Natural Gas (Scope 1)						
Centres[2]	4,521,258	4,556,731	4,629,788	2,329,556	**1,660,685**	(64)%
Snozone	1,600,517	1,691,856	988,968	993,191	**1,297,199**	(23)%
Support Office	n/a	n/a	n/a	n/a	**n/a**	n/a
Natural Gas (Scope 1) Total	6,121,774	6,248,587	5,618,756	3,322,747	**2,957,885**	(53)%
Purchased Electricity (Scope 2)[1]						
Centres[2]	18,086,210	16,012,429	12,705,437	12,023,949	**12,132,682**	(24)%
Snozone	4,880,914	4,789,855	3,820,241	4,217,762	**4,487,431**	(6)%
Support Office	97,200	96,096	96,096	96,096	**74,325**	(23)%
Purchased Electricity (Scope 2) Total	23,064,323	20,898,380	16,621,774	16,337,808	**16,694,438**	(20)%
Renewable Electricity Consumption[3]	18,579	9,861	4,290	6,160	**746**	(92)%
Total Scope 1 & Scope 2 kWh	29,186,098	27,146,967	22,240,531	19,660,555	**19,652,323**	(28)%
Scope 1 & 2 Emissions (tCO_2e)[4]						
Natural Gas (Scope 1)						
Centres[2]	832	838	851	427	**303**	(64)%
Snozone	294	311	182	182	**237**	(24)%
Support Office	n/a	n/a	n/a	n/a	**n/a**	n/a
Scope 1 Total tCO_2e	1,126	1,149	1,033	609	**540**	(53)%
Purchased Electricity (Scope 2)						
Centres[2]	5,120	4,093	2,962	2,553	**2,346**	(43)%
Snozone	1,382	1,224	891	896	**868**	(29)%
Support Office	28	25	22	20	**14**	(41)%
Scope 2 Total tCO_2e	6,529	5,342	3,875	3,469	**3,228**	(40)%
Total Scope 1 & Scope 2 tCO_2e	7,655	6,490	4,908	4,078	**3,768**	(42)%
Intensity						
Scope 1 and 2 $kgCO_2e$/sqft	1.57	1.33	1.01	0.84	**0.77**	
Reporting outside of UK[5]						
Purchased Electricity (Scope 2)						
Snozone – Madrid, Spain (kWh)	–	–	–	4,994,451	**5,156,311**	
Snozone – Madrid, Spain (tCO_2e)	–	–	–	849	**1,005**	

1. The carbon associated with the electricity figures has been calculated using the UK grid average (a location based method). The carbon associated with any renewable energy consumed has not been included in our totals. (market based method)
2. The Centre figures include the Kingfisher Centre, in which C&R owns 12% in a joint venture and acts as Property and Asset Manager.
3. Renewable energy is generated through Solar PV installed at Walthamstow Centre. The centre has been generating its own energy in 2022 following repair of the system in 2021. The total generated in 2022 is thought to be more than the stated 746 kWh but this cannot be confirmed due to issues with the metering data. The site are working to resolve this.
4. Scope definitions
   Scope 1: Direct GHG emissions from controlled operations (natural gas consumption)
   Scope 2: Indirect GHG emissions from the use of purchased electricity, heat or steam (electricity consumption)
5. Snozone Madrid, Spain has been reported for completeness but lies outside of the UK mandatory reporting. The Madrid site was purchased in February 2021 therefore the 2021 figure only includes 11 months of usage from when operational control began. While the site purchases renewable electricity, for consistency with the UK reporting a location based factor has been used.
   Emissions factors used for 2021 and 2022 were sourced here: https://www.nowtricity.com/country/spain/
   Please note these represent the best information available at the time of issue.

Methodology

The reported CO_2 emissions for 2022 have been produced with reference to the Greenhouse Gas Reporting Protocol. The reporting boundary has been defined using the operational control approach, reporting emissions for operations in which Capital and Regional have control. It does not account for GHG emissions from operations in which it owns an interest but has no operational control.

Energy use from metered sources identified as fully controlled by third parties (e.g. tenants) have also been excluded.

Scope 1 emissions account for total gas consumption of Capital and Regional. Emissions from emergency equipment (e.g. standby generators) have been deemed deminimis and therefore are not included in the reported figures. Scope 2 emissions account for the total electricity purchased by Capital and Regional.

Actual data has been used wherever possible, some data has been estimated. The reported emissions represents the best information available at the time of issue. It should be noted that the Scope 1 and Scope 2 emissions (where stated in tCO_2e) are absolute values. The annual figures are not directly comparable due to changes in emission factors, and the property portfolio.

We have applied the 2022 "UK Government GHG Conversion Factors for Company Reporting, v2.0" for calculating 2022 carbon emissions.

100% of energy consumption and emissions related consumption in the UK.

Energy Efficiency

In the period covered with the report (1 January 2022 – 31 December 2022) there have been several energy efficiency improvements. The centres have been making a concerted effort to reduce gas consumption, in some cases down to zero, as energy prices reached unprecedented levels.

There is also a continued improvement in monitoring throughout the portfolio which is improving data returns.

Juliana Conci-Mitchell
Management Accountant – Snozone

Our People

Juliana joined Snozone in 2019 and manages all aspects of Snozone's financial reporting relating to cost management and payment processes for the group. This also includes the management of over ninety suppliers and contractors throughout Snozone's supply chain. In addition, Juliana provides the oversight for the venue's stock control systems.

Juliana moved from Brazil to London ten years ago, achieving a bachelor's degree in international business as well as her AAT qualification. Pursuing a career in accountancy, Juliana previously worked as Finance Manager for Sanders Chartered Accountants whilst working towards a Chartered Accountant qualification (ACCA).

Throughout 2022 Juliana, alongside her colleagues Julia To-Trinh and Pilar Barrio Valios, was at the forefront of completing Snozone Madrid's systems integration into Snozone's centralised finance function, delivering a great synergy and enormous benefit for the group. Juliana reports into Nigel Lewis, the Snozone Finance Director, and is based in our Pimlico office.

Juliana has two young children and lives with her family in south-east London.

People

Our people are the foundation of our business. It is for this reason that we foster an empowered culture where our employees can get the best out of both their careers and themselves.

Our culture focuses on adding value, being inclusive and future looking. 2022 has seen a number of new initiatives introduced across our businesses. For our shopping centres and Snozone, this includes improved maternity and paternity pay and a menopause policy as well as enhanced training opportunities. For Snozone, we introduced Wagestream, a financial management tool for all staff to utilise and manage their monthly expenditures of which there was a high uptake. To attract and retain seasonal staff in a fiercely competitive leisure market, Snozone paid 3% above the minimum wage. Both initiatives aim to help protect our most vulnerable employees during this period of high financial stress. Additionally, Snozone continued to provide accredited training to staff throughout the UK and Europe, with all these elements resulting in an annual staff retention of 75%, 30% above the national average.

Key Highlights

Financial tools and support offered to staff across the business

61% of employees are women across the shopping centre business

7.9/10 average Happiness Index score achieved in shopping centre staff survey

Disability confident employer status accredited to Snozone

75% core team retention in Snozone

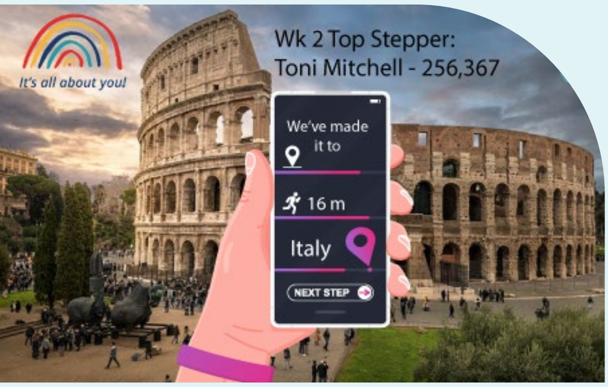
Wellbeing in the workplace

Creating a workplace that supports our employees' wellbeing is a top priority given its positive impact on their satisfaction, which can lead to enhanced engagement and productivity. This involves promoting both their physical and mental health. For example, we have a long-standing relationship with the Retail Trust, a charitable organisation that helps care for and protect people who work in retail. Through our partnership, we provide employees with the support that they need to flourish in both work and life, offering emotional support, career development advice, financial health information and assistance for both physical and mental wellbeing. In addition, we supported World Mental Health Day across the Group, raising awareness, advocating against associated stigmas and encouraging staff to utilise our wellbeing rooms.

C&R's Employee Voice Committee was formed early in 2022 to provide a safe space that enables everyone's voices to be heard. The committee is cross-functional, working with both shopping centre teams and support offices. It creates a space for committee members to communicate best practice, share ideas and initiatives, suggest innovative solutions and ensure a consistent approach to our people practices. These shared practices aim to enhance current employee policies and help implement new ones. In addition, Employee Voice 24/7 is an online tool that allows employees to submit anonymous feedback anytime, day or night.

This year we implemented several new initiatives onsite. We extended the Cycle to Work scheme to our shopping centre staff, now covering all C&R employees, and ran an 80-day wellbeing challenge, which encouraged staff to increase their step count by working together to try and travel the world virtually. The aim was to reach a combined total of 45 million steps, with cyclists also encouraged to get involved. This was surpassed by nearly 50 million steps, with 177 employees participating.

To recognise our employees remarkable service and support in their local communities, we hosted our National Sparkle Awards. Sid Khaliq was awarded 1st place for his exceptional use of first aid skills and experience to save a guest's life. Martin Dewsnap and Lisa Doyle were also awarded for their selfless acts of kindness.



Health and safety

We operate a suite of health and safety policies for employees and guests, which are reviewed regularly and updated accordingly. When incidents occur, we are proactive in taking the necessary measures to address them and ensure they are prevented in the future. In 2022, we were awarded the Royal Society for the Prevention of Accidents (RoSPA) Gold award for the 11th consecutive year. This continuous recognition demonstrates our excellence in occupational health and safety management, with the RoSPA Awards regarded as one of the most prestigious and recognised schemes in the world.

Our staff are first aid trained where necessary and to give them the confidence to act if someone is having a cardiac arrest, we signed up to the British Heart Foundation ReviveR App, a free step-by-step training app to learn CPR in 15 minutes. 30,000 people have an out-of-hospital cardiac arrest in the UK every year and CPR can, in some cases, double their chances of survival. We aim to roll this out as an important life skill to all our retail customers in 2023.

C&R upholds human rights by supporting the aims of the Modern Slavery Act 2015 to combat slavery and human trafficking and improve the transparency of reporting. We have a zero-tolerance approach and expect all who have, or seek to have, a business relationship with us, to familiarise themselves with our anti-slavery and human trafficking policy and to always act in a way which is consistent with the policy. We implement and enforce effective systems and controls to ensure modern slavery is not present anywhere in our business or our supply chains. C&R marked Anti-slavery Day in October 2022 by collaborating with Stronger Together, an impact-driven not-for-profit organisation, that provided us with training and resources, raising awareness of modern slavery, ensuring responsible recruitment and helping to eradicate all forms of exploitation.

People

Diversity and inclusion

We value people's differences and want to create a workplace that is free of harassment and unlawful discrimination. Our Diversity and Inclusion (D&I) Committee was formed in 2020 to build a diverse and inclusive workforce. The deployment of an internal survey to understand how employees feel about the culture at C&R was one of the committee's first actions. The feedback received from the survey helped inform several new D&I initiatives which are still being implemented today. These include the consideration of D&I when recruiting and a calendar of awareness days aimed at educating people on different cultures such as the International Day of Persons with Disabilities and Pride.

Diversity and Inclusion

The Diversity & Inclusion Committee ran a number of events in 2022 to further develop our thinking on equality both individually and as a company.

This included a trip to the Tate Modern for a guided tour that focused on LGBT+ artists and relevant works.

In our shopping centres, a particular highlight in 2022, was our celebration of LGBT+ history month. Additionally, 154 employees took part in monthly webinars that highlighted various ways our company can increase inclusivity through our partnership with Purple 365.

Snozone has a long history of promoting inclusivity. In 2022, Snozone achieved Disability Confident Employer status, a government led scheme where employers are accredited for recruiting, retaining and helping to develop employees with disabilities. Snozone actively looks for ways to improve and expand the range of talent we are recruiting from and designs its activities with a 'sport for all' approach, tackling social stigmas surrounding disabilities.

To increase female participation in sports and ensure women are equally represented in our workplace, we design our recruitment process with women in mind, from job advertisements and female imagery to the interview and decision-making process. In 2022, we became a 49% female coaching team in Milton Keynes, significantly above the industry average of 20%, and Snozone's Senior Management Team is also 49% women. Through our operations, we help women and girls overcome the barriers they face when participating in sports. On National Women's Day every year, we run an initiative through This Girl Can, a nationwide campaign from Sports England, aimed at getting women and girls involved and re-engaged in sport. The campaign offers women and girls free lessons and in 2022, we introduced 400 women and girls to a sport they had never tried before.

Employee engagement

Engagement plays an important role in encouraging our employees to get the best out of themselves. Employee engagement in our shopping centres, measured as part of a recent engagement pulse survey and independently completed with the Happiness Index, illustrates the success we have had in driving this. The findings demonstrate healthy engagement with all C&R values, and particularly with ESG, diversity and inclusion and community projects. The survey received a 98% response rate, significantly above the average response rate of 74%. Our average score for the survey was also 7.9 out of 10, comfortably above the Happiness Index universe benchmark of 7.4. In addition, our eNPS (Employer Net Promoter Score) was +19, which is 14 points above the index's benchmark.

One of the ways we engage our shopping centre employees is through programmes that are tailored to developing their careers. For example, the Line Manager Programme embeds both coaching and mentoring support alongside formal modular learning. Employees receive training on leadership development topics to foster behavioural change. The one-to-one coaching helps the individual to focus on their specific development needs, giving it the right space, attention and reflection through facilitated conversations and a safe space to share challenges. To utilise the diverse experience of line management and leadership within the SLT, the programme also offers mentoring support. Mentors are invited to share their knowledge,expertise and wisdom with their mentees to help them unlock any business-related challenges.

The success of Snozone's employee engagement is reflected in its most recent bi-annual survey that measures job satisfaction, with 88% of staff responding that they are very satisfied. In addition, annual core team retention for 2022 was 75%, significantly outperforming the leisure industry by over 30%, which traditionally suffers from high turnover rates. One of the reasons for retention being so high is that we recognise the direct correlation between employee training and motivation, with 64% of Snozone's staff undertaking accredited training this year.

Deploying ESG training across our shopping centres and head office

To increase employees' awareness of ESG, the implications for their role and how they can take responsibility to support our ESG strategy, we worked with an external sustainability expert to conduct ESG training sessions for our shopping centre and support office team. For example, the training provided clarity on what we must do to achieve the goals set out in our net zero carbon pathway. The sessions were popular with our team members and the impact the training has had is visible through the Company-wide culture shift and success of implementation initiatives. An example is our employees' dedication to energy reduction efforts, which saw them integrate operational excellence throughout our sites, and realise notable decreases in energy consumption. Each member of the team was also asked to make an ESG pledge and share what they are going to do to help the business reach its ESG targets.

Myself and 12 colleagues from across the business embarked on the Line Management Programme in the Autumn of 2022. This four-module programme had been specifically developed for the Group and included subjects such as performance through people, motivation, accountability, and being a coach. It was fantastic to get back into face-to-face training after such a long period without out it. The programme included "Learning Circles" where the Group were able to meet between modules to embed the learning and share feedback with each other. Mentoring sessions with different members of the SLT has been very beneficial to us all and has encouraged cross functional interaction.

Roy Greening
General Manager, The Mall Luton

I have been working in the business for more than 10 years and feel grateful for being part of a company with such professional standards and committed to equality. There are no barriers of opportunities, wages or treatment across management and operational teams. With 46% of women in our team, we are very proud to have gender balance across staff members, which is very positive. On the other hand, guests who practice snow sports have gone from being 60% men/40% women to being totally equal last year 50/50.

Maria González du Frutus
Head of Marketing and Sales at Snozone Madrid

Edited for grammar and quality

Community

Our retail and leisure offerings are tailored to the unique needs of their local communities, supported by strong and trusted relationships with local stakeholders and annual community impact targets.

Whilst aiming to drive footfall, we want to achieve a measurable social impact in areas such as youth education, economic inclusion, charity fundraising and nurturing inclusive places that everyone can enjoy. To help pursue these goals, we invested over c.£300,000 and spent 1,684 hours engaging with local community groups.

Community Wheel of Support

2022 was a year of giving back, putting our communities and guests at the core of our initiatives. Following a successful launch in 2021, the Community Wheel of Support continued to play a critical role in encouraging engagement and supporting our shopping centres to prioritise areas of impact. We set out nine KPI targets to align with our Wheel of Support. Improving from 2021, we saw an 11% increase in the number of charities supported, a 15% increase in volunteering hours and a 9% increase in charitable fundraising, donating over £120,000 across all shopping centres to important causes.

In 2023, we look forward to working with The Good Economy Partnership, who specialises in impact measurement and management services. With their support, we will conduct a social impact assessment across our portfolio to measure and quantify the impact we have on our local communities. This will also support us to benchmark our performance and, where relevant, review our Wheel of Support targets to ensure they remain ambitious and aligned with best practice. This will be an important milestone towards enhancing our social impact, which will help shape our 2024 objectives.

The Wheel of Support

2022 Community contributions

£129,000+
raised across the business

187
charities supported across the business

244
community events hosted

27%
increase in centers' footfall from 2021

36
local businesses supported across shopping centres

1,600+
hours spent with community groups

c.£300k
invested in supporting community services

4,000+
students received free school uniforms

29%
growth of participation in Disability and Adaptive snow sports lessons

Partner of the Year 2022
awarded to Snozone by charity partner Sense

15%
growth in schools affiliated with Snozone's education programme

SNOZONE
SKI • BOARD • EAT • ENJOY

24,000
recreational one-hour lift passes distributed to NHS staff

Best Sporting Venue Award
won by Snozone at the School Travel awards

400
women and girls introduced to snow sports on International Woman's Day, free of charge

Community

The hospitality and leisure industries have had a challenging time financially and with recruitment throughout the pandemic. Despite this, Snozone remain committed to being inclusive and disability aware and have invested in new and additional equipment and training and actively seek to create amazing memories for everyone as well as genuinely being engaged and committed to our cause.

Angela Court-Johnson
Sense Corporate Account Manager

Charitable Funding and Volunteering

To account for local needs, our shopping centres are given the responsibility and autonomy to run their own fundraising events. In 2022, we hosted a total of 244 events, collectively supporting 186 charities and volunteering more than 1,300 hours of employees' time to important community causes. Examples include:

- **Fighting homelessness:** At The Marlowes Hemel, our staff volunteered at their Charity of the Year's main fundraiser, DENs – which empowers those facing homelessness, poverty, and social exclusion to take the next positive step in their lives. This cycling event, which our staff helped handle registration for, raised over £21,000.
- **Supporting biodiversity:** The Mall Luton worked to make our temporary beehives permanent. We saw over 75lbs of honey produced, which we then bottled and sold at our centre. The profits of over £700 were donated to the Luton Food Bank.
- **Relieving education costs:** Luton also worked with the Level Trust, a charity that aims to relieve education costs for families in need. Staff volunteered their time to prepare the "Learning Locker", a shop that provided 1,741 children with free learning resources, including games and books. In addition, the 'Uniform Exchange', which was run from an empty storage unit, provided students of all ages with free school clothes. In total, 4,842 children were supported through the initiative, with over 7,000 second-hand uniform items donated, equivalent to saving 30.4 tCO_2 from the avoidance of buying new clothes.
- **Providing education:** During the Easter holiday, over 1,400 children took part in our Dino series at The Mall Maidstone, where we offered space to learn about dinosaurs while getting involved in art sessions.
- **Creating awareness:** At The Exchange, Ilford, we set up the UK's largest ball pit, which provided kids with a chance to play and acted as a fundraising drive for Target Ovarian Cancer. The event brought awareness to the organisation and the rising rates of Ovarian cancer.

These are only a few of the many activities, which not only support our communities and engage our guests with important causes, but also significantly increase footfall by establishing the shopping centres as hubs for our local residents.

For the last eight years, Snozone has partnered with Sense, a charity that supports deaf/blind children and adults. This year, we were recognised by Sense as their Partner of the Year and raised a total of £6,000 for the organisation. An example of our fundraising includes Snozone's annual 'SnoFit' initiative, where the team was encouraged to either walk, run, cycle or ski to raise money. The team raised over £1,000 by completing almost 1,600 miles. Throughout the year, Snozone drives online awareness to Sense across its social media platforms and provides donation stations in UK venues. This year, the donations funded two deaf/blind children to learn to ski with free tuition.

Tracey Bateman, the business manager for Luton, was honoured for her passion and dedication to the Luton community for more than 14 years by winning the Volunteer of the Year category at the Luton and Bedfordshire Community Awards in November 2022.

For her volunteer work as a special constable for the Bedfordshire Police in early 2022, Tracey was awarded the Platinum Jubilee Medal for deeds of public service.

Tracey also spends a lot of time volunteering and organising volunteers for neighbourhood charities and activities, as part of the centre's Community Wheel of Support.

The season of giving

To support those facing a difficult time during the Christmas period, our shopping centres and support office created the 5 Days of Giving fundraising campaign, where we ran several internal events raising money for three charities: The I Am Doddie Foundation; Brain Tumour Research; and Save the Children. One of the events was the Annual National Christmas Jumper day, where staff were asked to donate to Save the Children. Our team at The Exchange, Ilford took it one step further and posted photos in their jumpers in storefronts as a way to promote our retailers.

All centres organised Christmas Grottos and collectively raised over £16,000 for charities. At The Marlowes, Hemel, the grotto was a free event that not only allowed visitors to meet Santa Claus but gave them a chance to take on the important role of a North Pole Post Office elf - sorting the post, caring for the reindeer, and learning their elf name. The grotto raised £3,874 for DENS, their Charity of the Year.

The Mall Luton worked with the Level Trust and Luton Foodbank to support the Luton Smile Campaign, providing food and toys over Christmas to children in need. The campaign received over 3,500 donations and distributed 1,080 Christmas presents. Luton was responsible for collecting 661 donated presents alone. The Mall Wood Green also ran a toy drive and donated to The Salvation Army Toy Appeal. To enhance the Christmas experience, Bjorn the Bear and the Snow Queen brought the spirit of Christmas while offering free performances to the public.

To show our support for those suffering from the war in Ukraine, the centres created awareness on social media and displayed posters across our locations with QR codes. The codes provided guests with donation links, supporting the DEC's (Disasters Emergency Committee)
15 leading charities.

Since 2020, Snozone has helped the nationwide campaign "thank the NHS" by offering over 24,000 one-hour free lift passes to staff.

Community

Remembering Her Majesty

Offering an emotional outlet for our staff and guests across our centres, we created a space for people to pay respects to her majesty the Queen upon her passing in September. We provided a condolences book for people to sign along with flowers and a picture of the Queen displayed. Thousands of guests and staff signed the books and also left floral tributes.

As well as retaining the Trip Advisor Certificate of excellence, Snozone's UK venues were once more awarded the 'Travellers Choice' kite mark by Trip Advisor in 2022.

Travellers' Choice 2022

Supporting health and wellbeing at The Mall Wood Green

With 40% of children in the area suffering from period poverty, The Mall Wood Green sought to help break the stigma behind the subject and launched a first-of-its-kind scheme. The scheme was advertised by posters in the bathroom facilities, where anyone could visit the Guest Lounge to collect a 'package from Florence' and be given a free period pack. Given the necessity of the scheme, it was subsequently made permanent and free sanitary products were installed in the restrooms. Aligning with our ESG goals, Wood Green teamed with Scotland-based CIC Hey Girls to purchase their products. This organisation donates a product to someone in need for every product sold, and products are certified organic cotton, 100% biodegradable and plastic free.

In another example and supporting the health and wellbeing of North London residents, The Mall Wood Green opened its doors to Wood Green CDC in the Summer of 2022. Developed in partnership with Whittington Health NHS Trust, NHS England has been supported with funding for its CDC roll-out, making this the first location in a shopping centre in the nation.

The CDC offers convenient diagnostic testing, improving access to healthcare via a purpose-built space.

The community diagnostic programme is a high priority for the NHS in tackling the backlog of elective care, following Covid-19. It was therefore important to deliver significant new diagnostic capacity in the very short term, and C&R worked in partnership with Whittington Health to achieve this in a tight timeframe. The CDC was officially launched in October 2022 by then Deputy Prime Minister Therese Coffey, who said "Sometimes it can take several hours for a patient to get to a hospital and go through the diagnostic process but here they are doing a 'one-stop shop'."

The CDC is located close to London's most diverse and deprived communities, which have some of the worst public health outcomes; those aged under 75 have a 50% higher death rate compared to the average and Haringey has a 15-year gap in healthy life expectancy between the richest and least well-off areas. The CDC therefore has the potential to impact public health outcomes by preventing disease prevalence and reducing case mortality by decreasing time to diagnosis.

The first patients were seen within 12 months of the successful bid submission and the centre is expected to see 300 patients a day, increasing the footfall of the centre. Already bringing commercial and economic benefits to the area, the presence of the CDC in the centre reimagines health's relationship with the high street. In addition, modelling of the impact suggests there will be significant travel time savings of up to 30 minutes for Haringey residents, reducing petrol costs during the rising cost-of-living crisis. There will also be a reduction in carbon footprint as better access for local communities will result in shorter journeys for service users.

Enhancing education

On average, travel time to our Snozone locations takes an hour and forty-five minutes, making our community extensive. Snozone maintains its status of being an industry leader and wholeheartedly supports its large community. It has continued supporting the school curriculum outside of school term time by promoting fundamental elements of 'good citizenship' with its industry, leading School Holiday Camps that offer lessons in signage language, conversational Spanish and French and a first aid course for children called 'Mini Medics'.

Snozone also assesses the snow sports components of GCSE & A-Level PE. We are proud to offer a venue where students can enhance their education without feeling the need to travel to ski resorts abroad, making it more affordable for families and decreasing travel-related emissions. These efforts have contributed to Snozone being recognised for the third time as the 'Best Sporting Venue' for children learning outside the classroom at the School Travel Awards, beating illustrious nominees including Manchester United, Silverstone, The London Stadium, Twickenham and The UK Sailing Academy. We are also proud to be accredited for both the Duke of Edinburgh Bronze Award Scheme and the Learning Outside the Classroom Quality Badge.

Supporting local start-ups

Acknowledging the role that we can play in the local economy and beyond, we aim to foster an entrepreneurial ecosystem that supports small businesses through upskilling, networking and some financial assistance. This creates a space for start-ups to flourish while contributing to a diverse offering that's representative of local needs.

We believe in offering all members of our communities, despite income status or educational background, the chance to provide a better life for their families and themselves. We have offered 36 small businesses the chance to have their own space in our centres, whether it's retail, cosmetic, or culinary. We have even seen a few of our start-ups grow into multiple locations.

We opened our first two EverySkin clinics with the support of C&R. As a new business and coming out of COVID-19 lockdown, we were very fortunate to have C&R's backing and guidance to get off the ground, giving us the confidence to grow our independent business to six clinics in less than 12 months!

Bridget Healy
Co-Owner, EverySkin

Community

> We are pleased to continue our relationship with Capital & Regional as we continue to work together to bring new jobs, training opportunities, and retail outlets for people to enjoy. The investment in Walthamstow town centre is a key part of our plans to make Waltham Forest an even better place to live, work, and visit. I look forward to more successes to come over the next few years.

Martin Esom
Chief Executive, Walthamstow Forest Council

Developing Walthamstow

CRATE Market Hall

At 17&Central, we are working with CRATE Places UK to provide a new 16,500 sq.ft Market Hall. This space will include leisure mini-golf, classes like baby yoga and TED talks, evening entertainment, seven street-eat styled operators, an in-house bar and coffee kiosk.

The space will provide a much-needed destination for people to socialise within the centre, experience the leisure offers and a variety of cuisines from local small businesses. This encourages collaboration, facilitates social inclusion and unlocks the collective power of enterprise to promote growth for everyone. The opening will also create more jobs within the local community and drive visits from local neighbourhoods to support the growth of the Walthamstow community.

Town centre regeneration

2022 represented a milestone year for us at 17&Central, Walthamstow, with the implementation of the first phase of the planning consent we secured in 2021. That consent allows us to develop and deliver a range of mixed-use opportunities over a phased programme including:

- 495 Build to Rent residential units in the form of two tall towers on a standalone site
- A new step free London Underground station entrance and ticket hall in the heart of the extension
- A 50,000 sq.ft retail-led commercial extension
- 43 low-rise build to sell residential units
- An upgraded public square in the heart of the town centre

Delivering sustainable developments with social benefits has been at the forefront of our design and implementation considerations throughout the planning process and the development has provided an opportunity to deliver a range of environmental and social improvements.

The completed development will result in the creation of around 350 permanent new jobs in the community, with a further 500 local jobs and apprenticeships created during the construction phases. It is estimated that increases in council tax and business rates will contribute up to £2.5 million to the local economy.

We are creating new places for our community residents to live and work, with an extended range of shopping and leisure facilities for them to enjoy. Alongside this, we will deliver a redesigned and enhanced public space in the current town square, creating play spaces, event zones and community gardens. The residential and commercial proposals have been developed using a "fabric first" approach through the 'be Lean', 'be Clean', 'be Green' energy hierarchy in accordance with Greater London Authority policy and Waltham Forest Local Plan guidelines, embedding a range of sustainability measures into the design, construction and operational stages.

We will continue business as usual during the duration of the development and maintain the running of local initiatives that reinforce the centre's role as a community hub through carefully designed physical events. At 17&Central, we put a strong emphasis on the retail calendar and family events, as well as cultural celebrations and collaborations to foster participation and diversity. This enables us to interact with the village and increase foot traffic while forging stronger relationships with retail customers and guests.

My Mum and Dad took me for my first skiing lesson just after my third birthday. Before I was born, I was diagnosed with the medical condition Congenital Diaphragmatic Hernia (CDH). My parents enrolled me in my local Snozone SnoAcademy to help get me physically active and to help build up my lung capacity. I was a bit worried going out into the snow on my own but once I finished my first lesson I was hooked! I've loved it ever since. I did my first race in the SnoAcademy, I was nervous at first but when it started, I just tried to ski quickly and smoothly and I won my age group!

Olivia
6 years old, This Girl Can

Tackling the cost-of-living crisis:

Playing a large role in our communities, we recognise the hardships affecting vulnerable guests and we feel it is our responsibility to provide support to them through social challenges.

In July, 17&Central hosted a series of Sell or Swap events in an empty storefront. As a way to relieve some economic stress, this was an opportunity for customers to donate, trade, sell or repair clothing and household items.

Our centres also held Beat the Bills events. Partnering with different community groups, we were able to provide this educational campaign, offering our guests advice and guidance on financial planning and additional support in the local area.

In addition, our Retail Trust membership offers retail staff access to discount vouchers for over 150 retailers, including supermarkets, hoping to relieve some of their financial stress.

With the UK facing ongoing challenges from the cost of living and climate crises, this project is about bringing people together and creating a new community around saving carbon and cutting costs at the same time. We want to help residents share, reuse, repair and recycle, to show that saving the planet and saving money can be done together and shouldn't be seen in opposition.

Stella Creasy
MP for Walthamstow

Inclusive spaces

We ensure our assets provide a welcoming and safe experience for all visitors. For example, Snozone provides the only self-operated indoor disability snow school in Europe, with all venues fitted with accessibility in mind. As an accredited Disability Confident Employer, 40% of instructors are trained in adaptive coaching. Our inclusive staff training allowed us to proudly offer over 1,000 disability and adaptive lessons for the first time this year. Sign language lessons are also provided as part of our industry-leading education@snozone holiday camps, and our partnership with This Girl Can (see page 80 for more information) offered over 400 women and girls snow sport introductions on International Woman's Day, free of charge.

Across our shopping centres, we have increased our inclusivity efforts and established new initiatives for guests with disabilities:

- Providing an immersive experience: At The Marlowes, Hemel, Electric Umbrella opened its first storefront, the Emporium. The Emporium provides an immersive experience to learning disabled people, giving them the opportunity to work with professional musicians. The location also features a wide variety of musical instruments available for purchase and workshops where donated musical instruments can be repaired, reimagined and serviced.
- Introducing Quiet Hour: We introduced Quiet Hour, a more subdued period, designed to make the shopping experience less daunting for those who can find loud noises and bright lights overwhelming. During Quiet Hour there is dimmed lighting, no music playing and no PA announcements. To enhance the guest experience, sensory backpacks, including ear protectors and sensory toys, are offered to those who are sensitive in public environments.
- Creating awareness: The centres have made changes to their disability labels to recognise that not all disabilities are visible and to remind us that we need to be more considerate and compassionate.

Lawrence Hutchings
Chief Executive

As part of our commitment to a leading sustainable business, we are dedicated to proactively managing our climate-related risks and publicly reporting climate-related financial information to our stakeholders.

Here we disclose the climate-related risks we have identified to the business and set out our overarching risk management approach in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In accordance with LSE Listing Rules published by the FCA in 2022, and in line with the Recommendations of TCFD dated June 2017, this report complies with 10 of the 11 TCFD recommendations and recommended disclosures.

We have not reported our current year Scope 3 emissions under Recommendation 4 (Metrics & Targets b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks). Due to limited improvement in data availability since the recent publication of our net zero carbon pathway, we have decided not to include updated Scope 3 emissions data in these disclosures. We, therefore, consider ourselves to only achieve partial compliance with this TCFD requirement at this stage. During 2023, we will focus on improving our occupier data collection to enable disclosure in our 2023 Annual Report.

Lawrence Hutchings
Chief Executive

TCFD Disclosure
1. Governance

1a. The Board's oversight of climate-related risks and opportunities

The Board has ultimate responsibility for overseeing risk management and internal control processes, including assessing the Group's principal risks and setting its risk appetite via a biannual risk review. The Board has fundamental oversight of wider sustainability matters, including our ESG strategy and targets of its three pillars: Environmental Sustainability, People and Community. Climate-related risks have been identified as a principal risk to the business and are therefore directly overseen by the Board. With climate-related risk identified as a principal risk, the risk is actively monitored at all levels of the organisation with updates provided to the Board on at least a biannual basis as part of the risk review and more often on an ad-hoc basis. In collaboration with other board - and management-level committees the Board then determines necessary risk mitigation actions.

The Audit Committee supports the Board in the management of principal risks. The committee meets twice a year to review the effectiveness of the overall risk management strategy and reviews the principal risks across the Risk Matrix, including the climate-related principal risk.

The ESG Committee has more specific responsibilities for managing wider sustainability matters, including developing and reviewing the Group's ESG strategy, of which climate risk management is a key component. The ESG Committee provides quarterly updates to the Board and Audit Committee on the ESG strategy, targets and ensuring that any material climate-driven macroeconomic, financial and regulatory market changes are escalated and integrated into strategic decision-making.

1b. Management's role in assessing and managing climate-related risks and opportunities

The Senior Leadership Team (SLT) is responsible for the day-to-day operational application of the risk management strategy, including climate risk management. The SLT supports the Board, Audit Committee and ESG Committee in identifying and evaluating principal risks and is directly responsible for overseeing the climate-related principal risk. The SLT meet weekly to discuss principal risks and escalate material issues to the Board and relevant committees. Additionally, Lawrence Hutchings, CEO, Sara Jennings, Director of Operations and Guest Experience for shopping centres, and Nick Phillips, Managing Director Snozone, sit on both the ESG Committee and SLT, ensuring that climate-related risks are assessed and managed throughout all levels of the organisation. The SLT has worked with the ESG committee to conduct workshops to improve climate risk awareness and knowledge throughout all levels of the business. The SLT is also responsible for reviewing whether acquisitions and divestments align with our ESG strategy and go ahead on a deal-by-deal basis.

Our newly formed Net Zero Carbon Committee is responsible for monitoring and managing our net zero carbon pathway and the Net Zero Carbon Committee Wheel of Delivery (see the environmental sustainability section for more information). This includes responsibility over managing net zero carbon interventions and occupier engagement, as well as our climate adaptation plan that we are planning on developing moving forward.

Operational Management is responsible for the implementation and maintenance of climate risk mitigation and adaptation measures, as well as the identification of climate-related risks at the asset level. Weekly calls with representatives of the SLT and Operational Management ensure that the SLT is aware of risk impacts identified at the operational level, which are then assessed and escalated to the Board and Audit and ESG Committee, as necessary.

More detail on our governance structures can be found under our Risk Management Approach.

2. Strategy

2a. Climate-related risks and opportunities identified over the short, medium, and long-term

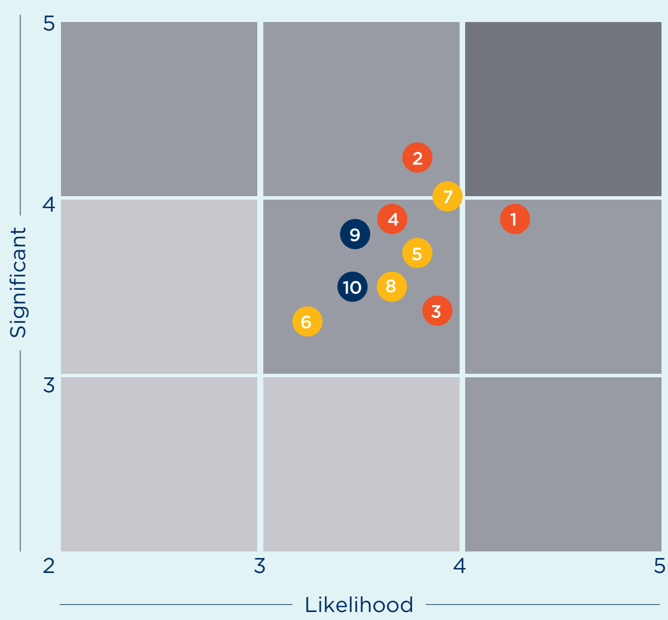
We recognise that climate-related risks materialise over the medium to longer-term and that the assets we acquire and occupy now will still be here far in the future. Without appropriate risk management, these risks could have severe financial and reputational implications. As such, we conducted a climate risk assessment across the two climate scenarios RCP 4.5 and RCP 8.5 by the Intergovernmental Panel on Climate Change (IPCC) to identify the top climate-related risks to our business over the short term (2020-2029), medium term (2030-3039) and long term (>2040), as well as assess their implications and the necessary actions to manage them. The time horizons were set to align with our 2040 net zero carbon target, as well as capture a range of physical and transition climate-related risks that are expected to materialise near and long term.

The climate risk assessment covered a broad range of climate-related risks, selected as appropriate to the geography of our assets and the asset types in scope, across the decades 2020-2029, 2030-2039 and 2040-2049 and across two climate scenarios. Through a rigorous business and portfolio climate risk assessment process, we identified the top 10 climate-related risks and opportunities to our business and portfolio across each time horizon. We undertook portfolio modelling to quantify potential financial losses and savings from a range of climate-related risks and opportunities, including physical risks such as flooding, heat stress and drought and transition risks, such as market, legal, reputation and technology risks, across RCP 4.5 and RCP 8.5 emissions scenarios. This assessment identified the risk profiles of our assets and the most at-risk assets, allowing us to make strategic decisions on where to focus mitigation actions and harness opportunities.

The business level assessment qualitatively assessed the significance and likelihood of a range of physical and transition climate-related risks from a scale of 1-5, taking into consideration the financial losses modelled in the quantitative portfolio modelling. The significance was assessed based on the level of disruption, financial impact and ease/cost of mitigation of the risk. The range was from minimal or no impact to catastrophic impact threatening the future of the business. The likelihood was assessed based on the probability, frequency, duration of impact and speed at which the risk materialises. This provides an overall likelihood which ranges from risks with a short duration that materialise slowly to risk at a high frequency and duration that persist over a long period of time.

The top 10 risks identified in the assessment have been deemed material to the business and have been adopted in the following designated climate-related risk matrix which informs the climate-related principal risk. The climate-related risk matrix is managed and overseen by the SLT on an ongoing basis and had been integrated into our risk management and biannual risk review process under the climate-related principal risk. The SLT also works with Operational Management who identify the impacts of climate-related risks at the site level to inform the climate-related principal risk.

Climate-related risk matrix



Short term (2020-2029)
1 Energy decarbonisation and technology
2 Financial market uncertainty
3 Increased regulation
4 Shifting market and occupier expectation

Medium term (2030-2039)
5 Insurance challengnges
6 Supply chain and resources
7 Flooding
8 Storm damage

Long term (>2040)
9 Water stress and drought
10 Heat stress

Physical and transition climate-related risks:

Time horizon	Risk	Risk description	Risk impacts	Mitigating controls
Short term: 2020-2029	1 Energy decarbonisation and technology	The decarbonisation pathway demands a shift from fossil fuels to renewables. This will stimulate low carbon technological solutions. Existing buildings must adapt using these technologies to meet energy efficiency targets and reduce rising operational costs caused by changing seasonal patterns and carbon taxes.	• Capex to implement low carbon technologies • Increased operational costs, including impacts from increased cost of carbon • Heightened tenant default risk due to higher operating costs causing loss of income • Reduced asset value for poorly performing assets • Increased cost of financial capital for high carbon assets	Implementing net zero carbon pathway interventions, including securing high-quality renewable energy, and improving the energy efficiency of assets. This is supported by our Planned Preventative Maintenance (PPM) at the centre level for improving plant and equipment.
	2 Financial market uncertainty	Sustained damage from climate-related physical impacts or persistent transition-related market movements impact macroeconomic conditions and threaten the ability of firms to produce goods and services.	• Rise in interest rates and a decrease in economic growth leading to an increase in cost of financial capital • Less market liquidity contributing to reduced transactional and development activity • Economic downturn reducing rental income and asset value and increasing tenancy risk	Conducting regular market reviews of the retail environment, property values and comparable transactions to respond to any changes in the market.
	3 Increased regulation	Policy mandates existing building stock and developments improve efficiencies and operational practices and embed climate resilience onsite.	• Capex cost to meet new standards • Potential stranded asset risk and increased void periods for non-compliance • Reduced asset values, 'brown discount' or reduced occupier demand	Continuously monitoring the UK's EPC regulation road map and are prepared to adapt our improvement plans within the required timescales. Our 10-year PPM has been designed to account for upcoming increases in regulation.
	4 Shifting market and occupier expectation	Markets shift to meet growing demand for low or net zero carbon assets with onsite climate resilience embedded. Demand may also shift away from certain geographies or sectors, while changing consumer preferences could create tenant risk.	• Decreased demand for inefficient assets leading to lower rental and asset values • Stranded asset risk for assets in high-risk geographies • Tenant default risk for occupiers in carbon intensive sectors	As a retail business, we are continuously monitoring the demands of our customers. We engage with the Building Better Partnership (BBP) to share best practice and establish how the industry will respond to occupier expectations. We continue to share our net zero carbon pathway successes and further implementation of green lease requirements.

KEY

Transition risks

Physical risks

2. Strategy

Time horizon	Risk	Risk description	Risk impacts	Mitigating controls
Medium term: 2030-2039	5 Insurance challenges	The physical impacts of climate change are extensive and cause the insurance industry to reassess premiums or withdraw cover.	• Rise in insurance premiums or difficulty in securing insurance for vulnerable assets • Stranded asset risk and reduced asset values for uninsurable assets	Conduct annual insurance inspections to understand current insurance statuses and review whether more beneficial terms can be secured.
	6 Supply chain and resources	Physical climate impacts can cause widespread disruption to production within supply chains and cause resource prices to rise.	• Higher construction and procurement costs • Business disruption causing loss of income	As a retail business, we monitor the market and impacts on consumer confidence and product availability, including climate-related impacts.
	7 Flooding	Increased duration and intensity of precipitation, snow melt, and rising sea levels will exacerbate fluvial (river), pluvial (surface water) and coastal flooding.	• Repair costs and loss of access impacting revenues in a flood event • Capex to install flood defence measures • Reductions in regional investment and footfall • Decline in asset value or stranded asset risk	Our PPM at the centre level ensures proactive maintenance to protect infrastructure under which flood preventive measures are monitored. Additionally, we monitor weather forecasts and latest research to identify changes in risk. We are also working with the local authorities and water boards to support the flood resilience of the local infrastructure plan and the implementation of preventative measures.
	8 Storm damage	Meteorological phenomena are becoming more frequent. Impacts arise from storms and heavy wind, exacerbated by changes to sea temperatures and seasonal patterns.	• Capex to install adaptation measures and clean-up costs in a storm event • Decline in asset value or stranded asset risk	Our PPM at the centre level ensures proactive maintenance to protect infrastructure from storm damage. As with flooding, we monitor weather forecasts to prepare for storm events and have started to implement weather-related emergency plans.
Long term (>2040)	9 Water stress and drought	Water becomes increasingly scarce, with supply unable to meet demand. As temperatures rise, average drought lengths could increase, with implications on water costs, supply chains and public health.	• Increased operational costs • Capex to improve efficiency • Reduced asset values for inefficient assets	Our PPM at centre level ensures proactive maintenance to maintain and apply water-saving initiatives. We also monitor the local water board drought plans at each centre to better understand the drought risk for each site area.
	10 Heat stress	Rising mean temperatures and extreme temperature highs put pressure on both people and infrastructure.	• Degradation of plant and equipment leading to increased energy demand and capex associated with replacement • Increased operational costs • Interrupted business operations and reduced workforce productivity • Negative health and wellbeing impacts, which can also lead to reputational risks • Reduced tenant demand for space without energy efficient cooling and/or ventilation	Interventions planned under our net zero carbon pathway, supported by our 10-year PPM, will help improve the operational efficiency of our assets and reduce the vulnerability of our sites to heat stress implications. We actively monitor heat stress control measures, including: • Significant changes in ambient temperature • Air pollution • Ultraviolet exposure • Extreme weather • Changes in the built environment

Additionally, we have identified opportunities that we can leverage to deliver outstanding climate-related performance to our occupiers and guests. These include proactive investment in low-carbon technologies and climate adaptation measures to secure long-term cost savings, achieve our net zero carbon ambitions, improve brand reputation, increase footfall, and attract premium occupiers.

2b. Impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Climate-related risks have been embedded into our business strategy as a component of the environmental sustainability pillar of our ESG strategy. Energy, water, and carbon efficiency opportunities as well as other climate resilience measures are identified within the business planning process alongside all other business planning items.

Climate-related risks inform our financial planning and investment strategy. Throughout the acquisition process, we undertake surveys to assess the carbon performance and climate resilience of sites and the capex necessary to align sites with our net zero carbon pathway and climate risk management approach. This helps us identify and implement opportunities to enhance our net zero carbon readiness and make conscious investment decisions. We are currently in the process of enhancing our pre-acquisition sustainability due diligence through a sustainability acquisition investment checklist. This will extend our minimum performance standards and investment decisions thresholds to EPC performance, net zero carbon operational performance in line with CRREM stranding year, potential for onsite renewables, climate risk resilience of building characteristics and the vulnerability of the location, and to occupiers and their onsite activities.

Refurbishments provide an opportunity to undertake climate resilience and net zero carbon upgrades. We have embedded climate adaptation solutions into our refurbishment process and seek to deploy energy efficiency upgrades across each stage of the property life cycle. Net zero carbon upgrades and maintenance costs associated with climate-related risks, such as maintaining ambient temperatures in centres, ensuring adequate drainage and repairs from climate-related damages, are priced into the service charge budget (PPM) for each shopping centre. Additionally, under our Net Zero Carbon Committee Wheel of Delivery, we are committed to developing an interventions capex plan and TCFD audits to further support our decarbonisation and climate adaptation efforts.

2c. Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Having conducted a climate risk assessment, we understand the material climate-related risks to our business and the vulnerability of our assets and business structure across the IPCC's RCP 4.5 and RCP 8.5 climate scenarios and how to effectively manage respective risks and opportunities going forward. These insights have already fed into our strategy and decision-making and we are rolling out new management, mitigation, and adaptation measures to improve our resilience.

RCP 4.5 and RCP 8.5 have been determined as the climate scenario for our assessment, as they cover a range of likely emissions scenarios and associated risks. The RCP 4.5 climate scenario is characterised by significant policy action and market forces to decarbonise and meet the Paris Agreement. Capital & Regional's resilience against risks associated with the RCP 4.5 climate scenario (low emissions) is being secured by our NZC pathway and related activities described in TCFD Recommended Disclosure – Strategy a). The RCP 8.5 scenario is characterised by significant changes in weather patterns and severe physical risks. Our resilience against risks associated with the RCP 8.5 climate scenario (worst case, high emissions) is currently secured by our PPM at centre level and our proactive approach to assessing risks. Additional climate adaptation plans and measures are under consideration.

Climate scenarios

Scenario	Average temperature rise	Transition	Impact
Scenario 1: RCP 4.5	1.7 – 3.2°C by 2100	Lower emissions scenario where there is increasing policy action to meet the Paris Agreement. Transition risks dominate.	**Economic:** substantial regulatory and market pressure to decarbonise and associated costs to meet these demands. **Environmental:** Less physical risk, although ca. 2°C warming still presents substantial physical climate risks.
Scenario 2: RCP 8.5	3.2 – 5.4°C by 2100	Higher emissions, business-as-usual scenario where policy action is negligible and warming rises drastically. Physical risks dominate.	**Economic:** Permanently stunted GDP growth and severe economic and social shifts. **Environmental:** Chronic changes to weather patterns and ecosystems causing severe impacts on a global scale.

3. Risk Management

3a. Describe the organisation's processes for identifying and assessing climate-related risks

Our two-pronged approach to a climate risk assessment which includes both the business and portfolio has enabled us to identify material climate-related risks, by assessing their potential significance and likelihood, relative to each other. These results have been integrated into a climate-related risk matrix which underpins the single risk issue of climate-related risks, which individually is recognised as a principal risk and therefore embedded into our risk management and decision-making processes. Climate-related risks are informally reviewed on an ongoing basis by the SLT and formally presented to the Board as part of the biannual risk review. The SLT also works closely with the Operational Teams to remain aware of any significant risk impacts at the site-level. Moving forward, the Group has committed to reporting against TCFD annually and regularly conducting climate risk assessments. As described above and throughout our TCFD disclosure, these may occur in the form of qualitative literature reviews and quantitative portfolio modelling, based on latest geospatial and local climate and vulnerability data, particularly in the event of material changes to the business and/or assets in our portfolio.

3b. Describe the organisation's processes for managing climate-related risks

A risk review is conducted twice a year by the Group's Board, Audit Committee and SLT to ensure that the Group remains abreast of identified and emerging risks. Throughout the risk review, principal risks are ranked by significance and likelihood across low, medium, and high levels in a risk matrix, and individual responsibility and mitigating controls are determined. Climate-related risks are also managed via a separate climate-related risk matrix underpinning the climate-related principal risk (see TCFD Recommended Disclosure – Strategy a) for more detail).

In addition to the mitigating controls described in the TCFD Recommended Disclosure section – Strategy a) & b), we have scaled up our green lease clauses and are engaging with occupiers to improve their energy efficiency and data sharing to enhance our ability to manage risks in tenant-controlled spaces.

We have also implemented the following solutions to actively manage climate-related risks at the asset level:

- Further installation of LED lighting and PIR sensors
- Sourced 100% of electricity from renewable sources
- Increased climate risk awareness for all operational teams, focusing on preparing response plans for extreme weather events
- Significant investment into new blast cooler and glycol liquid piping at Snozone Milton Keynes
- Installed over 1,000 solar panels to the roof at Snozone Madrid

Further information on activities completed in 2022 can be found in the environmental sustainability section of the report.

3c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

A range of climate-related risks have been fully integrated into our risk management framework. As of last year, climate-related risk has been identified as a principal risk to the business and forms an integral part of the Group's biannual risk review. The climate-related principal risk is underpinned by a separate climate-related risk matrix, where material climate risks have been assessed and ranked via a rigorous climate risk assessment (see TCFD Recommended Disclosure – Strategy a)). The climate-related risk matrix is managed, overseen and regularly updated by the SLT, of which members of the ESG Committee and Board are members of (see TCFD Recommended Disclosure – Governance).

4. Metrics and Targets

4a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

We publicly report on our environmental performance and use a range of metrics to assess our resource consumption, energy, and carbon emissions and determine our exposure to climate-related risks. These include:

- Scope 1, 2 and 3 emissions in tCO_2e, including GHG intensity from building energy ($kgCO_2e/m^2/year$), calculated using internal data and emissions factors from the UK Government's GHG Conversion Factors for Company Reporting 2020
- Electricity consumption in kWh, including energy intensity in kWh/m²/year, monitored monthly and reported per asset
- Water consumption, including occupier water consumption in m3/year
- Waste disposal in tonnes, split into landfill, incineration, recovery recycling and anaerobic digestion in metric tonnes
- Onsite renewable energy generation as a percentage of total energy consumption
- High quality renewable energy procurement as a percentage of total energy consumption
- Embodied carbon intensity in tCO_2e/m2 GIA for refurbishments, developments and fit-outs
- Total portfolio embodied carbon in tCO_2e
- Offset residual carbon emissions in tCO_2e
- EPC ratings and building certifications as a holistic indicator of the portfolio's performance

4b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks

We report our Scope 1 and 2 GHG emissions in our SECR and EPRA disclosure available on pages 70–76. These have been calculated and reported in line with the GHG Protocol Corporate Accounting and Reporting Standard. In 2022, we published our net zero carbon pathway document (available here), in which we disclosed our 2019 baseline Scope 1, 2, and 3 GHG emissions. Our most material Scope 3 emissions, associated with occupier energy consumption, were based predominately on estimations. Due to limited improvement in data availability since the recent publication of our net zero carbon pathway, we have decided not to include updated Scope 3 emissions data in these disclosures. During 2023, we will focus on improving our occupier data collection to enable disclosure in our 2023 Annual Report.

4c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

For our shopping centres and Snozone venues, we have set the target of reaching net zero carbon by 2040 and have developed a net zero carbon pathway formulating energy efficiency measures and targets based on the Carbon Risk Real Estate Monitor (CRREM) 1.5°C Global Pathway for the shopping centres with a separate strategy for the Snozone venues. The Snozone venues have a five-year capital plan to significantly reduce their carbon footprint with new equipment and off-setting initiatives. We have set short- and medium-term targets for embodied carbon, operational carbon, onsite renewable generation, renewable energy procurement, carbon offsetting and third-party verification across our operations, refurbishments, and acquisitions processes to reach our net zero commitment and mitigate transition climate-related risks. More detail on these targets and our progress against them is available throughout the environmental sustainability section of the report.

To increase accountability and culturally embed climate risk management throughout the organisation we have set remuneration-linked annual objectives for energy and carbon performance, environmental data collection, tenant engagement and implementing internal risk management and control processes for all our employees across all levels of our business in our corporate ESG objectives 2023. Key climate-related objectives include:

Level	Climate-related Target(s)
Board and SLT	• Establish an internal carbon pricing system to dedicate funding for ESG related initiatives • Reduce total energy consumption by 5% on 2022 and 10% on 2019 outturn • Ensure compliance with all sustainability regulations and new technology trends
Commercial team	• Obtain at least 20% of retailers' energy performance data across the portfolio by year end • Establish an EPC management plan to future proof against incoming legislation, where the minimum EPC rating will increase to a C by 2027 and B by 2030
Investment team	• Perform newly developed pre-acquisition sustainability due diligence for all new acquisitions
Operational management	• Provide 100% of actual Scope 1 and 2 emissions data covering energy, water, waste, and fugitive emissions • Increase proportion of energy data covering occupied spaces to improve Scope 3 data coverage

Governance Report
Contents

Governance Report


H&M
CLICK & COLLECT

Chair's introduction to governance

David Hunter
Chairman

I am pleased to present Capital & Regional's corporate governance report for 2022.

The primary focus of C&R in 2022 was in navigating the operational recovery of the business from the Covid-19 pandemic, advancing the Group's ESG agenda and resolving the position of the Group's other loan facilities following on from the successful recapitalisation and restructuring of the Group's largest loan facility in November 2021.

The Board's activities during the year have reflected this, with meetings focussed on transactional activity and updates on operational progress and sustainability initiatives.

The composition of the Board, in terms of diversity and tenure, has been considered by the Nomination Committee during the year. The Committee is cognisant of the diversity targets set by the Financial Conduct Authority in the changes to the Listing Rules announced in April 2022 and will work with management to address the other requirements and recommendations set out in the new rules and related guidance. The Committee is also focused on succession planning in respect of those Non-Executive Directors who will be due to retire in 2024 and 2025.

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

David Hunter
Chairman

The Board remains committed to high standards of corporate governance.

David Hunter
Chairman

Board of Directors

Committee membership

- A Audit Committee
- E ESG Committee
- N Nomination Committee
- R Remuneration Committee
- Chair of Committee
- Senior Independent Director

*Independent (as per the UK Corporate Governance Code).

Executive Directors

Lawrence Hutchings
Chief Executive

Committee membership E

Appointed 2017

Relevant skills and experience

Lawrence joined the Group in 2017 following four years at Blackstone in Australia, two as Managing Director, and has over 20 years' experience in the property industry. Prior to Blackstone, Lawrence was at Hammerson plc for four years, the last three as Managing Director - UK Retail, before which he spent almost seven years at Henderson Global Investors.

External appointments

- None

Stuart Wetherly
Group Finance Director and Company Secretary

Appointed 2019

Relevant skills and experience

Stuart joined Capital & Regional as Group Financial Controller in October 2012, and was additionally appointed Company Secretary in April 2013. He was appointed Group Finance Director in March 2019. Prior to joining Capital & Regional, Stuart spent 12 years at Deloitte in London where he qualified as a Chartered Accountant. Stuart also worked in a group finance role at Johnson Matthey plc.

External appointments

- None

Non-executive Directors

David Hunter
Chairman of the Board

Committee membership N

Appointed 2020

Relevant skills and experience

David has many years' experience in UK and international real estate markets, including 15 years as an independent adviser and professional non-executive director. His current roles include as Chairman at Custodian REIT Plc and DAR Global plc. His background includes previous board level positions in the UK and overseas. He is a Senior Adviser to ICG Real Estate, a leading real estate debt fund manager. Prior to 2005, David was Managing Director of Aberdeen Property Investors and in 2004 he was President of the British Property Federation.

External appointments

- DAR Global plc (Chairman)
- Custodian REIT plc (Chairman)
- ICG-Longbow (Senior Adviser)

Ian Krieger
Non-Executive*

Committee membership A N R

Appointed 2014

Relevant skills and experience

Ian is the Audit Committee Chairman and Senior Independent Director at both Safestore Holdings plc and Primary Health Properties PLC. Aside from his Non-Executive Director experience; Ian also brings extensive financial expertise from having previously been a senior partner and vice-chairman at Deloitte until his retirement in 2012.

External appointments

- Safestore Holdings plc (Audit Committee Chair, Senior Independent Director)
- Primary Health Properties plc (Audit Committee Chair, Senior Independent Director)

Board of Directors

Non-executive Directors

Norbert Sasse
Non-Executive

Appointed 2019

Relevant skills and experience

Norbert is the Group Chief Executive Officer of Growthpoint Properties Limited. He holds a BCom and Honours Degree in Accounting from Rand Afrikaans University and is a Chartered Accountant. Norbert has 25 years' experience in corporate finance, funds management and all aspects of listed property, as well as equity and debt capital market experience. He is a director of all major Growthpoint subsidiaries and investments in South Africa, Australia and the United Kingdom.

External appointments

- Growthpoint Properties Limited
- Growthpoint Properties Australia Limited
- Globalworth Real Estate Investments Limited

Panico Theocharides
Non-Executive

Appointed 2023

Relevant skills and experience

Panico joined Growthpoint in February 2023 as Group: Head of Investments. Panico has over 20 years' experience in the real estate, advisory and investment banking industries. Prior to joining Growthpoint Panico worked for five years as an independent property advisor and previously was Head of Property Advisory, Corporate Finance at Investec in South Africa. Before that Panico was the Joint Chief Executive Officer of Annuity Properties Limited, a South African focused REIT that was listed on the Johannesburg Stock Exchange.

External appointments

- Growthpoint Properties Australia Limited
- Globalworth Real Estate Investments Limited

Katie Wadey
Non-Executive*

Committee membership A E R

Appointed 2020

Relevant skills and experience

Katie is the Chief Product and Commercial Officer at Simplyhealth. Katie has over 20 years of multi-industry experience across a range of customer and commercial functions and has held senior roles at blue chip consumer facing organisations including BT, LV=, Tesco, British Gas and Aviva. Katie is also a Trustee of Onside Youth Zones and Transform Housing and Support.

External appointments

- Hammersmith & Fulham Youth Zone
- Transform Housing and Support (Trustee)
- Mindmasters Group Limited

Laura Whyte
Non-Executive

Committee membership A E N R

Appointed 2020

Relevant skills and experience

Laura had a long and successful career with John Lewis Partnership where she served on the Management Board for over ten years, firstly as Registrar and latterly as HR Director. Laura is also a Non-Executive Director and Chair of the Remuneration Committee at Macfarlane Group PLC, and a Non-Executive Director of the British Horseracing Authority. She is a Trustee of The Old Royal Naval College, Greenwich.

External appointments

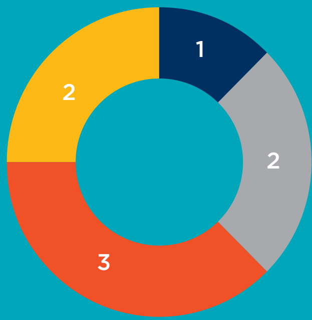
- Macfarlane Group PLC
- British Horseracing Authority
- The Old Royal Naval College, Greenwich (Trustee)

Committee membership

- A Audit Committee
- E ESG Committee
- N Nomination Committee
- R Remuneration Committee
- Chair of Committee

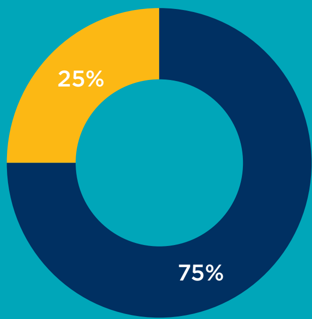
Board Diversity

Board composition (number of Directors)



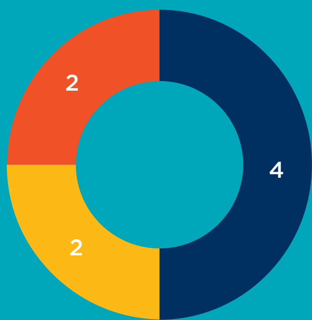
- Chairman
- Executive Directors
- Independent Non-Executive Directo
- Non-Executive Directors (not independent)

Board gender split (%)



- Male
- Female

Board tenure (number of Directors)



- 1 - 3 years
- 3 - 6 years
- 6 - 9 years

Senior Leadership Team

Lawrence Hutchings
Chief Executive

Frankie Chrysanthou
Commercial Director

Frankie joined C&R in 2022 bringing more than 20 years of experience across commercial leasing and business planning and performance. Her most recent roles were with leading flexible workspace providers IWG and Landmark Space. As Commercial Director, Frankie supports our community strategy and is responsible for directing the leasing team, CML and temp lettings to drive new retail deals and execute innovative asset management strategies to optimise the use of space across our shopping centre portfolio.

James Ryman
Investment Director

James joined Capital & Regional in 2007 and prior to that qualified as a Chartered Surveyor at Donaldsons Chartered Surveyors where he spent 13 years specialising in all aspects of shopping centre asset management, latterly running the Retail Asset Management team. As Investment Director, James is responsible for driving investment performance from our shopping centre portfolio.

Stuart Wetherly
Group Finance Director and Company Secretary

Sara Jennings
Director of Operations & Guest Experience

Sara began her retail career working for House of Fraser in Store Management before joining C&R in 2001. She has held a number of positions within C&R before taking on the role of Director of Operations & Guest Experience. Sara is responsible for the day to day management of the Group's shopping centres and leads the integration process of new acquisitions.

Nick Phillips
Managing Director, Snozone

Nick joined C&R in 2012 as Snozone's Managing Director. Nick started his career with Aldi, joining them in their embryonic stages in the UK as a regional New Store Openings Manager in the northwest. He then went on to hold a number of positions with Lidl and Whitbread PLC as David Lloyd Leisure's Regional Director for the south of England before becoming their Sales & Operations Director for the UK & Europe.

Corporate Governance Report
Compliance statement

Compliance with the UK Corporate Governance Code

The Company has, throughout the year ended 30 December 2022, applied the principles and complied with the provisions of the 2018 UK Corporate Governance Code except for (i) Provision 11 - that in light of the Board featuring two representatives of Growthpoint, the Company's majority shareholder, at least half the Board, excluding the Chair, are not considered to be independent non-executive directors and (ii) Provision 38 - that Executive Director pension contributions are not aligned with the workforce.

In light of the Group's reduced number of assets under management following the transactional activity in the year and cost pressures caused by the current high rates of inflation the Board has postponed further Non-Executive Director appointments for the time being, however the Nomination Committee is committed to ensuring adequate succession plans are in place for non-executive directors due to retire in the medium term. The Board will continue to keep its composition under review and remain committed to maintaining the appropriate combination of directors that promotes balanced and robust decision making. In order to fully comply with Principle G of the 2018 Corporate Governance Code, the Board would need to recruit one further independent non-executive director. This would result in a large Board number in comparison to the current scale and complexity of the Business. In the Company's view, the breadth of experience and knowledge brought to the Board by the Chairman and non-executive directors coupled with their detachment from the day-to-day issues within the Company provide for constructive debate and robust decision making. The Board considers the current composition to be effective in holding the executives and the management team to account.

An explanation of the Company's reasoning in respect of Provision 38 is set out in the Directors' Remuneration Report on pages 129–137. Changes which have taken effect from 1 January 2023 will ensure compliance in 2023.

	How we have applied the Code	Further information
Board leadership and company purpose	The Board has overall responsibility for delivering the long-term sustainable success of the Group. It also has the responsibility to ensure the Group's key stakeholders are clearly identified and that the success is for their benefit and for the wider community. The Board has devised a clear purpose of the Business with well-defined values and strategy that aim to provide a solid platform for achieving this purpose and instilling the right culture across the Business.	Read more about Board Structure on page 107 Read more about our Purpose and Strategy on pages 18–21
Division of responsibilities	The Board and its four Committees have well-established responsibilities that are set out in the Schedule of Matters Reserved for Board Approval and Terms of Reference for each Committee, respectively. The division of responsibilities between the Chairman, tasked with ensuring the effectiveness of the Board, and the Chief Executive, who is responsible for the leadership of the Group's business, has been clearly defined. All divisions of responsibilities have been agreed and approved by the Board.	Read more about our Division of Responsibilities on pages 106–108
Composition, succession and evaluation	The Board, as a whole, keeps under review the composition of the Board and its Committees. Appointments to the Board are recommended by the Nomination Committee. The Nomination Committee is also responsible for ensuring adequate succession planning is in place for Board and senior management positions. The Nomination Committee is also responsible for reviewing the Group's policy on Diversity and Inclusion. The Board undertakes an annual review of its own effectiveness	Read more about our Succession and Evaluation on pages 110–111
Audit, risk and internal control	The Board delegates and receives updates from the Audit Committee in respect of monitoring the integrity of financial statements and ensuring robust systems and adequate controls are in place to manage risk. The Board has also tasked the Audit Committee with monitoring and maintaining the Group's relationship with the external audit firm.	Read more about our Group's Risk management on pages 44–51 Read more about our Audit and Internal Controls on pages 114–118
Remuneration	The Board, through the Remuneration Committee, ensures that remuneration policies and practices are designed to support the Group's strategy and promote long-term sustainable success. The Remuneration Committee ensure that formal and transparent policies are in place for determining director and senior management remuneration.	Read more about our Remuneration on pages 120–137

Compliance with the Disclosure and Transparency Rules

The disclosures required under DTR 7.2 of the Disclosure and Transparency Rules are contained in this report, except for those required under DTR 7.2.6 which are contained in the Directors' Report.

Task Force for Climate-Related Financial Disclosures

In accordance with LR 9.8.6(8), details of the Group's pathway to providing disclosure consistent with the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD) are provided in the ESG Report on pages 90–97. The Board is aware of the importance in reducing the Group's impact on climate to further mitigate its direct link to financial risk.

Board Leadership & Company Purpose

Board Activity

Main activities undertaken during the financial year:

Strategy

- Reviewed strategic options for the further growth and development of the business
- Received updates on property cycle and sector trends including the interaction of physical and online retail
- Continued to monitor management's progress on positioning the asset portfolio to increase exposure to resilient customer categories in line with changing consumer demands
- Considered and agreed the purchase of the Hemel Hempstead loan facility at a discount and the deconsolidation of Luton
- Considered and approved the disposal of The Mall at Blackburn and completion of the sale of land for residential development at Walthamstow.

Risk Management & Internal Controls

- Considered the ongoing risks associated with the Covid-19 pandemic in particular the Omicron variant and its impact on business operations
- Considered the impact on operations from the cost of living crisis
- Reviewed the Group's emerging and principal risks and the risk matrix and internal control systems
- Reviewed the effectiveness of the material financial, operational and compliance controls that mitigate the Group's key risks.
- Through the Board's Audit Committee, met with the Company's valuers twice in the year

Financial Performance

- Reviewed the Group's performance against budget and peers
- Approved the annual business plan and budget
- Approved interim and full year results
- Reviewed the dividend policy and approved the resumption of dividend payments in the second half of the year

Governance

- Discussed the results of the Board evaluation
- Received regular updates from the Chairs of the Audit, Remuneration, Nomination and ESG Committees
- Discussed and reviewed the Company's ESG strategy
- Received briefings on key governance and regulatory developments
- Completed the annual review of the Company's Modern Slavery Statement

Stakeholders

- Received updates on interaction with and feedback from shareholders
- Reviewed employee engagement survey results and updates on company culture
- Received updates on key HR and people matters
- Received updates on tenant engagement with regard to implementing sustainability initiatives

Read more about our strategy on pages 18–21

Read more about our Board evaluation process on page 111

Division of Responsibilities

Board

Key Responsibilities

- Collectively responsible for promoting the long-term sustainable success of the Group for the benefit of its stakeholders through the creation of long-term sustainable shareholder value and contribution to wider society.
- Setting the Group's strategic direction and overseeing management's execution of the strategy.
- Responsible for establishing Group purpose and values, and for ensuring that our culture and behaviours are both appropriate and consistent.

Audit Committee

Key Responsibilities

- Reviews the clarity, completeness and appropriateness of disclosure in the Group's Financial Statements and reports findings to the Board.
- Advises the board on whether the annual report is fair, balanced and understandable.
- Monitors, reviews and recommends to the Board the need for an Internal Audit function.
- Recommends the appointment of the External Auditors and reviews their effectiveness, independence and fees.
- Reviews and approves the Group's arrangements and policy for its workforce to raise concerns, in confidence, about possible wrongdoing.
- Delegated by the Board to monitor the internal controls and risk management process. Ultimate approval remains with the Board.

Read more about the Audit Committee on pages 114–118

Disclosure Committee

Key Responsibilities

- Identifies Inside Information.
- Decides on how and when we should disclose Inside Information in accordance with the Disclosure Policy and having regard, in particular, to information previously disclosed by the Company.

Nomination Committee

Key Responsibilities

- Reviews the structure, size and composition of the Board and Board Committees to ensure that they are appropriately balanced in terms of diversity, knowledge, skills and experience.
- Reviews and recommends appointments to the Board and to other senior leadership positions.

Read more about the Nomination Committee on pages 112–113

Remuneration Committee

Key Responsibilities

- Makes recommendations to the Board on the Group's executive director Remuneration Policy.
- Oversees the Group's Remuneration Schemes.
- Reviews and recommends to the Board the Group's Remuneration Policy.

Read more about the Remuneration Committee on pages 120–121

ESG Committee

Key Responsibilities

- Sets the ESG strategy and ensures that it remains fit for purpose.
- Benchmarking and measuring the Group against national and global industry standards, in relation to its ESG strategy and goals.
- Ensures that there are appropriate policies in place to support the Group's ESG framework.
- Assists on other matters related to ESG as may be referred to it by the Board

Read more about the ESG Committee on page 61

Board balance and independence

Details of the directors including their qualifications, experience and other commitments are set out on pages 101–102. The Board currently comprises the Chairman, two Executive Directors and five Non-Executive Directors.

The Board reviews the independence of its Non-Executive Directors on an annual basis. Panico Theocharides and Norbert Sasse are not considered independent as they act as representatives of Growthpoint Properties Limited. The Board has concluded that all other Non-Executive Directors continue to demonstrate their independence.

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

The Company has well established separation of responsibilities between the Chairman and Chief Executive and written terms of reference are available on the Group's website. The Senior Independent Director undertakes regular reviews to ensure the distinction of roles and responsibilities remains appropriate.

Chairman

- Responsible for the objective leadership of the Board of Directors in the effective directing of the Company.
- Should maintain a culture of openness and ensure that time is made for debate and constructive challenge.
- Continually assess and monitor the collaborative nature of the Board and take the lead in its annual effectiveness review.
- Set the annual workplan for the Board and set the agenda, style and tone of each meeting of the Board
- Ensure Directors receive timely, accurate and clear information in order for them to make informed collective decisions.
- Oversee the induction process for new directors and the ongoing training and development of the Board.

Chief Executive

- Responsible for the day-to-day operations and management of the Group's business.
- Develop and recommend the Group strategy to the Board and implement the agreed strategy across the Group.
- Deliver financial performance in line with the agreed budgets.
- Provide regular updates to the Board on all operational matters.
- Responsible for recruitment, leadership and development of the Senior Leadership Team
- Deliver the Group's ESG strategy.
- Ensure effective communication with the Group's shareholders and stakeholders.

Senior Independent Director

- Acts as a sounding board to the Chairman.
- Serves as an intermediary for Non-Executive Directors when necessary and available to shareholders if they wish to raise concerns outside the usual communication channels of the Chairman, Chief Executive or other Executive Directors.
- Leads the evaluation of the Chairman's performance, as part of the annual Board evaluation process.

Non-Executive Directors

- Remain independent of management and to be free from any business or other relationships that could compromise their independence.
- Provide independent judgement, knowledge and commercial experience to discussions and decision making.
- Provide constructive challenge to Executive Directors and scrutinise the performance of management against key objectives.
- Provide oversight of management's success in delivering the agreed strategy within the risk appetite and control framework agreed by the Board.
- Through the Board Committees, the independent Non-Executive Directors are responsible for managing the delegated tasks given to them by the Board.

Board and committee meeting attendance

The number of meetings of the Board and its Committees during 2022, and individual attendance by Directors, is set out below

	Scheduled	Audit	Remuneration	Nominations	ESG
D Hunter	5/5	–	–	1/1	–
L Hutchings	5/5	–	–	–	4/4
S Wetherly	5/5	–	–	–	–
I Krieger	5/5	3/3	2/2	1/1	–
G Muchanya	5/5	–	–	–	–
N Sasse	5/5	–	–	–	–
K Wadey	4/5	3/3	2/2	–	3/4
L Whyte	5/5	3/3	2/2	1/1	4/4

* These Directors are not members of the respective Committees but attended meetings as appropriate at the invitation of the Committee Chair.

Prior to Board meetings, each member receives, as appropriate to the agenda, up-to-date financial and commercial information, management accounts, budgets and forecasts, details of potential or proposed acquisitions and disposals, cash flow forecasts and details of funding availability. At each scheduled Board meeting, the Executive Directors provide updates on their key areas of responsibility. The Committee Chairs also provide updates on the work of the Committees and highlight any matters requiring consideration by the full Board. Other matters for discussion are added to the agenda for scheduled Board meetings, or discussed at additionally convened Board meetings, as required.

Time Commitment

The Nomination Committee considers the time commitments of proposed candidates prior to appointment to ensure that they are able to dedicate sufficient time to the role. Directors' external commitments are reviewed on a regular basis to ensure they continue to devote sufficient time to the role. All Directors are required to obtain prior approval before taking on any additional external appointments. Directors expected to attend all Board and relevant Committee meetings and attendance in 2022 is set out in the table above. During the year, the Board held five scheduled meetings. There was full attendance at Board meetings during the year other than one incidence where a Board member was unwell with Covid-19.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Composition, Succession and Evaluation

> Ongoing training requirements are reviewed on a regular basis and undertaken individually, as necessary

David Hunter
Chairman

Composition

Details of the Directors, including their skills and experience are outlined on pages 101–102.

Board succession

Succession planning is led by the Nomination Committee. Further information is provided on page 112–113.

Induction and professional development

The Chairman, supported by the Company Secretary, ensures all new Directors are provided with induction training. Comprehensive packs are provided containing the most recent Board & Committee materials, recent auditor reports, key business policies and relevant business KPIs.

New Directors are introduced to the Board and senior management through one-to-one meetings, coupled with visits to our shopping centres and Snozone sites to tour the trading environments and to meet the operational teams.

Briefings on governance requirements and their legal and regulatory obligations as a Director are delivered and are made aware of access to the relevant independent advisers. Ongoing training requirements are reviewed on a regular basis and undertaken individually, as necessary.

Updates on area of focus for 2022

Strategy

In the prior year review the Board noted a desire to dedicate time to reviewing strategy following the successful completion of the recapitalisation and restructuring of the Group's largest debt facility in November 2021. Dedicated strategy sessions were held in June and December 2022 focusing on the investment and retail markets with presentations from industry experts and discussions that concluded with a reaffirmation that the Group's community shopping centre strategy should remain its core business focus.

Peer Group

Work was undertaken to identify peer companies both within the domestic and overseas markets. Senior management undertook an exchange of visits with Wereldhave, a European listed retail property company, whereby the respective senior management teams visited each other and toured assets to share experiences and knowledge.

People and succession planning

The Board identified a need for increased focus on the Company's employees including the need for succession planning at Board and at Senior Leadership level.
An Employee Voice committee was introduced during the year providing members of staff from across the business with a forum for relaying and discussing views in respect of working for the Company. This has led to a number of staff led initiatives and activities.
Management have also sought to increase the exposure of the Board to members of staff from outside of the Senior Leadership Team with other individuals asked to present and/or observe on Board meeting presentations where appropriate during the year.

The Nomination committee has agreed a plan for succession planning for non-executive directors in the medium term. Any further recruitment of non-executive directors would seek to increase diversity on the Board.

Board evaluation

Stage 1

Led by the Chairman, all Directors of the Board complete a detailed questionnaire covering:

- Performance of the Board, as a whole, and as individuals;
- Processes that determine the Board's effectiveness (including the Board composition and skills gaps, experience, independence and knowledge of the persons on the Board and decision-making);
- Company culture, strategy and risk management; and Performance of the Board's Committees.

The Senior Independent Director directly receives questionnaires completed by the other Directors in respect of the Chairman's performance. The Senior Independent Director then arranges, as and if required, one-to-one meetings with the other Directors to review and discuss any matters raised.

The Chairman meets with the Non-Executive Directors without the presence of the Executive Directors to evaluate the performance of the Chief Executive. The Senior Independent Director meets with the Chairman to discuss the outcome of the review of the Chairman's performance.

Stage 2

The completed questionnaires are collated by the Company Secretarial team and reviewed with the Chairman to pull out summaries and key findings.

Stage 3

A paper, summarising the key findings with recommendations and associated actions, is drafted, and submitted for Board discussion and approval.

The review for 2022 took place at the January 2023 Board Meeting. The Board continues to engage and provide for robust and collective decision-making. The Board was comfortable that the Company had the appropriate controls, processes and approach to risk management.

Areas of focus for 2023 were identified as improving the time allocation of meetings, broadening shareholder engagement to provide major shareholders with more opportunity to meet with the Chair and other Non-Executive Directors if they desire, providing more opportunity for the Board directly to discuss business culture and providing a broader visibility of investment opportunities under consideration.

Nomination Committee Report

David Hunter
Chair of the Nomination Committee

Other members:

Ian Krieger

Laura Whyte

Meetings held: 1

The Nomination Committee is chaired by David Hunter, Chair of the Board of Directors. The other members of the Committee are Ian Krieger and Laura Whyte, both independent Non-Executive Directors.

Responsibilities

The Nomination Committee meets as required to select and recommend to the Board suitable candidates for both Executive and Non-Executive appointments. The Nomination Committee also considers succession planning for the Board and senior leadership positions. The formal role of the Nomination Committee is set out in its terms of reference.

The recruitment process for Directors typically includes starts with the development of a candidate profile. The Group will then either utilise the engagement of a professional search agency (which has no other connection with the company) or candidate search through appropriate professional networks. Candidate profiles are provided to the Committee, which, after careful consideration, makes a recommendation to the Board. Any new Directors are appointed by the Board and, in accordance with the company's articles of association, must stand down for re-election at the next Annual General Meeting in order to continue in office. All existing Directors retire by rotation every year.

Activities of the Committee during the year

As part of the annual Board evaluation process all Board members were asked to consider the composition of the Board and highlight any areas they viewed were not being suitably covered. The output of this exercise has fed into succession planning for future recruitment to the Board.

The Board will continue to keep its composition under review and remain committed to maintaining the appropriate combination of directors that promotes balanced and robust decision making. In order to fully comply with Principle G of the 2018 Corporate Governance Code, the Board would need to recruit one further independent non-executive director. This would result in a large Board number in comparison to the current scale and complexity of the Business. In the Company's view, the breadth of experience and knowledge brought to the Board by the Chairman and non-executive directors, particularly the independent non-executive directors, coupled with their detachment from the day-to-day issues within the Company provide for constructive debate and robust decision making. The Board considers the current composition to be effective in holding the executives and the management team to account. The Committee will however keep this under review.

The Committee has begun the process of orderly succession planning for the next non-executive directors who will fall due to retire after they will have served nine years at the end of 2023 and 2024 respectively.

Diversity Policy

The Nomination Committee, and the Board, recognises the importance of diversity in its broadest sense, including gender, ethnicity, culture, socio-economic background, disability, sexuality and diversity of thought, perspective and experience.

Although the Company does not fall within the FTSE-350, the Committee, and indeed the Board, is supportive of the Davies Report, Hampton-Alexander Report and subsequent Parker Review recommendations. At the financial year end, the Board had 25% female representation (2021: 25%), which, has not yet met the Hampton-Alexander target of at least one-third female representation on the Board. The Board has met the Parker Review target of one ethnic minority Director on the Board, as at 30 December 2022.

The Committee is cognisant of the diversity targets set by the Financial Conduct Authority in the changes to the Listing Rules announced in April 2022, which will apply to the Company for the financial year beginning 31 December 2022, and will work with management to address the other requirements and recommendations set out in the new rules and related guidance.

The Committee seeks to ensure that all suitable candidates available are taken into account when drawing up shortlists of candidates for possible appointments. The Committee continues to engage with executive search firms that are signatories to the UK Voluntary Code for "Women on Boards and the Voluntary Code of Conduct for Executive Search Firms". The priority of the Committee and the Board is to ensure that the Group continues to have the strongest and most effective Board possible, and therefore all appointments to the Board are made on merit against objective criteria.

As a business, we are committed to maintaining a diverse workforce at all levels across the Company, and more information on how we do this, including a description of the policies relating to diversity and how they have been implemented, can be found in the ESG Report on pages 78–81.

David Hunter
Chairman

The Committee seeks to ensure that all suitable candidates available are taken into account when drawing up shortlists of candidates for possible appointments. The Committee continues to engage with executive search firms that are signatories to the UK Voluntary Code for "Women on Boards and the Voluntary Code of Conduct for Executive Search Firms".

David Hunter
Chairman

Audit, Risk and Internal Control
Audit Committee Report

Ian Krieger
Chair of the Audit Committee

Other members:

Katie Wadey

Laura Whyte

Meetings held: 4

The Audit Committee is chaired by Ian Krieger, a Chartered Accountant with the recent and relevant financial experience required by the 2018 UK Corporate Governance Code. The other members of the Committee are Katie Wadey and Laura Whyte, both independent Non-Executive Directors deemed to have the relevant sector experience in which the Company operates.

Stuart Wetherly, Group Finance Director attended each of the meetings held in the year apart from those parts of the meeting reserved for the Committee to meet privately with the Company's external Auditor, Deloitte LLP. Other senior members of Finance and representatives from Deloitte LLP attended meetings by invitation. The Company's Chairman and Chief Executive also attended meetings during the year by invitation.

Responsibilities

The Committee's role is to assist the Board in discharging its duties and responsibilities for ensuring the integrity of financial reporting, advising the Board on whether the annual report is fair, balanced and understandable, internal controls and the appointment, remuneration and relationship management of the Company's independent external Auditor. The Committee is responsible for reviewing the scope and results of audit work and its cost effectiveness, the independence and objectivity of the Auditor and the Group's arrangements on whistleblowing.

Significant issues considered in relation to the financial statements

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

- **Investment property valuation** – At 30 December 2022 the value of the Group's investment property assets was £318.8 million (see Note 10b of the financial statements for further details). The Group saw a small increase in property values in the first half of the year however the fall in values in the second half of the year saw an overall like-for-like decline of approximately 3.6% for the year ending 30 December 2022. The valuation of investment property is inherently judgemental and involves a reliance on the work of independent professional qualified valuers. During 2022, the Audit Committee met with the valuers, considered their independence and qualifications and reviewed and challenged the valuations for both the year end and interim results dates to understand the basis for them and the rationale for movements in the context of both the individual properties, the impact of wider macro-economic developments including the increase in gilt and interest rates and the general property investment market. The valuation judgements were deemed to be in compliance with the RICS Red Book
- **REIT regime compliance** – The Committee continued to monitor and consider the Group's compliance with the REIT regulations. The Group resumed dividend payments for the first time in over two years with the payment of an Interim Dividend in October 2022. The divided paid is sufficient to meet the Group's estimate of the minimum PID distribution requirement for 2021 that was due during 2022 and given the Group is also compliant with the other relevant tests the Committee was satisfied that the Group remained compliant with REIT regulations for the period under review.

Report on the Committee's activities during the year

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

During the year, the Committee met four times and discharged its responsibilities by:

a. reviewing and approving the Group's 2021 annual report and financial statements and the 2022 interim results statement prior to discussion and approval by the Board;
b. reviewing the treatment of assets held for sale and the deconsolidation of the Group's interest in The Mall, Luton;
c. reviewing the continuing appropriateness of the Group's accounting policies including management's approach to the reassessment of IFRS 16, the impact on the accounting treatment of the Group's lease arrangements and the presentation of the Group's Adjusted Profit metric;
d. reviewing Deloitte LLP's plan for the 2022 Group audit, approving their terms of engagement and proposed fees and reviewing and updating the Group's policy for the award of non-audit work to its external Auditor;
e. reviewing the Company's ongoing REIT regime compliance;
f. reviewing reports on internal control tests and assessing whether a stand-alone internal audit function was required;
g. receiving the results of a review of commission payments performed by Donald Reid Group, a firm of independent accountants made in respect of Commercial Leasing transactions;
h. considering the effectiveness of the external audit process, the effectiveness and independence of Deloitte LLP as external Auditor;
i. reviewing management's biannual Group Risk Review report and the effectiveness of the material financial, operational and compliance controls that help mitigate the principle risks;
j. reviewing the effectiveness of the Group's whistleblowing policy;
k. considering management's approach to Going Concern in respect of the year end results announcement, the Annual Report and the half year results and the viability statement in the Annual Report;
l. meeting with the responsible individuals from the Group's independent valuers, CBRE Limited and Knight Frank LLP to review and challenge their valuations of the Group's investment properties;
m. meeting with Deloitte LLP without management present;
n. carrying out an annual performance evaluation exercise and noting the satisfactory operation of the Committee; and
o. carrying out an audit tender process and appointing Mazars LLP as independent auditor for the financial year ending 30 December 2023.

Audit Committee Report CONTINUED

- **Management override of controls -** The Committee reviewed the risk of material misstatement due to fraud through management overriding of established controls, particularly around key judgements and estimates made by management in relation to the valuation of the investment property portfolio, financial reporting process, accounting of significant unusual transactions and the review of top-side adjustments. The financial statements were assessed for bias in accounting judgements and management was asked about any known fraud situations. Journal entries and any unusual activity in this regard was investigated. Board minutes were assessed for any instances of override of controls being discussed. The Committee found no issues of note.
- **Reclassification of assets and liabilities as held for sale** - The Committee reviewed the position of the Group's investments in the Blackburn, Hemel Hempstead and Luton properties. At 30 June 2022 the Committee reviewed the rationale for reclassifying the Blackburn property as held for sale on the basis that the Group had exchanged contracts on the planned disposal in May 2022. The disposal completed in August 2022. The classification of the Group's Hemel Hempstead property was also reviewed and following the completion of a transaction where the Group acquired at a discount the outstanding debt secured on the asset the decision was made to reclassify the asset to Investment Assets and no longer classify it as held for sale. In the case of The Mall, Luton the Committee reviewed and agreed the rationale for deconsolidating the Group's interest on the basis that changes made to the constitution of the Luton entities in May 2022, agreed with the secured lender on the asset as part of the planned sale process, resulted in the Group effectively losing control from that date.
- **Going concern and covenant compliance** - The Committee reviewed, challenged and concluded upon the Group's going concern review and consideration of its viability statement. This process included giving due consideration to the appropriateness of key judgements, assumptions and estimates underlying the budgets and projections that underpin the review and a review of compliance with key financial covenants. The Committee also assessed the non-recourse nature the Group's loan facilities and the opportunity to cure possible breaches of financial covenants. The use of reasonable scenarios and sensitivity analysis by management was reviewed as part of the process given the volatile market environment.
- **Impairment of receivables and inter-company investments** – Management perform an annual review of inter-company investments and receivables to determine the values to be maintained in the Plc Company only and individual subsidiary balance sheets. Management also performed a review at the period end of outstanding trade receivables assessing on a tenant-by-tenant basis the need for provision of outstanding amounts. The Committee considered the movement over the year and the key assumptions, particularly in the case of investments where balances were held with reference to value in use as opposed to net assets of the underlying entity.

Auditor rotation and tender process

Deloitte LLP were re-appointed following a tender process in 2018. Deloitte LLP have been Auditor of Capital & Regional plc since 1998 and under legislation and FRC guidance the last year they could have maintained the role of Auditor would have been the financial year ending 30 December 2023. As the audit engagement partner, Matthew Hall, was due to rotate following the financial year ending 30 December 2022, it was agreed with Deloitte LLP to proceed with the audit tender with a view to instating the new auditor for the 2023 year end.

The Committee ran a competitive tender process during 2022 in relation to the Group's external auditor. The process formally started in April 2022 with a review of potential audit firms that were independent and could therefore participate in a tender, followed by initial meetings with selected firms. An invitation to tender was issued in September and Mazars LLP, MHA Mactintyre Hudson and PKF Littlejohn all submitted written proposals and undertook presentations with members of the Audit Committee and management. Areas of consideration included individual and firm audit quality scores, cultural fit, a demonstrable understanding of the Group's business, technical expertise and proposed fee structure and development. Following a review by the Audit Committee, Mazars LLP were selected as the Company's auditor, subject to approval by shareholders at the AGM to be held in May 2023.

Effectiveness of the external Auditor

The Committee carried out a review of the effectiveness of the external audit in terms of both the performance of the Company's external Auditor and Management's input into the audit process. The review covered amongst other factors, the quality of the staff, the expertise, the resources and the independence of Deloitte LLP as well as the quality of information and level of transparency provided by Management. The Committee reviews the audit plan for the year and subsequently considers how the Auditor performed to the plan. They consider the quality of written and oral presentations and the overall performance of the lead audit partner.

It was determined that the overall work completed had been to a high standard and the Committee and Management were very satisfied with Deloitte's performance as Auditor. Strong working relationships had been maintained between the Committee and Management and the lead audit engagement partner and their team.

Auditor Independence

The Committee considers the external Auditor to be independent. The Audit Committee is responsible for reviewing the cost-effectiveness and the volume of non-audit services provided to the Group by its external Auditor. The Group does not impose an automatic ban on the Group's external Auditor undertaking non-audit work, other than for those services that are prohibited by regulatory guidance. Instead, the Group's aim is always to have any non-audit work involving the Group's external Auditor carried out in a manner that affords value for money and ensures independence is maintained by monitoring this on a case by case basis.

The Group's policy on the use of its external Auditor for non-audit services, which was reviewed in October 2022, precludes the external Auditor from being engaged to perform valuation work, accounting services or any recruitment services or secondments. The policy also stipulates that for any piece of work likely to exceed £20,000 at least one other alternative firm provide a proposal for consideration. During the year, the only non-audit services performed by Deloitte LLP during the year were its review of the Half Year Results for which a fee of £85,000 was charged.

Risk Management and internal controls

The Board delegates the responsibility for monitoring a sound system of internal control and risk management to the Audit Committee. An ongoing biannual process is in place for identifying, evaluating and managing risk of the Group. This is fed into the Audit Committee agenda for review and referral to the Board, which has ultimate oversight and approval responsibility.

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.

Audit Committee Report CONTINUED

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

- Defined organisational responsibilities and authority limits. The day-to-day involvement of the Executive Directors in the running of the business ensures that these responsibilities and limits are adhered to;
- Financial and operational reporting to the Board including the preparation of budgets and forecasts, cash management, variance analysis, property, taxation and treasury reports and a report on financing. Year end and interim financial statements are reviewed by the Audit Committee and discussed with the Group's Auditor, Deloitte, before being submitted to the Board for approval;
- Review and approval of the Group's risk matrix twice a year by the Group's Senior Leadership Team, the Audit Committee and the Board as detailed on pages 44–51 in the Managing Risk section of the Strategic Report;
- Review the risk of fraud within the business;
- Anti-Bribery and Corruption policies which are communicated to all staff and for which compliance reviews are conducted on an annual basis; and
- The Group's whistleblowing policy.

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

During the year the Board, through the Audit Committee, reviewed the effectiveness of the material financial, operational and compliance controls that mitigate the key risks (as disclosed in the Managing Risk section on pages 44–51. This review considered each risk in turn and identified the key mitigating control. The effectiveness of each control was then assessed either with reference to existing evidence or by specific testing. The review concluded that all material financial, operational and compliance controls were operating effectively. A statement of the Directors' responsibilities regarding the financial statements is on page 142.

Internal Audit

The Group does not have a dedicated stand-alone internal audit function but manages an ongoing process of control reviews performed either by staff, independent of the specific area being reviewed, or by external consultants, where deemed appropriate.

In accordance with the Committee's terms of reference, the Committee conducted the annual review of the need to establish an internal audit function in 2022. It was determined that the current size and complexity of the Group did not justify establishing a stand-alone internal audit function and the existing arrangements remain appropriate.

Whistleblowing

The Group has in place a whistleblowing policy which encourages employees to report any malpractice or illegal acts or omissions or matters of similar concern by other employees or former employees, contractors, suppliers or advisers. The policy provides a mechanism to report any ethical wrongdoing or malpractice or suspicion thereof. The Group's process provides staff with options to contact members of senior management, the Group's Senior Independent Director and the Group's external audit partner.

The Audit Committee on behalf of the Board reviews the established processes on an annual basis and last reviewed the policy in October 2022. The Committee reports to the Board on the process and any updates arising from its operation.

Fair, balanced and understandable

The Committee has reviewed the contents of the Annual Report and Financial Statements 2022 and concluded that the disclosures, and the processes and controls underlying its production, were appropriate and recommended to the Board that the Annual Report and Financial Statements 2022, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

Ian Krieger
Chair of the Audit Committee


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Directors' Remuneration
Annual Statement

Laura Whyte
Chair of the Remuneration Committee

Other members:

Ian Krieger

Katie Wadey

Meetings held: 2

Our approach to remuneration has been measured and balanced, seeking to ensure that a consistent approach is taken across the business.

Laura Whyte
Chair of the Remuneration Committee

Dear Shareholder,
As Chair of the Remuneration Committee and on behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 December 2022.

The primary focus of the business in 2022 was in navigating the operational recovery of the business from the Covid-19 pandemic, advancing the Group's ESG agenda and resolving the position of the Group's other loan facilities following on from the successful recapitalisation and restructuring of the Group's largest loan facility, The Mall in November 2021.

Our approach to remuneration has been measured and balanced, seeking to ensure that a consistent approach is taken across the business and that executive remuneration and reward is well aligned with shareholder objectives and experience.

The Committee met twice during 2022 to discharge its responsibilities. In addition, informal meetings and other correspondence took place to discuss wider remuneration issues. In addition to the other Committee members, Ian Krieger and Katie Wadey, both independent Non-Executive Directors, the Chief Executive and other Non-Executive Directors are invited to attend meetings, as required. In accordance with the Corporate Governance Code 2018, no Director was included in the decision-making process for their own remuneration nor present at any meeting where the same was being discussed.

Board Policy
Our Remuneration Policy was presented to shareholders at the Company's Annual General Meeting in May 2022 and received a vote in favour of 96.1%

Board changes
There were no Board changes during the year.

2022 Company Performance and Combined Incentive Plan (CIP)
In what has remained a challenging environment the Group has performed admirably with a robust recovery in Net Rental Income (Investment Assets) and Adjusted Profit supported by strong operational metrics including improving rent collection to back around pre-pandemic levels. Progress was made in reducing the Group's energy consumption with a 42% fall in carbon emissions against the 2019 baseline.

The Group also had a busy year of transactional activity. In May 2022, it signed a package of amendments to its Ilford loan facility to facilitate the investment of more than £10 million for the creation of the new NHS Community Healthcare Centre and anchor unit for TK Maxx, both secured under new agreements for lease signed at the same time. Also in May 2022, the Group completed the acquisition of its debt in respect of the Marlowes shopping centre in Hemel Hempstead. The Group acquired the debt at a discount of approximately 51%, increasing the Group's Net Asset Value by approximately £12.3 million. This was partially funded by a new £4.0 million loan facility provided by BC Invest, a subsidiary of the Group's strategic residential partner Far East Consortium.

In July 2022, the Group completed the sale of land for residential development at its 17&Central community shopping centre in Walthamstow to Long Harbour for c.£21.65 million and in August 2022, the Group completed the sale of The Mall, Blackburn for £40 million, at a premium to the December 2021 valuation. The combined impact of the transactions was to reduce Net Debt by approximately £60 million and the Group's key Net Loan to Value debt ratio by approximately 900 basis points.

Total Shareholder Return for the year was +9.5% which put the Group towards the top of UK listed Real Estate companies in 2022.

Reflecting on all of the above the Board believe management have performed exceptionally well in guiding the business through a year of recovery, resolving successfully the loan positions on Ilford and Hemel Hempstead and reducing further the Group's debt levels with the completion of the Walthamstow residential transaction and sale of The Mall, Blackburn. The outturn of the 2022 CIP objectives for the year was 71% of the maximum which the Committee considered a fair outcome.

The Committee continues to believe that the CIP provides the best mechanism to motivate, reward and retain Executive Directors. For 2023, the Committee has set 70% financial and 30% non-financial strategic targets which reflect the key priorities of the business over the next 12 months and to properly incentivise executive management. As per 2022, the Committee will provide full disclosure of the targets and outcomes in the 2023 Remuneration Report and will exercise downward discretion on CIP outcomes if the Committee view that they do not reflect corporate performance, the shareholder experience or create reputational issues from either an internal or external stakeholder perspective.

Vesting of first tranche of 2019 CIP awards

The first one third tranche of the 2019 CIP awards became available for vesting from 1 January 2023. The Committee reviewed relative TSR performance of the Group against an agreed peer group of other retail property companies. The Committee were satisfied that the Company's TSR performance satisfied the requirement of being at median level or above and consequently approved vesting of the awards in full. This has resulted in 66,933 and 36,091 shares becoming available for Lawrence Hutchings and Stuart Wetherly to exercise respectively.

Retention Award

As detailed in the 2021 Remuneration Report the Group granted one-off Retention Awards to the Executive Directors in November 2021 following a consultation with shareholders and having obtained strong support at an Extraordinary General Meeting where the resolution to amend the Remuneration Policy passed with 93.56% of votes cast in favour. These awards are due to become payable on 30 September 2023. Further detail is provided in the Directors Remuneration policy section.

Executive Director Salary Increases

The Executive Directors have been awarded a pay rise of 3%. Fees paid to Non-Executive Directors will also increase by 3%. Both are in line with the low end of the range of general pay rises provided to the wider workforce of between 3 and 5%. In considering the wider workforce salary increases management were very focussed on supporting those most impacted by significant increased costs of living and thus decided to adopt a range of salary uplifts to provide greater increases for the lower paid team members. This is also reflected in the lower fee uplifts at Director level providing a consistency of approach across the organisation.

Pension

Conscious of the focus on pension contributions made to Executive Directors relative to the wider workforce the Committee reduced the Chief Executive's pension contribution from 15% to 13% in 2022 and to 8% effective from 1 January 2023. This brings the Executive Directors contributions in line with the range of contributions made to the wider workforce which is now 5%-10% of salary, having been increased from 4%-8%.

Workforce and senior management pay

The Committee is regularly updated on workforce pay and benefits throughout the Group and considers workforce remuneration as part of the review of executive remuneration. The Committee is also tasked with overseeing major changes in employee benefit structures. It has responsibility for the remuneration of the members of the Group's Senior Leadership Team and is therefore able to ensure that the remuneration of the Executive Directors is in line with senior management and other colleagues.

Committee Changes

There have been no changes to the committee membership during the year.

Committee Aims

Our aim as a Committee continues to be to ensure we recruit and retain talented individuals who are motivated to deliver outperformance for shareholders, receiving a fair base pay with potential for significant rewards on delivering strong shareholder returns.

Laura Whyte
Chair of the Remuneration Committee

Directors' Remuneration Policy

Remuneration philosophy and principles

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

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

How the Committee sets remuneration

<table>
<tr><td>Salary</td><td rowspan="3">Fixed compensation</td><td rowspan="3">Median</td><td rowspan="4">Total = Median or above for above median performance</td></tr>
<tr><td>Pension</td></tr>
<tr><td>Benefits</td></tr>
<tr><td>Combined Incentive Plan</td><td>Performance-based compensation</td><td>Median or above for above median performance</td></tr>
</table>

The Committee benchmarks remuneration against our selected comparator group companies and seeks to ensure that Directors' fixed compensation is around the median in the comparator group. Remuneration is also dependent on the skills and experience of the individual and the scope and responsibility of the position.

The Committee's view is that by putting an emphasis on performance related compensation, executives are encouraged to perform to the highest of their abilities. The performance-based compensation is targeted to be at median or above, for above median performance, within the comparator group to ensure that outstanding relative performance is appropriately rewarded. The overall effect is that our total compensation is at median, or above median, for above median performance.

The Committee addressed the following factors when determining the remuneration policy and practices, as recommend by the UK Corporate Governance Code:

Clarity	The Remuneration Policy and its application in the year is clearly disclosed in the Annual Report. The Committee engages with shareholders on remuneration matters and is updated on workforce pay and benefits across the Group.
Simplicity	The remuneration structure comprises of fixed and variable remuneration, with variable remuneration granted under a single combined scheme, the CIP, clearly outlined in the Remuneration Policy.
Risk	The CIP Rules provide discretion to the Committee to reduce award levels. Awards are subject to malus and clawback provisions. The Committee has overriding discretion to reduce the formulaic outcome of the CIP.
Predictability	The range of possible outcomes under the CIP are outlined on page 128.
Proportionality	CIP awards are determined based on a proportion of base salary and stretching targets set to incentivise Executive Directors. The Committee has overriding discretion to reduce the formulaic outcome of the CIP.
Alignment to culture	The Committee ensures that personal performance measures under the CIP incentivise behaviours consistent with the Company's culture, purpose and values.

This part of the report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("the Act").

This section of the report contains details of the Directors' Remuneration Policy that was approved at the Company's AGM in May 2022. The approval lasts until the AGM in May 2025.

The Policy was determined following a review of the existing structure provided by the Group's remuneration advisors, PwC. This was discussed with the Committee, Executive Management and the Board including the representatives from the Company's largest shareholder, Growthpoint. A short consultation with other key stakeholders and major shareholders was undertaken before concluding on the policy that was presented at the Annual General Meeting.

Purpose & link to strategy	Operation	Opportunity	Performance metrics
Base salary • To aid recruitment, retention and motivation of high-quality people • To reflect experience and importance of role	Reviewed annually effective 1 January to reflect: • general increases throughout the Company or changes in responsibility or role; and • benchmarking against comparator group to ensure salaries are about the median level and market competitive. • Salary increases will normally be aligned to the average increase awarded to the wider workforce. • Increases may be above this level if there is an increase in the scale, scope or responsibility of the role or to allow the basic salary of newly appointed Executives to move towards market norms as their experience and contribution increases.	The maximum increase applicable in any year is capped at 10% of base salary.	n/a
Pension • To help recruit and retain high-quality people • To provide an appropriate market competitive retirement benefit	The Company does not operate a defined benefit pension scheme, all pension benefits are paid either to defined contribution pensions schemes of each Executive Director's choice or as a cash supplement. Lawrence Hutchings received a pension allowance of 13% of basic salary during 2022. From 1 January 2023 this was reduced to 8%. This is the same level as received by Stuart Wetherly and compares to a range of pension contributions paid to the UK workforce of 5% - 10%.	Executive Directors receive a pension contribution of 8% of salary, effective from 1 January 2023. For new appointments, the Committee will ensure that pension contributions are in line with that of the workforce of 5%-10%.	n/a
Benefits • To aid recruitment and retention • To provide market competitive benefits • To support physical, mental and emotional wellbeing	The Company offers a package to Executive Directors, in line with local market, including but not limited to: • private medical insurance; • critical illness cover; • life insurance; • permanent health insurance; and • holiday and sick pay. Benefits are brokered and reviewed annually.	No maximum	n/a

Governance

Purpose & link to strategy	Operation	Opportunity	Performance metrics
Combined Incentive Plan (CIP) • To incentivise delivery of short-term business targets and individual objectives based on annual KPIs • To recognise performance whilst controlling costs in reaction to the market context or company events • To reinforce delivery of long-term business strategy and targets • To align participants with shareholders' interests • To retain Directors over the longer term	The plan is reviewed annually to ensure bonus opportunity, performance measures and weightings are appropriate and support the stated Company strategy. All measures and targets will be reviewed and set annually by the Committee at the beginning of the financial year and levels of award determined by the Committee after the year end are determined based on achievement of performance against the stipulated measures and targets. One third of the award is paid in cash after one year. Two thirds of the award is deferred into shares. Deferred shares will vest in three equal tranches in years three, four and five and will be subject to the achievement of a performance underpin. Vested deferred shares will be subject to an additional holding period to the 5th anniversary of the date of grant. Upon vesting, sufficient shares can be sold to pay tax. Up to 100% of deferred shares will lapse if median relative TSR performance against the peer group is not achieved. Malus and Clawback provisions apply such that the Committee has the discretion to reduce or cancel any awards that have not been exercised, in any of the following situations: • C&R's financial statements or results being negatively restated due to the Executive's behaviour; • A participant having deliberately misled management or the market regarding Company performance; • A participant causing significant reputational damage to the Company; or • A participant's actions amounting to serious / gross misconduct. • The discovery that any information used to determine the Bonus and/or the number of Plan Shares placed under a Share Award relating to a Bonus Award was based on error, or inaccurate or misleading information; and/or • Failure of risk management; and/or corporate failure. In line with UK corporate governance best practice the Committee will retain the discretion to adjust the payment and vesting outcomes (both upwards and downwards) under the CIP to reflect the overall corporate performance and shareholder experience. The maximum combined incentive award potential in any year (300% of salary) will be adjusted downwards to reflect the year on year reduction in the profit outturn (if any) or if the shareholder return over the same period has been negative. The Committee retains the discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate.	The plan provides a combined annual awards of up to 250% of salary for Executive Directors / 300% for the Chief Executive Targets calibrated so maximum pay-out represents exceptional performance The maximum combined incentive award potential in any year may be adjusted downwards to reflect the year on year reduction in the profit outturn (if any) or if the shareholder return over the same period is negative.	Performance targets set annually based on a 100% Group financial and strategic performance targets. 2022 objectives were weighted 70% on financial performance and 30% strategic and operational measures. Financial metrics may typically include metrics such as profit, net rental income and cost management. Operational and strategic metrics may include metrics such as footfall and strategy implementation. Threshold performance where relevant for individual objectives is typically set at 50%. The annual nature allows the Company to link them directly to Company strategy in a challenging macro-economic environment and ensure that the remuneration principles agreed by the Committee will be met.

Purpose & link to strategy	Operation	Opportunity	Performance metrics
Long Term Retention Award • Aligns the Executive Directors' interests with those of shareholders. • Rewards and helps retain/recruit executives	A cash based one-off Long-Term Retention Award was implemented by the Company in November 2021 to incentivise the retention of the Executive Directors. The Award was approved by shareholders at a General Meeting on 1 November 2021 and a one-off award was granted to Lawrence Hutchings and Stuart Wetherly, which will vest on 30 September 2023. The Award is not subject to additional performance measures outside of continuous employment in order to simplify the attainment of the Award by the Executive Directors. It is intended as a method of retention of key individuals within the business and it was concluded that it should not be hindered by complex performance measures. Clawback provisions will apply to the Long Term Retention Awards if it is discovered within two years of the payment of a Long Term Retention Award that: • there has been a material misstatement or miscalculation in the results of the Company; • the award holder has committed an act of gross misconduct; • the award holder has committed an act which in the Remuneration Committee's opinion has given or could give rise to serious reputational damage to the Group; • the award holder has committed an act which in the Remuneration Committee's opinion deliberately misled the Board or the market as to the performance of the Group; • the award holder has committed an act which in the Remuneration Committee's opinion has caused the Company or business in which the award holder is employed to suffer a material failure of risk management; and/or • the Company enters an involuntary administration or insolvency process or a company voluntary arrangement. Malus provisions will apply to allow the Remuneration Committee to reduce the payment under a Long Term Retention Award if any of the circumstances set out above occur prior to the payment of the Long Term Retention Award.	Lawrence Hutchings will receive a cash award of £1,000,000. Stuart Wetherly will receive a cash award of £500,000. The maximum entitlement for any one participant will not be amended to the participant's advantage. No new Awards will be made, but the Awards made during 2021 will continue to vest in line with the Policy and scheme rules.	Continued employment and not subject to disciplinary or performance procedures.
Executive shareholding • To support alignment of Executive Directors with shareholder	All Executive Directors are expected to build a shareholding to at least 2 x basic annual salary value based on current market value or the aggregate purchase price of the shares over a five year period. Deferred or other unvested share awards not subject to performance conditions can count towards the guideline in line with corporate governance best practice. There is a 200% base salary post-cessation of employment shareholding requirement for two years.	n/a	n/a

Directors' Remuneration Policy CONTINUED

Purpose & link to strategy	Operation	Opportunity	Performance metrics
Non-Executive Director Remuneration • To reflect experience and importance of role	The Chairman and Non-Executive Directors fees are set by the Board taking into account the time commitment, responsibilities, skills and experience and roles on Board Committees. The fees are reviewed annually. Details of the fees can be found on page 130. The Senior Independent Director and individuals who are members of both the Audit and Remuneration Committees receive an additional fee per annum. Non-Executive Directors do not receive any variable remuneration element or receive any other benefits. Non-Executive Directors are reimbursed for all reasonable travelling and subsistence expenses (including any relevant tax) incurred in carrying out their duties.	n/a	n/a

Notes to the Policy table

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before the policy set out above, or (ii) at a time when a previous policy, approved by was in place provided the payment is in line with the terms of that policy, or (iii) at a time when the relevant individual was not a Director of the Company and the payment was not in consideration for the individual becoming a Director of the Company.

Discretion

The Committee has discretion in several areas of Policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

Employee Context

All permanent employees of the Group, including Executive Directors, receive a basic remuneration package including basic salary, private medical insurance, travel insurance, income protection, critical illness cover and life assurance. For all permanent employees below Board level, the Company pays pension contributions of between 4% - 10% into either a Group Pension Scheme, individual employees' own pension scheme or by a cash contribution.

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

Recruitment of Executives

New Executive Directors will receive a remuneration package that will reflect the Company's Remuneration Policy within the parameters outlined. In certain circumstances, such as an internal promotion, an appointment may be at a salary level discount to reflect experience at that point; the Committee may increase it over time on the evidence of performance achievement and market conditions. All new Executive Directors' service agreements will include mitigation of the payment of notice as standard.

The Company will not make an ex-gratia award to new joiners. This excludes amounts paid to buy out individuals from existing performance awards.

Service contracts

Executive Directors are employed on rolling service contracts with notice periods of twelve months from the Company and from the Executive Director. Copies of the Directors' service agreements are available to view, upon appointment, at the Company's registered office.

Exit payment policy

When considering termination payments, the Committee takes into account the best interests of the Company and the individual's circumstances including the reasons for termination, contractual obligations, and CIP scheme rules. The Remuneration Committee will ensure that there are no unjustified payments for failure on an Executive Director's termination of employment. The policy in relation to leavers is summarised in the following table:

Salary and benefits

Executive Directors are on notice periods of 12 months. In cases of an Executive leaving this can be served or settled with a payment in lieu of notice.

Combined Incentive Plan (CIP)

For leavers during the award year

- Typically, for good leavers, rights to awards under the CIP will be pro-rated for time in service to termination as a proportion of the performance period, and will, subject to performance, be paid at the normal time in the normal manner (i.e. in cash/deferred awards as appropriate).
- Typically for other leavers, rights to awards under the CIP will be forfeited.

For leavers during the deferral period

- Outstanding deferred awards under the CIP will be paid at the normal time, subject to performance against the underpin performance condition. The Committee retains the discretion to apply time pro-rating (over the deferral period) for good leavers and to accelerate the vesting and/or release of awards if it considers it appropriate.
- Typically for other leavers, rights to deferred awards will be forfeited.

Long-Term Retention Awards

If, prior to the payment date, a participant ceases to be employed by the Group, his Long-Term Retention Award will lapse with immediate effect. Where, however, a participant ceases employment as a "good leaver", any Long-Term Retention Award held by that individual will not lapse and may be retained to the extent that the Remuneration Committee in its discretion determines taking into account such factors as the Remuneration Committee in its discretion determines including the period of time that the participant was employed from the award date.

Such retained Long-Term Retention Award will vest on the normal payment date (unless the Remuneration Committee in its discretion determines that it will be settled earlier) and in the normal manner subject to the other conditions applying to the Long-Term Retention Award being met.

A participant will be a good leaver if their employment ceases: a) due to death; b) due to injury, ill-health or disability (in each case evidenced to the satisfaction of the Remuneration Committee); c) due to redundancy or upon the transfer out of the Group of a company or business by which the participant is employed; or d) in any other circumstance that the Remuneration Committee determines (other than dishonesty, fraud, misconduct or any other circumstance that justifies the summary dismissal of the participant).

If, prior to the payment date, a participant has given or received notice to terminate their employment with the Group, his Long-Term Retention Award will not be paid unless the Committee is satisfied that the participant has performed satisfactorily and to have met the reasonable expectations of the role for which they are employed during the period from the date of the award to the payment date.

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

Senior Management

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

External Appointments

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

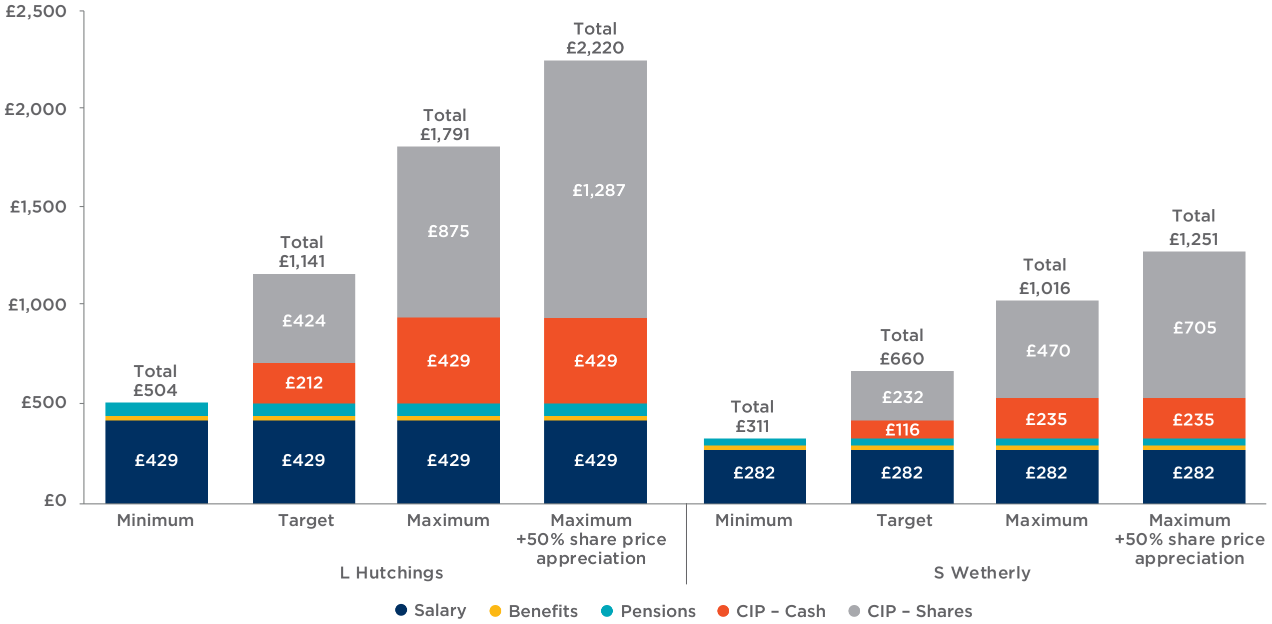
Total Compensation

The minimum scenario is based on nil incentive award;

- The on-target scenario is based on CIP award at 50% of maximum (i.e. 150% of salary for Chief Executive and 125% of salary for Executive Directors), split into 1/3 cash and 2/3 shares (excluding share price appreciation and accrual of dividend equivalent payments); and
- The maximum scenario is based on CIP award at 100% of maximum (i.e. 300% salary for Chief Executive and 250% for Executive Directors) split into 1/3 cash and 2/3 shares (excluding share price appreciation and accrual of dividend equivalent payments).

- In addition, the maximum scenario is illustrated based on share price increase of 50% for the maximum share element which could be granted for the CIP.
- The Long-Term Retention Award has been excluded from these calculations.

All figures in £'000



L Hutchings	Salary	CIP – Cash	CIP – Shares	Benefits	Pension	Total
Minimum	85%	0%	0%	2%	13%	100%
Target	37%	19%	37%	1%	6%	100%
Maximum	24%	24%	48%	1%	3%	100%
Maximum + 50% share price appreciation	19%	19%	58%	1%	3%	100%

S Wetherly	Salary	CIP – Cash	CIP – Shares	Benefits	Pension	Total
Minimum	91%	0%	0%	2%	7%	100%
Target	43%	18%	35%	1%	3%	100%
Maximum	28%	23%	46%	1%	2%	100%
Maximum + 50% share price appreciation	22%	19%	56%	1%	2%	100%

Consultation and shareholders' views

In the second half of 2021, the Committee undertook a consultation with its largest shareholders before implementing the Retention Awards that were proposed at the General Meeting in November 2021. The vote passed with 93.6% of votes in favour.

Following the decision to essentially retain the same CIP structure as has been in operation a short consultation with other key stakeholders and major shareholders was undertaken in early 2022 before concluding on the policy that was presented for approval at the 2022 Annual General Meeting. The policy passed with 96.1% of votes cast in favour.

Where requested, further clarification and discussion can be provided to all shareholders to assist them in making an informed voting decision. If any major concerns are raised by shareholders these can be discussed with the Committee Chairman in the first instance and the rest of the Committee as appropriate.

Committee evaluation

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

Directors' Remuneration Report

This section sets out how the Directors' Remuneration Policy that was implemented during 2022. Where stated, disclosures regarding Director's remuneration have been audited by the Company's external auditor Deloitte.

The Remuneration Committee

The Committee met twice during 2022 as well as holding informal meetings and other correspondence to discuss wider remuneration issues. Committee members include Laura Whyte (Chair), Ian Krieger and Katie Wadey, all independent Non-Executive Directors. All members of the Committee attended each meeting in the year. The Chief Executive and other Non-Executive Directors are invited to attend meetings as required, except in circumstances where their own remuneration is being discussed.

The Remuneration Committee agrees the framework for the remuneration of the Chairman and the Executive Directors. The Committee approves salaries and sets the levels, conditions and performance objectives for the annual bonus and share awards for Executive Directors. The Committee also reviews the remuneration of the senior management below Board level. It also makes recommendations to the Board on matters that require shareholder approval.

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

Advisors

In 2022, the Committee received advice from independent remuneration consultants PwC LLP. PwC LLP's fees charged for the year were £10,000, which were charged on a time/cost basis. No other services were provided by PwC LLP during the course of 2022.

PwC LLP is a member of the Remuneration Consultants' Group, and as such chooses to operate pursuant to a code of conduct that requires remuneration advice to be given objectively and independently. PwC were appointed by the Remuneration Committee, following a robust tender process. The Committee is satisfied that the advice provided by PwC LLP in relation to remuneration matters is objective and independent.

The Committee is satisfied that the members of the PwC LLP team do not have connections with the Company or its Directors which might impair their independence.

Summary of performance year ended 30 December 2022 (unaudited)

	2022	2021
Net Rental Income (Investment Assets)	**£23.5m**	£21.7m
Adjusted Profit[1]	**£10.3m**	£8.8m
Adjusted Earnings per share[1]	**£6.2p**	7.3p
IFRS Profit/(loss) for the period	**£12.1m**	£(26.4)m
Total dividend per share	**£5.2p**	–
Net Asset Value (NAV) per share	**£106p**	102p
EPRA NAV per share	**£103p**	102p
Group net debt	**£130.9m**	£185.3m
Net debt to property value	**41%**	49%

1. Adjusted Profit, Adjusted Earnings per share and net debt are as defined in the Glossary. Adjusted Profit incorporates profits from operating activities and excludes revaluation of properties and financial instruments, gains or losses on disposal, and other non-operational items. A reconciliation to the equivalent EPRA and statutory measures is provided in Note 9 to the financial statements.

Single total figure of remuneration for Directors (audited):

The table below sets out the remuneration received/receivable in relation to the year ended 30 December 2022.

	Salary/Fees[1]		Taxable benefits[1]		Other benefits[1]		Pension		Total fixed pay		Annual bonus[2]		Other[3]		Total variable pay		Total pay	
£'000	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
L Hutchings	438	429	4	4	2	2	58	64	502	499	311	279	–	1,000	311	1,279	813	1,778
S Wetherly	287	282	2	2	1	1	23	23	313	308	170	153	–	500	170	653	483	961
Total	725	711	6	6	3	3	81	87	815	807	481	432	–	1,500	481	1,932	1,296	2,739
D Hunter	143	140	–	–	–	–	–	–	143	140	–	–	–	–	–	–	143	140
T Hales[4]	–	21	–	–	–	–	–	–	–	21	–	–	–	–	–	–	–	21
G Muchanya[5]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
I Krieger[6]	54	51	–	–	–	–	–	–	54	51	–	–	–	–	–	–	54	51
L Norval[4]	–	43	–	–	–	–	–	–	–	43	–	–	–	–	–	–	–	43
N Sasse[5]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
K Wadey[6]	49	48	–	–	–	–	–	–	49	48	–	–	–	–	–	–	49	48
L Whyte[6]	49	48	–	–	–	–	–	–	49	48	–	–	–	–	–	–	49	48
Total	295	351	–	–	–	–	–	–	295	351	–	–	–	–	–	–	295	351
Total all	1,020	1,062	6	6	3	3	81	87	1,110	1,158	481	432	–	1,500	481	1,932	1,591	3,090

1. Taxable benefits include private medical care and critical illness cover; other benefits include life insurance and permanent health insurance. Taxable benefits include the complete list required in paragraph 11(1) (a) of Schedule 8 of the Regulations.
2. Figures represent the cash bonus element of the Combined Incentive Plan and do not include the element deferred into shares subject to relative TSR performance.
3. A one-off cash-based award was granted to Lawrence Hutchings (£1,000,000) and Stuart Wetherly (£500,000) on 1 November 2021, which will vest and become payable on 30 September 2023.
4. T Hales retired and stepped down as a Director on 20 May 2021. L Norval stepped down as a Director on 15 December 2021. As a result, both received pro-rata sums up to their respective resignation dates.
5. G Muchanya and N Sasse, both serve as Growthpoint's representatives and do not receive a fee.
6. I Krieger, K Wadey and L Whyte receive(d) an additional fee of £5,000 per annum as members of the Audit and Remuneration Committees. I Krieger receives a further fee of £5,000 as Senior Independent Director.

Basic salary increases for Executive Directors

The Executive Directors have been awarded a pay rise of 3%. This in line with the low end of the range of general pay rises provided to the wider workforce of between 3% and 5%. In considering the wider workforce salary increases management were very focussed on supporting those most impacted by significant increased costs of living and thus decided to adopt a range of salary uplifts to provide greater increases for the lower paid team members.

	2023 £'000	%	2022 £'000	%	2021 £'000	%	2020[1] £'000	%	2019 £'000	%	2018 £'000	%
L Hutchings	451	3.0	429	2.0	429	–	429	1.0	425	1.0	383	2.0
S Wetherly	296	3.0	288	2.0	282	–	282	2.5	275	–	–	–
C Staveley	–	–	–	–	–	–	–	–	–	–	305	2.0

1. L Hutchings and S Wetherly took a voluntary 20% reduction in salary for the months of April, May and June 2020, the actual base salary received in 2020 was £407k and £268k respectively.

Non-Executive Director Fees

Non-Executive Director fees will increase by 3% in line with the increase provided to the salaries of Executive Directors and the lower end of the wider workforce. This will result in a fee of £147,084 for the Chairman and a base fee of £45,042 for the Non-Executive Directors in 2023. No increase will be applied to the additional £5,000 per annum for being a member of the Audit and Remuneration Committees nor the additional £5,000 fee per annum paid to the Senior Independent Director.

The Growthpoint representative Directors (George Muchanya and Norbert Sasse during 2022), in accordance with the terms of the Growthpoint Relationship agreement, do not receive a fee as Non-Executive Directors.

Combined Incentive Plan (CIP) (audited)

The number of awards and the performance periods for all outstanding CIP awards are summarised in the table below. The Company's Clawback provisions apply during the holding period where the level of vesting may be reduced, including to nil. Awards granted in 2020 and 2022 relate to 2019 and 2021 performance respectively, as disclosed in the relevant Remuneration Reports for those years. No awards were granted in 2021 as the CIP awards for the 2020 financial year were waived by the Executive Directors.

Name	Date of Award	No. of awards[1]	Type of award	Face value at date of award[2] £'000	Threshold/ Maximum vesting share price[3]	End of Performance Period	Holding period
L Hutchings	27.04.2020	200,799	Nil cost option	436	1/3 of shares subject to median relative TSR performance	01.01.2023	2 years
					1/3 of shares subject to median relative TSR performance	01.01.2024	1 year
					1/3 of shares subject to median relative TSR performance	01.01.2025	–
	25.04.2022	984,938	Nil cost option	558	1/3 of shares subject to median relative TSR performance	01.01.2025	2 years
					1/3 of shares subject to median relative TSR performance	01.01.2026	1 year
					1/3 of shares subject to median relative TSR performance	01.01.2027	–
S Wetherly	27.04.2020	108,274	Nil cost option	235	1/3 of shares subject to median relative TSR performance	01.01.2023	2 years
					1/3 of shares subject to median relative TSR performance	01.01.2024	1 year
					1/3 of shares subject to median relative TSR performance	01.01.2025	–
	25.04.2022	538,980	Nil cost option	305	1/3 of shares subject to median relative TSR performance	01.01.2025	2 years
					1/3 of shares subject to median relative TSR performance	01.01.2026	1 year
					1/3 of shares subject to median relative TSR performance	01.01.2027	–

1. Includes dividend equivalent shares subsequently awarded.
2. The awards issued in April 2020 were calculated based on a share price of 253.67 pence, being the average market value of a share over the final nine dealing days to 30 December 2019. The awards issued in April 2022 were calculated based on a share price of 59.50 pence, being the average market value of a share over the final twenty dealing days to 30 December 2021. The period used for the April 2020 awards was shorter to exclude the impact of the equity raise and partial offer transaction within which Growthpoint acquired a majority stake in the Company.
3. Shares will vest subject to the performance underpin of median relative Total Shareholder Return against a retail property comparator group.

Dividend equivalents:

Whenever a dividend or other cash distribution is paid by the Company in respect of Shares, the number of Shares subject to each Unvested Share Award (as at the time the dividend or other cash distribution is paid) shall be increased by such number of whole Shares (rounded down to the nearest whole number) as outlined in the CIP Rules.

2022 Combined Incentive Plan and achievement of objectives (audited):

	Maximum CIP opportunity as % of salary	% of objectives achieved	Effective % of maximum achieved	Cash Bonus payable £'000	Deferred Share award £'000
L Hutchings	300%	71%	213%	311	622
S Wetherly	250%	71%	177.5%	170	340

Deferred share awards are subject to the individual remaining in continuing employment (unless they qualify as a Good Leaver). Up to 100% of deferred shares will lapse if median relative TSR performance is not achieved.

The annual Combined Incentive Plan criteria for 2022 were determined with a weighting of 70% for Financial Objectives and 30% on Operational and Strategic objectives.

Directors' Remuneration Report CONTINUED

Group Objectives: Financial Targets (70%)

Performance Measure	Threshold % of bonus	Threshold Required performance	Maximum % of bonus	Maximum Required performance	Actual achieved	Pay-out as % of max.
Adjusted Profit	3.75%	£9.1m	15%	£10.2m	£10.3m	13%[1]
Net Rental Income	3.75%	£20.7m	15%	£23.3m	£23.2m	14%[1]
Rent Collection including deferrals	2.5%	92%	10%	98%	97%	9%
Cost Management (Central Costs)	3.75%	7.3	15%	6.4	£7.2m	4%
Balance Sheet management – based on reducing the Group's Net Loan to Value ratio	3.75%	<50%	15%	45%	41%	13%
Total	**17.5%**		**70%**			**53%**

1. Payout assessed at £10.0 million for Adjusted profit and £23.2 million for Net Rental Income, excluding the £0.3 million benefits of the prior year adjustments relating to Expected Credit Losses (see Note 1 to the financial statements for further details).

Group Objectives: Operating Metrics (10%)

Performance Measure	% of bonus	Required performance	Actual achieved	Pay-out as % of max.
Operating metrics	10%	5% based on Footfall outperforming the national index by at least 0.5% 5% based on leasing performance against ERV and Previous Passing Rent.	While footfall was +27.4% on 2021 this was 5% below the national index 109 new leases and renewals signed at average premium to previous rent of 34% and to ERV of 13.7%.	4%
Total	10%			4%

Group Objectives: Implementation of Strategy (20%)

In assessing the performance against strategy the Committee considered the following:

- The Group secured agreements for lease at Ilford for a new anchor unit for TK Maxx and a new Community Healthcare Centre with the NHS, co-ordinated with a package of loan amendments to its Ilford loan facility.
- Completion of the acquisition of its debt in respect of the Marlowes shopping centre in Hemel Hempstead at a discount of approximately 51%, increasing the Group's Net Asset Value by approximately £12.3 million, partially funded by a new £4.0 million loan facility provided by BC Invest, a subsidiary of the Group's strategic residential partner Far East Consortium.
- Completion of the sale of land for residential development at its 17&Central community shopping centre in Walthamstow to Long Harbour for c.£21.65 million.
- Completion of the sale of The Mall, Blackburn for £40 million, at a premium to the December 2021 valuation. The combined impact of this and the Walthamstow residential receipt was to reduce Net Debt by approximately £60 million and the Group's key Net Loan to Value debt ratio by approximately 900 basis points.
- Progress against the Group's sustainability objectives including reducing the Group's energy consumption with a 42% fall in carbon emissions against the 2019 baseline.
- Remerchandising in line with Community Centre strategy – in addition to the TK Maxx and NHS lettings completed at Ilford the Group opened a new diagnostics centre at Wood Green (and subsequently agreed a further extension to it) and agreed a deal with CRATE to operate the new Food Market at Walthamstow.

In consideration of the significant progress made the Committee concluded to award a payout of 14% of the maximum 20% available.

Overall Committee Assessment of Combined Incentive Plan Payment

The Committee carefully considered the performance against the Financial Targets and determined that the formulaic outturn would be 53% out of a maximum of 70%. The Committee then reviewed performance against the Operating Metrics and concluded on a payment of 4 % out of 10%. Finally the Committee considered the Implementation of Strategy and noted that performance here had been strong, resulting in a payment of 14% out of 20%.

This resulted in a total payout of 71%. The committee considered the trend of key metrics against the prior year and shareholder experience, noting that Total Shareholder Return for 2022 was +9.5% which put the Group towards the top of UK listed Real Estate companies in 2022.

Reflecting on all of the above the Board believe management have performed exceptionally well in guiding the business through a year of recovery, resolving successfully the loan positions on Ilford and Hemel Hempstead and reducing further the Group's debt levels with the completion of the Walthamstow residential transaction and sale of The Mall, Blackburn. The Committee were as a result satisfied that a payout of 71% of maximum was a fair outcome.

CIP Objectives

The Committee will continue to set stretching performance targets based on the Group's key financial performance metrics which form at least 70% of the metrics used. The remaining 30% will be subject to strategic and operational measures, providing a link between financial and strategic out turns.

	% of max.
Adjusted Profit	15%
Net Rental Income	15%
Rent collection	10%
Cost management	15%
Balance sheet resilience	15%
Total Financial:	**70%**
Operating metrics:	10%
Footfall against benchmark	
Leasing performance	
ESG including consideration of:	10%
GRESB and EPRA sustainability assessment performance	
Reduction in Group Carbon emissions	
Social impact measurement and assessment	
Strategy Implementation	10%
Total Operational and Strategic:	**100%**

Pay-out levels for threshold performance will remain controlled at a minimum of 25% of the CIP and maximum pay-out will represent 'exceptional performance'. Target performance levels of pay-out will be at 50%.

Detailed targets have not been disclosed due to their commercially sensitive nature. The targets and the extent to which they have been achieved will be published in full in the 2023 Directors Remuneration Report.

Combined Incentive Plan (audited):

Vesting of 2019 Combined Incentive issue

The first one third tranche of the 2019 CIP awards became available for vesting from 1 January 2023. The Committee reviewed relative TSR performance of the Group against an agreed peer group of other retail property companies. The Committee were satisfied that the Company's TSR performance satisfied the requirement of being at median level or above and consequently approved vesting of the awards in full. This has resulted in 66,933 and 36,091 shares becoming available for Lawrence Hutchings and Stuart Wetherly to exercise respectively.

Long Term Retention Award (audited):

The number of awards and the performance periods for all outstanding retention awards are summarised below.

November 2021 Award

Lawrence Hutchings was granted a cash award of £1,000,000 on 1 November 2021 with the sole condition of remaining in continued employment and not being subject to disciplinary or performance procedures at the payment date.

Stuart Wetherly was granted a cash award of £500,000 on 1 November 2021 with the sole condition of remaining in continued employment and not being subject to disciplinary or performance procedures at the payment date.

The November 2021 cash based Long Term Retention Awards will be paid once the awards vest and become payable on 30 September 2023.

The Company's Clawback provisions will apply, where the level of vesting may be reduced, including to nil. Malus provisions will apply to allow the Remuneration Committee to reduce the payment under a Long Term Retention Award if any of the circumstances set out above occur prior to the payment of the Long Term Retention Award.

Exit payments and payments to past Directors (audited)

No exit payments were awarded to Directors in 2022. Neither were any payments made to past Directors.

Performance graph

The graph below illustrates the Company's Total Shareholder Return (i.e. share price growth plus dividends paid) performance compared to the FTSE All Share and FTSE 350 Real Estate indices as these indices provide a measure of a sufficiently broad equity market against which the Company considers that it is suitable to compare itself. The graph shows how the total return on a £100 investment in the Company made on 30 December 2012 would have changed over the ten-year period measured, compared with the total return on a £100 investment in the comparable indices.

The table below sets out the total remuneration of the Chief Executive, over the same period as the Total Shareholder Return graph. The quantum of Annual Incentive awards granted each year and long-term incentive vesting rates are given as a percentage of the maximum opportunity available.

	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000	**2022 £'000**
Total remuneration (L Hutchings)	n/a	n/a	n/a	n/a	393	752	718	481	1,778	**813**
Total remuneration (H Scott-Barrett)	651	833	796	2,112	564	–	–	–	–	**–**
Annual bonus (% of max) (L Hutchings)	n/a	n/a	n/a	n/a	n/a	45%	53%	51%	65%	**71%**
Annual bonus (% of max) (H Scott-Barrett)	69%	40%	85%	70%	70%	n/a	n/a	n/a	n/a	**n/a**
LTIP/CIP vesting (% of max) (L Hutchings)	n/a	n/a	n/a	n/a	n/a	n/a	–	–	–	
LTIP vesting (% of max) (H Scott-Barrett)	–	–	–	91.85%	35.26%	n/a	n/a	n/a	n/a	**n/a**

Annual change in pay for Directors verses the wider workforce in 2022

The percentage change in the remuneration of Directors compared to that of employees generally is included below. The year-on-year movement in salary for Directors and employees reflects the annual review applied as effective from January 2022. Non-Executive Directors do not receive any benefits.

2021	Employee Group[1]	Executive Directors L Hutchings	Executive Directors S Wetherly	Non-Executive Directors D Hunter	I Krieger	G Muchanya[3]	N Sasse3	K Wadey	L Whyte
Salary	–	–	–	–	–	–	–	–	–
Bonus	n/a[2]	n/a[2]	n/a[2]	–	–	–	–	–	–
Benefits	No change	No change	No change	–	–	–	–	–	–

2022	Employee Group[1]	Executive Directors L Hutchings	Executive Directors S Wetherly	Non–Executive Directors D Hunter	I Krieger	G Muchanya[2]	N Sasse[2]	K Wadey	L Whyte
Salary	**3–5%**	**3%**	**3%**	**2%**	**2%**	–	–	**2%**	**2%**
Bonus	**8.4%**	**11%**	**11%**	–	–	–	–	–	–
Benefits	**No change**	**No change**	**No change**	–	–	–	–	–	–

1. Calculated on a like for like basis with reference to employees of Capital & Regional plc and Capital & Regional Property Management Limited who have been at the Companies for the entirety of the current and prior years.
2. No bonuses were paid in 2020 and hence the percentage change cannot be calculated.
3. G Muchanya and N Sasse do not receive a fee.

Chief Executive pay ratio

The Company has fewer than 250 employees and is therefore not required to disclose the ratio between the Chief Executive's pay and the pay of other employees in the Company, as outlined in the Companies (Miscellaneous Reporting) Regulations 2018. However, the ratio of the Chief Executive's pay to the average employees' pay is taken into consideration when setting Executive remuneration and for full transparency we therefore disclose the ratio of the salary of the Chief Executive to the average employee salary (excluding Directors) which was 6.4:1 (£437,835: £68,507[1]). The equivalent ratios in 2021 and 2020 were 6.3:1 and 6.5:1 respectively.

1. Calculated with reference to employees of Capital & Regional plc and Capital & Regional Property Management.

Relative importance of spend on pay compared to distributions to shareholders

	2022 £m	2021 £m	%
Executive Director's remuneration	**1.3**	2.7[1]	-51.9%
Employee costs (per Note 7 of the financial statements)	**13.8**	11.0	+25.5%
Dividends paid (Total of Interim and Final Dividend for the respective year)	**4.7**	–	–

1. 2021 includes a one-off cash-based award that was granted to Lawrence Hutchings (£1,000,000) and Stuart Wetherly (£500,000) on 1 November 2021, which will vest and become payable on 30 September 2023.

Directors' service agreements and letters of appointment

Name	Unexpired term of appointment	Date of service agreement	Notice period	Potential termination payment
Executive Directors				
L Hutchings	Rolling contract	13 June 2017	12 months	12 months' salary and benefits value
S Wetherly	Rolling contract	11 March 2019	12 months	12 months' salary and benefits value

		Date of initial appointment		
Non-Executive Directors				
D Hunter	Rolling contract	9 March 2020	6 months	None
I Krieger	Rolling contract	1 December 2014	No notice	None
L Whyte	Rolling contract	1 December 2015	No notice	None
G Muchanya	Rolling contract	9 December 2019	No notice	None
N Sasse	Rolling contract	9 December 2019	No notice	None
K Wadey	Rolling contract	20 October 2020	No notice	None

Non-Executive Directors are all appointed on rolling contracts with no notice period save for David Hunter who as Chairman has a six-month notice period. All Directors stand for re-election annually and Board appointments automatically terminate in the event of a Director not being re-elected by shareholders. Copies of the Directors' service agreements are available to view at the Company's registered office.

Governance

External Appointments

Executive Directors may accept external appointments as Non-Executive Directors of other companies and retain any related fees paid to them, subject to the approval of the Board in each case. No external appointments were undertaken by the Executive Directors during 2022.

Workforce Engagement

The Committee is regularly updated on workforce pay and benefits throughout the Group and considers workforce remuneration as part of the review of executive remuneration. Laura Whyte, the Chair of the Committee periodically attends staff Town Hall meetings and other staff sub-committee meetings where performance management and the interaction with pay of both staff and executive management is discussed. In addition the Committee reviews feedback from employee surveys and takes this into account when setting pay.

The Committee is also tasked with overseeing major changes in employee benefit structures. It has responsibility for the remuneration of the members of the Group Senior Leadership Team and is therefore able to ensure that the remuneration decisions made in respect of the Executive Directors are made with consideration of, and in line with, senior management and other employees. The Committee also reviews the proposed pay awards and bonus payments made to the wider workforce to ensure alignment and consistency with the principles set in determining executive pay.

Interests in shares (audited)

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. This excludes unvested CIP share awards, these are disclosed separately on page 131.

	30 December 2022 Shares	30 December 2021 Shares
D Hunter	**109,145**	105,442
L Hutchings	**12,439**	12,017
S Wetherly	**36,813**	35,603
I Krieger	**17,630**	17,032
G Muchanya	**–**	–
N Sasse	**62,187**	62,187
K Wadey	**–**	–
L Whyte	**32,207**	31,115

There were no changes to Directors' shareholdings from 30 December 2022 to 19 April 2023, being the latest practicable date prior to the issue of this report.

All Executive Directors are expected to build a shareholding to at least 2 x basic annual salary value, based on current market value or the aggregate purchase price of the shares, over a five year period.

There is no set timescale for Executive Director to reach the prescribed target but they are expected to retain net shares received on the vesting of long-term incentive awards until the target is achieved. Shares that count towards the holding guideline are unfettered and beneficially owned by the Executive Directors and their connected persons.

Executive Directors	Time from appointment as Executive Director	Target % of salary	Target currently met?
L Hutchings	4 year 6 months	200	No
S Wetherly	2 year 9 months	200	No

Post cessation shareholding requirements

There is a 200% base salary post-cessation of employment shareholding requirement for two years. Shares awarded but subject to further deferral periods or performance conditions are included for the purposes of the calculation.

Committee evaluation

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

Consultation and shareholders' views

The Chair corresponds with shareholders and also engages with governance agencies including ISS and the Investment Association.

Shareholder voting on the Directors' Remuneration Policy and Remuneration Report, which were tabled at the 19 May 2022 AGM, were as follows:

Resolution	For	% For	Against	% Against	Total Shares Voted	% Shares Voted	Votes Withheld
To approve the Directors' Remuneration Policy	125,803,575	96.10	5,107,180	3.90	130,910,755	79.15	22,019
To approve the Directors' Remuneration Report	125,765,219	96.07	5,147,202	3.93	130,912,421	79.15	20,353

Shareholder voting on the Long-Term Retention Awards, which was tabled at the 1 November 2021 EGM, was as follows:

Resolution	For	% For	Against	% Against	Total Shares Voted	% Shares Voted	Votes Withheld
To approve the Long-Term Retention Awards	74,164,267	93.56	5,107,522	6.44	79,272,149	70.97	84,550

Laura Whyte
Chair of the Remuneration Committee

Directors' Report

Business review

In accordance with section 414C (11) of the Companies Act 2006 disclosures regarding employee involvement; the employment of disabled people; the future development, performance and position of the Group can be found in the Strategic Report, which is incorporated into this report by reference. This also includes our statutory reporting on greenhouse gas emissions. A report on corporate governance and compliance with the provisions of the 2018 UK Corporate Governance Code and Disclosure and Transparency Rules, which forms part of this Directors' Report, is set out on page 100.

The results for the year are shown in the Group income statement on page 104. Post balance sheet events are disclosed in Note 31 to the financial statements. The use of financial derivatives is set out in Note 19 to the financial statements.

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

Dividends

An interim dividend of 2.5 pence per share (the "Dividend") was paid on 7 October 2022 (2021 - nil) 100% as a property income distribution ("PID").

The Directors recommend a final dividend of 2.75 pence per share all to be paid as a Property Income Distribution (PID). This will result in a total distribution for the year ended 30 December 2022 equivalent to 5.25 pence per new share (2021: nil).

Subject to approval of shareholders at the Annual General Meeting (AGM) on Thursday, 25 May 2023, the final dividend will be paid on 2 June 2023. The key dates are set out as below:

• Confirmation of ZAR equivalent dividend and Scrip dividend pricing	Friday, 31 March 2023
• Last day to trade on Johannesburg Stock Exchange (JSE)	Tuesday, 11 April 2023
• Shares trade ex-dividend on the JSE	Wednesday, 12 April 2023
• Shares trade ex-dividend on the London Stock Exchange (LSE)	Thursday, 13 April 2023
• Record date for LSE and JSE and last election for Scrip	Friday, 14 April 2023
• Annual General Meeting	Thursday, 25 May 2023
• Dividend payment date	Friday, 2 June 2023

The dividend will be paid 100% as a PID. South African shareholders are advised that the final dividend will be regarded as a foreign dividend. Further details relating to Withholding Tax for shareholders on the South African register will be provided within the announcement detailing the currency conversion rate on Friday, 21 April 2023. Share certificates on the South African register may not be dematerialised or rematerialised between Wednesday, 3 June 2023 and Friday, 5 June 2023, both dates inclusive. Transfers between the UK and South African registers may not take place between Friday, 21 April 2023 and Friday, 5 May 2023, both dates inclusive.

Property Income Distributions (PIDs)

As a UK REIT, Capital & Regional plc is exempt from corporation tax on rental income and gains on UK investment properties but is required to pay Property Income Distributions (PIDs). UK shareholders will be taxed on PIDs received at their full marginal tax rates. A REIT may in addition pay normal dividends.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of UK shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. Further information on UK REITs is available on the Company's website, including a form to be used by shareholders to certify if they qualify to receive PIDs without withholding tax.

PIDs paid to shareholders on the South African share register are subject to UK withholding tax at 20%. South African shareholders may apply to His Majesty's Revenue and Customs after payment of the PID for a refund of the difference between the 20% withholding tax and the prevailing UK/South African double tax treaty rate. Other overseas shareholders may be eligible to apply for similar refunds of UK withholding tax under the terms of the relevant tax treaties.

Directors

The names and biographical details of the present Directors of the Company are given on pages 101–102. All Directors served for the full year. George Muchanya resigned as one of Growthpoint's nominated Non-Executive Directors on 22 February 2023 and was replaced by Panico Theocharides.

All current Directors will retire and being eligible, offer themselves for re-election at the 2023 Annual General Meeting.

Directors' interests in the share capital and equity of the Company at the year-end are contained 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.

Pursuant to the Growthpoint Relationship Agreement that the Company entered into in 2019, the Company agrees, upon request, to appoint two Non-Executive Directors nominated by Growthpoint to the Board for so long as they own 20% or more of the issued ordinary capital in the Company and one Non-Executive Director to the Board if they own less than 20%, but not less than 15%. Panico Theocharides and Norbert Sasse are the Growthpoint Nominated Non-Executive Directors.

All other Directors are appointed in a personal capacity.

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

Listing Rule 9.8.4R disclosures

The following table sets out where disclosures required in compliance with Listing Rule 9.8.4R are located.

Interest capitalised and tax relief	n/a
Details of long-term incentive schemes	Page 131–133
Waiver of emoluments by a Director	n/a
Waiver of future emoluments by a Director	n/a
Non pre-emptive issues of equity for cash	n/a
Non pre-emptive issues of equity for cash by major subsidiary undertakings	n/a
Parent company participation in a placing by a listed subsidiary	n/a
Contracts of significance	n/a
Provision of services by a controlling shareholder	n/a
Shareholder waivers of dividends	Shares held by Employee Share Ownership Trust – see section below
Shareholder waivers of future dividends	Shares held by Employee Share Ownership Trust – see section below
Agreements with controlling shareholders	Page 140

Substantial shareholdings

As at 30 December 2022 (the accounting reference date of this report), the Company was notified of the following interests in its issued ordinary share capital:

	No. of shares	%
GrowthPoint Properties Limited	104,035,718	61.49
Black Crane Capital	6,902,813	4.08
Mstead Limited	5,742,052	3.39

As at 19 April 2023 (the latest practicable date prior to the issue of this report) the Company has been notified of the following interests in its issued ordinary share capital:

	No. of shares	%
GrowthPoint Properties Limited	104,035,718	61.49
Black Crane Capital	6,902,813	4.08
Mstead Limited	5,742,052	3.39

Shares held by Employee Share Ownership Trust

At 30 December 2022 the Capital & Regional Employee Share Ownership Trust held 31,876 shares in the Company. The shares held by the Trust are registered in the nominee name, Forest Nominees Limited, and a dividend waiver is in place to cover the entire holding.

Purchase of own shares

The Company did not make any purchases of its own shares during 2022 or up to 19 April 2023 being the latest practicable date prior to the issue of this report.

The Company was authorised by shareholders at the 2022 AGM held on 19 May 2022 to purchase up to a maximum of 10.0% of its ordinary shares in the market. This authority will expire at the 2023 AGM and the directors will be seeking a new authority for the Company to purchase its ordinary shares. This will only be exercised if market and financial conditions make it advantageous to do so.

Share capital

As at 30 December 2022 the Company's total issued share capital was 169,191,918 ordinary shares of 10 pence each, all with equal voting rights. The changes in the Company's Issued share capital during 2022 are detailed in Note 20 to the financial statements.

The Company has a Secondary Listing of shares on the Johannesburg Stock Exchange (JSE). At 30 December 2022, 7,565,067 of the Company's shares were held on the JSE share register representing 4.47% of the total shares in issue.

Controlling shareholder

Growthpoint, through its nominees, holds 61.49% of the issued share capital of the Company. The Relationship Agreement, entered into on 17 October 2019, incorporates those terms required by the Listing Rules as a result of Growthpoint becoming a controlling shareholder. It remains effective as long as Growthpoint and any of its nominees hold at least 20% of the voting rights in the Company. The Relationship Agreement provides various rights including the ability to appoint two Non-Executive Directors nominated by Growthpoint to the Board for so long as they own 20% or more of the issued ordinary capital in the Company and one Non-Executive Director to the Board if they own less than 20%, but not less than 15%. The Directors believe that the terms of the Relationship Agreement enable the Group to carry on its business independently of Growthpoint. A copy of the Relationship Agreement is available on the Company's website at capreg.com.

Change in control

The Group's £39 million debt facility in respect of The Exchange Centre, Ilford allows the lender to potentially demand repayment of the facility with 120 days' notice if there is a change in control resulting in an individual or entity acquiring control of 50% or more of Capital & Regional Plc's shares.

In addition certain potential tax liabilities could be crystallised in some circumstances where there are varying degrees of change of ownership of the Group's shares.

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

Articles of Association

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

Human rights

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

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

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

The Group publishes a Modern Slavery Act Statement. This is available on the ESG section of the Group's website at capreg.com.

Employees

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

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

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

At 30 December 2022, the total number of employees was as follows:

Employees	Male	Female	Total
Directors	6	2	8
Senior Leadership Team	4	3	7
Senior Leadership Team direct reports	12	9	21
Employees – Support Office	15	16	31
Employees – Assets	18	40	58
Employees - Snozone	225	125	350

Political donations

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

Auditor's information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This confirmation is given, and should be interpreted, in accordance with the provisions of s418 of the Companies Act 2006. A resolution to appoint Mazars LLP as the Company's Auditor will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Company's Annual General Meeting is due to be held on 25 May 2023. The Notice of Annual General Meeting 2023, accompanies this report, which accounts for and explains the business to be covered at the Annual General Meeting of the Company.

The Directors Report was approved by the Board of Directors on 20 April 2023 and is signed on its behalf by:

Stuart Wetherly
Company Secretary

20 April 2023

Registered Company name: Capital & Regional plc
Registered Company number: 01399411
Registered office: 22 Chapter Street, London, SW1P 4NP

Directors' Responsibilities Statement

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

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

In preparing the parent Company financial statements, the Directors are required to:

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

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

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

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

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

Directors' responsibilities statement

We confirm that to the best of our knowledge:

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

This responsibility statement was approved by the Board of Directors on 20 April 2023 and is signed on its behalf by:

Lawrence Hutchings
Chief Executive

Stuart Wetherly
Group Finance Director

Independent Auditor's Report

To the members of Capital & Regional Plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Capital & Regional PLC (the 'parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent Company balance sheets;
- the consolidated and parent Company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 32 and parent Company related notes A to F.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent Company for the year are disclosed in note 6 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of investment properties. • Going concern. • Impairment of parent Company investments and intercompany debtors. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £3.60m (2021: £3.38m) which was determined on the basis of 2% (2021: 2%) of net assets. We applied a lower threshold of £0.50 million (2021: £0.38 million) for testing of all balances impacting Adjusted Profit (as defined in note 1 of the Group financial statements), which is 5% (2021: 5%) of Adjusted Profit.
Scoping	Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component levels. Our audit scoping provides audit coverage of 99% (2021: 98%) of net assets, 93% (2021: 100%) of revenue and 98% of the Group's profit (2021: 100% of the Group's loss). Our component audit work was executed at levels of materiality applicable to each individual component which were lower than Group materiality.
Significant changes in our approach	There have been no significant changes in our audit approach in the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and parent Company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.2.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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

5.1. Valuation of investment properties

Key audit matter description	Investment properties have a carrying value of £320.1 million at 30 December 2022 (30 December 2021: £376.4 million), comprising 76% (30 December 2021: 59%) of the Group's assets. The portfolio consists of five (30 December 2021: five) shopping centres within the Group. During the year the Group sold the Blackburn property and management have deconsolidated the Luton entity, as the Group ceded control of the property in May 2022. We assessed the fair value of the Group's property portfolio to be a significant area of focus due to the level and nature of the judgements and estimates that form inputs into the valuation process performed by the Group's independent valuers, such as yields and sustainability of the cash flows. The liquidity within the shopping centre investment sector is still relatively limited and the valuations continued to be impacted by the current retail climate. Changes in these assumptions and judgements could lead to significant movements in property values and consequently unrealised gains or losses in the consolidated income statement. There is also a risk of fraud in relation to the valuation of the property portfolio, where the use of valuation methodology and model, large volume of data involved and assumptions and judgements applied are more critical and could be subject to undue influence by management. The accounting policy for investment property is set out in note 1 to the Group financial statements including Directors' assessment of this as a key source of estimation uncertainty. The Audit Committee's discussion of this key audit matter is set out on page 114. The investment property portfolio is disclosed in note 10 of the Group financial statements.
How the scope of our audit responded to the key audit matter	• We obtained an understanding of the Group's relevant controls around investment property valuations. • We evaluated the competence, capabilities and objectivity of the Group's independent valuers. • We met with the Group's independent valuers appointed by management to value the property portfolio and challenged the significant judgements and assumptions applied in their valuation model. • We analysed the individual property valuations to understand significant movements against prior year and comparative market evidence considered by the valuers. • We considered contradictory evidence across the work performed. • We evaluated the integrity of the methodology, model and data transfer. • We tested the integrity of the information provided to the valuers by management pertaining to rental income, purchasers' costs and occupancy. • We verified movements in the key judgements and assumptions and we benchmarked and discussed yields in detail with the valuers and our own in-house valuation specialists, who are members of the Royal Institution of Chartered Surveyors. We determined whether the trend and sentiment on each specific asset was in line with expectations relevant to that asset and its location, prospects and expected cash flows. Where possible, market evidence was also used to corroborate yield assumptions. • To test the sustainability of the cash flows we have performed our audit procedures on revenue and expected credit losses. Additionally we have tested specifically the void assumptions, tenant incentives, cash collection as well as variable income and car park income of each of the properties to conclude that the assumptions used in the assessment of sustainability of the cash flows are reasonable. • We tested the disposal of Blackburn property and assessed whether any of the assets of the Group should be classified as held for sale at year end. • We reviewed the associated disclosures within the financial statements and focus on any additional requirements that may be necessary, for example, the FRC's expectations in relation to sensitivity disclosures in note 10.
Key observations	We concur with the assumptions adopted by Directors in the valuation were reasonable and the methodology applied was appropriate

Governance

5.2. Going concern

Key audit matter description	The Group operates in the retail and leisure sectors, which have led to significant pressure on cash flows and property valuations. Going concern is a significant area of focus, particularly due to the impact of ongoing retail sector restructuring and adverse macroenomic factors on property valuations and their underlying cash flows. At 30 December 2022, Group's borrowings totalled £181.8 million (30 December 2021: £238.2 million). At the year end, the Group had cash and cash equivalents of £55.5 million (30 December 2021: £58.5 million), of which £28.1 million was maintained centrally and without any restriction (30 December 2021: £32.5 million). We identified a key audit matter relating to the ability of the group to continue trading as a going concern. The Group going concern assessment is built on cashflow projections, considering only the cash readily available to the Group, together with the Group's ability to meet covenant requirements. Operationally, the Group has demonstrated sufficient cash to trade for the lookout period of 12 months and this would enable them to still operate as going concern. In addition to considering cash flow forecasts, the ability of the Group to meet the loan covenant requirements relating to loan to value and interest rate cover during the year and for a period of at least one year from the date when the financial statements are authorised for issue is also relevant, as the Group does not have waivers in place for any breaches that could occur in the future under certain scenarios. The Directors have also prepared a downside scenario that considers lower levels of income and rental collection. The covenants of the Mall, Ilford and Hemel Hempstead were all met as at the year end. In the downside case scenario some of the covenants may be breached in which case Group would have sufficient cash to cure them with the cash available to the Group. If some of the covenants were not met, and if the Group decided not to cure them or would not be able to do so, the Group could consider surrending the asset to the lenders. This would involve the surrender of ring-fenced asset to the relevant lenders instead of curing the associated breach of covenant. This course of action is available due to the fact that none of the facilities are cross-default and any of the facilities can be in default without recourse to the other ring-fenced facilities in the Group. Director's consideration of the going concern basis of preparation is set out in the Going Concern statement on page 42 and note 1. Directors have adopted the going concern basis of accounting for the Group and parent Company and have concluded that there are no material uncertainties that may cast significant doubt over the Group's and parent Company's ability to adopt going concern basis for a period of at least twelve months from the date when the financial statements are authorised for issue. The Audit Committee's discussion of this key audit matter is set out on page 116.
How the scope of our audit responded to the key audit matter	• We obtained an understanding of the Group's relevant controls around the risk of non-compliance with covenants and the going concern status of the Group. • We assessed the judgements and assumptions applied by Directors in their going concern assessment and associated forecasts of financial performance and financial position. • We considered the reasonableness of assumptions included in the downside scenario regarding lower rental income and lower collection levels. • We evaluated the cash and borrowings forecast for the next two years including the assessment of the viability statement of the Group and obtained an understanding and relevant support for material cash movements. • We evaluated the Group's modelling of alternative scenarios taking into consideration projected capital expenditure, discount rates applied to future cash flows, current business and economic trends and significant developments during and subsequent to the year ended 30 December 2022. • We assessed key loan documentation to understand the principal terms, including financial covenants and current waivers in place, and performed an assessment of the Group's existing and forecast compliance with debt covenants and any associated equity cures and cash traps. • We assessed the availability of further mitigating actions available to management as presented in Note 1 and assessed the sufficiency of the disclosures made in the annual report. • We assessed the non-recourse and no cross-default nature of the facilities in place.
Key observations	We concur with Directors' conclusion to prepare the Group and parent Company financial statements on a going concern basis.

5.3. Impairment of parent Company investments and intercompany debtors

Key audit matter description	There is a risk that the carrying value of the investments and intercompany debtors cannot be supported. The accuracy of forecast future cash flow model to support the carrying values of the investments is a key area of judgement and is identified as a key audit matter. In particular, this relates to the reasonableness of cash flow forecasts, long-term growth rates and the discount rates applied in the discounted cash flow calculations used to support investments held at above net asset value of the subsidiaries. Investments had a carrying value of £161.1 million at 30 December 2022 (30 December 2021: £144.3 million), comprising 74% (30 December 2021: 82%) of the parent Company's assets. Intercompany debtors had a carrying value of £37.3 million at 30 December 2022 (30 December 2021: £37.0 million), comprising 17% (30 December 2021: 14%) of the parent Company's assets. Investments are subject to an impairment review using a discount rate of 16.1% (2021: 16.3%). Directors have assessed the recoverability of investments on the basis of nil growth. The recoverability of the Group debtors of the parent Company is determined using the expected credit loss model. Following the assessment of intercompany debtors recoverability no provision (30 December 2021: nil) has been booked in the parent Company's financial statements. The accounting policies for both investments and intercompany debtors are set out in note A to the parent Company financial statements including Directors' assessment of this as a key source of estimation uncertainty. The Audit Committee's discussion of this key audit matter is set out on page 116.
How the scope of our audit responded to the key audit matter	• We obtained an understanding of the parent Company's relevant controls to address the risk of impairment of investments and intercompany debtor balances. • We challenged Group's discounted cash flow model and the cash flow forecasts employed therein, including comparison of the input assumptions to externally and internally derived data with the involvement of our internal valuations specialists. The inputs considered included the cash flow projections, long-term growth rates and discount rates. • We also assessed whether the forecasts employed are consistent with those used to support other judgements in the financial statements. • We assessed the recoverability of the Group debtors of the parent Company and how expected credit loss model has been applied. • We assessed the disclosures included in the annual report.
Key observations	We consider that the carrying value of parent Company investment and intercompany debtor balances is appropriate.

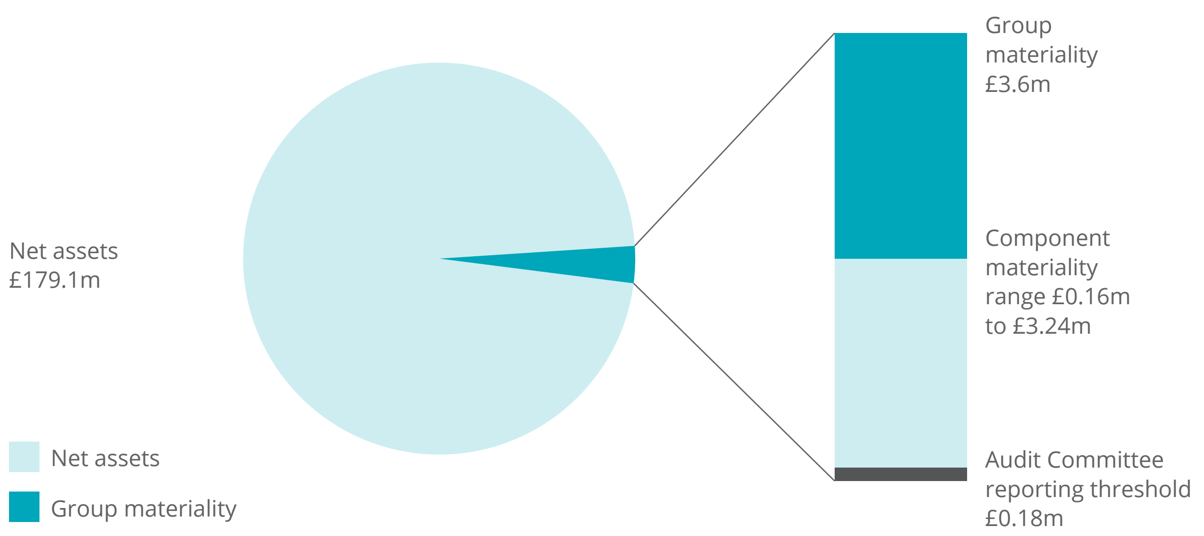
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£3.60 million (2021: £3.38 million)	£3.24 million (2021: £3.04 million)
Basis for determining materiality	We determined materiality to be 2% of net assets (2021: 2% of net assets). We applied a lower threshold of £0.50 million (2021: £0.38 million) for testing of all balances impacting Adjusted Profit (as defined in Note 1 to the Group financial statements), which is 5% of Adjusted Profit (2021: 5% of Adjusted Profit).	Parent Company materiality equates to 2% of net assets (2021: 2% of net assets), which is capped at 90% of Group materiality (2021: capped at 90% of Group materiality).
Rationale for the benchmark applied	We used net assets as a benchmark when determining materiality as it is considered to be the most critical financial performance measure for the Group. We applied a lower threshold of £0.50 million (2021: £0.38 million) for testing of all balances impacting Adjusted Profit on the basis that it is a key metric used by management, is the basis of the discussion of the financial performance in the strategic report and is a metric used by analysts and other users of the financial statements.	We used net assets as a benchmark when determining materiality as it is considered to be the most critical financial performance measure for the parent Company as a holding company.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70% (2021: 70%) of Group materiality	70% (2021: 70%) of parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. the changes in the business have been factored into the level of materiality; b. control environment of the Group and our ability to rely on controls; and c. our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.18 million (2021: £0.17 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

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

Our Group audit scope focused primarily on the audit work on the major lines of business. These major lines of business are Shopping Centres, Snozone and Group/Central. These are included within individual IFRS 8 "Operating Segments" segments as disclosed in note 2 to the Group financial statements.

The businesses subject to a full scope audit or specified audit procedures account for 99% (2021: 98%) of the Group's net assets, 93% (2021: 100%) of the Group's revenue and 98% of the Group's profit (2021: 100% of the Group's loss). All investment properties consolidated in Group accounts have been included within the scope of our work. On the Luton entity, which has been deconsolidated during the year, we have performed analytical review procedures. The businesses subject to a full scope audit or specific audit procedures were also selected to provide an appropriate basis for undertaking audit work to address the key audit matters. Our audit work was executed at levels of materiality applicable to each individual entity which were between 4% and 90% (2021: 4% and 90%) of Group materiality, which corresponds to component materiality of between £0.16 million and £3.24 million (2021: between £0.12 million and £3.04 million).

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

7.2 Our consideration of the control environment

We have obtained an understanding of the relevant controls such as those relating to the financial reporting cycle, and those in relation to our key audit matters. We tested the operating effectiveness of key revenue controls and obtained controls reliance in this business cycle as part of our year-end audit.

Our audit approach was fully substantive except for the revenue business cycle where we adopted a controls reliance approach and relied upon the operating effectiveness of the key controls.

7.3 Our consideration of climate-related risks

In planning our audit, we have considered the impact of climate change on the Group's operations and impact on its financial statements. As a part of our audit, we have obtained management's climate-related risk assessment and held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. The Directors has assessed that there is currently no material impact arising from climate change on the judgements and estimates determining the valuations within the financial statements.

We performed our own assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement. We particularly considered how climate change risks could impact the assumptions, such as capital expenditure, made in the valuation of investment property. Our procedures also included reading disclosures included in the Strategic Report and Task Force on Climate-Related Financial Disclosures (TCFD) to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Board on 23 February 2023;
- results of our enquiries of management, the Directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the significant judgements and assumptions used in the valuation of investment properties. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, REIT legislation, Listing Rules, RICS standards and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of investment properties as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group’s compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 42;
- the Directors’ explanation as to its assessment of the Group’s prospects, the period this assessment covers and why the period is appropriate set out on page 43;
- the Directors' statement on fair, balanced and understandable set out on page 142;
- the Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 44–51;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 117-118; and
- the section describing the work of the audit committee set out on pages 114–118.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

14.2. Directors’ remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors’ remuneration have not been made or the part of the Directors’ remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by Directors on 19 January 1998 to audit the financial statements for the year ending 25 December 1997 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 26 years, covering the years ending 25 December 1997 to 30 December 2022.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Matthew Hall FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

20 April 2023

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Consolidated Income Statement

For the year to 30 December 2022

	Note	2022 £m	2021 Restated[1] £m
Continuing operations			
Revenue	3	**60.6**	54.6
Other income	3	**–**	2.5
Expected credit loss	6	**0.4**	(1.8)
Cost of sales	4	**(32.8)**	(27.9)
Gross profit		**28.2**	27.4
Administrative costs		**(10.9)**	(12.7)
Loss on revaluation of investment properties	10a	**(19.6)**	(35.0)
Other gains and losses	6	**15.6**	14.0
Profit/(loss) on ordinary activities before financing		**13.3**	(6.3)
Finance income	5	**1.1**	4.6
Finance costs	5	**(9.4)**	(12.9)
Profit/(loss) before tax	6	**5.0**	(14.6)
Tax	8a	**0.3**	(3.1)
Profit/(loss) for the year from continuing operations		**5.3**	(17.7)
Profit/(loss) for the period from period from discontinued operations	16	**6.8**	(6.4)
Profit/(loss) for the year	2a	**12.1**	(24.1)
Continuing operations			
Basic earnings per share		**3.2p**	(14.8)p
Diluted earnings per share		**3.2p**	(14.8)p
Continuing and discontinued operations			
Basic earnings per share	9a	**7.3p**	(20.0)p
Diluted earnings per share	9a	**7.2p**	(20.0)p
EPRA earnings per share			
EPRA basic earnings per share	9a	**5.3p**	3.5p
EPRA diluted earnings per share	9a	**5.3p**	3.5p

1 2021 comparative figures have been restated to present discontinued operations separately. Discontinued operations are discussed in note 16. 2021 comparative figures have also been restated for a prior year adjustment to the treatment of rent concessions as explained in note 1.

Consolidated statement of comprehensive income

For the year to 30 December 2022

	2022 £m	2021 Restated £m[1]
Profit/(loss) for the year	**12.1**	(24.1)
Other comprehensive income	**–**	–
Total comprehensive income/(expense) for the year	**12.1**	(24.1)

1 2021 comparative figures have been restated for a prior year to the treatment of expected credit loss as explained in note 1.

The results for the current and preceding year are fully attributable to equity shareholders.

The EPRA alternative performance measures used throughout this report are industry best practice performance measures established by the European Public Real Estate Association (EPRA). They are defined in the Glossary to the Financial Statements. EPRA Earnings and EPRA EPS are shown in Note 9 to the Financial Statements. EPRA net reinstatement value (NRV), net tangible assets (NTA) and net disposal value (NDV) are shown in Note 25 to the Financial Statements. We consider EPRA NTA to be the most relevant measure for our business.

Consolidated balance sheet

At 30 December 2022

	Note	2022 £m	2021 Restated[1] £m
Non-current assets			
Investment properties	10	320.1	376.4
Plant and equipment	11	1.8	1.7
Right of use assets	12	21.6	24.5
Fixed asset investments		–	0.1
Receivables	14	9.6	8.8
Total non-current assets		353.1	411.5
Current assets			
Receivables	14	14.4	19.6
Cash and cash equivalents	15	55.5	58.5
Assets classified as held for sale	16	–	146.4
Total current assets		69.9	224.5
Total assets	2b	423.0	636.0
Current liabilities			
Trade and other payables	17	(31.0)	(29.3)
Current tax		(1.0)	(1.1)
Lease liabilities	27	(3.0)	(2.8)
Liabilities directly associated with assets classified as held for sale	16	–	(165.8)
Total current liabilities		(35.0)	(199.0)
Net current assets		34.9	25.5
Non-current liabilities			
Bank loans	18a	(181.8)	(238.2)
Other payables	17	–	(0.3)
Lease liabilities	27	(27.1)	(30.1)
Total non-current liabilities		(208.9)	(268.6)
Total liabilities	2b	(243.9)	(467.6)
Net assets		179.1	168.4
Equity			
Share capital	20	16.9	16.5
Share premium	20	1.7	266.1
Merger reserve		60.3	60.3
Capital redemption reserve		–	4.4
Own shares reserve	22	–	–
Retained earnings		100.2	(178.9)
Equity shareholders' funds		179.1	168.4
Basic net assets per share		105.9p	101.8p
EPRA net reinstatement value per share	25	103.4p	101.6p
EPRA net tangible assets per share	25	103.4p	101.6p
EPRA net disposal value per share	25	115.1p	101.0p

1 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions as explained in Note 1.

These financial statements were approved by the Board of Directors, authorised for issue and signed on their behalf on 20 April 2023 by:

Stuart Wetherly
Group Finance Director

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Consolidated Statement of Changes in Equity

For the year to 30 December 2022

	Share capital £m	Share premium[1] £m	Merger reserve[2] £m	Capital redemption reserve[1] £m	Own shares reserve[3] £m	Retained earnings £m	Total equity £m
Balance at 30 December 2020[5]	**11.2**	**244.3**	**60.3**	**4.4**	**–**	**(155.4)**	**164.8**
Loss for the year[5]	–	–	–	–	–	(24.1)	(24.1)
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive expense for the year[5]	–	–	–	–	–	(24.1)	(24.1)
Credit to equity for equity-settled share-based payments (Note 21)	–	–	–	–	–	0.6	0.6
Dividends paid, net of scrip	–	–	–	–	–	–	–
Shares issued, net of costs (Note 20)	5.3	21.8	–	–	–	–	27.1
Balance at 30 December 2021	**16.5**	**266.1**	**60.3**	**4.4**	**–**	**(178.9)**	**168.4**
Profit for the year	–	–	–	–	–	12.1	12.1
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	12.1	12.1
Capital reduction[4]	–	(266.1)	–	(4.4)	–	270.5	–
Credit to equity for equity-settled share-based payments (Note 21)	–	–	–	–	–	0.5	0.5
Dividends paid, net of scrip	–	–	–	–	–	(4.0)	(4.0)
Shares issued, net of costs (Note 20)	0.4	1.7	–	–	–	–	2.1
Balance at 30 December 2022	**16.9**	**1.7**	**60.3**	**–**	**–**	**100.2**	**179.1**

Notes:

1 These reserves are not distributable.

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

3 Own shares relate to shares purchased out of distributable profits and therefore reduce reserves available for distribution.

4 In June 2022 a capital reduction was completed transferring the remaining reserves from share premium and the capital redemption reserve to retained earnings.

5 2020 comparative figures have been restated for prior year adjustment to the treatment of expected credit loss as explained in note 1.

Consolidated Cash Flow Statement

For the year to 30 December 2022

	Note	2022 £m	2021 £m
Operating activities			
Net cash from operations	23	**25.3**	25.1
Distributions received from fixed asset investments		**–**	0.7
Interest paid		**(8.0)**	(14.4)
Interest received		**–**	–
Income tax paid		**(0.1)**	(2.5)
Cash flows from operating activities		**17.2**	8.9
Investing activities			
Disposal of investment properties	10	**59.1**	11.3
Purchase of plant and equipment		**(0.7)**	(0.4)
Capital expenditure on investment properties		**(10.6)**	(8.3)
Cash flows from investing activities		**47.8**	2.6
Financing activities			
Dividends paid (net of scrip) including withholding tax		**(1.2)**	–
Bank loans drawn down		**4.0**	35.0
Bank loans repaid		**(70.8)**	(84.9)
Derivatives settled		**–**	(0.2)
Loan arrangement costs		**(1.6)**	(0.7)
Issue of ordinary shares (net of costs)		**–**	27.1
Fixed payments under head leases		**(0.4)**	(1.4)
Cash flows from financing activities		**(70.0)**	(25.1)
Net decrease in cash and cash equivalents		**(5.0)**	(13.6)
Cash and cash equivalents at the beginning of the year		**58.5**	84.1
Cash and cash equivalents at the end of the year		**53.5**	70.5
Transfer from/(to) assets classified as held for sale		**2.0**	(12.0)
Cash and cash equivalents excluding assets classified as held for sale	15	**55.5**	58.5

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Notes to the Financial Statements

For the year to 30 December 2022

1 Significant Accounting Policies

General information

Capital & Regional plc is a public company limited by shares domiciled and incorporated in England, United Kingdom under the Companies Act 2006. The address of the registered office is 22 Chapter Street, London, SW1P 4NP. The Group is a specialist real estate investor and asset manager, focused on dominant in-town community shopping centres. Further information on the Group's operations is disclosed in Note 2a and the operating and financial reviews.

Basis of accounting

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for share-based payments that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as adopted by the United Kingdom.

Accounting developments and changes

The accounting policies used in these financial statements are consistent with those applied in the last annual financial statements, as amended where relevant to reflect the adoption of new standards, amendments and interpretations which became effective during the year.

Prior year restatement

In October 2022, the IASB finalised the agenda decision approved by the IFRS Interpretation Committee (IFRS IC) on 'Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)'. The agenda decision addresses the accounting from the perspective of the lessor, and whether to apply the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 when accounting for the rent concession.

When the lease payments are forgiven, the Committee concluded that the lessor should apply the derecognition requirements in IFRS 9 to the operating lease receivables and apply the lease modification requirements in IFRS 16 to future lease payments, including accrued lease payments, as discussed further below.

In applying the requirements in IFRS 9, the lessor should derecognise the operating lease receivable, including any associated ECL allowance.

In adopting the above treatment the Group has restated the 2021 results for a prior year adjustment. This restatement derecognises the rent free debtor associated with rent concessions granted specifically relating to Covid 19, which has an associated knock-on impact on the investment properties balance, given valuations are adjusted for such amounts. The Group has also restated the 2021 expected credit loss to include amounts billed relating to future periods in line with IFRS 9. This impacts retained earnings brought forward and expected credit loss during the year by £2.3 million. The Group's Adjusted Profit for 2022 is £0.3 million higher than it would have been without this adjustment.

1 Significant Accounting Policies CONTINUED

The following table summarises the impact of the change in policy on the financial statements of the Group. The total impact on net assets is £nil.

	30 December 2021 £m
Consolidated income statement	
Revenue	(1.6)
Expected credit loss	2.3
Adjusted profit	**0.7**
Loss on revaluation of investment properties	1.6
Loss for the period	**2.3**
Consolidated balance sheet	**30 December 2021 £m**
Investment properties	1.6
Receivables	(1.6)
Basic earnings per share (continuing operations)	1.9
Diluted earnings per share (continuing operations)	1.9
Consolidated statement of changes in equity	
Retained earnings balance at 30 December 2020	(2.3)
Loss for the year	2.3

New and revised standards issued but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17 Insurance Contracts including Amendments to IFRS 17

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 3—References to the Conceptual Framework

Amendments to IAS 16—Property, Plant and Equipment—Proceeds before Intended Use

Amendments to IAS 37—Onerous Contracts—Cost of Fulfilling a Contract

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 Annual Improvements to IFRS Standards 2018-2020

Amendments to IAS 1—Classification of Liabilities as Current or Non-current including Classification of Liabilities as Current or Non-current

Amendments to IAS 12—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to IAS 1 and IFRS Practice Statement 2—Disclosure of Accounting Policies

Amendments to IAS 8—Definition of Accounting Estimates

None of these standards are anticipated to have a material impact upon the Group's results.

Critical accounting judgements

The preparation of financial statements requires the Directors to make the following judgement that may affect the application of accounting policies.

Going concern

Under the UK Corporate Governance Code the Board needs to report whether the business is a going concern. In making its assessment of Going Concern, the Group has considered the general risk environment and the specific risks that relate to the Group and its sector. This has incorporated considering the current macro-economic inflationary pressures as well as the ongoing impacts and speed of recovery from Covid-19 as well as the structural trends that were already under way in the retail industry.

At 30 December 2022, the Group had total cash at bank on balance sheet of £52.1 million. Of the £52.1 million there was £28 million held centrally outside of secured loan arrangements. This provides a significant cash contingency to cover any reasonable disruption to operations in both the base and reasonable worst case scenarios that have been modelled for at least the period of the next 18 months that is considered for going concern purposes.

1 Significant Accounting Policies CONTINUED

As part of the restructure of The Mall debt facility that completed in November 2021, the lender provided covenant waivers that run until November 2023 and modifications to cash trap provisions that run until May 2023. The Group is currently compliant with all covenant tests on the facility and hence not reliant on the waivers or modifications. On the Ilford facility, as noted, the Group had covenant waivers that ran until January 2023 and has improved covenant terms that extend beyond the end of 2024. The Mall loan facility matures in January 2027 with a one-year conditional extension option. The Ilford loan matures in March 2024 with an 18-month conditional extension option dependent upon meeting a debt yield and net loan to value covenant test in Q4 of 2023.

On Hemel Hempstead, the Group drew down on a new £4 million loan facility in early July 2022. The Group's forecasts demonstrate a reasonable level of covenant headroom on the Loan to Value and Projected Interest Cover Ratio tests that are relevant to the new agreement.

All of the Group's asset backed loan facilities are ring-fenced within their own SPV structures with no recourse to Capital & Regional plc and no cross-default provisions. The Group continues to work with the lenders on its Luton loan facility on a disposal of the investment. While this is likely to realise less than the value of the net debt outstanding, due to the ring-fenced SPV structure, the net liability of Capital & Regional plc is effectively capped at nil.

In making its assessment of Going Concern, the Group has run updated forecasts on both a base case and downside basis. In the latter, the Group has sensitised rent collection to 90% collection, reduced car park and ancillary income by 10% and removed any contribution from Snozone to reflect how a downturn in expected trading, such as might be caused by a further wave of Government restrictions, could impact cashflows. The Group has also considered a 15% reduction in property valuations. The Group's headroom on The Mall and Hemel Hempstead is sufficient to withstand this level of decline.

On Ilford, such a decline would breach the LTV covenant level however the cash earmarked for capital expenditure investment into the asset would be sufficient to theoretically cure although in such a scenario the Group would seek to agree with the lender to invest the funds to develop the asset. The same position applies in respect of the LTV condition that is required in order to trigger the 18-month extension to the loan's maturity. Ultimately given the ring-fenced nature of the loan facility if the Group decided not to cure any breach and could not agree a compromise with the lender it could, in extremis, effectively surrender the asset and not face any recourse to the Group. The Group's cashflow forecasts over the period considered for Going Concern purposes assume it is a net investor into Ilford to fund the masterplan initiatives and hence such a scenario would not reduce the amount of cash available to the Group.

In coming to its Going Concern conclusion, the Group has also considered, but not relied upon, other options available to generate or conserve additional cash, to reduce debt levels and to fund value accretive capital expenditure and letting initiatives. These include but are not limited to: the potential disposal of assets either in whole or part; the opportunity to reduce or suspend dividend payments (or offer a Scrip alternative); and the potential raising of additional funds.

Having due regard to all of the above matters and after making appropriate enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Therefore, the Board continues to adopt the Going Concern basis in preparing the financial statements.

Key sources of estimation uncertainty

The preparation of financial statements requires the Directors to make estimates that may affect the reported amounts of assets and liabilities, income and expenses. The following are the key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements:

Property valuation

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate. We are now in a phase of the valuation cycle where there is persistent negative sentiment and low transactional evidence as such greater judgement has been applied.

The investment property valuation contains a number of assumptions upon which the valuation of the Group's properties as at 30 December 2022 was based. The assumptions on which the property valuation reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, the condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards UK 2014 (revised January 2022).

If the assumptions upon which the valuation was based prove to be inaccurate, this may have an impact on the value of the Group's investment properties, which could in turn have an effect on the Group's financial position and results. Estimated rental values and equivalent yields are considered key assumptions. Note 10c provides sensitivity analysis estimating the impact that changes in the estimated rental values or equivalent yields would have on the Group's property valuations.

1 Significant Accounting Policies CONTINUED

Increase in credit risk

When measuring expected credit loss the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Probability of default constitutes a key input in measuring expected credit losses (ECL). Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Sensitivity of the expected credit loss to probability of default is disclosed in note 14.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries at 30 December. Control of subsidiaries is achieved where the Company has the power over the investee, is exposed, or has rights, to variable return from its involvement with the investee and has the ability to use its power to affect its returns.

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

Subsidiaries

The results of subsidiaries acquired or disposed of during the year are included from the effective date of acquisition or up to the effective date of disposal. Accounting practices of subsidiaries which differ from Group accounting policies are adjusted on consolidation. All intra group transactions, balances, income and expenses are eliminated on consolidation.

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 differences arising on translation are recognised in the income statement.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at the exchange rates ruling at the balance sheet date. The operating income and expenses of foreign operations are translated into sterling at the average exchange rates for the year. Significant transactions, such as property sales, are translated at the foreign exchange rate ruling at the date of each transaction. The principal exchange rate used to translate foreign currency denominated amounts in the balance sheet is the rate at the end of the year: £1 = €1.1317 (2021: £1 = €1.1918). The principal exchange rate used for the income statement is the average rate for the year: £1 = €1.1733 (2021: £1 = €1.1727).

Property, plant and equipment

Group/central

Property, plant and equipment (PPE) is stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all PPE, 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

Snozone

PP&E is stated at cost or valuation, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided so as to write off the cost of the assets, less their estimated residual values, on a straight-line basis over their expected useful lives, which are given below as a general rule, however as part of the day to day running of the business there may be some assets which fall outside of this, these assets are treated the same and are always depreciated on a straight-line basis over their expected useful lives. The expected useful lives of the assets are reassessed periodically in the light of experience.

Snow Equipment 20% – 100% or 1 – 5 years

Computer Equipment 20% – 50% or 2 – 5 years

Office Equipment 20% – 50% or 2 – 5 years

Operations Equipment 20% – 50% or 2 – 5 years

1 Significant Accounting Policies CONTINUED

Property portfolio

Investment properties

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

Leasehold properties

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

Capital expenditure

Refurbishment expenditure in respect of major works is capitalised. Renovation and refurbishment expenditure of a revenue nature is expensed as incurred. Our business model for developments is to use a combination of in-house staff and external advisers. The cost of external advisers is capitalised to the cost of developments. The cost of staff working on developments is capitalised subject to meeting certain criteria related to the degree of time spent on and the nature of specific projects.

Property transactions

Acquisitions and disposals are accounted for at the date of legal completion. Investment properties are reclassified as held for sale once it is highly probable that a transaction will be completed within the next 12 months.

Leases

The Group as lessor

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs.

1 Significant Accounting Policies CONTINUED

The right of use assets are amortised on a straight line basis over the length of each lease. To assess for impairment of the right of use asset the directors have considered whether the group can reasonably expect to recover the costs of each lease through operation. No indication of impairment has been deemed to exist.

Fixed asset investments

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

Financial instruments

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

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL),"fair value through other comprehensive income (FVOCI)" and "amortised cost". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest rate method

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

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

Trade receivables

Trade receivables are carried at the original invoice amount less provision for impairment (credit losses). Discounts and similar allowances are recorded on an accrual basis, consistent with the recognition of the related sales, using estimates based on existing contractual obligations, historical trends and the Group's experience. Long-term accounts receivables are discounted to take into account the time value of money, where material.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses ("ECLs"). The Group calculates impairment of trade receivables using the expected credit loss model as required by IFRS 9. ECLs are calculated by: (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events. The Group has adopted the simplified "provision matrix" approach to calculate expected credit losses on trade receivables. The Group loss allowance is based on the expected credit loss as calculated using the provision matrix approach and a forward looking component based on individual tenant profiles. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full. The Group writes off trade receivables when there is no reasonable expectation of recovery, receivables are written off after six months.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Restricted cash balances relate to amounts held by the group on behalf of tenants including ring fenced service charge funds and tenant deposits.

Financial liabilities

Borrowings

Borrowings are initially measured at fair value net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The fair value of forward foreign exchange contracts is calculated by reference to spot and forward exchange rates at the balance sheet date. The fair value of interest rate swaps is calculated by reference to appropriate forecasts of yield curves between the balance sheet date and the maturity of the instrument. Changes in fair value are included as finance income or finance costs in the income statement. Derivative financial instruments are classified as non-current when they have a maturity of more than twelve months and are not intended to be settled within one year. As the group does not apply hedge accounting, the provisions of IFRS 9 do not apply.

1 Significant Accounting Policies CONTINUED

Trade payables

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

Taxation

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

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

Employee benefits

Pension costs

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

Share-based payments

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

Own shares

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

Revenue

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

Gross rental income – Gross rental income is rental income, adjusted for tenant incentives, recognised on a straight-line basis over the term of the underlying lease. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are recorded as income in the periods in which they are earned. Lease incentives are capitalised and amortised over the length of the lease. Amortisation is offset against rental income. Contracted rental income is recognised on satisfaction of the Group's performance obligation for each lease; to provide a readily useable lettable space.

The Group receives payments from tenants based on a billing schedule, as established in each lease contract. Primarily tenants are billed in advance of the period being billed. Trade receivables are recognised when the right to consideration becomes unconditional on issue of invoice. As amounts are billed in advance, contract liabilities arise when the period billed extends beyond the reporting date. These are recorded as deferred income. Contract liabilities are recognised as revenue as the period progresses.

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

Service charge – Service charge income represents recharges of the running costs of the shopping centres made to tenants and is recognised on an accruals basis, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Management fees – Management fees are recognised, in line with the property management contracts, in the year to which they relate. They include income in relation to services provided by Capital & Regional Property Management Limited ("CRPM") to associates or third party assets for asset and property management, project co-ordination, procurement, and management of service charges and directly recoverable expenses.

1 Significant Accounting Policies CONTINUED

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

Snozone income – Revenue arises from the operation of indoor ski operations. Revenue represents the amounts received from customers (excluding sales taxes) for admissions tickets, membership, retail, food and beverage sales and sponsorship. Ticket revenue is recognised at point of entry. Revenue from the sale of memberships is deferred and then recognised over the period that the membership is valid. Retail and food and beverage sales revenues are recognised at the point of sale. Sponsorship revenue is recognised over the relevant contract term.

Government grants

Government grants relate to the coronavirus job retention scheme and are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable, offset against the expense they are intended to compensate where applicable.

Finance costs

All borrowing costs are recognised under Finance costs in the income statement in the year in which they are incurred. Finance costs also include the amortisation of loan issue costs and any loss in the value of the Group's wholly-owned interest rate swaps.

Operating segments

Following the reclassification of Hemel Hempstead and Luton as 'Held for Sale' as at 30 December 2021 the segment of Shopping Centres – Managed Assets that included those assets in the prior year is no longer relevant. As a consequence the Group's operating segments are now Shopping Centres, Snozone and Group/Central. Shopping Centres includes the results of the Group's centres at Ilford and Hemel Hempstead (from 11 April 2022 being the date an agreement to buy back its loan was reached) and those centres within The Mall loan facility, namely Blackburn (until it was sold on 9 August 2022), Maidstone, Walthamstow and Wood Green. The Group deconsolidated its interest in Luton on 20 May 2022 reflecting changes that took place on that date to constitution of the Luton entities including the appointment of an independent director with specific rights regarding the proposed sale process for the asset.

Group/Central includes management fee income, Group overheads incurred by Capital & Regional plc, Capital & Regional Property Management and other subsidiaries and the interest expense on the Group's central borrowing facility.

The Shopping Centres segments derive their revenue from the rental of investment properties. The Snozone and Group/Central segments derive their revenue from the operation of indoor ski slopes and the management of property funds or schemes respectively. The split of revenue between these classifications satisfies the requirement of IFRS 8 to report revenues from different products and services. Depreciation and charges in respect of share-based payments represent the only significant non-cash expenses. Prior period comparatives have also been restated as a result.

Adjusted Profit

Adjusted Profit is the total of Contribution from wholly-owned assets, the profit from Snozone and property management fees less central costs (including interest, excluding non-cash charges in respect of share-based payments) after tax. Adjusted Profit excludes revaluation of properties, profit or loss on disposal of properties or investments, gains or losses on financial instruments and adjusting one-off items for example gains from debt repurchase. Results from Discontinued Operations are included in adjusted profit up until the point of disposal or reclassification as held for sale. Further detail on the use of Adjusted Profit and other Alternative Performance Measures is provided within the Financial Review.

Adjusted profit within Snozone is Leisure EBITDA. Leisure EBITDA is an alternative performance measure for the Snozone business. It excludes Depreciation, Amortisation, (notional) Interest, Tax and non-operational one-off items. It includes rent expense, based on contractual payments adjusted for rent free periods. This provides a measure of Snozone trading performance which removes the profiling impact of IFRS 16 that would otherwise see a significantly higher charge in early years of a lease and significantly lower net charge in later years.

A reconciliation of Adjusted Profit to the statutory result is provided in Note 2a and, on a per share basis, in Note 9, where EPRA earnings figures are also provided.

2a Operating segments

Year to 30 December 2022	Note	Shopping Centres – Investment Assets £m	Shopping Centres – Managed Assets (discontinued operations) £m	Snozone £m	Group/ Central £m	Total £m
Rental income from external sources	3b	34.7	–	–	–	34.7
Property and void costs[1]		(11.2)	–	–	–	(11.2)
Net rental income		23.5	–	–	–	23.5
Net interest expense		(9.3)	–	–	–	(9.3)
Snozone income/Management fees[2]	3b	–	–	13.0	3.3	16.3
Management expenses		–	–	(11.6)	(6.7)	(18.3)
Depreciation		–	–	–	(0.3)	(0.3)
Variable overhead		–	–	–	(1.6)	(1.6)
Adjusted Profit/(loss)		14.2	–	1.4	(5.3)	10.3
Revaluation of properties		(19.6)	–	–	–	(19.6)
Profit on disposal		1.5	–	–	–	1.5
Snozone depreciation and amortisation		–	–	(2.1)	–	(2.1)
Notional interest (net of rent expense within EBITDA)		–	–	0.8	–	0.8
Gain on financial instruments		1.1	–	–	–	1.1
Long-term incentives		–	–	–	(0.5)	(0.5)
Tax credit		–	–	–	0.3	0.3
Other items	6,16	1.6	6.8	–	(0.6)	7.8
Gain on debt repurchase	6,16	12.5	–	–	–	12.5
Profit/(loss)		11.3	6.8	0.1	(6.1)	12.1
Total assets	3b	365.5	–	27.1	30.4	423.0
Total liabilities	3b	(210.6)	–	(28.9)	(4.4)	(243.9)
Net assets/(liabilities)		154.9	–	(1.8)	26.0	179.1

1 Includes expected credit loss.

2 Asset management fees of £2.5 million charged from the Group's Capital & Regional Property Management entity to wholly owned assets have been excluded from the table above.

2a Operating segments CONTINUED

Year to 30 December 2021 (Restated)[6]	Note	Shopping Centres – Investment Assets £m	Shopping Centres – Managed Assets[5] £m	Snozone £m	Group/ Central £m	Total £m
Rental income from external sources	3b	34.1	14.0	–	–	48.1
Property and void costs[1]		(12.4)	(6.0)	–	–	(18.4)
Net rental income		21.7	8.0	–	–	29.7
Net interest expense		(10.8)	(5.4)	–	(0.2)	(16.4)
Snozone income/Management fees[2]	3b	–	–	6.8	2.4	9.2
Other income[4]		–	–	2.5		2.5
Management expenses		–	–	(8.5)	(6.5)	(15.0)
Depreciation		–	–	–	(0.3)	(0.3)
Variable overhead		–	–	–	(0.9)	(0.9)
Adjusted Profit/(loss)		10.9	2.6	0.8	(5.5)	8.8
Revaluation of properties		(27.8)	(19.8)	–	–	(47.6)
Loss on disposal		(1.4)	(1.1)	–	–	(2.5)
Snozone depreciation and amortisation		–	–	(2.5)	–	(2.5)
Notional interest (net of rent expense within EBITDA)		–	–	0.5	–	0.5
Gain on financial instruments		2.7	3.2	–	–	5.9
Long-term incentives		–	–	–	(0.9)	(0.9)
Tax charge		–	–	0.2	–	0.2
Prior period tax[3]		–	–	1.4	(3.3)	(1.9)
Other items		–	–	(0.7)	(1.8)	(2.5)
Gain on debt repurchase		–	–	–	18.4	18.4
(Loss)/Profit		(15.6)	(15.1)	(0.3)	6.9	(24.1)
Total assets	3b	425.6	146.4	29.0	35.0	636.0
Total liabilities	3b	(267.9)	(165.8)	(31.2)	(2.7)	(467.6)
Net assets/(liabilities)		157.7	(19.4)	(2.2)	32.3	168.4

1 Includes expected credit loss.

2 Asset management fees of £3.6 million charged from the Group's Capital & Regional Property Management entity to wholly owned assets have been excluded from the table above.

3 £1.4 million in Snozone relates to a reclaim of VAT

4 Other income includes £2.5 million insurance proceeds

5 Shopping Centres – Managed Assets includes £(6.4) million from discontinued operations

6 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions and expected credit loss as explained in note 1.

2b Reconciliations of reportable revenue, assets and liabilities

Revenue and other income	Note	Year to 30 December 2022 £m	Year to 30 December 2021 Restated[1] £m
Rental income from external sources	2a	34.7	34.5
Other revenue	2a	–	2.5
Service charge income		10.5	9.6
Management fees	2a	3.4	2.4
Snozone income	2a	13.0	6.8
Revenue for reportable segments		61.6	55.8
Elimination of inter-segment revenue		(1.0)	(1.2)
Revenue and other income per consolidated income statement	3	60.6	54.6
Revenue and other income by country			
UK		57.1	52.5
Spain		3.5	2.1
Revenue and other income per consolidated income statement		60.6	54.6

[1] 2021 comparative figures have been restated to present discontinued operations separately. Discontinued operations are discussed in note 16. 2021 comparative figures have also been restated for a prior year adjustment to the treatment of rent concessions as explained in note 1.

	Note	2022 £m	2021 £m
Assets			
Investment assets		365.5	425.6
Snozone		27.1	29.0
Group/Central		30.4	35.0
Assets classified as held for sale		–	146.4
Total assets of reportable segments and Group assets	2a	423.0	636.0
Liabilities			
Investment assets		(210.6)	(267.9)
Snozone		(28.9)	(31.2)
Group/Central		(4.4)	(2.7)
Liabilities directly associated with assets classified as held for sale		–	(165.8)
Total liabilities of reportable segments and Group liabilities	2a	(243.9)	(467.6)
Net assets by country			
UK		177.8	167.8
Spain		1.3	0.6
Group net assets		179.1	168.4

3 Revenue

	Note	Year to 30 December 2022 £m	Year to 30 December 2021[1] £m
Gross rental income		**26.7**	30.3
Car Park and ancillary income		**8.0**	7.1
Income from external sources	2a	**34.7**	37.4
Service charge income	2b	**10.5**	9.6
External management fees		**2.4**	0.8
Snozone income	2a	**13.0**	6.8
Other income	2a	**–**	2.5
Revenue and other income per consolidated income statement	2b	**60.6**	57.1

1 2021 comparative figures have been restated to present discontinued operations separately. Discontinued operations are discussed in note 16. 2021 comparative figures have also been restated for a prior year adjustment to the treatment of rent concessions as explained in note 1. Management fees represent revenue earned by Capital & Regional Plc and the Group's wholly owned Capital & Regional Property Management subsidiary. Fees charged to wholly owned assets have been eliminated on consolidation.

4 Cost of sales

	Year to 30 December 2022 £m	Year to 30 December 2021[1] £m
Property and void costs	**(10.4)**	(11.7)
Service charge costs	**(9.5)**	(8.4)
Snozone expenses	**(12.9)**	(7.8)
Total cost of sales	**(32.8)**	(27.9)

1 2021 comparative figures have been restated to present discontinued operations separately. Discontinued operations are discussed in note 16.

5 Finance income and costs

	Year to 30 December 2022 £m	Year to 30 December 2021[1] £m
Finance income		
Gain in fair value of financial instruments:		
– Interest rate swaps	**1.1**	4.6
Total finance income	**1.1**	4.6
Finance costs		
Amortisation of deferred loan arrangement fees	**(0.6)**	(0.8)
Interest payable on bank loans and overdrafts	**(8.3)**	(10.6)
Other interest payable	**(0.1)**	(0.2)
Lease liabilities	**(0.4)**	(1.3)
Total finance costs	**(9.4)**	(12.9)

1 2021 comparative figures have been restated to present discontinued operations separately. Discontinued operations are discussed in note 16.

Financials

6 Profit/(loss) before tax

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

	Note	Year to 30 December 2022 £m	Year to 30 December 2021[1] £m
Variable lease payments not capitalised under IFRS 16		0.5	0.3
Expected credit loss	14	(0.4)	1.8
Other gains and losses (see below)		(15.6)	(14.0)
Depreciation of plant and equipment	11	0.6	0.5
Depreciation of right of use assets	12	2.0	2.2
Staff costs	7	13.8	11.0
Auditor's remuneration for audit services (see below)		0.5	0.4

1 2021 comparative figures have been restated to present discontinued operations separately. Discontinued operations are discussed in note 16. 2021 comparative figures have also been restated for a prior year adjustment to the treatment of expected credit loss as explained in note 1.

Other gains and losses

	Note	Year to 30 December 2022 £m	Year to 30 December 2021 £m
Discount on purchase of loan net of costs	16	12.5	16.7
Gain on settlement of insurance debtor		1.6	–
Gain/(loss) on disposal of investment property		1.5	(2.5)
Foreign exchange loss		–	(0.2)
Impairment of investment		–	(0.7)
Investment income		–	0.7
Total other gains and losses		15.6	14.0

Auditor's remuneration

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

	Year to 30 December 2022 £'000	Year to 30 December 2021 £'000
Fees payable to the Company's Auditor and its associates for the audit of the Company's annual financial statements	263	231
Fees payable to the Company's Auditor and its associates for other services to the Group – the audit of the Company's subsidiaries	112	88
Total audit fees for the Company and its subsidiaries	375	319
Fees payable to the Company's Auditor and its associates for other services to the Group – reporting to parent company auditors	26	26
Audit related assurance services - Review of Interim Report	59	52
Other assurance services	–	–
Total non-audit fees	85	78
Total fees paid to Auditor and their associates	460	397

7 Staff costs

	Note	Year to 30 December 2022 £m	Year to 30 December 2021 £m
Salaries		**9.7**	7.7
Discretionary bonuses		**2.0**	1.3
Share-based payments	21	**0.5**	0.6
		12.2	9.6
Social security		**1.3**	1.1
Other pension costs		**0.3**	0.3
		13.8	11.0

Staff costs amounting to £nil (2021: £nil) have been capitalised as development costs during the year.

Staff numbers

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

	Year to 30 December 2022 Number	Year to 30 December 2021 Number[1]
CRPM/PLC	**41**	40
Shopping centres	**49**	56
Snozone	**158**	113
Total staff numbers	**248**	209

1 2021 comparative staff numbers have been restated to include Snozone Madrid employees.

The monthly average number of total employees (including Executive Directors) employed within the Group during the year was 364 (CRPM – 41, Shopping centres – 63, Snozone – 260) compared to 300 in 2021 (CRPM – 44, Shopping centres – 65, Snozone – 191). These do not agree to the table above as they are average total employees not adjusted for full time equivalents.

There were no employees (2021: nil) employed by the Company during 2022.

The Group has received £nil in funds from HMRC for furloughed employees between January to December 2022 (2021: £0.2m comprising CRPM - £nil, Shopping centres - £nil, Snozone - £0.2m).

8 Tax

8a Tax credit/(charge)

	Year to 30 December 2022 £m	Year to 30 December 2021 £m
Current tax		
UK corporation tax	**(0.4)**	(1.0)
Adjustments in respect of prior years	**0.4**	(2.6)
Total current tax credit/(charge)	**–**	(3.6)
Deferred tax		
Prior year adjustments	**–**	(0.1)
Origination and reversal of temporary timing differences	**0.3**	0.6
Total deferred tax	**0.3**	0.5
Total tax credit/(charge)	**0.3**	(3.1)

£nil (2021: £nil) of the tax charge relates to items included in other comprehensive income.

Financials

8 Tax CONTINUED

8b Tax credit/(charge) reconciliation

	Note	Year to 30 December 2022 £m	Year to 30 December 2021 Restated[1] £m
Profit/(loss) before tax on continuing operations		**5.0**	(14.6)
Expected tax (charge)/credit at 19% (2021: 19%)		**(1.0)**	2.7
REIT exempt income and gains		**2.1**	(1.9)
Non-allowable expenses and non-taxable items		**(1.4)**	(0.1)
Excess tax losses		**–**	(0.3)
Other adjustments		**–**	(1.0)
Prior year adjustments		**0.4**	(2.7)
Effect of tax rate change on deferred tax		**0.2**	0.2
Actual tax credit/(charge)	8a	**0.3**	(3.1)

1 2021 comparative figures have been restated to present discontinued operations separately. Discontinued operations are discussed in note 16. 2021 comparative figures have also been restated for a prior year adjustment to the treatment of expected credit loss as explained in note 1.

8c Deferred tax

The Finance Act 2020 enacted provisions maintaining the main rate of UK corporation tax at 19% for the years starting 1 April 2020 and 1 April 2021. On 10 June 2021 Finance Act 2021 received Royal Assent and enacted provisions maintaining the main corporation tax rate at 19% for the year commencing 1 April 2022 and increasing the rate to 25% for the year commencing 1 April 2023.

Consequently the UK corporation tax rate at which deferred tax is booked in the Financial Statements is 25% (December 2021: 19%).

The Group has recognised a deferred tax asset of £1.1 million (30 December 2021: £0.7m). The group has recognised deferred tax assets for the non-REIT profit entities in respect of head lease payments and capital allowances to the extent that future matching taxable profits are expected to arise.

No deferred tax asset has been recognised in respect of temporary differences arising from investments or investments in associates in the current or prior years as it is not certain that a deduction will be available when the asset crystallises.

The Group has £12.1 million (30 December 2021: £24.1 million) of unused revenue tax losses, all of which are in the UK. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future taxable profit streams and other reasons which may restrict the utilisation of the losses (30 December 2021: £nil). The Group has unused capital losses of £24.2 million (30 December 2021: £24.9 million) that are available for offset against future gains but similarly no deferred tax has been recognised in respect of these losses owing to the unpredictability of future capital gains and other reasons which may restrict the utilisation of the losses. The losses do not have an expiry date.

8d REIT compliance

The Group converted to a group REIT on 31 December 2014. Therefore, the Group does not pay UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. In order to retain group REIT status certain ongoing criteria must be maintained. The main criteria are as follows:

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

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

9 Earnings per share

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

9a Earnings per share calculation

		Year to 30 December 2022			Year to 30 December 2021		
	Note	Profit	EPRA	Adjusted Profit	Loss[3]	EPRA (Restated)[3]	Adjusted Profit (Restated)[3]
Profit (£m)							
Profit/(loss) for the year		**12.1**	**12.1**	**12.1**	(24.1)	(24.1)	(24.1)
Revaluation loss on investment properties (net of tax)	9b	**–**	**19.6**	**19.6**	–	47.6	47.6
(Profit)/Loss on disposal (net of tax)	9b	**–**	**(1.5)**	**(1.5)**	–	2.5	2.5
Changes in fair value of financial instruments[1]	9b	**–**	**(1.1)**	**(1.1)**	–	(5.9)	(5.9)
Share-based payments	2a	**–**	**–**	**0.5**	–	–	0.9
Other items[2]		**–**	**(20.3)**	**(19.3)**	–	(15.9)	(12.2)
Profit/(loss) (£m)		**12.1**	**8.8**	**10.3**	(24.1)	4.2	8.8
Earnings per share (pence)		**7.3**	**5.3**	**6.2**	(20.0)	3.5	7.3
Diluted earnings per share (pence)		**7.2**	**5.3**	**6.1**	(20.0)	3.5	7.3

£6.8 million (30 Dec 2021: £(6.4) million) of the current earnings related to discontinued operations.

Weighted average number of shares (m)	Note	Year to 30 December 2022	Year to 30 December 2021
Ordinary shares in issue		**166.3**	119.9
Own shares held	21	**–**	–
Basic		**166.3**	119.9
Dilutive contingently issuable shares and share options		**2.4**	0.3
Diluted		**168.7**	120.2

1 2021 includes £0.2 million cost related to the termination of interest rate swap liabilities within The Mall loan facility.

2 Other Items in 2022 includes the £12.5 million gain on repurchase of Hemel Hempstead debt at a discount and £6.8m gain on the deconsolidation of Luton. Other items in 2021 includes the £18.4 million gain on repurchase of debt at a discount and other non-operating transactional costs.

3 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions as explained in note 1. 2021 comparative figures have also been restated for a prior year adjustment to the treatment of expected credit loss as explained in note 1.

At the end of the year, the Group had nil (2021: nil) share options and contingently issuable shares granted under share-based payment schemes that could potentially dilute earnings per share in the future, but which have not been included in the calculation because they are not dilutive or the conditions for vesting have not been met.

9 Earnings per share CONTINUED

9b Headline earnings per share

Headline earnings per share is an alternative performance measure as required by the JSE Listing Requirements. It has been calculated and presented in line with the JSE guidance.

	Year to 30 December 2022		Year to 30 December 2021 (Restated)[1]	
	Basic	**Diluted**	Basic	Diluted
Profit (£m)				
Profit/(loss) for the year	**12.1**	**12.1**	(24.1)	(24.1)
Revaluation loss on investment properties (including tax)	**19.6**	**19.6**	47.6	47.6
(Profit)/Loss on disposal (net of tax)	**(1.5)**	**(1.5)**	2.5	2.5
Other items	**(20.3)**	**(20.3)**	(15.9)	(15.9)
Headline earnings	**9.9**	**9.9**	10.1	10.1
Weighted average number of shares (m)				
Ordinary shares in issue	**166.3**	**166.3**	119.9	119.9
Own shares held	**–**	**–**	–	–
Dilutive contingently issuable shares and share options	**–**	**2.4**	–	0.3
	166.3	**168.7**	119.9	120.2
Headline Earnings per share (pence) Basic/Diluted	**6.0**	**5.9**	8.4	8.4

1 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions as explained in note 1. 2021 comparative figures have also been restated for a prior year adjustment to the treatment of expected credit loss as explained in note 1.

10 Investment properties

10a Wholly owned properties

	Note	Freehold investment properties £m	Leasehold investment properties £m	**Total property assets £m**
Cost or valuation				
At 30 December 2020		**280.1**	**256.0**	**536.1**
Capital expenditure (excluding capital contributions)		1.6	7.3	**8.9**
Disposal[2]		(13.3)	–	**(13.3)**
Valuation deficit[1]		(31.1)	(16.5)	**(47.6)**
Transfer to held for sale	16	(10.2)	(97.5)	**(107.7)**
At 30 December 2021 (Restated)[3]		**227.1**	**149.3**	**376.4**
Capital expenditure (excluding capital contributions)		3.2	5.8	**9.0**
Disposals[2]		–	(54.9)	**(54.9)**
Valuation gain/(deficit)[1]		(3.8)	(16.2)	**(20.0)**
Remeasurement of head lease		–	(0.6)	**(0.6)**
Transfer from held for sale	16	10.2	–	**10.2**
At 30 December 2022		**236.7**	**83.4**	**320.1**

1 £19.6 million per Income statement and Note 2a includes letting fee amortisation adjustment of £(0.4) million (2021: £0.1million).
2 This represents the net book value including tenant incentives.
3 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions as explained in note 1.

On 18 May 2022 the Group completed the acquisition of its debt in respect of the Marlowes shopping centre in Hemel Hempstead as a consequence the Freehold property was transferred back from held for sale. On 23 May 2022 the Group exchanged on the sale of its Mall shopping centre in Blackburn and as such the Leasehold property was transferred to held for sale at that date.

As part of the agreement to run a consensual sale process changes to the constitution of the Luton entities were made including the appointment of an independent director with specific rights regarding the sale process. These changes took effect from 23 May 2022 and the effective loss of control that they triggered have resulted in the Group deconsolidating its interest in Luton from that date.

In May 2022, the Group exchanged contracts for the sale of The Mall, Blackburn to the retail arm of the Adhan Group of Companies for £40 million, representing a premium to the December 2021 valuation of £38.2 million. The sale completed on 9 August 2022 delivering cash proceeds of £39.4 million.

10 Investment properties CONTINUED

On 11 July 2022, the Group completed the sale of land for residential development at its 17&Central community shopping centre in Walthamstow to Long Harbour for £21.65 million. The head lease at The Mall Walthamstow has been remeasured as a result of an extension of the lease term effective 23 June 2022.

10b Property assets summary

	30 December 2022 £m	30 December 2021 (Restated)[1] £m
Investment properties at fair value as reported by the valuer	**322.8**	380.1
Add back of lease liabilities	**5.4**	6.0
Unamortised tenant incentives on investment properties	**(8.1)**	(9.7)
IFRS Property Value	**320.1**	376.4

1 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions as explained in note 1.

As described in note 1 summary of significant accounting policies, where the valuation obtained for investment property is net of all payments to be made, it is necessary to add back the lease liability to arrive at the carrying amount of investment property at fair value.

10c Valuations

External valuations at 30 December 2022 were carried out on all of the gross property assets detailed in the table above. The fair value was £322.8 million (2021: £380.1 million). External valuations were carried out on all of the property assets detailed in the table above. The valuations at 30 December 2022 were carried out by independent qualified professional valuers from CBRE Limited and Knight Frank LLP in accordance with RICS standards. These valuers are not connected with the Group and their fees are charged on a fixed basis that is not dependent on the outcome of the valuations.

Real estate valuations are complex and derived from data that is not widely publicly available and involves a degree of judgement. For these reasons, the valuations are classified as Level 3 in the fair value hierarchy as defined by IFRS 13. The valuations are sensitive to changes in rent profile and yields.

The Group considers all of its investment properties to fall within "Level 3", as defined in Note 1. The table below summarises the key unobservable inputs used in the valuation of the Group's wholly owned investment properties at 30 December 2022:

	Estimated rental value £ per sq ft			Equivalent yield %		
Market Value £m	Low	Portfolio	High	Low	Portfolio	High
322.8	9.5	17.7	28.3	7.0	8.6	17.5

Sensitivities

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

Impact on valuations of 5% change in estimated rental value		Impact on valuations of 25bps change in equivalent yield		Impact on valuations of 50bps change in equivalent yield	
Increase £m	Decrease £m	Increase £m	Decrease £m	Increase £m	Decrease £m
13.0	(12.8)	(10.8)	11.8	(21.2)	24.3

Impact on valuations of 100bps change in equivalent yield	
Increase £m	Decrease £m
(40.0)	52.3

Financials

11 Plant and equipment

	30 December 2022 £m	30 December 2021 £m
Cost		
At the start of the year	**5.8**	5.9
Additions	**0.7**	0.7
Disposals	**–**	(0.8)
At the end of the year	**6.5**	5.8
Accumulated depreciation		
At the start of the year	**(4.1)**	(4.1)
Additions	**–**	(0.2)
Charge for the year	**(0.6)**	(0.6)
Eliminated on disposal	**–**	0.8
At the end of the year	**(4.7)**	(4.1)
Carrying amount		
At the end of the year	**1.8**	1.7

12 Leases

Right of use Assets	30 December 2022 £m	30 December 2021 £m
Cost		
At the start of the year	**28.9**	14.4
Additions	**–**	3.3
Remeasurement	**(0.8)**	11.2
At the end of the year	**28.1**	28.9
Accumulated depreciation		
At the start of the year	**(4.4)**	(2.2)
Charge for the year	**(2.1)**	(2.2)
Disposals	**–**	–
At the end of the year	**(6.5)**	(4.4)
Carrying value		
At the end of the year	**21.6**	24.5

Lease commitments relate to the leasing of the Group's registered office and the leases of the Snozone business on its Castleford, Milton Keynes and Madrid sites. The lease at Snozone Basingstoke expired as at 30 December 2022, the leases at Milton Keynes and Castleford were revalued following the annual lease payable review. During 2022 the Group signed an extension of its registered office lease of one year. The lease liability was remeasured as a result. During 2021 the group signed amendments to the lease agreements for the Castleford and Milton Keynes sites within its Snozone business, resulting in the remeasurement of the right of use asset and the related lease liability. Additions for that year relate to the lease acquired on acquisition of Snowzone Madrid.

The maturity analysis of lease liabilities is presented in note 27.

	Year ended 30 December 2022 £m	Year ended 30 December 2021 £m
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	**2.0**	2.2
Interest expense on lease liabilities	**1.4**	1.0

13 Subsidiaries

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

14 Receivables

	30 December 2022 £m	30 December 2021 (restated)[1] £m
Non current:		
Non-financial assets		
Deferred tax	1.1	0.7
Interest rate swap	1.7	–
Unamortised tenant incentives	2.1	2.1
Unamortised rent free periods	4.7	6.0
	9.6	8.8
Current:		
Financial assets		
Trade receivables (net of allowances)	7.7	8.9
Other receivables	–	4.2
Accrued income	1.5	0.9
Current financial assets	9.2	14.0
Non-financial assets		
Prepayments	4.0	4.0
Unamortised tenant incentives	0.5	0.4
Unamortised rent free periods	0.7	1.2
Current non-financial assets	5.2	5.6
	14.4	19.6

1 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions as explained in note 1.

Credit losses are calculated at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The group writes off a trade receivable when there is information indicating that there is no realistic prospect of recovery. Changes in expected credit loss allowance arise from increase in calculated expected credit loss, as well as amounts written off. The group does not recognise revenue where collectability is not reasonably expected. In the case of rental income this relates to tenants who are insolvent and closed.

The following table details the risk profile of trade receivables based on the Group's provision matrix.

2022	Not past due	1–30 days	31–60 days	61–90 days	>90 days	Total
Expected credit loss rate (%)	39.3	42.9	52.3	76.4	55.2	47.4[1]
Estimated total gross carrying amount at default (£m)	1.8	2.8	–	–	3.6	8.2
Lifetime ECL (£m)	(0.7)	(1.3)	–	–	(1.9)	(3.9)
Adjustment for forward looking estimate	(0.3)	–	–	–	–	(0.3)
Total expected credit loss	(1.0)	(1.3)	–	–	(1.9)	(4.2)

Financials

14 Receivables CONTINUED

2021	Not past due	1–30 days	31–60 days	61–90 days	>90 days	Total
Expected credit loss rate (%)	19.4	35.5	31.5	60.4	45.0	35.3[1]
Estimated total gross carrying amount at default (£m)	4.2	2.7	0.3	0.1	6.8	14.1
Lifetime ECL (£m)	(0.8)	(1.0)	(0.1)	(0.1)	(3.0)	(5.0)
Adjustment for forward looking estimate	(0.8)	–	–	–	–	(0.8)
Total expected credit loss	(1.6)	(1.0)	(0.1)	(0.1)	(3.0)	(5.8)

1 This represents the total lifetime expected credit loss as a percentage of total group receivables.

	30 December 2022 £m	30 December 2021 £m
Allowances for credit loss		
At the start of the year	**5.8**	8.4
Additional allowances created	**1.1**	3.7
Utilised during the year	**(0.6)**	(1.8)
Unused amounts reversed	**(2.1)**	(3.6)
Transfer to held for sale	**–**	(0.9)
At the end of the year	**4.2**	5.8

The following table illustrates the impact of a 5% change in the rate of expected credit loss.

	Provision at 30 December 2022 £m	Impact of a 5% increase £m	Impact of a 5% decrease £m
Expected credit loss	**4.2**	**0.4**	**(0.4)**

15 Cash and cash equivalents

	30 December 2022 £m	30 December 2021 £m
Cash at bank and in hand	**52.1**	53.7
Security deposits held in rent accounts	**0.8**	0.7
Other restricted balances	**2.6**	4.1
	55.5	58.5

Cash at bank and in hand include amounts subject to a charge against various borrowings and may therefore not be immediately available for general use by the Group. Of the cash at bank and in hand £28.1 million was held on short term deposit and immediately available free of any restrictions or conditions at the year end date (30 December 2021 - £32.5 million). The remaining balances are subject to meeting conditions or having passed through relevant waterfall calculations within relevant loan facilities. All of the above amounts at 30 December 2022 were held in Sterling other than £0.6 million which was held in Euros (30 December 2021: £0.6 million).

16 Assets and liabilities held for sale

As at 30 December 2021, the Group concluded that Hemel Hempstead and Luton, met the criteria to be reclassified as 'Held for Sale'. This conclusion was reached as the Group, in conjunction with the respective lenders had decided to seek to dispose of whole or part of the investments as at that date.

The Marlowes, Hemel Hempstead - on 11 April 2022 the Group reached agreement with the respective lender to acquire its outstanding debt liabilities of £24 million for a discounted amount of £11.8 million. The acquisition subsequently completed on 18 May 2022. The Group has reclassified its interest in Hemel Hempstead from Held for Sale as of 11 April 2022. A book value of £10.2 million was transferred back at this date being the fair value of £10.5m plus tenant incentives of -£0.3 million. The transaction has resulted in an increase to Net Asset Value of approximately £12.5 million being the amount of the discount less related transaction costs.

The Mall, Luton - The Group has been working closely with the lender on Luton to explore a disposal of the majority or all of the investment or asset. This process was completed on 16 March 2023 as discussed in note 31. As part of the agreement to run a consensual sale process changes to the constitution of the Luton entities were made including the appointment of an independent director with specific rights regarding the sale process. Two existing directors were required to step down as part of the agreement. These changes took effect from 23 May 2022 and the effective loss of control that they triggered have resulted in the Group deconsolidating its interest in Luton from that date. This has increased the Group's Net Asset Value by £6.8 million being the net liability at the point of deconsolidation.

The loss for the period from Luton up to the date of deconsolidation is broken down as follows:

	Period to 23 May 2022 £m	Year to 30 December 2021 £m
Revenue	**4.2**	13.8
Expected Credit loss	**–**	(0.8)
Cost of sales	**(1.4)**	(5.5)
Gross profit	**2.8**	7.5
Loss on revaluation of investment properties	**(2.8)**	(12.6)
Other gains and losses	**(0.3)**	–
Loss on ordinary activities before financing	**(0.3)**	(5.1)
Finance income	**1.7**	3.1
Finance costs	**(1.7)**	(4.4)
Loss before tax	**(0.3)**	(6.4)
Tax credit/(charge)	**–**	–
Loss for the period	**(0.3)**	(6.4)

The gain on disposal as at 23 May 2022 is £6.8 million being the write off of the liability held for sale as at 30 December 2021.

During the period, Luton Limited Partnership generated £2.5 million (2021: £5.4 million) of net operating cash flows, paid £1.3 million (2021: £3.2 million) in respect of investing activities and paid £4.8 million (2021: £1.0 million) in respect of financing activities.

17 Trade and other payables

	30 December 2022 £m	30 December 2021 £m
Amounts falling due after one year:		
Financial liabilities		
Accruals	–	0.3
Other creditors	–	–
Non-derivative financial liabilities	–	0.3
	–	0.3
Amounts falling due within one year:		
Financial liabilities		
Trade payables	2.4	1.4
Accruals	10.4	8.0
Other creditors	11.6	11.0
Non-derivative financial liabilities	24.4	20.4
Non-financial liabilities		
Deferred income	5.8	7.3
Other taxation and social security	0.8	1.6
	31.0	29.3

The average age of trade payables is 11 days (2021: 9 days). No amounts incur interest (2021: £nil).

18 Bank loans

18a Summary of borrowings

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

Borrowings at amortised cost	Note	30 December 2022 £m	30 December 2021 £m
Secured			
Fixed and swapped loans	18c	179.0	239.0
Variable rate loans	18c	4.0	–
Total borrowings before costs		183.0	239.0
Unamortised issue costs		(1.2)	(0.8)
Total borrowings after costs		181.8	238.2
Analysis of total borrowings after costs			
Current		–	–
Non-current		181.8	238.2
Total borrowings after costs		181.8	238.2

On 7 July 2022, the Group drew down a new £4 million facility with BC Invest, a subsidiary of the Group's strategic residential partner, Far East Consortium. The new debt has been provided for an initial period of three years at a margin of 5.95%. It is secured on the Marlowes Centre on a non-recourse basis.

18 Bank loans CONTINUED

The movement of Secured loans in the year is summarised in the table below:

	£m
Secured bank loans at 30 December 2021	239.0
Repayment of The Mall B2 loan facility	(35.0)
Repayment of The Mall A loan facility	(25.0)
Drawdown of new Hemel Hempstead loan facility	4.0
	183.0

All loans are maintained in separate ring-fenced Special Purpose Vehicle (SPV) structures secured against the property interests and other assets within each SPV. There is no recourse to other Group companies outside of the respective SPV and no cross-default provisions.

18b Maturity of borrowings

	Note	30 December 2022 £m	30 December 2021 £m
Between one to two years		39.0	–
From two to five years		4.0	39.0
Greater than five years		140.0	200.0
Due after more than one year		183.0	239.0
Current		–	–
	18a	183.0	239.0

18c Interest rate profile of borrowings

	Note	30 December 2022 £m	30 December 2021 £m
Fixed and swapped rate borrowings			
Between 2% and 3%		–	39.0
Between 3% and 4%		179.0	165.0
Between 6% and 7%		–	35.0
	18a	179.0	239.0
Variable rate borrowings	18a	4.0	–
		183.0	239.0

Financials

19 Financial instruments and risk management

19a Overview

Capital risk management

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

The Group is not subject to externally imposed capital requirements. The risks associated with each class of capital are also considered as part of the risk reviews presented to the Audit Committee and the Board.

Gearing ratios

Statutory	Note	30 December 2022 £m	30 December 2021 £m
Debt before unamortised issue costs	18a	**183.0**	239.0
Cash and cash equivalents	15	**(52.1)**	(53.7)
Group net debt		**130.9**	185.3
Equity		**179.1**	168.4
Net debt to equity ratio		**73.1%**	109.9%

Categories of financial (liabilities)/assets

		2022			2021		
	Note	Carrying value £m	Gain/(loss) to income £m	Gain to equity £m	Carrying value £m	Gain/(loss) to income £m	Gain to equity £m
Financial assets							
Current receivables	14	**9.2**	**–**	**–**	14.0	–	–
Cash and cash equivalents	15	**55.5**	**–**	**–**	58.5	–	–
Financial assets measured at amortised cost		**64.7**	**–**	**–**	72.5	–	–
Financial liabilities							
Current payables	17	**(24.4)**	**–**	**–**	(20.4)	–	–
Current borrowings	18a	**–**	**–**	**–**	–	–	–
Non-current payables	17	**–**	**–**	**–**	(0.3)	–	–
Non-current borrowings	18a	**(181.8)**	**(0.6)**	**–**	(238.2)	(2.7)	–
Financial liabilities measured at amortised cost		**(206.2)**	**(0.6)**	**–**	(258.9)	(2.7)	–
Interest rate swaps	14	**1.7**	**1.1**	**–**	–	7.6	–
Total financial liabilities		**(139.8)**	**0.5**	**–**	(186.4)	4.9	–

Significant accounting policies

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

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. 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.

19 Financial instruments and risk management CONTINUED

19b Interest rate risk

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

The following table shows a summary of the Group's interest swap contracts and their maturity dates:

	Loan facility	Maturity date	Notional principal	Contract fixed rate	30 December 2022 fair value £m Asset/ (liability)
Interest rate swap	The Exchange, Ilford	8 March 2024	£39,000,000	1.00%	1.7

Sensitivity analysis

The following table shows the Group's sensitivity to a 100bps increase or decrease in interest rates. To calculate the impact on the income statement for the year the interest rates on all external floating rate interest bearing loans and borrowings and interest earning cash, have been increased or decreased by 100bps. The income statement impact includes the estimated effect of a 100bps decrease or increase in interest rates on the market values of interest rate derivatives.

	100bps increase in interest rates		100bps decrease in interest rates	
	Year to 30 December 2022 £m	Year to 30 December 2021 £m	**Year to 30 December 2022 £m**	Year to 30 December 2021 £m
Floating rate loans and cash – gain/(loss)	**–**	–	**–**	–
Interest rate derivatives - gain/(loss)	**0.4**	0.8	**(0.4)**	(0.8)
Impact on the income statement - gain/(loss)	**0.4**	0.8	**(0.4)**	(0.8)
Impact on equity - gain/(loss)	**0.4**	0.8	**(0.4)**	(0.8)

19c Credit risk

The Group's principal financial assets are bank and cash balances, short-term deposits, trade and other receivables and investments. Credit risk, being the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group, is primarily attributable to loans and trade and other receivables, which are principally amounts due from tenants. Credit risk arising from tenants is mitigated as the Group receives most rents in advance, monitors credit ratings for significant tenants and makes an allowance for expected credit loss that represents the estimate of potential losses in respect of trade receivables. The Group's expected credit loss allowance disclosed in Note 14 to the financial statements is considered to represent the Group's best estimate of the exposure to credit risk associated to trade receivables, calculated in accordance with IFRS 9. The group recalculates expected credit losses each year, with reference to forward looking information, changes in credit risk, including improvements, are identified as part of this process. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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.

19 Financial instruments and risk management CONTINUED

19d 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 Adjusted Profit included in Note 2a. The majority of income within Adjusted Profit is received quarterly, since the inflows and outflows from net rental income and net interest payable generally coincide with English quarter days, and property management fees are billed quarterly. As a result, the Group normally has sufficient funds to cover recurring administrative expenses which occur throughout the year. Liquidity risk therefore arises principally from the need to make payments for non-recurring items, such as tax payments and the close out of derivative financial instruments.

The Group's objective in managing liquidity risk is to ensure that it has sufficient funds to meet all its potential liabilities as they fall due, both in normal market conditions and when considering negative projections against expected outcomes, so as to avoid the risk of incurring contractual penalties or damaging the Group's reputation. The Group 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 are its cash reserves and its long-term debt facilities.

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

2022	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							
Current receivables	14	**n/a**	**9.2**	**–**	**–**	**–**	**9.2**
Cash and cash equivalents	15	**0%**	**55.5**	**–**	**–**	**–**	**55.5**
Non-current receivables	14	**n/a**	**–**	**–**	**–**	**–**	**–**
			64.7	**–**	**–**	**–**	**64.7**
Financial liabilities							
Borrowings – bank loans	18a	**3.7%**	**–**	**(38.8)**	**(143.0)**	**–**	**(181.8)**
Borrowings – other loans	18	**n/a**	**–**	**–**	**–**	**–**	**–**
Current payables	16	**n/a**	**(24.4)**	**–**	**–**	**–**	**(24.4)**
Non-current payables	16	**n/a**	**–**	**–**	**–**	**–**	**–**
			(24.4)	**(38.8)**	**(143.0)**	**–**	**(206.2)**

2021	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							
Current receivables	14	n/a	14.0	–	–	–	14.0
Cash and cash equivalents	15	0%	58.5	–	–	–	58.5
Non-current receivables	14	n/a	–	–	–	–	–
			72.5	–	–	–	72.5
Financial liabilities							
Borrowings – bank loans	18a	3.7%	–	–	(38.8)	(199.4)	(238.2)
Borrowings – other loans	18	n/a	–	–	–	–	–
Current payables	16	n/a	(20.4)	–	–	–	(20.4)
Non-current payables	16	n/a	–	(0.3)	–	–	(0.3)
			(20.4)	(0.3)	(38.8)	(199.4)	(258.9)

19 Financial instruments and risk management CONTINUED

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

2022	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Borrowings – fixed bank loans	(6.2)	(44.1)	(4.8)	(4.8)	(140.3)	–	(200.2)
Borrowings – variable loans	(0.4)	(0.4)	(0.4)	(4.2)	–	–	(5.4)
Non-interest bearing	(24.4)	–	–	–	–	–	(24.4)
	(31.0)	(44.5)	(5.2)	(9.0)	(140.3)	–	(230.0)

2021	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Borrowings – fixed bank loans	(8.9)	(8.9)	(47.1)	(7.9)	(208.3)	–	(281.1)
Borrowings – other fixed loans	–	–	–	–	–	–	–
Non-interest bearing	(20.4)	(0.3)	–	–	–	–	(20.7)
	(29.3)	(9.2)	(47.1)	(7.9)	(208.3)	–	(301.8)

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

2022	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Net settled							
Interest rate swaps	–	1.7	–	–	–	–	1.7
	–	1.7	–	–	–	–	1.7

2021	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	–	–	–	–	–	–	–
	–	–	–	–	–	–	–

19 Financial instruments and risk management CONTINUED

19e Fair values of financial instruments

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

	Note	Notional principal £m	2022 Book value £m	2022 Fair value £m	2021 Book value £m	2021 Fair value £m
Financial liabilities not at fair value through income statement						
Sterling denominated loans	18a		(183.0)	(164.6)	(239.0)	(240.0)
Total on balance sheet borrowings			(183.0)	(164.6)	(239.0)	(240.0)
Derivative assets/(liabilities) at fair value through income statement						
Interest rate caps			–	–	–	–
Interest rate swaps		39.0	1.7	1.7	–	–
Total on balance sheet derivatives			1.7	1.7	–	–

The fair value of borrowings has been estimated on the basis of quoted market prices. Details of the Group's cash and deposits are disclosed in Note 15 and their fair values are equal to their book values. All of the above financial instruments are measured, subsequent to initial recognition, at fair value. All instruments were considered to be Level 2, as defined in Note 1. There were no transfers between Levels in the year.

20 Share capital

	Number of shares issued and fully paid		Nominal value of shares issued and fully paid	
	2022 Number	2021 Number	2022 £m	2021 £m
Ordinary shares of 10p each				
At the start of the year	165,399,863	111,819,626	16.5	11.2
Shares issued	3,792,055	53,580,237	0.4	5.3
Total called-up share capital	169,191,918	165,399,863	16.9	16.5

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

The Company maintains a Secondary Listing on the Johannesburg Stock Exchange ("JSE") in South Africa. At 30 December 2022, 7,565,067 (2021: 7,690,574) of the Company's shares were held on the JSE register. The table below outlines the movements of shares in the year:

	Price per share (Pence)	No. of shares	Total No. of shares	Nominal value (£m)	Share premium (£m)
Brought forward at 31 December 2021			165,399,863	16.5	266.1
Capital reduction					(266.1)
Shares issued on 7 October 2022	56.9	3,792,055	169,191,918	0.4	1.7
Carried forward at 30 December 2022			169,191,918	16.9	1.7

21 Share-based payments

The Group's share-based payments comprise the 2018 LTIP and the Executive Directors' deferred bonus share scheme (DBSS) and the combined incentive plan (CIP). Further details are disclosed in the Directors' Remuneration Report. Awards under the Combined Incentive Plan are nil cost deferred shares that vest in equal thirds on the third, fourth and fifth anniversaries of the award date. The awards can be reduced by up to 100% if TSR performance does not achieve the median of performance against the Company's relevant peer group.

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant. For options with market based conditions these are calculated using either a Black-Scholes option pricing model or a Monte Carlo simulation. For the elements of options that include non-market based conditions an initial estimate is made of the likely qualifying percentage. This is subsequently updated at each reporting date.

Income statement charge	Year to 30 December 2022 £m	Year to 30 December 2021 £m
Equity-settled share-based payments – 2018 LTIP & CIP	0.5	0.6

The figures above exclude a National Insurance credit in the year of £nil (2021: credit of £nil).

	Number of Options		
Movements during the year	LTIP	Deferred Bonus Share Scheme	CIP
Outstanding at 30 December 2020	378,983	5,636	294,300
Granted during the year	–	–	–
Exercised during the year[1]	(37,341)	(5,636)	–
Forfeited during the year	(341,642)	–	–
Outstanding at 30 December 2021	–	–	294,300
Granted during the year	668,310	–	1,538,691
Exercised during the year[1]	–	–	–
Forfeited during the year	(66,006)	–	–
Outstanding at 30 December 2022	602,304	–	1,832,991
Exercisable at the end of the year	–	–	–

1 The weighted average share price of the options exercised under the deferred bonus scheme during 2021 was 58.0p. The weighted average share price of the options exercised under the LTIP in 2021 was 60.0p.

All options in the tables above have a nil exercise price.

LTIP Assumptions	April 2018	June 2022
Share price at grant date	53.5p	60.6p
Exercise price	0.0p	0.0p
Expected volatility	16%	n/a
Expected life including holding period (years)	5.00	1.5
Average life remaining including holding period (years)	4.30	1.0
Risk free rate	1.14%	n/a
Expected dividend yield	6.80%	n/a
Lapse rate	0%	n/a
Fair value of award at grant date per share	21p	60.6p

Expected volatility is based on the historical volatility of the Group's share price over the three years to the date of grant. The 10 year UK Gilt rate at time of grant is used for estimating the risk free rate. Options are assumed to be exercised at the earliest possible date.

The June 2022 awards were issued as a retention award, there are no performance conditions other than individuals need to remain in valid employment for the 18 months period following the date of issue.

22 Own shares held

The own shares reserve represents the cost of shares in the Company purchased in the market. At 30 December 2022, the Capital & Regional plc 2002 Employee Share Trust (the "ESOT") held 31,876 (2021: 31,876) shares to assist the Group in meeting the outstanding share awards under the schemes described above. The right to receive dividends on these shares has been waived. The market value of these shares at 30 December 2022 was £19,763 (2021: £18,775).

23 Reconciliation of net cash from operations

	Note	Year to 30 December 2022 £m	Year to 30 December 2021 (Restated)[1] £m
Profit/(loss) for the year		**12.1**	(24.1)
Adjusted for:			
Income tax (credit)/charge	8a	**(0.3)**	3.1
Finance income		**(1.1)**	(7.6)
Finance expense		**9.4**	17.3
Finance lease costs (head lease)		**(0.3)**	(1.1)
Loss on revaluation of wholly owned properties		**19.6**	47.6
Depreciation of other fixed assets		**0.3**	0.5
Other gains		**(22.4)**	(14.0)
Decrease/(increase) in receivables		**4.5**	(2.5)
Increase in payables		**3.0**	5.5
Non-cash movement relating to share-based payments		**0.5**	0.4
Net cash from operations		**25.3**	25.1

1 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions. Loss on revaluation of investment properties has been reduced by £1.6 million and the increase in receivables has been reduced by the same amount as described in Note 1. 2021 comparative figures have also been restated for a prior year adjustment to the treatment of expected credit loss as explained in note 1.

24 Changes in liabilities arising from financing activities

				Non-cash changes		
2022	Note	**Opening**	**Financing cash flows**	**Fair value adjustments**	**Other changes**	**30 December 2022**
Bank loans	18a	**238.2**	**(68.4)**	**–**	**12.0**	**181.8**
Lease liabilities		**32.9**	**–**	**–**	**(2.8)**	**30.1**
Total liabilities from financing activities		**271.1**	**(68.4)**	**–**	**9.2**	**211.9**

				Non-cash changes		
2021	Note	Opening	Financing cash flows	Fair value adjustments	Other changes	30 December 2021
Bank loans	18a	423.9	(69.7)	–	(116.0)	238.2
Interest rate swaps	17	8.9	(0.2)	(8.8)	0.1	–
Lease liabilities		39.6	–	–	(6.7)	32.9
Total liabilities from financing activities		472.4	(69.9)	(8.8)	(122.6)	271.1

25 Net assets per share

	30 Dec 2022			30 Dec 2021		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to shareholders	**179.1**	**179.1**	**179.1**	168.4	168.4	168.4
Exclude fair value of financial instruments	**(1.7)**	**(1.7)**	**–**	–	–	–
Include fair value of fixed interest rate debt	**–**	**–**	**18.4**	–	–	(1.0)
Net asset value	**177.4**	**177.4**	**197.5**	168.4	168.4	167.4
Fully diluted number of shares	**171.6**	**171.6**	**171.6**	165.7	165.7	165.7
Net asset value per share	**103.4**	**103.4**	**115.1**	101.6	101.6	101.0

The number of ordinary shares issued and fully paid at 30 December 2022 was 169,191,918 (30 December 2021:165,399,863). There have been no changes to the number of shares from 30 December 2022 to the date of this annual report.

26 Return on equity

	30 December 2022 £m	30 December 2021 £m
Total comprehensive income/(expense) attributable to equity shareholders	**12.1**	(24.1)
Opening equity shareholders' funds plus time weighted additions	**168.9**	168.9
Return on equity	**7.2%**	(14.3)%

27 Lease arrangements

The Group as lessee

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable leases related to land and buildings, which fall due as set out below. These leases relate to its office premises and the Snozone business' Basingstoke, Castleford, Milton Keynes and Madrid sites, as well as two leasehold investment properties.

	2022 £m	2021 £m
Lease payments		
Within one year	**(3.0)**	(3.9)
Between one and five years	**(10.0)**	(15.1)
After five years	**(126.2)**	(125.2)
	(139.2)	(144.2)

Lease payments are denominated in Sterling and have an average remaining lease length of 48 years (2021: 31 years) excluding head leases, rentals are fixed for an average of 2 years (2021: 2 years). The Group's leasehold investment property is variable based on a percentage of performance, with a minimum payment per year of £0.4 million (2021: £0.3 million). The head lease at The Mall Walthamstow has been remeasured as a result of an extension of the lease term to 250 years, effective 23 June 2022.

The Group as lessor

The Group leases out all of its investment properties under operating leases for average lease terms of 7 years (2021: 9 years) to expiry. The leasing arrangements are summarised in the portfolio information on page 202. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	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	Total £m
30 December 2022	**6.9**	**17.5**	**36.1**	**17.6**	**4.3**	**0.8**	**9.7**	**86.0**
30 December 2021	8.9	22.0	49.2	24.4	11.0	6.1	32.5	145.2

28 Capital commitments

At 30 December 2022, the Group's share of the capital commitments of its associates and wholly-owned properties was £14.9 million (2021: £4.5 million) relating to capital expenditure projects for the development of the Group's investment properties. The Group also had £0.1 million relating to contractual commitments for the acquisition of property, plant and equipment (2021: £0.1 million).

29 Related party transactions

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

	Fee income		Net amounts receivable from	
	Year to 30 December 2022 £m	Year to 30 December 2021 £m	**As at 30 December 2022 £m**	As at 30 December 2021 £m
Kingfisher Limited Partnership (Redditch)	**0.7**	0.5	**–**	–
The Mall (Luton) Limited Partnership	**1.4**	1.4	**0.1**	–

Amounts receivable from associates are unsecured and do not incur interest and they are payable on demand and settled in cash. Management fees are received by Capital & Regional Property Management Limited (CRPM) and are payable on demand. They are unsecured, do not incur interest and are settled in cash.

Property Management incentive arrangements

CRPM will earn an additional equity return from Kingfisher Limited Partnership if distributions result in a geared return in excess of a 15% IRR. The Group will bear 12% of the cost by virtue of its investment in the Partnership. No performance fee has been recognised during the year (2021: none) as the criteria have currently not been met.

Transactions with key management personnel

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

	Year to 30 December 2022 £m	Year to 30 December 2021 £m
Short-term employment benefits	**1.1**	1.2
Post-employment benefits	**–**	0.1
Share-based payments	**0.5**	0.4
	1.6	1.7

In both years the highest paid Director was the Chief Executive whose remuneration is disclosed in the Directors' Remuneration Report on page 130. There are no directors included in a company pension scheme (2021: nil).

30 Dividends

The dividends shown below are gross of any take-up of Scrip offer.

	Year to 30 December 2022 £m	Year to 30 December 2021 £m
Interim dividend per share for year ended 30 December 2022 of 2.5p	**4.1**	–
Amounts recognised as distributions to equity holders in the year	**4.1**	–
Proposed final dividend for year ended 30 December 2022 of 2.75p	**4.7**	–

31 Events after the balance sheet date

Following a sale process undertaken with consent of the secured lender on the loan facility, the sale of The Mall Luton and its corporate structure completed on 16 March 2023. The Group had previously deconsolidated its interest in The Mall, Luton and therefore the transaction does not result in any profit or loss on disposal to the Group. The Group's involvement as Property and Asset Manager, for which it generated fees of £1.4 million in 2022, has ceased, effective from the date of the disposal.

32 Ultimate controlling party

Growthpoint Properties Limited ("Growthpoint") holds 61.5% of the issued share capital of the Company. As such Growthpoint is the ultimate controlling party of the Company and the largest group into which the results of the Company are consolidated. The registered office of Growthpoint Properties Limited is The Place, 1 Sandton Drive, Sandton, 2196, Johannesburg, South Africa. The financial statements of Growthpoint are available at this address.

Company balance sheet

As at 30 December 2022

Registered number: 01399411

Prepared in accordance with FRS 101

	Note	2022 £m	2021 £m
Non-current assets			
Investments	C	161.1	144.3
Receivables – amounts falling due after one year	D	37.3	37.0
Total non-current assets		198.4	181.3
Current assets			
Receivables – amounts falling due within one year	D	0.4	0.4
Cash and deposits		17.6	30.0
Total current assets		18.0	30.4
Total assets		216.4	211.7
Current liabilities			
Trade and other payables	E	(21.8)	(20.5)
Net current assets		(3.8)	10.0
Non-current liabilities			
Other payables		–	(0.2)
Net assets		194.6	191.0
Equity			
Share capital		16.9	16.5
Share premium		1.7	266.1
Merger reserve		60.3	60.3
Capital redemption reserve		–	4.4
Retained earnings		115.7	(156.3)
Shareholders' funds		194.6	191.0

The profit for the year attributable to equity shareholders was £5.0 million (2021: £6.2 million loss).

These financial statements were approved by the Board of Directors, authorised for issue and signed on their behalf on 20 April 2023 by:

Stuart Wetherly
Group Finance Director

Financials

Statement of changes in equity

For the year to 30 December 2022

	Non–distributable				Distributable		
	Share capital £m	Share Premium £m	Capital redemption reserve £m	Retained earnings £m	Retained earnings £m	Merger reserve £m	Total £m
Balance at 30 December 2020	**11.2**	**244.3**	**4.4**	**–**	**(150.3)**	**60.3**	**169.9**
Retained profit for the year	–	–	–	–	(6.2)	–	(6.0)
Total comprehensive profit for the year	–	–	–	–	(6.2)	–	(6.0)
Dividends paid, net of Scrip	–	–	–	–	–	–	–
Credit to equity for equity-settled share-based payments	–	–	–	–	0.2	–	0.2
Shares issued, net of costs	5.3	21.8	–	–	–	–	27.1
Balance at 30 December 2021	**16.5**	**266.1**	**4.4**	**–**	**(156.3)**	**60.3**	**191.0**
Retained profit for the year	–	–	–	–	5.0	–	5.0
Total comprehensive profit for the year	–	–	–	–	5.0	–	5.0
Capital reduction[1]	–	(266.1)	(4.4)	–	270.5	–	–
Dividends paid, net of Scrip	–	–	–	–	(4.0)	–	(4.0)
Credit to equity for equity-settled share-based payments	–	–	–	–	0.5	–	0.5
Shares issued, net of costs	0.4	1.7	–	–	–	–	2.1
Balance at 30 December 2022	**16.9**	**1.7**	**–**	**–**	**115.7**	**60.3**	**194.6**

1 In June 2022 a capital reduction was completed transferring the remaining reserves from share premium and the capital redemption reserve to retained earnings.

The Company's authorised, issued and fully paid-up share capital is described in Note 20 to the Group financial statements. The Company's dividends are as described in Note 30 to the Group financial statements. The other reserves are described in the consolidated statement of changes in equity in the Group financial statements.

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

Notes to the Company's separate financial statements

For the year to 30 December 2022

A Accounting policies

The domicile and legal form of the entity, its country of incorporation and the address of its registered office can be found in note 1 of the consolidated financial statements. A description of the nature of the entity's operations and its principal activities can be found in the strategic report on pages 2-5 of the consolidated financial statements.

The Company's separate financial statements for the year ended 30 December 2022 are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The main accounting policies have been applied consistently in the current year and the preceding year.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of an income statement, cash-flow statement, impairment of assets and related party transactions.

The Company's financial statements are presented in Pounds Sterling.

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

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

The Company's related party transactions are described in Note 29 to the Group financial statements. Except for the Directors, the Company had no direct employees during the year (2021: none). Information on the Directors' emoluments, share options, long-term incentive schemes and pension contributions is shown in the Directors' Remuneration Report. Further disclosures regarding the nature of the share-based payment schemes operated by the Group are included in Note 21 to the Group's financial statements.

Accounting developments and changes

The accounting policies used in these financial statements are consistent with those applied in the last annual financial statements, there have been no new standards, amendments or interpretations which became effective during the year affecting these financial statements.

Key sources of estimation uncertainty

The preparation of financial statements requires the Directors to make estimates that may affect the reported amounts of assets and liabilities, income and expenses. The following are the key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements:

Impairment of investments and intercompany receivables

Investments and amounts owed by subsidiaries are stated at cost less provision for expected credit loss under IFRS 9. 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 less costs of disposal. This review involves accounting judgements about the future cash flows from the underlying associates and, in the case of CRPM, estimated asset management fee income less estimated fixed and variable expenses. Disclosure of accounting policy for expected credit losses can be found in note 1 to the group financial statements.

Sensitivities

The following table shows the sensitivity of investment and intercompany receivable impairment to a 5% change in future cashflows and a 2% change in the discount rate used. The directors consider these reasonably possible.

	Impact of 5% change in future cashflows		Impact of a 2% change in discount rate	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Reversal of impairment of investments	0.4	(0.3)	0.1	(0.1)
Impairment of intercompany receivables	–	–	–	–

There are no critical accounting judgements that affect these financial statements

Financials

Notes to the Company's separate financial statements

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For the year to 30 December 2022

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

C Fixed asset investments

	Subsidiaries £m	Other investments £m	**Total £m**
Cost			
At the start of the year	1,207.4	13.9	**1,221.3**
Additions	7.8	–	**7.8**
Disposals	–	–	**–**
At the end of the year	1,215.2	13.9	**1,229.1**
Impairment			
At the start of the year	(1,063.1)	(13.9)	**(1,077.0)**
Reversal of impairment of investments	9.0	–	**9.0**
At the end of the year	(1,054.1)	(13.9)	**(1,068.0)**
Carrying value			
30 December 2022	**161.1**	**–**	**161.1**
30 December 2021	144.3	–	144.3

Investments are subject to an impairment review using a pre tax discount rate of 16.1% (2021: 16.3%). Impairment is recognised after comparing the carrying value of the investment against its recoverable amount, which is the higher of its estimated value in use and fair value less costs to sell. During the year the Company made an additional investment in Capital &Regional Holdings Limited.

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

D Receivables

Amounts falling due after one year	**2022 £m**	2021 £m
Amounts owed by subsidiaries	**37.3**	37.0
	37.3	37.0

Amounts falling due within one year	**2022 £m**	2021 £m
Trade receivables	**0.1**	–
Other receivables	**0.1**	0.3
Taxation and social security	**0.2**	0.1
	0.4	0.4

Amounts owed by subsidiaries are stated after impairment of £nil (2021: £nil) and are unsecured and repayable on demand. Impairment is recognised after comparing the carrying value of the receivable against its recoverable amount, which is the higher of its estimated value in use and fair value less costs of disposal. Interest is charged at 3.5% above Bank of England base rate per annum.

E Trade and other payables

Amounts falling due within one year	2022 £m	2021 £m
Amounts owed to subsidiaries	18.9	19.2
Trade payables	–	0.2
Accruals and deferred income	2.9	1.1
	21.8	20.5

Amounts owed to subsidiary companies are unsecured and repayable on demand. Interest is charged at 3.5% above Bank of England base rate per annum.

F Subsidiaries at 30 December 2022

	Nature of business	Country of incorporation	Share of voting rights
Subsidiaries			
Capital & Regional (Europe Holding 5) Limited [2]	Property investment	Jersey	100%
Capital & Regional (Jersey) Limited [2]	Property investment	Jersey	100%
Capital & Regional (Mall GP) Limited	Property investment	Great Britain	100%
Capital & Regional (Projects) Limited	Property investment	Great Britain	100%
Capital & Regional (Shopping Centres) Limited [2]	Property investment	Jersey	100%
Capital & Regional Earnings Limited	Property investment	Great Britain	100%
Capital & Regional Holdings Limited	Property investment	Great Britain	100%
Capital & Regional Ilford Limited [2]	Property investment	Jersey	100%
C&R Ilford Limited Partnership	Property investment	Great Britain	100%
C&R Ilford Nominee 1 Limited	Dormant	Great Britain	100%
C&R Ilford Nominee 2 Limited	Dormant	Great Britain	100%
C&R Ilford (General Partner) Limited	Property investment	Great Britain	100%
Capital & Regional Income Limited [1,3]	Property investment	Great Britain	100%
Capital & Regional Property Management Limited	Property management	Great Britain	100%
Green-Sinfield Limited	Dormant	Great Britain	100%
Lancaster Court (Hove) Limited	Dormant	Great Britain	100%
Lower Grosvenor Place London One Limited	Dormant	Great Britain	100%
Mall Nominee One Limited	Dormant	Great Britain	100%
Mall Nominee Two Limited	Dormant	Great Britain	100%
Mall Nominee Three Limited [5]	Dormant	Great Britain	100%
Mall Nominee Four Limited [5]	Dormant	Great Britain	100%
Mall People Limited	Property management	Great Britain	100%
Mall Ventures Limited	Dormant	Great Britain	100%
Marlowes Hemel Limited [2]	Property investment	Jersey	100%
MB Roding (Guernsey) Limited [4]	Dormant	Guernsey	100%
Selborne One Limited	Dormant	Great Britain	100%
Selborne Two Limited	Dormant	Great Britain	100%
Selborne Walthamstow Limited [2]	Dormant	Jersey	100%
Snozone Holdings Limited	Operator of indoor ski slopes	Great Britain	100%
Snowzone S.L.U[6]	Operator of indoor ski slopes	Spain	100%
Snozone Leisure Limited	Operator of indoor ski slopes	Great Britain	100%
Snozone Limited	Operator of indoor ski slopes	Great Britain	100%
The Mall (General Partner) Limited	Property investment	Great Britain	100%
The Mall (Luton) (General Partner) Limited [5]	Property investment	Great Britain	100%
The Mall Limited Partnership	Property investment	Great Britain	100%
The Mall (Luton) Limited Partnership [5]	Property investment	Great Britain	100%
The Mall REIT Limited	Dormant	Great Britain	100%
The Mall Shopping Centres Limited	Dormant	Great Britain	100%
The Mall Unit Trust [2]	Property investment	Jersey	100%

Notes to the Company's separate financial statements

CONTINUED

For the year to 30 December 2022

F Subsidiaries at 30 December 2022 CONTINUED

	Nature of business	Country of incorporation	Share of voting rights
The Mall Walthamstow One Limited	Dormant	Great Britain	100%
The Mall Walthamstow Two Limited	Dormant	Great Britain	100%
Wood Green London Limited [2]	Dormant	Jersey	100%
Wood Green One Limited	Dormant	Great Britain	100%
Wood Green Two Limited	Dormant	Great Britain	100%
Principal associate entities			
Euro B-Note Holding Limited [2]	Finance	Jersey	39.90%

1 In liquidation/being dissolved.

2 Registered office at 47 The Esplanade, St Helier, Jersey JE1 0BD.

3 Registered office at Griffins, Tavistock House South, Tavistock Square, London WC1H 9LG.

4 Registered office at PO Box 186, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey GY1 4HP.

5 These entities remain legal subsidiaries but are no longer consolidated in to the results of the Group following a loss of control (see Note 16 to the Group Financial Statements for further details).

6 Registered office at Pista de Nieve en el Centro Comercial Madrid Xanadü,, Ctra. A5. Salidas 22 y 25, km 23,, Arroyomolinos, Madrid, 28939,

The registered office of all subsidiaries, unless otherwise noted is 22 Chapter Street, London, SW1P 4NP.

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

Glossary of terms

Adjusted Profit is the total of Contribution from wholly-owned assets and the Group's joint ventures and associates, Snozone EBITDA and property management fees less central costs (including interest but excluding non-cash charges in respect of long-term incentive awards) after tax. Adjusted Profit excludes revaluation of properties, profit or loss on disposal of properties or investments, gains or losses on financial instruments and exceptional one-off items. Results from Discontinued Operations are included up until the point of disposal or reclassification as held for sale.

Adjusted Earnings per share is Adjusted Profit divided by the weighted average number of shares in issue during the year excluding own shares held.

C&R is Capital & Regional plc, also referred to as the Group or the Company.

CRPM is Capital & Regional Property Management Limited, a subsidiary of Capital & Regional plc, which earns management and performance fees from the Mall assets and certain associates and joint ventures of the Group.

Contracted rent is passing rent and the first rent reserved under a lease or unconditional agreement for lease but which is not yet payable by a tenant.

Contribution is net rent less net interest, including unhedged foreign exchange movements.

Capital return is the change in market value during the year for properties held at the balance sheet date, after taking account of capital expenditure calculated on a time weighted basis.

Debt is borrowings, excluding unamortised issue costs.

EPRA earnings per share (EPS) is the profit / (loss) after tax excluding gains on asset disposals and revaluations, movements in the fair value of financial instruments, intangible asset movements and the capital allowance effects of IAS 12 "Income Taxes" where applicable, less tax arising on these items, divided by the weighted average number of shares in issue during the year excluding own shares held.

EPRA net disposal value represents net asset value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

EPRA net reinstatement value is net asset value adjusted to reflect the value required to rebuild the entity and assuming that entities never sell assets. Assets and liabilities, such as fair value movements on financial derivatives are not expected to crystallise in normal circumstances and deferred taxes on property valuation surpluses are excluded.

EPRA net tangible assets is a proportionally consolidated measure, representing the IFRS net assets excluding the mark-to-market on derivatives and related debt adjustments, the mark-to-market on the convertible bonds, the carrying value of intangibles as well as deferred taxation on property and derivative valuations.

Estimated rental value (ERV) is the Group's external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a unit or property.

ERV growth is the total growth in ERV on properties owned throughout the year including growth due to development.

Gearing is the Group's debt as a percentage of net assets. See through gearing includes the Group's share of non-recourse debt in associates and joint ventures.

Interest cover is the ratio of Adjusted Profit (before interest, tax, depreciation and amortisation) to the interest charge (excluding amortisation of finance costs and notional interest on head leases).

Like-for-like figures, unless otherwise stated, exclude the impact of property purchases and sales on year to year comparatives.

Leisure EBITDA or EBITDA is an alternative performance measure for the Snozone business. It excludes Depreciation, Amortisation, (notional) Interest, Tax and non-operational one-off items. It includes rent expense, based on contractual payments adjusted for rent free periods. This provides a measure of Snozone trading performance which removes the profiling impact of IFRS 16 that would otherwise see a significantly higher charge in early years of a lease and significantly lower net charge in later years.

Loan to value (LTV) is the ratio of debt excluding fair value adjustments for debt and derivatives, to the Market value of properties.

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 Administrative Expenses to Gross Rent is the ratio of Administrative Expenses net of external fee income to Gross Rental income including the Group's share of Joint Ventures and Associates.

Net assets per share (NAV per share) are shareholders' funds divided by the number of shares held by shareholders at the year end, excluding own shares held. Net initial yield (NIY) is the annualised current rent, net of revenue costs, topped-up for contractual uplifts, expressed as a percentage of the capital valuation, after adding notional purchaser's costs.

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

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

Glossary of terms CONTINUED

Net rent or Net rental income (NRI) Net Rental Income is rental income from properties, less provisions for expected credit losses, property and management costs. It is a standard industry measure.

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

Occupancy cost ratio is the proportion of a retailer's sales compared with the total cost of occupation being: rent, business rates, service charge and insurance. Retailer sales are based on estimates by third party consultants which are periodically updated and indexed using relevant data from the C&R Trade Index.

Occupancy rate is the ERV of occupied properties expressed as a percentage of the total ERV of the portfolio, excluding development voids.

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

Rent to sales ratio is Contracted rent excluding car park income, ancillary income and anchor stores expressed as a percentage of net sales.

REIT – Real Estate Investment Trust.

Return on equity is the total return, including revaluation gains and losses, divided by opening equity plus time weighted additions to and reductions in share capital, excluding share options exercised.

Reversionary percentage is the percentage by which the ERV exceeds the passing rent.

Reversionary yield is the anticipated yield to which the net initial yield will rise once the rent reaches the ERV.

Temporary lettings are those lettings for one year or less.

Total property return incorporates net rental income and capital return expressed as a percentage of the capital value employed (opening market value plus capital expenditure) calculated on a time weighted basis.

Total return is the Group's total recognised income or expense for the year as set out in the consolidated statement of comprehensive income expressed as a percentage of opening equity shareholders' funds.

Total shareholder return (TSR) is a performance measure of the Group's share price over time. It is calculated as the share price movement from the beginning of the year to the end of the year plus dividends paid, divided by share price at the beginning of the year.

Variable overhead includes discretionary bonuses and the costs of awards to Directors and employees made under the 2018 LTIP and other share schemes which are spread over the performance period.

Five year review (Unaudited)

	2022 £m	2021[1] £m	2020[2] £m	2019 £m	2018 £m
Balance sheet					
Property assets	**320.1**	376.4	536.1	770.9	898.2
Other non-current assets	**33.0**	35.1	29.1	18.1	21.3
Investment in associates	**–**	–	–	–	–
Cash at bank	**55.5**	58.5	84.1	95.9	32.0
Assets classified as held for sale	**–**	(19.4)	–	–	–
Other net current (liabilities)/assets	**(20.6)**	(13.7)	(9.6)	(20.3)	(21.8)
Bank loans greater than one year	**(181.8)**	(238.2)	(423.9)	(422.8)	(432.9)
Other non-current liabilities	**(27.1)**	(30.3)	(48.7)	(66.7)	(63.8)
Net assets	**179.1**	168.4	167.1	375.1	433.0
Financed by					
Called-up share capital	**16.9**	16.5	11.2	10.4	7.3
Share premium account	**1.7**	266.1	244.3	238.0	166.5
Other reserves	**60.3**	64.7	64.7	64.7	64.7
Retained earnings	**100.2**	(178.9)	(153.1)	62.0	194.5
Capital employed	**179.1**	168.4	167.1	375.1	433.0
Return on equity					
Return on equity	**(7.2)%**	(14.3)%	(54.4)%	(27.7)%	(5.3)%
(Decrease)/increase in NAV per share + dividend	**(26.7)%**	(32.1)%	(55.6)%	(37.2)%	(5.5)%
Total shareholder return	**12.2%**	(16.1)%	(68.0)%	(2.0)%	(46.5)%
Year end share price[2]	**62.0p**	58.9p	70.2p	25.4p	27.6p
Total return					
Total comprehensive (expense)/income	**(12.1)**	(24.1)	(203.9)	(121.0)	(25.6)
Net assets per share					
Basic net assets per share[3]	**105.9p**	102p	149.5p	36p	60p
EPRA triple net assets per share[4]	**–**	–	–	36p	59p
EPRA net assets per share[4]	**–**	–	–	36p	59p
EPRA Net reinstatement value	**103.4p**	102p	157.0p	363.3p	591.0p
EPRA Net tangible assets	**103.4p**	102p	157.0p	363.3p	591.0p
EPRA net disposal value	**115.1p**	101p	138.8p	355.8p	593.4p
Gearing	**102%**	142%	255%	114%	101%
Income statement[1]					
Group revenue	**60.6**	54.6	72.7	89.0	91.0
Gross profit	**28.2**	27.4	37.5	53.6	56.1
Profit/(loss) on ordinary activities before financing	**13.3**	(6.3)	(181.7)	(97.5)	(9.7)
Net interest payable	**(8.3)**	(8.3)	(22.4)	(23.5)	(15.8)
Profit/(loss before tax	**5.0**	(14.6)	(204.1)	(121.0)	(25.5)
Tax credit/(charge)	**0.3**	(3.1)	0.2	–	(0.1)
Profit/(loss) after tax	**5.3**	(17.7)	(203.9)	(121.0)	(25.6)
Adjusted Profit	**10.3**	8.8	11.0	27.4	30.5
Adjusted Earnings per share[3]	**6.2p**	7.3p	10.2p	37.0p	42.0p
Interest cover	**2.4**	2.4	2.0	3.2	3.4
Earnings per share[3]					
Basic	**7.3p**	(20.0)p	(188.8)p	(162.3)p	(35.4)p
Diluted	**7.2p**	(20.0)p	(188.8)p	(162.3)p	(35.4)p
EPRA	**5.3p**	3.5p	(8.8p)	(3.5)p	4.0p
Dividends per share	**5.25p**	–	–	21.0p	2.42p

1 2021 results have been restated to present discontinued operations separately. 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions and expected credit loss as explained in note 1.

2 2020 results have been restated for a prior year adjustment to the treatment of SaaS configuration costs as explained in Note 1. Prior years are other than in this case as originally presented, no adjustment has been made to restate prior years for changes in IFRS standards that have been adopted in subsequent years.

3 Prior year numbers are other than where stated have not been adjusted for the 10:1 share consolidation subsequent to year end. A multiple of 10 must be applied to arrive at the comparative figures.

4 EPRA net asset metrics no longer in use.

Portfolio information (Unaudited)

At 30 December 2022

Physical data[1]	
Number of properties	5
Number of lettable units	547
Size (sq ft – million)	2.0
Valuation data	
Properties at independent valuation (£m)	322.8
Adjustments for head leases and tenant incentives (£m)	(2.7)
Properties as shown in the financial statements (£m)	320.1
Revaluation loss in the year (£m)	(19.6)
Initial yield (%)	7.2
Equivalent yield (%)	8.6
Reversion (%)	12.9
Lease length (years)	
Weighted average lease length to break	4.1
Weighted average lease length to expiry	6.9
Passing rent (£m) of leases expiring in:	
2023	7.2
2024	1.7
2025-2027	6.6
ERV (£m) of leases expiring in:	
2023	7.0
2024	1.9
2025-2027	6.7
Passing rent (£m) subject to review in:	
2023	1.5
2024	0.8
2025-2027	1.9
ERV (£m) of passing rent subject to review in:	
2023	1.1
2024	0.7
2025-2027	1.9
Rental Data	
Contracted rent (£m)	26.5
Passing rent (£m)	24.5
ERV (£m per annum)	34.4
ERV movement (like-for-like) (£m)	1.0
Occupancy (%)	94.2

EPRA performance measures (Unaudited)

At 30 December 2022

	Note	2022	2021 Restated[3]
EPRA earnings (£m)	9a	8.8	4.2
EPRA earnings per share (diluted)	9a	5.3p	3.5p
EPRA reinstatement value (£m)	25	177.4	168.4
EPRA net reinstatement value per share	25	103p	102p
EPRA net tangible assets (£m)	25	177.4	168.4
EPRA net tangible assets per share	25	103p	102p
EPRA net disposal value (£m)	25	197.5	167.4
EPRA net disposal value per share	25	115p	101p
EPRA LTV		44.4%	64.1%
EPRA cost ratio (including direct vacancy costs)		48.6%	53.1%
EPRA cost ratio (excluding vacancy costs)		37.8%	44.2%
Like-for-like ERV growth (£m)[1]		1.0	1.1

EPRA vacancy rate	2022 £m	2021 £m
Estimated rental value of vacant space	2.6	3.9
Estimated rental value of whole portfolio	33.4	53.8
EPRA vacancy rate[2]	7.7%	7.2%

EPRA net initial yield and EPRA topped-up net initial yield	2022 £m	2021 £m
Investment property	322.8	473.1
Completed property portfolio	322.8	473.1
Allowance for capital costs	16.8	(10.1)
Allowance for estimated purchasers' costs	21.9	31.4
Grossed up completed property portfolio valuation	361.4	494.4
Annualised cash passing rental income	30.5	56.2
Property outgoings	(6.7)	(13.7)
Annualised net rents	23.8	42.5
Add: notional rent expiration of rent free periods or other lease incentives	1.3	0.6
Topped up annualised rent	25.1	43.1
EPRA net initial yield	6.6%	8.1%
EPRA topped-up net initial yield	7.0%	8.3%

1 Like-for-like ERV growth is based on the Group's portfolio of five properties with fair value of £322.8 million.
2 Further detail on occupancy is given on page 31
3 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions and expected credit loss as explained in note 1

Financials

EPRA performance measures (Unaudited)

At 30 December 2022

EPRA Cost ratios	2022 £m	2021 (Restated)[1] £m
Cost of sales (adjusted for IFRS head lease differential)	32.1	35.8
Administrative costs	10.9	12.7
Service charge income	(10.5)	(12.7)
Management fees	(2.3)	(0.8)
Snozone (indoor ski operation) costs	(12.9)	(8.5)
Less inclusive lease costs recovered through rent	(1.5)	(4.0)
EPRA costs (including direct vacancy costs)	15.8	22.5
Direct vacancy costs	(3.5)	(3.8)
EPRA costs (excluding direct vacancy costs)	12.3	18.7
Gross rental income	34.7	48.1
Less ground rent costs	(0.7)	(1.7)
Less inclusive lease costs recovered through rent	(1.5)	(4.0)
Gross rental income	32.5	42.4
EPRA cost ratio (including direct vacancy costs)	**48.6%**	58.5%
EPRA cost ratio (excluding vacancy costs)	**37.8%**	49.6%

1 2021 comparative figures have been restated for a prior year adjustment to the treatment of rent concessions and expected credit loss as explained in note 1

Property related capital expenditure	Note	2022 £m	2021 £m
Acquisitions		–	–
Development	10	5.8	4.1
Investment properties:			
Incremental letting space		–	–
No incremental letting space	10	3.2	4.8
Other		–	–
Total Capital expenditure	10	**9.0**	8.9
Conversion from accrual to cash basis		1.6	(0.6)
Total capital expenditure on cash basis		**10.6**	8.3

Capital tenant incentives of £0.9 million were paid during the year (2021: £0.3 million). Amortisation of £0.6 million was recognised in the P&L (2021: £0.4 million).

Capital expenditure

Refurbishment expenditure in respect of major works is capitalised. Renovation and refurbishment expenditure of a revenue nature is expensed as incurred. Our business model for developments is to use a combination of in-house staff and external advisers. The cost of external advisers is capitalised to the cost of developments. The cost of staff working on developments is capitalised subject to meeting certain criteria related to the degree of time spent on and the nature of specific projects. Staff costs amounting to £nil (2021: £nil) have been capitalised as development costs during the year.

Advisers and corporate information

Auditor

Deloitte LLP

Statutory Auditor
2 New Street Square
London EC4A 3BZ

Principal valuers

CBRE Limited

Henrietta House
Henrietta Place
London W1G 0NB

Knight Frank LLP

55 Baker Street
London W1U 8AN

Investment bankers/brokers

Java Capital Trustees and Sponsors Proprietary Limited (JSE sponsor)

6A Sandown Valley Crescent
Sandown, Sandton 2196
South Africa

Numis Securities Limited

45 Gresham Street
London
EC2V 7EH

Panmure Gordon

40 Gracechurch St,
London
EC3V 0BT

Principal legal advisers

CMS Cameron McKenna Nabarro Olswang LLP

Cannon Place
78 Cannon Street
London EC4N 6AF

Registered office

22 Chapter Street
London SW1P 4NP
Telephone: +44 (0)20 7932 8000
capreg.com

Registered number

01399411

Shareholder information

Registrars

Equiniti Limited

Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone: +44 (0) 371 384 2438*

JSE Investor Services (Proprietary) Limited

(South African Transfer Secretaries)
PO Box 4844
Johannesburg, 2000
South Africa
Helpline Number:
086 147 2644 (SA callers)
+27 11 713 0800 (if calling from outside South Africa)
info@jseinvestorservices.co.za

* Lines open 08:30 - 17:30, Monday to Friday, excluding bank holidays in England and Wales.

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jonesandpalmer.co.uk

CAPITAL & REGIONAL

CAPITAL & REGIONAL PLC

22 Chapter Street
London SW1P 4NP

Tel: +44 (0)20 7932 8000

CAPREG.COM