Capital Shopping Centres Group PLC
Annual Report 2010

CSC
CAPITAL SHOPPING CENTRES

Strongly positioned for growth

Overview

1 Our business
2 Highlights of the year
4 At a glance*
6 Chairman's statement*

Strategy and KPIs

10 Group strategy and key performance indicators

Business review

12 UK retail property market
15 Investment property valuations
16 Performance in 2010
18 Prospects and priorities
20 Top properties

Financial review and risk

22 Financial review*
28 Key risks and uncertainties*

Corporate responsibility*

30 Introduction
31 Environment
32 Community
34 People
34 Health and Safety
35 Key relationships*

Governance

36 Board of Directors
38 Management team
39 Directors' report*
42 Corporate governance
51 Directors' remuneration report

Accounts

60 Directors' responsibilities
61 Independent auditors' report
62 Consolidated income statement
63 Consolidated statement of comprehensive income
64 Balance sheets
65 Statements of changes in equity
68 Statements of cash flows
69 Notes to the accounts

Other information

109 Investment and development property
112 Financial covenants
113 Underlying profit statement
114 Consolidated pro forma balance sheet
115 EPRA performance measures
117 Financial record
118 Management structure and advisers
119 Glossary
120 Dividends
ibc Shareholder information

* These sections of the report include items required to be stated in accordance with Section 417 of the Companies Act 2006 – Business review.

Additional information on 2010 performance is provided in the 2010 Annual Results Presentation to analysts, available for download from www.capital-shopping-centres.co.uk

Our business

Capital Shopping Centres Group PLC (CSC) is the leading specialist developer, owner and manager of pre-eminent UK regional shopping centres. At 31 December 2010 CSC owned 13 regional shopping centres amounting to 14.1 million sq. ft. of retail space and valued at £5.1 billion.

On 28 January 2011, CSC acquired The Trafford Centre, Manchester, increasing its portfolio to 14 centres, including 10 of the top 25 UK centres, representing 16.0 million sq. ft. of retail space with a valuation of £6.7 billion.

CSC's assets now comprise five major out-of-town centres including four of the UK's top six – The Trafford Centre, Manchester; Lakeside, Thurrock; Metrocentre, Gateshead; Braehead, Glasgow and The Mall at Cribbs Causeway, Bristol – and nine in-town centres including centres in prime destinations such as Cardiff, Manchester, Newcastle, Norwich and Nottingham.

Highlights of the year

Financial highlights*

	Twelve months ended 31 December		
	2010	2009**	Change
Net rental income from continuing operations	**£277m**	£267m	Up 4%
Underlying earnings	**£97m**	£75m	Up 29%
Underlying EPS	**15.4p**	15.1p	Up 2%
Dividend per share (including proposed 10p final dividend)	**15.0p**	15.0p***	Unchanged
Property revaluation surplus/(deficit)	**£501m** **+11.0%**	(£535m) -10.4%	n/a
IFRS profit/(loss) for the year	**£529m**	(£370m)	n/a

	31 December 2010	Pro forma** 31 December 2009	Change
NAV per share (diluted, adjusted)	**390p**	339p	Up 15%
Market value of investment properties	**£5,099m**	£4,631m	Up 10%
Net external debt	**£2,437m**	£2,522m	Down 3%
Debt to assets ratio	**48%**	55%	Reduced by 7ppt

* Please refer to glossary for definition of terms.

** 2009 figures have been re-stated to remove the impact of the Capco business following the demerger in May 2010.

*** CSC's share of Liberty International PLC's 2009 dividend of 16.5 pence per share.

Highlights

Results confirm further recovery

- Growth in net rental income and earnings per share
  - Net rental income increased by 4 per cent in total and 2 per cent like-for-like
  - 15.4 pence adjusted earnings per share, up 2 per cent on 2009
- Positive operational performance
  - 181 long term lettings generating £28 million annual rent, an increase of £16 million from the previous rent
  - Good letting progress at St David's, Cardiff, extension now 83 per cent committed by income (65 per cent on opening)
  - Occupancy remains strong at 98.6 per cent (97.7 per cent including St David's, Cardiff)
  - Footfall up a further 3 per cent like-for-like year on year, 6 per cent in two years
- Property valuation improvement
  - Valuation surplus 11 per cent, including 3 per cent in the second half, out-performing IPD
  - NAV per share up 51 pence, 15 per cent up from demerger pro forma
  - Total financial return including dividends for the year of 20 per cent

Corporate highlights

- Group transformed into the only pure UK prime shopping centre REIT through the successful demerger of Capital & Counties from Liberty International PLC (now Capital Shopping Centres Group PLC)
- Placing of 62.3 million shares at 355 pence raising £221 million before costs
- Debt to assets ratio 47 per cent and available financial headroom approximately £500 million (post Trafford Centre acquisition), no significant debt maturity until 2014

and in January 2011

- Completion of the acquisition of The Trafford Centre
- Completion of the C&C US transaction with Equity One

Strongly positioned for growth

- CSC now owns 14 centres including 10 of UK's top 25 and 4 of the UK's top 6 out-of-town
- Opportunity for growth in like-for-like net rental income – potential 18 per cent reversionary upside
- Scope for valuation recovery to continue – valuation yields still above CSC long-run average
- Potential for value creation through development and active management. Plans for investment (up to £600 million over the medium term) with potential to create at least 4,500 jobs for the regional economies in which CSC operates
- Integration of The Trafford Centre – draw upon combined expertise to adopt strongest features and best operational practices of individual centres
- Structural shift in UK retail towards pre-eminent destinations such as CSC's with strong leisure and catering offerings, new supply currently constrained

At a glance

Our pre-eminent properties

Capital Shopping Centres is the only pure UK prime shopping centre REIT with more UK regional shopping centres than any other operator and, following the acquisition of The Trafford Centre in January 2011, with out-of-town centres comprising 65 per cent by value.

Total investment properties*

£6.7bn

Passing rent and other income*

£385m

10 of the top 25 UK shopping centres*

10

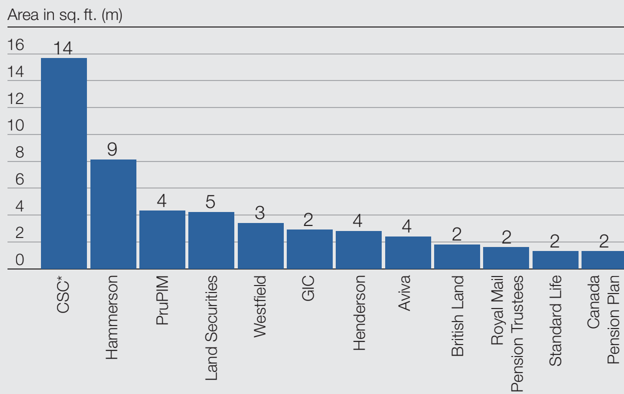
4 of the top 6 out-of-town shopping centres*

4

CSC locations

1 **Braehead** Glasgow
2 **Eldon Square** Newcastle upon Tyne
3 **Metrocentre** Gateshead
4 **The Trafford Centre** Manchester
5 **Arndale** Manchester
6 **The Potteries** Stoke-on-Trent
7 **Victoria Centre** Nottingham
8 **Chapelfield** Norwich
9 **St David's** Cardiff
10 **Cribbs Causeway** Bristol
11 **The Harlequin** Watford
12 **The Chimes** Uxbridge
13 **Lakeside** Thurrock
14 **The Glades** Bromley

No. of shopping centres**

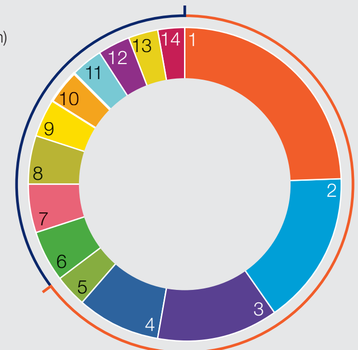


Source: PMA 2010

CSC asset valuations*

Out-of-town centres (65%)
1 The Trafford Centre (£1,650 million)
2 Lakeside (£1,053 million)
3 Metrocentre (£843 million)
4 Braehead (£576 million)
5 Cribbs Causeway (£221 million)

Town and city centres (35%)
6 The Harlequin (£353 million)
7 Victoria Centre (£337 million)
8 Arndale (£336 million)
9 Eldon Square (£250 million)
10 St David's (£243 million)
11 Chapelfield (£236 million)
12 The Chimes (£217 million)
13 The Potteries (£201 million)
14 The Glades (£178 million)



* Pro forma after acquisition of The Trafford Centre on 28 January 2011.

** Number of shopping centres > 400,000 sq. ft. in 50 highest rented locations where owner has at least 33 per cent share.

For more info on our properties see pages 20 – 21

Our robust capital structure

The Group's assets are funded by equity and debt, predominantly asset-specific. This structure allows a high degree of flexibility in debt and property management. The following data is pro forma after acquisition of The Trafford Centre on 28 January 2011.

Group net assets*

£3.1bn

Debt to assets ratio*

47%

Financial headroom*

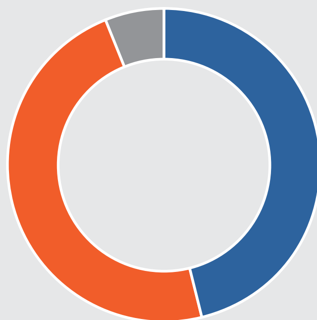
£500m

Group debt structure*

	£bn
Asset-specific debt	3.5
Unsecured debt	–
Gross debt	3.5
Cash	(0.3)
Net external debt**	**3.2**

Group capital structure*

- **Equity** £3.1 billion
- **Net external debt*** £3.2 billion
- **Net derivative liabilities** £0.4 billion



* Pro forma after acquisition of The Trafford Centre on 28 January 2011.

** Net external debt excludes the £139 million compound financial instrument relating to the 40 per cent third party interest in Metrocentre.

For more info on our capital structure see the Financial review pages 22 – 27

Our significant growth prospects

CSC is poised for net rental income growth

- The independent valuers' current estimated rental value (ERV) of CSC's existing centres is £354 million, compared with a passing rent and other income of £297 million, indicating substantial reversionary potential
- Further, The Trafford Centre has Day 1 income of £88 million and ERV of £105 million

In addition, CSC has the potential to increase rental levels beyond ERV from the following:

- Limited potential supply of prime regional shopping centre space due to planning and economic factors
- Rising demand for CSC's large flagship stores and catering space
- The structural shift in shopping patterns towards large centres with a strong catering and leisure offer
- Growth prospects for new space such as St David's, Cardiff and Eldon Square, Newcastle – opened during the recent economic downturn

There is significant untapped potential for further value creation in CSC's portfolio through redevelopment including three major extensions and ongoing asset management projects.

For more info on our growth prospects see pages 18 – 19

Chairman's statement

Patrick Burgess, Chairman

A measure of confidence returned in 2010 to the markets in which Capital Shopping Centres Group PLC (CSC) operates and, along with it, a recovery in valuations and further increases in occupational market activity.

Against this backdrop, and with a very encouraging level of shareholder support, CSC has made some striking moves to redefine itself as the specialist REIT focused on pre-eminent regional shopping centres. The strategic clarity brought about by the separation in May of CSC and Capital & Counties Properties PLC (Capco) laid the foundations for what has been labelled the "transformational acquisition" of The Trafford Centre in January 2011.

CSC ended the year in a robust financial position. The combination of improved market values and November's capital raising brought the debt to assets ratio back to 48 per cent, within the Board's long-established objective of 40 to 50 per cent, and there are no significant debt maturities until 2014. With around £500 million of financial headroom, the Company is in a strong position to progress its significant organic development opportunities.

In a year of intensive corporate activity we have asked a great deal of all our staff and they have responded with a level of energy and enthusiasm for which I and my fellow Directors are extremely grateful.

Demerger

In May we received shareholder approval for the creation of CSC, the only pure UK prime shopping centre REIT, through the successful demerger of Capco from Liberty International PLC (now CSC). The two strong and focused businesses, each with their own characteristics and different attractions, have both been received well and have started to demonstrate their capability as standalone businesses to execute their own significant strategic plans. It is satisfying to note that both have performed well independently since demerger in May.

The Trafford Centre

At last month's EGM shareholders approved the acquisition of The Trafford Centre, Manchester. This value-enhancing transaction not only strengthens CSC's industry position but enhances the overall quality of the Group's assets by its complementarity. It also extends CSC's ability to engage with the larger retail chains as a clear first choice nationally. After completion, which took place on 28 January 2011, CSC owns fourteen UK shopping centres, including ten of the top 25 centres and four of the top six out-of-town shopping centres.

"This value-enhancing transaction not only strengthens CSC's industry position but enhances the overall quality of the Group's assets"

As well as significantly increasing CSC's presence in the key North West regional retail market, the structure of the transaction creates an enduring relationship with John Whittaker, whose Peel Group is now a significant shareholder, and this gives us the opportunity to adopt across the enlarged Group the best practices from both CSC and The Trafford Centre as we continue to focus on the management of shopping centres as attractive destinations.

Board

The demerger of Capco in May inevitably led to some changes in the composition of the Board. Ian Durant, Ian Hawksworth and Graeme Gordon stepped down to become, respectively, Chairman, Chief Executive and Non-Executive Director of Capco. I would like to thank them very much for their services to Liberty International PLC and wish them every success in their new roles.

We were joined in May by Matthew Roberts, who succeeded Ian Durant as Finance Director. Matthew is a Fellow of the Institute of Chartered Accountants in England and Wales and has a wide range of relevant experience at substantial companies in the retail and leisure sectors including Debenhams plc and Gala Coral Group Ltd.

I am also pleased to note formally that in the course of the year Richard Gordon, who has replaced Graeme Gordon, and John Abel, who has had a very successful career in the industry, joined the Board as Non-Executive Directors.

Following the EGM on 26 January 2011, John Whittaker has been appointed a Non-Executive Director and has taken up the position of Deputy Chairman of the Board. John is a highly regarded real estate investor with a passion for the shopping centre business and proven vision and development expertise. I have no doubt that his considerable wisdom and capabilities will prove invaluable to us as his colleagues on the Board as well as beneficial to all shareholders.

Dividends

The Directors are recommending a final dividend of 10.0 pence per share bringing the amount paid and payable in respect of 2010 to 15.0 pence, the same level as CSC's share of the 2009 Liberty International PLC dividend and covered by the adjusted earnings per share for 2010 of 15.4 pence. 5.0 pence per share of the final dividend will be paid as a Property Income Distribution subject to withholding tax. The Board's policy remains to pay a progressive dividend with an appropriate level of cover over adjusted earnings.

Economic contribution and corporate responsibility

CSC makes a significant economic contribution to the regions where its shopping centres are located. We estimate over 50,000 people are directly employed in CSC centres, with numerous other local businesses benefiting indirectly. Through the payment of business rates of around £150 million per annum, we and our tenants also make a major contribution to public finances. Our plans for around £600 million of capital expenditure on three major extensions and other active management projects will represent significant private sector investment with the potential to create an estimated 4,500 jobs at a time when the public sector is likely to be scaling back its capital expenditure plans.

CSC ranks as a leader in the property sector in corporate responsibility. We are committed to working closely with the communities served by our businesses and operating responsibly in terms of care for the environment, reduction in energy consumption and promotion of increased recycling of waste. We also encourage and support a large number of local community initiatives in the neighbourhoods of which we form part, in many of which I am glad to say our staff take a very active part. We have also made a contribution to society at a national level in sponsoring "Engaging Experience", an active and growing network between charity founders and executives on the one hand and young entrepreneurs and City workers on the other hand, facilitating an exchange of inspiration, skills, energies and resources in a sector of growing significance.

Chairman's statement
Continued

We continue to engage with a number of well-regarded benchmarking indices who monitor the environmental and community engagement activities of public companies and remain constituent members of FTSE4Good, JSE SRI Index, Dow Jones Sustainability Indexes, Corporate Responsibility Index and OEKOM. In November 2010, CSC became one of only 38 companies to have achieved the CommunityMark, developed by Business in the Community. The award is recognition of our innovative community programmes tailored to the locations where we operate and is due in large part to the dedication of CSC's staff and our community partners in responding to local issues and needs – what one might think of as part of a "Big-hearted Society".

"With our clear and focused strategy, our unrivalled and irreplaceable assets and our robust financial position the Board is confident of CSC achieving superior shareholder returns"

Prospects

It is clear that business in the UK faces a series of challenges over the next couple of years and retailers and consumers remain cautious, not least about the effects of public sector austerity measures, tax increases and the price of commodities including fuel. In Autumn 2008 I expressed the opinion that, notwithstanding the gloom surrounding the recession into which the UK was being plunged, the economy would recover some convincing traction within a few years. Our present view of the most likely outcome is that the UK will experience a period of low growth rather than a "double dip".

What is clear is that this environment is not affecting all retail property equally. The strongest destinations are growing stronger as UK retail trade continues to concentrate. Prime destinations such as CSC's centres with strong leisure and catering offerings are key locations for retailers' flagship stores. With supply of new centres severely limited, successful UK and international retailers looking to their growth plans for the next couple of years are increasingly likely to compete for high profile, good quality space in those best centres.

The 2010 results demonstrate that CSC's recovery is on track with increased like-for-like net rental income, the key driver of growth in earnings and dividends, improved operational performance and continuing property valuation surpluses. The opportunities for value creation through development and active management described in the accompanying Business review will be vigorously pursued and I look forward to progress through the planning stages of our major extensions to Victoria Centre, Nottingham, Lakeside, Thurrock and Braehead, Glasgow, as well as embarking on other active management projects. With the demand for space in the top 50 UK shopping centres increasing ahead of supply, a range of return-enhancing organic opportunities, a strongly reinforced corporate position and a reinvigorated approach to ensuring our assets are attractive for the shopping public as well as to investors, CSC is well placed to achieve growth.

With our clear and focused strategy, our unrivalled and irreplaceable assets and our robust financial position the Board is confident of CSC achieving superior shareholder returns.

Patrick Burgess
Chairman

23 February 2011

Trafford Centre Acquisition on 28 January 2011

- CSC acquired 100 per cent of The Trafford Centre and £67.4 million in cash in return for the issue of 167.3 million ordinary shares and £154.3 million convertible bonds. Peel holds 19.8 per cent of CSC's enlarged issued ordinary share capital (23.2 per cent assuming conversion of convertible bonds)
- Implies a gross consideration of £1,575 million*
- Blended price of ordinary shares and convertible bonds issued to Peel of 396p
- Shares in issue following acquisition 859 million, 898 million fully diluted

A value enhancing transaction for CSC

- Operating benefits including strengthened retailer relationships and addition of The Trafford Centre's successful leisure and catering offerings
- The contribution of expertise and complementary skills from Peel and combining best practices across CSC and The Trafford Centre
- Significant benefits from John Whittaker as a new member of the Board
- Peel exchanging its interest in The Trafford Centre for an investment in CSC shares is a strong endorsement of CSC's focused strategy and value upside

Overview of The Trafford Centre

- External valuation £1,650 million 1 November 2010
- 1.9 million sq. ft. retail, catering and leisure
- Over 230 units including 50 catering and leisure units
- Day 1 income: £88 million, ERV £105 million
- Occupancy 98 per cent by rent
- Consistent footfall growth since opening to over 35 million customer visits p.a.
- Key anchors: Selfridges, Debenhams, John Lewis and Marks & Spencer

* Based on 387 pence being CSC's 30 June 2010 NAV per share, adjusted for the Placing and updated CSC valuations to 31 December 2010, excluding the acquisition. The implied gross consideration of The Trafford Centre (including Barton Square at £85 million) is calculated after taking into account The Trafford Centre Group's net debt of £798 million and other net liabilities of £54 million as at 30 June 2010.

Group strategy and key performance indicators

Performance against our strategy

Capital Shopping Centres is the leading specialist developer, owner and manager of pre-eminent UK regional shopping centres. With a dedicated and skilled management team, CSC aims to be the landlord of choice for retailers, to provide compelling destinations for shoppers and to offer clarity and transparency to investors.

CSC is a responsible and environmentally conscious participant in the communities where it invests. CSC focuses on the creation of long term and sustainable growth in net rental income with a view to generating superior shareholder returns through dividend growth and capital appreciation.

The following indicators are the key measures used to evaluate the Group's performance against our peer group*, other external benchmarks and the FTSE REIT Index as appropriate.

1 Shareholder return

Capital Shopping Centres | FTSE REIT Index**

Strategic aim
Superior shareholder returns

Why is this important?
Combines share price movement and dividends to produce a direct measure of the movement in shareholder value in the year.

How is this measured?
Uses the movement in share price during the year plus dividends paid in the year.†

How have we performed?
Share price has outperformed FTSE REIT Index.

Long-term trend – see chart page 55.

2 Total financial return

Capital Shopping Centres | Peer group

Strategic aim
Capital appreciation

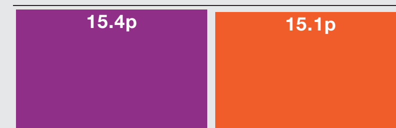
Why is this important?
This is a measurement of the total return movement in the Group's balance sheet value through the change in the Group's property valuations and its capital structure.

How is this measured?
Uses the movement in adjusted net asset value plus the impact of dividends paid in the year.

How have we performed?
Although net asset value per share increased in the year due to property valuation gains the return did not match that of the peer group largely due to their exposure to the strong performing London office sector.

Long-term trend***

3 Income performance



2010 | 2009

Strategic aim
Dividend growth

Why is this important?
The measure gives the underlying income generated in the year which gives an indication of the Group's ability to grow its dividends.

How is this measured?
Uses underlying earnings per share, which excludes property and derivative valuation movements and exceptional income or charges.

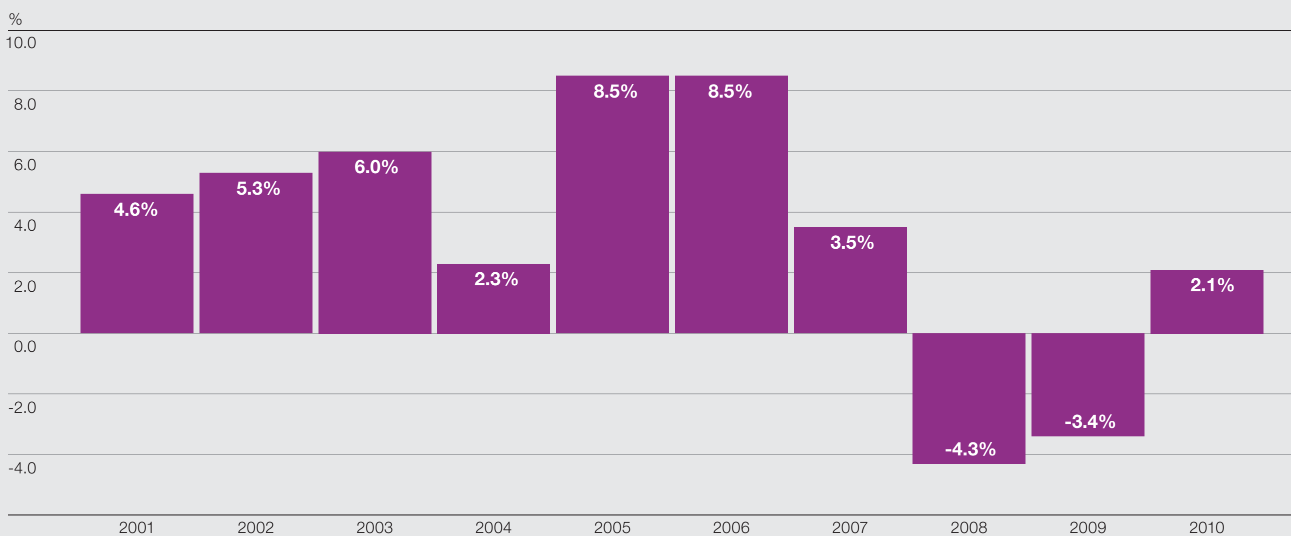
How have we performed?
Underlying earnings per share has grown in 2010 compared to the 2009 CSC figure due to improved net rental income and tight cost control.

Long-term trend***

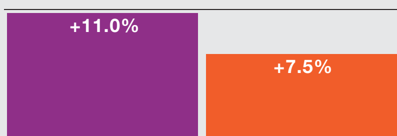
* Our peer group consists of Land Securities Group Plc, The British Land Company Plc and Hammerson Plc. ** Data source: Bloomberg

*** Due to the demerger of Capco in May 2010, no long term track record of comparable data exists for total financial return and underlying earnings per share.

† Uses the CSC share price on 11 January 2011 as the closing value being the day on which Simon Property Group announced they had no intention to make a firm offer for the Group.



4 Prime property assets



Capital Shopping Centres | IPD monthly Index (retail)

Strategic aim
Capital appreciation

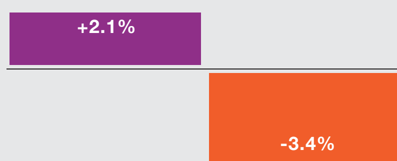
Why is this important?
Measures the capital return on the Group's property assets and compares this with the IPD index, a recognised industry benchmark.

How is this measured?
Includes the capital growth from the Group's properties.

How have we performed?
The quality of the Group's properties has resulted in strong outperformance of the benchmark index in 2010.

Long-term trend – see chart page 15.

5 Like-for-like net rental income



2010 | 2009

Strategic aim
Sustainable growth in net rental income

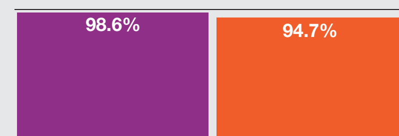
Why is this important?
Measures the organic growth in income generated from the Group's properties in the year.

How is this measured?
Removes from the year on year movement in net rental income the impact of acquisitions, developments and disposals.

How have we performed?
After the severe downturn in the commercial property market that affected the last two years, the Group returned to positive like-for-like net rental income growth in 2010.

Long-term trend – see chart above.

6 Occupancy



Capital Shopping Centres | IPD (retail)

Strategic aim
Landlord of choice for retailers

Why is this important?
CSC aims to maximise the occupancy of its properties as vacant space will adversely impact on profitability.

How is this measured?
The passing rent of the Group's properties currently occupied expressed as a percentage of the passing rent of occupied and the ERV of unoccupied properties.

How have we performed?
The attractiveness of the Group's properties to retailers is evidenced by the continued above average occupancy levels.

Long-term trend – see chart page 17.

Business review

UK retail property market

CSC's focus is the top 50 UK shopping centre locations, which comprise around 50 million sq. ft. of which CSC owns 33 per cent*. Such centres are and will remain rare and change hands infrequently. Shopping centres in total represent only around 13 per cent of the UK's 1.3 billion sq. ft. of retail space, the top 50 centres representing only around 4 per cent. The highly regulated planning environment combined with the recent challenging economic environment for financing of new centres has contributed to a limited development pipeline. Controlling stakes change hands very rarely – CSC's acquisition of The Trafford Centre on 28 January 2011 was the first example for a decade of change in control of a top ten centre.

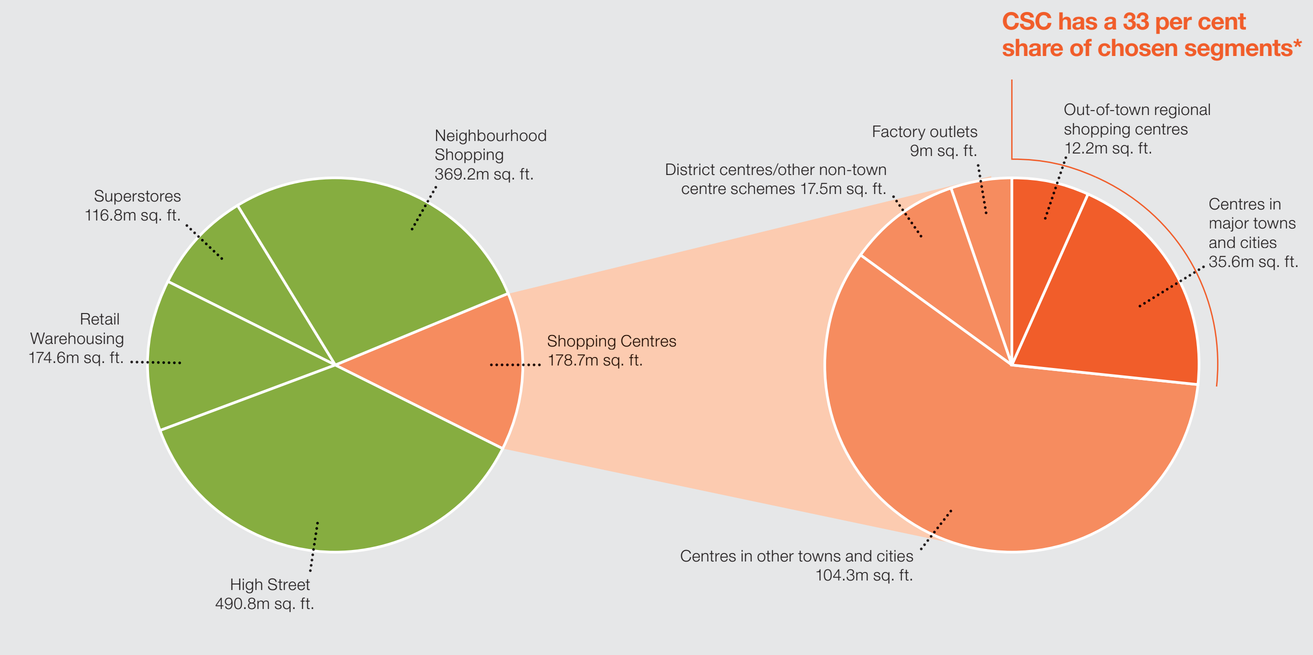
CSC owns 14 centres*, including four of the UK's top six out-of-town centres and ten of the UK's top 25 centres, attracting well over 300 million customer visits* in 2010. CSC owns more pre-eminent shopping centres in the UK than any other operator. Scale strengthens relationships with leading national and international retailers. In particular it gives CSC the ability to discuss national property strategy with expanding retailers and international entrants.

UK Retail Space

1.3 billion sq. ft.

UK Shopping Centre Space

179 million sq. ft.



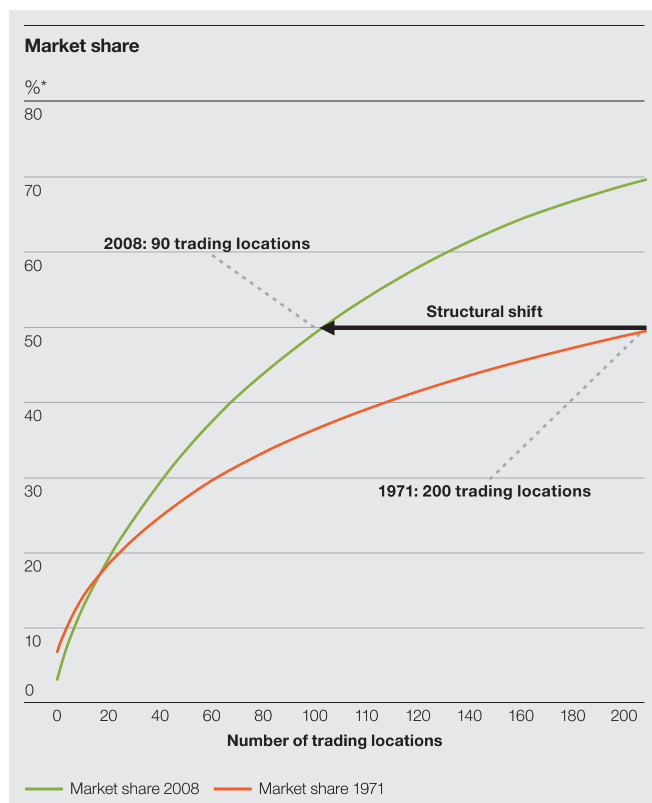
* Including The Trafford Centre, Manchester, acquired on 28 January 2011

UK retail trade continues to concentrate into fewer locations. The structural shift towards prime destinations with strong leisure and catering offerings benefits CSC's pre-eminent UK Shopping Centres. The chart illustrates that since the early 1970s the number of locations required to serve 50 per cent of the comparison goods market share has fallen by more than a half, from 200 to 90 locations.

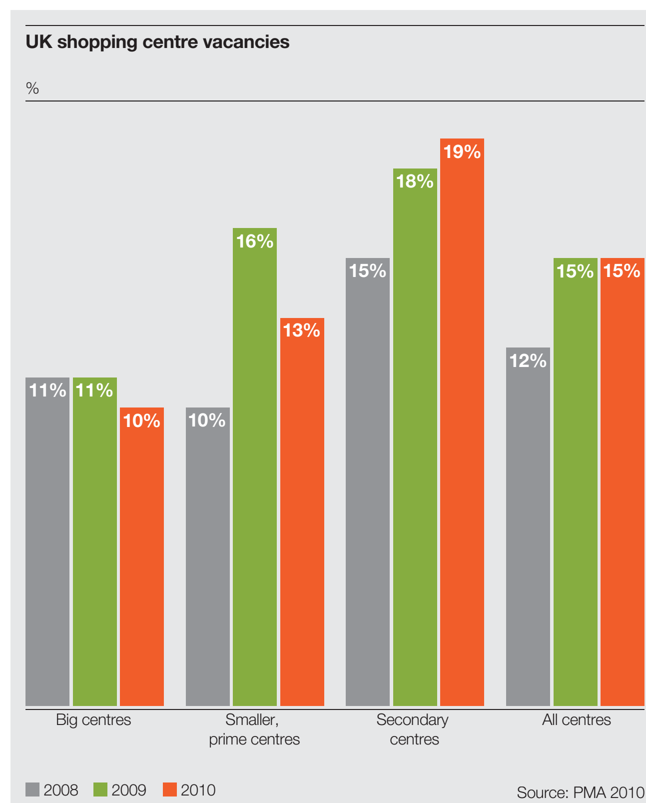
CSC's centres can offer the retailer flagship stores in top locations. Such stores are increasingly becoming a crucial marketing tool for the retailer's brand. The development of other retail channels such as online shopping reinforce the concentration of physical comparison retailing into the destinations, such as CSC's, most attractive to the shopper for retail and broader entertainment. Online sales comprise only a small but growing proportion of total retail spend – 8 per cent in 2010 according to ONS. The most successful retailers now have an integrated approach to online and in-store sales, with strong evidence of high levels of interaction between the two. This is highlighted by the popularity of "click and collect" and "return to store" facilities, both of which reinforce the need for a physical store and produce incremental sales.

As a result, as successful UK and international retailers look to their growth plans for the next couple of years we expect to see increased competition for high profile, good quality space in those best locations. We have seen the early signs of this trend in 2010, including some competitive bidding situations, particularly for larger, well configured units and catering units, resulting in rent settlements above ERV.

Stark evidence of the increasing disparity between top and other shopping centres in the balance of retailer demand and space supply can be seen in the vacancy figures on the chart below. Vacancy rates for secondary centres are still increasing, whilst those for big centres have reduced during 2010. It is worth noting that average rates for the top 50 are well below even the "big centres" average illustrated here.



Source: CBRE, NSLSP
* Comparison goods market share-based on NSLSP shopping population.



Business review
Continued

Eldon Square, Newcastle

The Trafford Centre, Manchester

Lakeside, Thurrock

Braehead, Glasgow

Arndale, Manchester

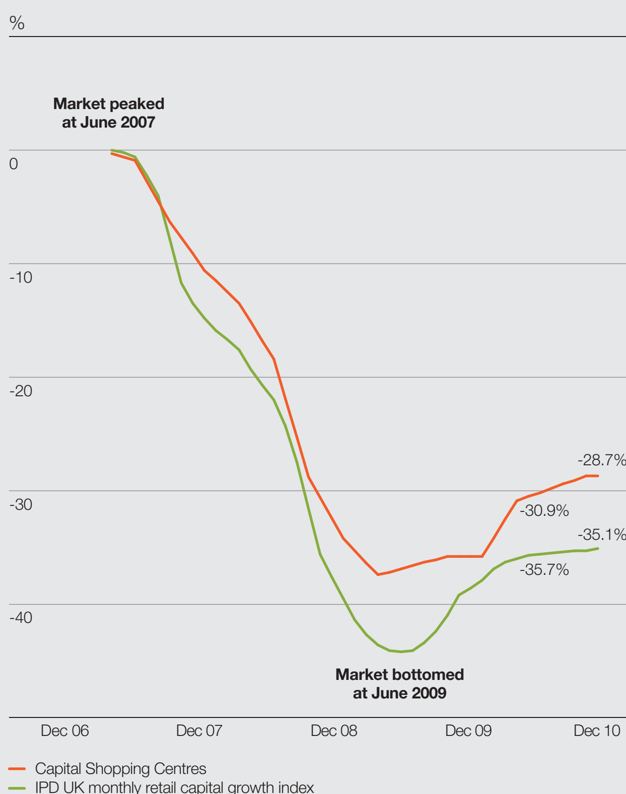
Investment property valuations

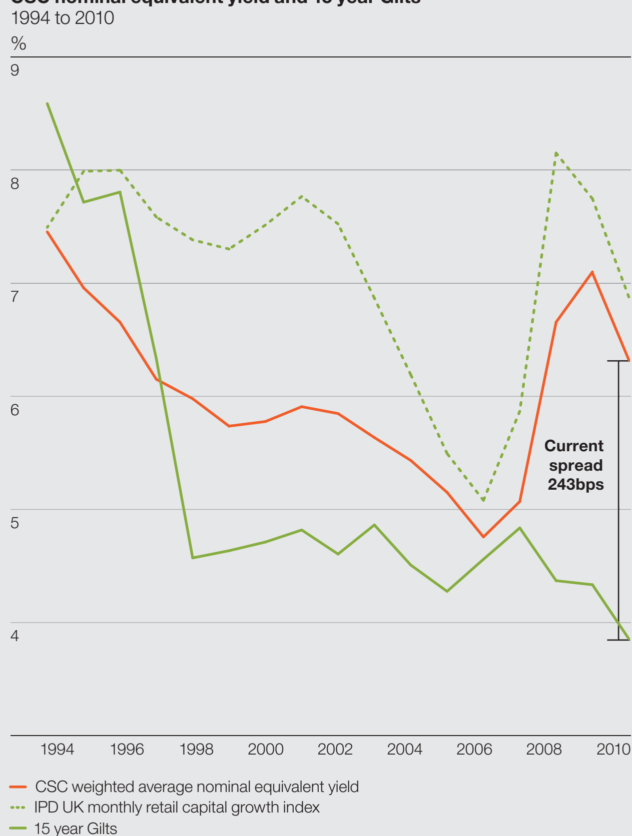
The UK commercial property investment market continued to experience valuation recovery in 2010, following its turning point in mid-2009. In particular, good quality property has continued to perform well while secondary assets have remained under pressure. Prime shopping centres are proving increasingly desirable to major international investors searching for quality UK investments in an environment of low interest rates and relatively attractive currency rates. Yields for prime shopping centres tightened significantly in the first half and, after a cluster of transactions in the Autumn, maintained an inward progression while other sub-sectors slowed. Despite the recovery, capital values as measured by the IPD UK monthly retail capital growth index remain well below peak levels, currently at early 2003 levels. We are just over a year on from the largest decline in UK commercial property values for decades and valuation yields remain above CSC's long-run average.

The valuation outcome for CSC's assets for the year was very positive. After a 2.6 per cent increase in the second half of 2009, values rose by 7.7 per cent in the first half of 2010 and by 11.0 per cent for the full year. This represents a significant out-performance of the IPD UK monthly retail capital growth index which produced an increase of 7.5 per cent for the year.

	31 December 2010	30 June 2010	31 December 2009
CSC nominal equivalent yield	**6.30%**	6.52%	7.08%
CSC like-for-like revaluation surplus (six months ended)	**3.1%**	7.7%	2.6%
IPD UK monthly retail capital growth (six months ended)	**1.1%**	6.3%	11.3%

The majority of the valuation movement reflected changes in yield. CSC's out-performance was driven by the prime nature of the assets and the improvement in passing rents including from re-letting of short term concessionary tenancies on longer term leases at higher rents. While ERV remained steady in the second half, passing rent increased by around 5 per cent, significantly narrowing the reversionary gap. However, at 6.3 per cent, CSC's weighted average nominal equivalent yield is still well above its long-run average since 1994 of 6.0 per cent.





Business review
Continued

Performance in 2010

CSC made good progress on its major priority for 2010 – to improve net rental income, particularly from short term lease re-lettings and larger space renegotiations. Net rental income has increased 4 per cent in total and 2 per cent like-for-like, following two years of intense letting activity. In 2010, CSC has achieved 181 long term lettings, increasing annual rent by £16 million and closing the gap between contracted rent and ERV from 23 per cent at 30 June 2010 to 18 per cent at 31 December 2010.

CSC's other major objectives for 2010 were to progress the value-enhancing organic growth opportunities and to complete the initial letting of St David's, Cardiff. Significant progress has been made in enhancing CSC's centres through their active management as retail and leisure destinations. This is discussed in the Major centres section below.

Net rental income

Net rental income of £277 million for 2010 is 3.6 per cent above that of 2009. Like-for-like net rental income for 2010 is 2.1 per cent above that of 2009. After having seen positive letting activity for around twelve months, the second half of 2010 saw these better terms come through in the form of good income growth, turning around the first half's reduced rate of decline to achieve a full year increase.

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m
Rental income	**350**	341
Service charge income	**60**	59
Gross rental income	**410**	400
Rent payable	**(24)**	(21)
Service charge expense	**(64)**	(63)
Property operating expense	**(40)**	(37)
Bad debt and lease incentive write-offs	**(5)**	(12)
Net rental income	**277**	267

At the gross level, CSC's rental income was 3 per cent higher than 2009 reflecting the completion of developments at Cardiff and Eldon Square and the improved terms on replacement of short term concessionary leases. As the retail environment has improved, bad debt and lease incentive write-offs have reduced significantly. Operating expenses have increased slightly, primarily due to the full year of St David's, Cardiff, and rent payable, the share of net income paid to our partners through head lease arrangements such as at Eldon Square, has increased in proportion to those centres' results.

Lettings

181 long term lettings have been completed in the year, for £28 million aggregate annual passing rent, an increase of £16 million over previous rent for those units:

- deals signed in the second half of 2010 reflected an improved letting environment, on aggregate 8 per cent below ERV compared to 16 per cent below in the first half of the year
- with the exception of a small number of strategic deals, the remainder of the fourth quarter's deals were at or around ERV

At 31 December 2010 CSC had 202 short term leases which represented 2 per cent of passing rent and 7 per cent of ERV (2009 – 2 per cent and 7 per cent). These are predominantly CSC's smaller units, occupying only 4 per cent of retail space (2009 – 7 per cent), with around 80 per cent smaller than 3,000 sq. ft.

Part of reversion crystallised

As a result of this letting activity, 5 percentage points of 30 June 2010's 23 per cent potential uplift from contracted rent to ERV have been captured leaving 18 per cent upside at 31 December 2010 (see Prospects and priorities section).

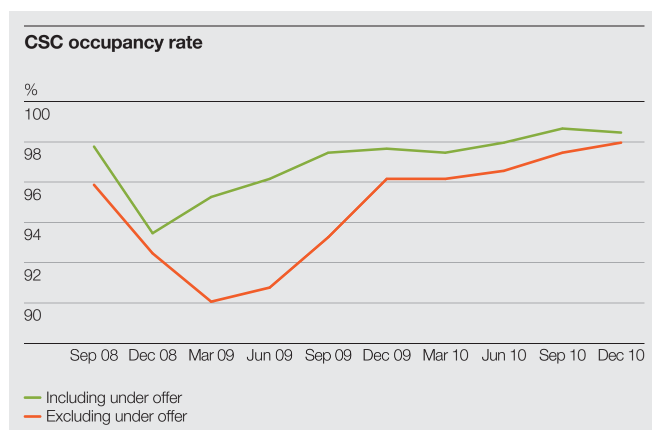
New retailers

35 new retail partners were introduced to CSC centres in the year, with six brands choosing a CSC centre for their first UK centre.

Retailer refits

Around one in six units in CSC's centres were refitted by retailers in the year, 139 in respect of new lettings and the balance by existing retailers. This substantial investment represents a firm commitment on the part of retailers and confidence in the quality of CSC's centres.

Occupancy



Occupancy remains high at 98.6 per cent (31 December 2009 – 97.8 per cent) (including the new development areas of St David's, Cardiff, 97.7 per cent (31 December 2009 – 95.9 per cent)). The rate of tenant failure continued to slow with only 1 per cent of rent entering administration during the year (2009 – 8 per cent) and only 0.2 per cent in the second half of the year.

Footfall

Estimated footfall across CSC's 13 centres was over 280 million in the year, up 6 per cent in the year largely due to the successful opening of St David's, Cardiff. On a like-for-like basis, footfall was up 3 per cent in 2010 following a 3 per cent increase in 2009. Retailer sales across CSC's 13 centres are estimated to have increased 8 per cent year on year, driven by a more than 70 per cent uplift at St David's, Cardiff. Excluding this, sales at the established centres increased by 3 per cent.

Major centres

Lakeside, Thurrock, (£1,053 million, 18 per cent valuation surplus) has had an excellent year with an extended flagship store for Primark opened and trading well, 20 new long term lettings including Cult, Guess and Panasonic and a broadened catering offer including Ed's Easy Diner and Taco Bell's first UK store. The local regional planning framework, which is due to be adopted in the Summer of 2011, indicates scope for significant additional retail space in the Lakeside area.

Metrocentre, Gateshead, (£843 million, 8 per cent valuation surplus). The completion of the new leisure and catering offering, including Wagamama, TK Maxx/Homesense and Handmade Burger, has revitalised the yellow quadrant and driven an increase in retail spend. 39 new long term lettings have been completed in 2010 including new brands to Metrocentre, Radley and Office.

With the 25th anniversary of opening approaching, good progress is being made in extending leases nearing expiry. Around half of the anticipated peak in the maturity profile has now been renegotiated. In January, an impressive new Next Home store opened on the Retail Park, the first step in the planned evolution of its retail mix.

Braehead, Glasgow, (£576 million, 13 per cent valuation surplus) has benefited from the opening of the flagship Primark store in the former Sainsbury's location. In turn, H&M are due in March 2011 to open a flagship store in the former Primark location. Five new brands have been signed up in 2010 including Apple and Hollister, who have chosen to locate flagship stores at Braehead rather than competing retail areas. The broader Braehead destination continues to evolve with the opening shortly of a major garden centre and retail park planning applications in progress.

Arndale, Manchester, (£336 million, 16 per cent valuation surplus). The 2006 northern extension has evolved a more aspirational style during 2010 with the addition of brands such as Bose, Pandora and Luke. Further, New Cathedral Street now has the UK flagship Hugo Boss store, opened in November, in place of Heal's.

Eldon Square, Newcastle, (£250 million, 8 per cent valuation surplus). After opening fully let in February 2010, the St Andrew's Way mall has driven a 17 per cent increase in footfall through the centre. The development was recognised by the British Council of Shopping Centres (BCSC) as achieving Gold award standard in the Best In-town Retail Scheme category.

St David's, Cardiff, (£243 million, 19 per cent valuation surplus) achieved footfall of 37 million for 2010, well above target for its first full year after opening. The new extension is now 83 per cent committed by income up from approximately 65 per cent on opening day. 20 of 2010's new lettings are to retailers new to Wales, including Lego, Nike and Carluccios. We were delighted that the development was awarded the British Council of Shopping Centres (BCSC) Supreme Gold for Best In-town Retail Scheme.

CSC's other centres have also seen tenant changes, particularly focused on introduction of new international brands and enhancement of destination status though leisure and catering offers. Chapelfield, Norwich now has flagship Hollister and Clas Ohlson stores. We have plans for further catering in the former Borders store at Chapelfield and at The Glades, Bromley.

Equity One transaction

Following receipt of appropriate regulatory banking and tax clearances, the completion of the transaction with Equity One relating to the restructuring of the Group's holding in C&C US took place on 4 January 2011. CSC now holds 4.1 million shares in Equity One and 11.4 million joint venture units redeemable for cash or Equity One shares with an aggregate value of approximately $290 million based on Equity One's share price at 19 February 2011.

Business review
Continued

Prospects and priorities

CSC is strongly positioned for growth. Our three key areas of focus for 2011 to realise that potential, each of which is discussed below, are:

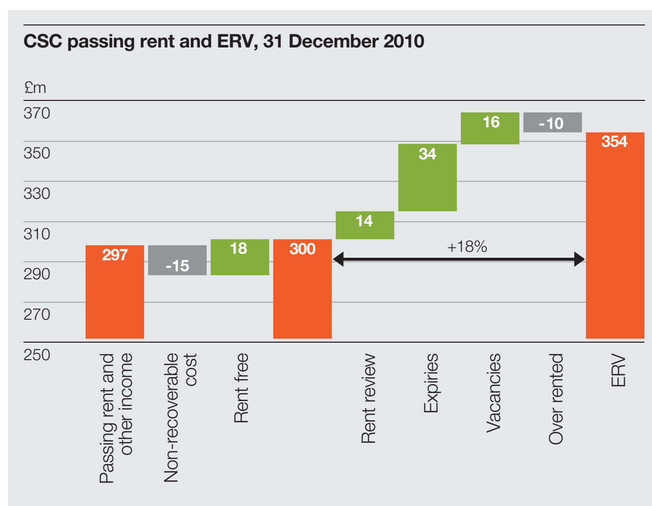
- growth in like-for-like net rental income
- value creation through continued enhancement of all CSC's centres as retail and leisure destinations by progressing our development and active management opportunities
- integration of The Trafford Centre, drawing upon the combined expertise of the enlarged Group to adopt more broadly the strongest features and best operational practices of the individual centres and improve the performance of all the assets

Net rental income

The chart below illustrates considerable upside between contracted rent and the valuers' assessment of ERV. The potential to capture the additional 18 per cent in annual rent arises primarily from:

- lease expiries, especially of concessionary short term lettings which represent 2 per cent of passing rent but 7 per cent of ERV, a £17 million opportunity
- rent reviews, especially of MSUs and department stores which have experienced national rental growth due to increased demand (see Other information section for review cycle)
- vacancies, in particular at St David's, Cardiff, which is on track to be fully let by the end of 2011

An estimated 80 per cent of the reversion is expected to be captured into passing rent within five years and 65 per cent within three years.



Further, CSC is in a strong position to achieve ERV growth from current levels as the demand for high quality shopping centre space continues to increase ahead of supply.

Value creation through development and active management

Major extensions: CSC has 1.4 million sq. ft. of identified extension opportunities at existing centres, an equivalent amount to a new major regional shopping centre. Extensions to existing prime locations carry attractive returns at a lower risk profile for CSC as developer than establishing a new destination. Victoria Centre, Nottingham, Lakeside, Thurrock and Braehead, Glasgow are each the primary centre in a strong catchment, where CSC owns adjoining land and where retailer demand has been identified. In each case, regional planning policies are progressing broadly in line with CSC's objectives and we anticipate that planning applications will be submitted for two of the three during 2011. We estimate (reviewed by DTZ) £170–175 million of development profit from these three projects (equivalent to 19 pence per share), which we would expect that the valuers will start to recognise in the valuation of these centres as the projects progress. Development and ongoing operation of these extensions will generate valuable new jobs for the communities served by the three centres.

Active management opportunities: In addition smaller active asset management opportunities totalling £128 million across most of our centres, including £50 million at The Trafford Centre, are progressing satisfactorily. These generally have a lower risk profile and higher returns than the major extensions and as such, we estimate that the added value is £107 million (equivalent to 11 pence per share), which we would expect to recognise between 2011 and 2013. Examples include:

- a new flagship store for Primark at Metrocentre (works underway, planned Autumn 2011 opening)
- a new 65,000 sq. ft. flagship store for Next at Eldon Square (shop fitting underway for a pre-Easter opening)
- reconfiguration of former Borders store at Chapelfield, Norwich, to create further catering (pre-let to Carluccios)
- creation of four new catering units at Braehead (three pre-let, opening expected June 2011)
- six new stores and the doubling in size of an existing store for key US brands Apple and Hollister

	Lakeside, Thurrock	Victoria Centre, Nottingham	Braehead, Glasgow	**Total**	**Active asset management opportunities**
Estimated financials					
Rental value (£m)	11–13	17–18	11–12	**39–43**	**13–15**
Development cost (£m)*†	140–160	225–250	140–150	**505–560**	**128**
Yield on cost	7.0–8.5%	7.0–8.0%	7.0–8.5%	**7.0–8.5%**	**10.0–12.0%**
Estimated area					
Net approximate additional space increase ('000 sq. ft.)	350	500	525	**1,375**	**n/a**
Total approximate space upon completion ('000 sq. ft.)	1,800	1,500	1,600	**4,900**	**n/a**
Key dates					
Planning expected to be submitted	2011	2011	2012		**Ongoing**

* Management estimates (reviewed by DTZ) of £170–175 million of development profit from identified extension opportunities, equivalent to 19 pence per share (at mid-point of estimated development profit).

† Active asset management projects of £128 million across existing portfolio (including The Trafford Centre, including capitalised interest), with added value of £107 million equivalent to 11 pence per share.

The Trafford Centre

The acquisition of The Trafford Centre, announced in November 2010 and completed on 28 January 2011, is a clear strategic fit for CSC and is in line with the demerger objectives. We anticipate significant operating benefits from combining the centre into CSC's existing focused portfolio, including strengthened retailer relationships and the addition of The Trafford Centre's successful leisure and catering offerings. In 2011 we will integrate the complementary skills and expertise of The Trafford Centre team and draw upon the combined talents to adopt more broadly the strongest features and best operational practices of individual centres to improve the performance of all of the enlarged Group's assets. This process has already started with some reorganisation of internal responsibilities and the establishment of regionally focused teams.

David Fischel
Chief Executive

23 February 2011

Top properties

Out-of-town centres – 4 of the UK's top 6

1. The Trafford Centre, Manchester

Market value	Occupancy
£1,650m	98%

Size (sq. ft.)	Day 1 income
1,900,000	£88m

% ownership	Headline rent ITZA§
100%	£400

Number of stores	ABC1 customers (%)#
230	69%

Key stores

Selfridges, Debenhams, John Lewis, Marks & Spencer

2. Lakeside, Thurrock

Market value	Occupancy
£1,053m	99.0%

Size (sq. ft.)	Annual property income
1,434,000	£57.1m

% ownership	Headline rent ITZA§
100%	£339

Number of stores	ABC1 customers (%)#
259	53%

Key stores

Apple Store, Argos, Debenhams, House of Fraser, Marks & Spencer, Next, Primark, Top Shop, Zara

3. Metrocentre, Gateshead

Market value	Occupancy
£843m	97.5%

Size (sq. ft.)	Annual property income
2,089,000	£52.2m

% ownership	Headline rent ITZA§
90%†	£325

Number of stores	ABC1 customers (%)#
350	54%

Key stores

Bhs, Debenhams, House of Fraser, Marks & Spencer, Next, New Look, Primark

4. Cribbs Causeway, Bristol

Market value	Occupancy
£221m	97.3%

Size (sq. ft.)	Annual property income
1,025,000	£13.1m

% ownership	Headline rent ITZA§
33%◊	£305

Number of stores	ABC1 customers (%)#
144	75%

Key stores

Bhs, Boots, HMV, John Lewis, Marks & Spencer, Next

5. Braehead, Glasgow

Market value	Occupancy
£576m	99.3%

Size (sq. ft.)	Annual property income
1,060,000	£30.3m

% ownership	Headline rent ITZA§¶
100%	£225

Number of stores	ABC1 customers (%)#
122	52%

Key stores

Bhs, Boots, HMV, Marks & Spencer, Monsoon, Primark

† Interest of the Metrocentre Partnership in the Metrocentre (90 per cent) and the Metro Retail Park (100 per cent). Capital Shopping Centres owns 60 per cent of the Metrocentre Partnership, which is consolidated as a subsidiary.

* Interest is through a joint venture owning 95 per cent of the Arndale, Manchester, and 90 per cent of New Cathedral Street, Manchester.

◊ Interest is through a joint venture owning 66 per cent of the Mall at Cribbs Causeway and 100 per cent of The Retail Park, Cribbs Causeway.

Top in-town centres

6. Arndale, Manchester

Market value	Occupancy
£336m	100%
Size (sq. ft.)	**Annual property income**
1,600,000	£21.4m
% ownership	**Headline rent ITZA§**
48%*	£220
Number of stores	**ABC1 customers (%)#**
232	55%

Key stores

Apple Store, Bhs, Boots, Next, Sports Direct, TK Maxx, Top Shop

7. St David's, Cardiff

Market value	Occupancy
£243m	97.1%**
Size (sq. ft.)	**Annual property income**
1,395,000	£11.9m
% ownership	**Headline rent ITZA§**
50%	£250
Number of stores	**ABC1 customers (%)#**
205	66%

Key stores

Apple Store, Debenhams, H&M, John Lewis, Marks & Spencer, New Look

8. The Harlequin, Watford

Market value	Occupancy
£353m	96.9%
Size (sq. ft.)	**Annual property income**
726,000	£19.7m
% ownership	**Headline rent ITZA§**
93%	£284
Number of stores	**ABC1 customers (%)#**
147	71%

Key stores

Boots, H&M, HMV, John Lewis, Marks & Spencer, Next, Primark

9. Eldon Square, Newcastle

Market value	Occupancy
£250m	98.6%
Size (sq. ft.)	**Annual property income**
1,350,000	£12.7m
% ownership	**Headline rent ITZA§**
60%	£300
Number of stores	**ABC1 customers (%)#**
153	52%

Key stores

Argos, Boots, Debenhams, Fenwicks, John Lewis, Marks & Spencer, Waitrose

10. Victoria Centre, Nottingham

Market value	Occupancy
£337m	98.4%
Size (sq. ft.)	**Annual property income**
981,000	£20.7m
% ownership	**Headline rent ITZA§**
100%	£216
Number of stores	**ABC1 customers (%)#**
127	60%

Key stores

Boots, HMV, John Lewis, Marks & Spencer, Next, Top Shop

** St David's, Cardiff occupancy excludes recently completed extension.

\# Proportion of customers within UK social groups A, B and C1, defined as members of households whose chief earner's occupation is professional, higher or intermediate management or supervisory.

§ Annual contracted rent per square foot after expiry of concessionary periods in terms of zone A.

¶ Based on Scottish standard calculation, using 30ft zones. English equivalent £300.

Financial review

Financing strategy and financial management

In 2010 the Group's financial management has focused on achieving the successful demerger of Capco, addressing the appropriate financial management and medium-term funding structure for the demerged Group including the acquisition of The Trafford Centre and continuing to support the organisation in its efforts to drive trading recovery. Notable achievements include:

- Underlying earnings up by 29 per cent
- NAV per share at 390 pence; total return for the year 20 per cent
- Additional equity capital of £216 million net of costs raised which, combined with increased property values, takes debt to assets ratio to within targeted range at 48 per cent
- Interest cover ratio increased by 15 ppt to 156 per cent just below target level of 160 per cent

As previously indicated, the Group's preference was to bring the debt to assets ratio within the 40–50 per cent range, which has now been achieved. Following completion of the capital raise and The Trafford Centre acquisition, the ratio now stands at 47 per cent. In respect of our additional funding aim, to achieve interest cover greater than 160 per cent, it is encouraging to report significant progress with the 2010 interest cover ratio improving by 15 percentage points to 156 per cent.

Comparative figures re-presented

The successful demerger of Capco and the joint venture agreement with Equity One in respect of the C&C US business, which was completed in January 2011, has resulted in certain comparative figures being re-presented. The Capco results up to the date of demerger have now been classified as discontinued operations in the comparative income statements and cash flow statements. The balance sheet information for Capco at 31 December 2009 is, however, still included in the respective line categories in the balance sheet.

The C&C US results have also been included as discontinued operations in the comparative income statements and cash flow statements. The C&C US balance sheet information at 31 December 2009 is however still included in the respective line categories in the balance sheet. C&C US is categorised as an asset held for sale at 31 December 2010 and therefore in accordance with IFRS 5 non-current assets held for sale its total assets and total liabilities are shown separately on the 31 December 2010 balance sheet.

Income from C&C US has been included in the Group's underlying earnings in 2010 as it is anticipated that following completion of the transaction with Equity One in January 2011 there will be an ongoing income stream from Equity One shares and joint venture units. A gain on disposal of C&C US of approximately £26 million will be recorded in the Group's 2011 results, with the gain being largely due to a reduction in the deferred tax liability associated with the Group's investment in Equity One and joint venture units compared to the liability in connection with C&C US.

A pro forma balance sheet analysis prepared as if the demerger and C&C US transaction had occurred at 31 December 2009 is included in the Other information section of this report.

Acquisition of The Trafford Centre and associated Capital Raising

The Group successfully completed an equity capital raise in November 2010 in connection with the acquisition of The Trafford Centre. The acquisition of The Trafford Centre was not completed until 28 January 2011 and therefore the impact, with the exception of certain costs of the transaction incurred in 2010, is not reflected in these financial statements. The associated capital raising raised net cash proceeds of £216 million, through a Placing of 62.3 million new ordinary shares issued at 355 pence per share.

As part of The Trafford Centre acquisition in January 2011 Peel subscribed £43.7 million for 12.3 million ordinary shares and £23.7 million for convertible bonds with a nominal value of £26.7 million converting into 6.7 million ordinary shares at a conversion price of 400 pence, giving a total cash inflow of £67.4 million. On completion of the acquisition the loan secured on Barton Square of £81 million was repaid. As indicated in the circular issued in November 2010, the Group also utilised £34 million of the cash raised to re-profile certain interest rate swap contracts in January 2011 which will benefit underlying finance costs.
See table at top of page 23.

Results for the year ended 31 December 2010

The results for the year ended 31 December 2010 reflect the improved conditions in the UK commercial property market in 2010. This is most clearly illustrated by the 11.0 per cent revaluation gain on the Group's UK shopping centres in the year. However, the general economic environment remains challenging and it is therefore encouraging that the Group achieved growth in both like-for-like net rental income and against the comparable 2009 underlying earnings per share, two of the Group's key measures of performance.

Income statement

The Group recorded a profit for the period of £529 million, a substantial improvement on the loss of £370 million recorded in the year ended 31 December 2009.

The £446 million profit from continuing operations in the year contrasts favourably with the £187 million loss recorded in 2009. The 2010 results include a £501 million gain on property valuations which is partially offset by a £50 million non-cash charge due to the movement in the fair value of derivative financial instruments. In contrast, the 2009 loss included a significant deficit on property valuations, £535 million, which was partially compensated by a £400 million favourable movement in the fair value of derivative financial instruments.

Those businesses classified as discontinued operations, which are detailed above, contributed a profit of £83 million in the period, largely due to property valuation gains.

Pro forma balance sheet post Trafford Centre acquisition	31 December 2010 £m	Completion of sale of C&C US £m	Impact of The Trafford Centre acquisition £m	Pro forma 31 December 2010 £m
Investment, development and trading properties	**5,076.5**	–	1,642.4	6,718.9
Investments	**45.2**	179.3	(5.9)	218.6
Net external debt	**(2,436.5)**	(4.8)	(747.3)	(3,188.6)
Other assets and liabilities	**(539.2)**	(12.1)	(99.0)	(650.3)
C&C US net assets	**147.3**	(147.3)	–	–
Net assets	**2,293.3**	15.1	790.2	3,098.6
Minority interest	**(19.9)**	–	–	(19.9)
Attributable to equity shareholders	**2,273.4**	15.1*	790.2	3,078.7
Fair value of derivatives (net of tax)	**314.9**	–	24.1	339.0
Other adjustments	**88.7**	(33.2)**	–	55.5
Net assets (diluted, adjusted)	**2,677.0**	(18.1)	814.3	3,473.2
Net external debt	**(2,436.5)**			(3,188.6)
Debt to assets ratio	**48%**			47%
Diluted, adjusted NAV per share	**390p**			390p

* The gain on sale of C&C US of £25.8 million comprises the increase of £15.1 million attributable to equity shareholders above plus £10.7 million of foreign exchange gains that have previously been taken directly to equity but are required to be recycled through the income statement on disposal.

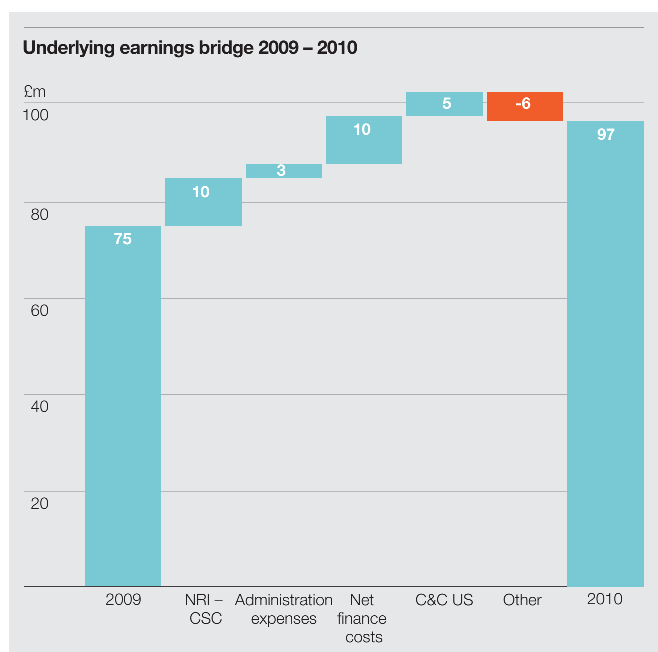
** The other adjustment of £33.2 million is the difference between the deferred tax liabilities as a result of the disposal of C&C US. Such deferred tax liabilities are added back in the calculation of diluted, adjusted net assets.

Underlying earnings, as shown in the chart, which excludes valuation and exceptional items, increased by £22 million to £97 million. However, the growth in underlying earnings per share was restricted by the issue of 256 million new shares in the 2009 capital raises, resulting in the increase being restricted to 0.3 pence per share from 15.1 pence to 15.4 pence.

The Group's net rental income which increased by 4 per cent to £277 million in the year benefitted from the income generated by the new developments at St David's, Cardiff and the St Andrew's Way mall at Eldon Square, and an encouraging return to like-for-like growth in the second half of the year. More detail on the rental performance is included in the Business review.

Administration expenses, excluding the £16 million exceptional costs, reduced from £26 million in 2009 to £23 million in 2010. The saving largely resulted from tight cost control and lower pension costs compared to 2009. In addition, costs, in particular employee related, have been reduced following the demerger of Capco in May 2010.

Underlying net finance costs, which exclude exceptional items, reduced by £10 million in 2010, with the benefit of the treasury strategy of loan prepayments and interest rate swap amendments more than offsetting the £15 million reduction in capitalised interest compared to 2009 following completion of the developments at St David's, Cardiff and Eldon Square, Newcastle.



Financial review
Continued

Exceptional costs incurred in the year included finance costs of £66 million incurred in the first half of the year largely on interest rate swap amendment costs, £28 million of which was in connection with the re-financing of the Lakeside facility. Expenses relating to the Capco demerger amounted to £8 million in the period. These costs are classified as exceptional administration costs. Exceptional administration costs in 2010 also include £4 million of costs relating to the acquisition of The Trafford Centre with the balance relating to the disposal of C&C US. Further costs relating to the Trafford Centre acquisition and related financial advice of £15 million were incurred in January 2011 and will be included in the Group's 2011 results.

Balance sheet

The Group's net assets attributable to equity shareholders have reduced from the £2.4 billion disclosed in the 2009 Annual Report to £2.3 billion, with the reduction in net assets resulting from the demerger of Capco more than offsetting the impact of the increase in property values recorded in 2010 and equity capital raised. A pro forma balance sheet analysis prepared as if the demerger and proposed sale of C&C US had occurred at 31 December 2009 indicates that the net assets at 31 December 2009 were £1.7 billion.

As detailed in the table below, net assets (diluted, adjusted) have increased by £530 million with the property valuation gain of £501 million being the most significant factor in the increase.

	31 December 2010 £m	Pro forma* 31 December 2009 £m
Investment, development and trading properties	**5,076.5**	4,618.0
Investments	**45.2**	39.1
Net external debt	**(2,436.5)**	(2,521.6)
Other assets and liabilities	**(539.2)**	(582.7)
C&C US net assets	**147.3**	127.3
Net assets	**2,293.3**	1,680.1
Minority interest	**(19.9)**	–
Attributable to equity shareholders	**2,273.4**	1,680.1
Fair value of derivatives (net of tax)	**314.9**	282.2
Other adjustments	**88.7**	83.8
Adjusted net assets	**2,677.0**	2,046.1
Effect of dilution	**–**	101.3
Net assets (diluted, adjusted)	**2,677.0**	2,147.4

* The pro forma analysis removes the Capco balances that were demerged and re-classifies the C&C US assets as held-for-sale, further details are included in the Other information section of this report.

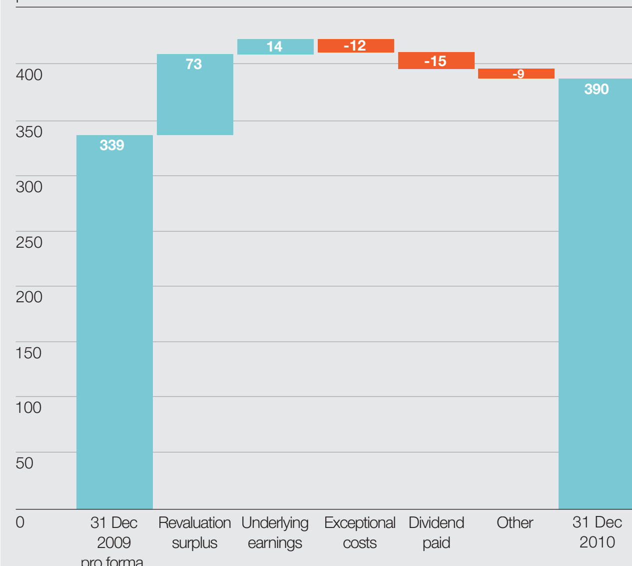
The investments of £45.2 million as at 31 December 2010 largely comprises the Group's interests in India, being a 25 per cent interest in the shopping centre developer, Prozone, and a 9.9 per cent interest in the listed Indian retailer, Provogue, our joint venture partner in Prozone. The Aurangabad centre (800,000 sq. ft.), Prozone's first centre, which opened in October last year, has continued to trade satisfactorily with over 150,000 weekly visitors on average. The number of retailers trading is expected to increase from 74 currently to around 90 by March 2011 with the multiplex cinema due to open in April. Prozone anticipates starting work shortly on the Coimbatore project where good progress is being made on design and signing anchor stores. The Nagpur project is planned to follow thereafter.

The fair value provision for financial derivatives, principally interest rate swaps, included in other assets and liabilities above, increased by £25 million largely as a consequence of the continued low UK interest rate environment. The most significant factor in the elimination of the effect of dilution from 31 December 2009 is the repayment of the £75 million convertible bonds in September 2010, rather than their conversion to equity capital.

Adjusted net assets per share

As illustrated in the chart below, diluted adjusted net assets per share of 390 pence at 31 December 2010 represents an increase of 15 per cent compared to the 31 December 2009 pro forma value of 339 pence. The increase is attributable to the property valuation gain, partially offset by the 2009 final dividend and the exceptional costs. The other reduction of 9 pence is due to the repayment of the convertible bonds, as noted above, and the impact of the capital raise in November 2010.

Net assets per share (diluted, adjusted) bridge
31 December 2009 – 31 December 2010



The uplift of 14 pence resulting from underlying earnings is slightly lower than the underlying earnings per share of 15.4 pence due to using the shares in issue at 31 December in this table rather than the weighted average shares in issue to calculate the underlying earnings per share.

Cash flow

The cash flow summary below shows a substantial reduction in the Group's cash balance in the period. This is due to the impact of the demerger and the strategy to minimise low income yielding cash held on the balance sheet through repayment of debt.

	2010 £m	2009 £m
Underlying operating cash generated	**250.7**	252.9
Net finance charges paid	**(161.3)**	(166.8)
Exceptional finance and other costs	**(81.9)**	(38.6)
Net movement in working capital	**(8.3)**	(2.6)
Taxation/REIT entry charge	**(37.9)**	(32.0)
Cash flow from operations	**(38.7)**	12.9
Property development/investments	**(51.6)**	(189.8)
Sale proceeds of property/investments	**74.8**	23.3
Other derivative financial instruments	**(26.2)**	–
Pension buy-out	**–**	(15.5)
Dividends	**(102.2)**	(23.0)
Cash flow before financing and equity raises	**(143.9)**	(192.1)
Net debt repaid	**(171.6)**	(241.0)
Equity capital raised	**222.4**	865.7
Impact of discontinued operations	**(248.7)**	67.5
Others	**21.7**	(8.3)
Net (decrease)/increase in cash and cash equivalents	**(320.1)**	491.8

The table below illustrates that recurring operating cash flow does not cover the dividend in the year. Cash generation will increase as the impact of rent free periods and incentives granted at recently completed developments reduce. Also, cash flows from the US were affected by the finalisation process of the Equity One transaction. It is anticipated that the Group will start to receive dividends from its Equity One investment in 2011.

Dividends – cash cover	**2010 Pence per share**
Underlying operating cash generated	**39.9**
Dividends received from C&C US (net of tax)	**0.3**
Net finance charges excluding exceptional items	**(25.7)**
Net movement in working capital	**(1.3)**
Recurring cash flow	**13.2**
2010 total dividends of 15.0p	**15.0**

2010 investment in property related assets was mainly limited to existing 2009 commitments, with the most significant expenditure in the period being in respect of St David's, Cardiff (£13 million), Eldon Square (£12 million) and Braehead (£5 million). A further £4 million was spent to increase the Group's existing investment in India.

Cash proceeds from the disposal of properties and investments generated £75 million, including £54 million net proceeds received from the disposal of Westgate, Oxford.

Net debt repayments of £172 million are discussed in the Debt structure and maturity section below.

Capital commitments

The Group has an aggregate commitment to capital projects of £90 million at 31 December 2010, down from the £124 million, excluding the Capco commitments, at 31 December 2009. The largest project within the outstanding commitments relates to finalisation of the St David's, Cardiff shopping centre project including the associated residential development, which will be funded through the loan facility secured on St David's, Cardiff. In addition to the committed expenditure, the Group has identified £128 million, including £50 million at The Trafford Centre, of active asset management opportunities. It is anticipated that £31 million relating to these projects will be incurred in 2011.

Financial position

The Group's debt is largely arranged on an asset-specific basis, with limited or non-recourse from the borrowing entities to other Group companies. This structure permits the Group a high degree of financial flexibility in dealing with debt issues and importantly avoids the concentration of covenant and refinancing risk associated with a single group-wide borrowing. The flexibility of this debt structure was evidenced by the success in obtaining, where required, lender consent to proceed with the demerger.

In addition to the asset-specific debt, the Group has a corporate revolving credit facility of £248 million, which is available until June 2013 and can be utilised to fund opportunities before they reach the stage that they can support their own financing arrangements. This facility, which was utilised to fund working capital requirements during the year, was undrawn at 31 December 2010.

Net external debt decreased from £2,522 million at 31 December 2009 to £2,437 million at 31 December 2010. The largest factor in the decrease is the £216 million net proceeds received from the capital raise completed in November 2010.

The Group had cash balances of £222 million at 31 December 2010. Available undrawn facilities at that date total £331 million, consisting of the £248 million revolving credit facility and approximately £83 million undrawn on the joint venture asset specific loan on St David's, Cardiff. In January 2011 £56 million of the St David's, Cardiff loan was drawn which, combined with the acquisition of The Trafford Centre, gives the Group headroom of c. £500 million.

Financial review
Continued

Group debt ratios were as follows:	31 December 2010	Pro forma* 31 December 2010	Pro forma** 31 December 2009
Debt to assets	**48%**	47%	55%
Interest cover	**156%**	N/A	141%
Weighted average debt maturity	**5.8 years**	8.0 years	5.5 years
Weighted average cost of gross debt	**5.7%**	5.9%	6.0%
Proportion of gross debt with interest rate protection	**94%**	95%	104%

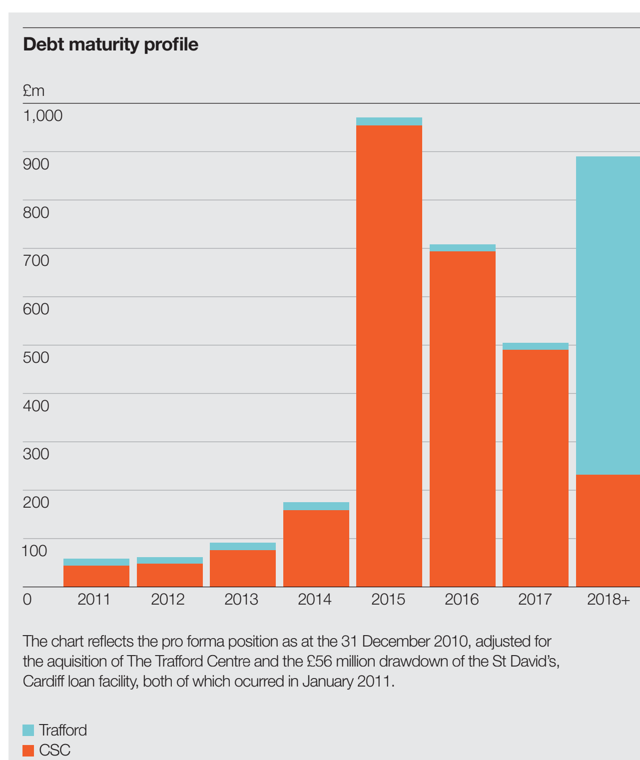
* The pro forma figures include The Trafford Centre balances following the acquisition which was completed on 28 January 2011.

** The pro forma figures remove the Capco balances that were demerged and the C&C US balances now held for sale.

The debt to assets ratio was 48 per cent, a substantial improvement on the pro forma level of 55 per cent at 31 December 2009. Adjusting for The Trafford Centre acquisition to give indicative pro forma figures results in:

- the debt to assets ratio reducing to 47 per cent from 48 per cent as at 31 December 2010
- the weighted average debt maturity increasing to 8.0 years from 5.8 years as at 31 December 2010
- the weighted average cost of gross debt increasing to 5.9 per cent from 5.7 per cent as at 31 December 2010
- proportion of gross debt with interest rate protection increasing to 95 per cent from 94 per cent at 31 December 2010

Debt structure and maturity



The chart reflects the pro forma position as at the 31 December 2010, adjusted for the aquisition of The Trafford Centre and the £56 million drawdown of the St David's, Cardiff loan facility, both of which ocurred in January 2011.

The significant repayments of Group debt during 2010 were £36 million of scheduled loan amortisation plus a voluntary £48 million prepayment on the loan secured on Victoria Centre, Nottingham and the £75 million of convertible bonds.

In 2011 and 2012, the Group has no debt maturities other than scheduled amortisation. £27 million of unsecured bonds mature in 2013 with the next maturity of secured loans being £56 million in 2014. The undrawn revolving credit facility of £248 million and the facility secured on St David's, Cardiff mature in 2013 and 2014 respectively.

Financial covenants

Full details of the loan financial covenants are included in the Other information section of this report.

Financial covenants apply to £2.5 billion of secured asset-specific debt. The two main covenants are Loan to Value (LTV) and Interest Cover (IC). The actual requirements vary and are specific to each loan.

As noted in the Interim Report in the first half of 2010 the Group made asset-specific loan prepayments of £48 million and £36 million of swap repayments to reduce financial covenant risk. A further £34 million of CMBS notes, which were owned by a Group company since issuance, were cancelled at zero cash cost to the Group. £2 million was injected into Xscape Braehead Partnership in April 2010, as part of a loan prepayment and covenant moderation agreement which included the Loan to Value covenant being waived until 2012.

The Group is in compliance with all of its corporate and asset-specific loan covenants.

During the year a new £248 million revolving credit facility was put in place with maturity in June 2013. This renegotiation also resulted in reduced borrowing costs and improved financial covenants. These financial covenants are tested semi-annually on a number of the Group's companies, defined as the Borrower Group, and all tests are currently satisfied.

There is a minimum capital cover and interest cover condition applicable to the £231 million mortgage debenture tested semi-annually. Both tests were satisfied at 31 December 2010, the latest test date. Compliance with financial covenants is and will continue to be constantly monitored.

Re-financing activity

The £546 million loan and associated CMBS notes secured on Lakeside, Thurrock were scheduled to mature in July 2011 but were re-financed in January 2010 with a new £525 million, seven year loan maturing in 2017 to take advantage of the improvement in bank liquidity and reduce near term refinancing risk.

At the time of prepayment the loan had a funding cost of 5.5 per cent. The new loan was partially hedged in 2010, with a significant exposure to low variable interest rates which was a factor in reducing the Group's average cost of debt from 6.0 per cent to 5.7 per cent. The hedging arrangements require an increasing level of protection from 60 per cent in 2010, to 75 per cent in 2011 and 2012, and 90 per cent thereafter until maturity.

As indicated in the circular issued in connection with the acquisition of The Trafford Centre, the Group has repaid the £81 million loan secured on Barton Square and also utilised £34 million of cash to re-profile certain interest rate swap contracts in January 2011.

Interest rate hedging and fair value of financial instruments

At 31 December 2010 the fair value of the Group's derivative financial instruments was a net liability of £340 million. This liability includes the Group's derivative contracts to hedge both interest rate and currency risk. During the period scheduled derivative payments of £97 million were made plus £64 million of interest rate swap prepayments. However lower sterling interest rates resulted in the liability increasing by £25 million from the comparable pro forma balance at the end of 2009.

At 31 December 2010 the Group's gross debt was 94 per cent hedged by a combination of fixed rate debt or floating rate debt with rate protection through interest rate swaps and interest rate caps. Whilst interest rate swaps fix the interest rate payable and provide certainty over future cash flows, interest rate caps allow the Group certainty on the upper level of interest rate payable but also benefit from participating in the current low rate environment.

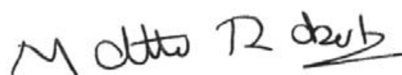
Following completion of the Equity One transaction, the Group is reviewing its currency hedging policy and therefore the existing currency swaps may not be renewed as they mature.

Taxation

Since the Group became a UK REIT on 1 January 2007, the Group has made REIT entry charge payments of £147 million, including payments made in respect of Capco prior to demerger, with £42 million paid in 2010. The remaining balance of £21 million will be paid in 2011. The financial benefits to date have amounted to £173 million, comprising net rental income and capital gains sheltered from UK tax. In addition, an estimated £33 million will be payable in respect of The Trafford Centre.

The tax charge on continuing operations in the period of £1 million comprises the REIT entry financing charge of £3 million partially offset by deferred tax credits on the revaluation of interest rate swaps.

The total tax charge on discontinued operations of £12 million comprises £10 million deferred tax on the revaluation of the C&C US properties and £2 million of irrecoverable withholding tax suffered on dividends paid by C&C US.



Matthew Roberts
Finance Director

23 February 2011

Key risks and uncertainties

The key risks and uncertainties facing the Group are set out in the table below:

Risk	Description
Financing	
Liquidity	Reduced availability
Economic and property market downturn	Property values decrease Reduction in rental income Macro economic conditions deteriorate
Interest cover	Interest rates fluctuate
Market price risk of fixed rate derivatives	Interest rates fluctuate resulting in significant assets and/or liabilities on derivative contracts
REIT	Breach REIT conditions PID requirements
Group's ordinary shares are dual-listed	The Group's ordinary shares are listed on the London and Johannesburg stock exchanges
Joint Ventures	Reliance on JV partners' performance and reporting
Asset Management	
Tenants	Tenant failure
Voids	Increased voids, failure to let developments
Reputation	
Responsibility for visitors to shopping centres	Failure of Health & Safety
Business interruption	Lost access to centres or head office
People/HR	
Staff	Loss of key staff
Developments	
Time	Planning
Cost and letting risk	Construction cost overrun, low occupancy levels
Strategy	
Defining and executing the Group's strategy	Inappropriate strategy defined or poor execution of strategic plans

Impact	Mitigation
Insufficient funds to meet operational and financing needs	Capital raisings have enhanced liquidity position Regular reporting of current and projected position to the Board Efficient treasury management and active credit control process
Impact on covenants and other loan agreement obligations	Regular monitoring of LTV and IC covenants and other obligations Covenant headroom monitored and maintained; regular market valuations; focus on quality assets
Lack of certainty over interest costs	Hedging to establish long term certainty
Potential cash outflow if derivative contract contains break clause	Manage derivative contracts to achieve a balance between hedging interest rate exposure and minimising potential cash calls
Tax penalty or be forced to leave the REIT regime Requirement to pay 90 per cent of income restricts ability to retain cash for investment	Regular monitoring of compliance and tolerances Alternative sources of investment funding constantly under review
Additional complexity when assessing options for capital raising	Professional advice sought in both jurisdictions to ensure Group capital needs are met in optimal manner
Partners underperform or provide incorrect information	Agreements in place and regular communication with partners
Financial loss	Initial and subsequent assessment of tenant covenant strength Active credit control process
Financial loss	Policy of active tenant mix management
Impact on reputation or potential criminal/civil proceedings	Annual audits carried out by independent external consultants Health & Safety policies in place
Impact on footfall and tenant income Adverse publicity	Documented Business Recovery Plans in place Security team training and procedure in shopping centres Terrorism risks monitored
Adverse impact on the Group's performance	Succession planning; performance evaluation; training and development; incentives and rewards
Securing planning consent for developments	Policy of sustainable development and regeneration of brownfield sites Constructive dialogue with planning authorities
Returns reduced by increased costs or delay in securing tenants	Approval process based on detailed project costs; regular monitoring and forecasting of project costs and rental income; fixed cost contracts
Financial loss Sub-optimal returns Reputational impact	Experienced management team familiar with shopping centre industry Use of research and third party diligence expertise as required Board review process

Corporate responsibility

Introduction

Capital Shopping Centres Group (CSC) has developed a comprehensive annual Corporate Responsibility (CR) report which is published on the Group website at **www.capital-shopping-centres.co.uk/cr**. This report sets out all our environmental and community engagement initiatives and the data underpinning them. Recognised by our achievement in 2010 of the coveted BitC CommunityMark, held by only 38 UK companies, our CR report is both wide-ranging and business focused and is subject to detailed external verification by Bureau Veritas. The following represents a brief high level review of our ongoing CR initiatives and the full story can be viewed via the web link given above.

Marking our commitment

CSC is focused purely on prime regional shopping centres. These assets take time to assemble and are intended to be commercial and social hubs for the communities they serve. As such they represent long-term investments for us and for everyone who interacts with them including customers, retailers, suppliers and other local stakeholders including local authorities and residential communities. As the largest owner of such centres in the UK CSC has the opportunity to work with people in many locations. The issues faced by these communities are often strikingly similar.

We retained our ranking in all the external indices with which we have engaged for several years. In addition to the BitC Corporate Responsibility Index, FTSE4Good, JSE SRI Index, Dow Jones Sustainability Indexes and the Carbon Disclosure Project we were delighted during 2010 to achieve a significant new community engagement award (BitC CommunityMark) and a valuable certification acknowledging CSC's thorough approach to energy and carbon management (Carbon Trust Standard).

Move Forward with Confidence

Environment

Promoting the green approach

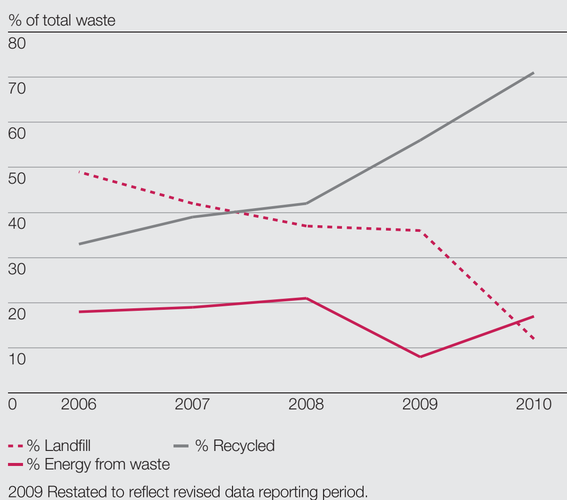
CSC has spent a very considerable amount of time and staff have also demonstrated their own personal commitment to comply with the requirements of the UK Carbon Reduction Commitment Energy Efficiency Scheme (CRC). The real estate sector along with other commercial energy users is disappointed that the positive and competitive aspects of the CRC have been removed, without consultation, by the recent Government Comprehensive Spending Review, leaving us to deal with what is simply a carbon tax. Notwithstanding these changes, CSC has achieved the strongest bases available for CRC compliance by successfully achieving the Carbon Trust Standard certification in April 2010.

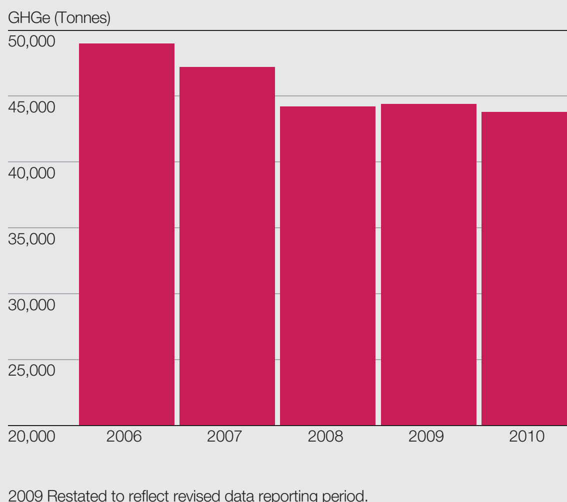
Our centres continue to deploy relevant technology to optimise efficient energy use and to explore new ways to bear down on energy demands. Water has been described as the new oil; and CSC is working at all our centres to ensure that unnecessary water use is minimised and the recycling of rain and other water (grey water) is promoted. We have set up a Carbon Alternative Review Group, drawing together different segments of our business, to explore the next generation of low carbon/carbon neutral sources of energy, commission expert advice and carry out trials as appropriate.

CARBON DISCLOSURE PROJECT

Green partnerships – Braehead, The Harlequin, The Glades, Lakeside

The good of the environment is also promoted when waste, of all types, is reduced. We continue to place great importance on driving annual improvements in the volumes of waste generated at the centres which go to be recycled rather than disposed of by other means. We are proud to report an increased volume of waste sent for recycling: at 71% in 2010 up from 56% in 2009. Useful linkages have been made between community and environmental issues in our CR programme. We have worked with BTCV for several years and support Green Gyms near Braehead and The Harlequin. These projects promote care for local public green spaces and give healthy outdoor volunteering opportunities to people who will directly benefit from the experience and the chance to engage with others living and working locally. As a founder member of the new Bromley Environmental Partnership, The Glades is piloting water saving measures at the centre and, with CSC at Group level, is working with Bromley Council and BTCV to launch a new Green Gym for local people in the Penge area. CSC supports sustainable travel options and maintains Sustainable Travel Plans for all our directly managed centres. Building on from this and our work with the national cycling charity, Sustrans, Lakeside was proud to sponsor the 2010 Lakeside and West Thurrock Cycle Map published by Thurrock Council.





Watford Green Gym

Corporate responsibility
Continued

Community

Continuous community engagement

Hours of community support

2006	2007	2008	2009	**2010**
4,300	3,728	4,510	5,330	**3,750**

Charitable donations £

2006	2007	2008	2009	**2010**
176,000	271,000	290,000	309,000	**223,000**

Total cash equivalent community support £

2006	2007	2008	2009	**2010**
931,000	1,243,000	1,365,000	1,337,000	**1,881,000**

CSC runs a wide-ranging programme of projects and initiatives working closely with stakeholders in the communities served by our directly managed shopping centres. The positive impact of these locally tailored projects has helped us to gain the BitC CommunityMark.

These are just two examples of our 2010 projects. Full coverage of all those undertaken during the year can be found at: **www.capital-shopping-centres.co.uk/cr**

Cadet150 – Braehead

2010 saw the celebration of the 150th Anniversary of the Armed Forces Cadet Movement during which the Army, Royal Navy and Royal Air Force combined to showcase the aims, objectives and achievements of all three cadet forces in Cadet150, a year-long, nationwide series of events. Our long-standing support of the Sea Cadets provided the catalyst for CSC to sponsor and host one of the high-profile national celebrations at Braehead. The culmination of more than two years' planning took place at Braehead in April when the shopping centre welcomed participants to a weekend of activities including musical parades, exhibitions, demonstrations and displays of drill and other skills. More than 300 cadets took part together with leaders and instructors. Representatives from the west of Scotland community, including local government, joined families and friends of the young people involved and the two-day event was enjoyed by thousands of shoppers visiting Braehead.

Create – The Harlequin

Create is a dynamic charity that uses the creative arts to help transform the lives of the most disadvantaged and vulnerable people in our society. Using professional artists – such as musicians, dancers, writers and actors – Create develops and delivers an extensive, UK-wide programme of education and community activities across all art forms.

Empowering young people to contribute to a fairer, safer, more tolerant, more caring society in the areas we serve is at the core of our corporate responsibility stakeholder programme. Create designed a project specifically to team up students from a mainstream secondary school, Parmiter's School, Garston, with a special secondary school, Breakspeare School, Abbots Langley, both serving the Watford area.

The Harlequin supported the project, "sound:images", designed to break down barriers, build friendships, enhance life experiences and increase self-fulfilment for two sets of young people. The project consisted of two elements, photography and music.

The preparation and hard work culminated in two joint performances by students of Parmiter's and Breakspeare schools on 16 July 2010, hosted by The Harlequin in the malls. The shows met with an emotional and rousing response from the audience which included Dorothy Thornhill, Elected Mayor of Watford, parents of the students and shoppers.

Business in the Community

CommunityMark
developed by Business in the Community

Cadet150 celebrations at Braehead

Create at The Harlequin

Supporting business philanthropy

In a completely different setting, CSC's long-term support for young people is shown by our continuing support for the Engaging Experience Philanthropy Network gatherings in London where younger workers in the City and a broad cross-section of those who have founded and acted as the energy centres in charitable initiatives, not only in London but across the country, can meet and discuss the problems and opportunities faced by the Third Sector. The Network also champions charities that are developing winning approaches to very difficult social issues and profiles case studies which could inspire and inform others.

BitC CommunityMark – joining a select group of UK companies

The BitC CommunityMark programme is unique. It gives special prominence to corporate community engagement initiatives and once the award has been gained it is valid for three years and creates a stimulating partnership between the winning organisation and the BitC CommunityMark assessors. This ensures that the best practice of the winner is further developed and supported. Only 38 organisations have achieved the CommunityMark and CSC were proud to be announced as amongst the four 2010 winners last November. Amongst a complex process of submission and verification the CommunityMark takes confidential feedback from employees and community partners of the organisation submitting for the award.

CSC scored very highly in these crucial areas. We will continue to devote a great deal of energy and thought to our community engagement which not only contributes directly to the standing of our business in the eyes of those we serve and amongst all of the stakeholders who, in one way or another, invest in our future, and in the aspirations of those of us employed in the Group, but also substantially complements the quality of all our endeavours.

Corporate responsibility
Continued

People

Our employees are fundamental to the success of our business and to the delivery of a high quality service to our shoppers and retail occupiers.

Performance indicator	2005	2006	2007	2008	2009*	2009 to* 31 Dec	**2010 to 31 Dec**
Total employees	884	374	337	292	268	240	**228**
Management retention (%)	86	82	92	90	94**	93	**91**
All employee retention (%)	81	72	86	87	92	91	**89**
Management female (%)	34	40	40	39	39	34	**41**
All employees female (%)	41	58	62	62	60	61	**64**

* Due to the way in which data was analysed until 2009, some data, including HR, was reported for the year October to September annually. Our data collection and analysis methods have been improved to allow us now to report CR data for the corporate year to 31 December annually. For comparative purposes, we have restated the 2009 calendar year excluding Capital & Counties' employees.

** Retention is calculated taking into account unplanned leavers only, i.e., those employees who left as a result of resignation or dismissal.

Our shopping centre teams and employees throughout the business win accolades and awards every year for the quality and consistency of their work. These individual and team successes have contributed to the achievement of Group awards like the BitC CommunityMark. Here are some other accolades achieved in 2010:

St David's Partnership:
International Shopping Centre of the Year, The Global Retail Leisure International (RLI) Awards

St David's Partnership:
BCSC Supreme Gold, In-town Retail Scheme (more than 300,000 sq. ft.)

St David's Partnership:
BCSC Gold, In-town Retail Scheme (more than 300,000 sq. ft.)

Eldon Square:
BCSC Gold, In-town Retail Scheme (more than 300,000 sq. ft.)

The Chimes:
Sceptre Awards, Marketing Manager of the Year – Michelle Moffitt

Braehead:
Renfrewshire Council Tidy Business Awards, Tidy Business Gold Award

Health and Safety

CSC is committed to delivering high standards across all aspects of our operations and is acutely aware of the paramount need to offer our shoppers a secure and safe environment throughout our shopping centres. Equally, we place the highest importance on the Health and Safety (H&S) of our occupiers and employees working in our properties to provide the safest possible environment for shoppers and those working at the centres. Every practical step is taken to achieve our objectives, including working with the police and industry bodies to ensure we respond to heightened security alerts.

Our H&S policy is overseen by the CSC Board and implemented through an H&S management system which promotes a strong culture of safety consciousness throughout the organisation. Since the demerger we have consolidated the devolved committees into a single CSC Health & Safety Executive Committee. The role of the Committee is to review new legislation, oversee H&S progress, review accident reports and disseminate policies and considered best practice to operational teams.

As part of the two-way dissemination of information, each shopping centre has an H&S forum whose responsibility it is to implement policies, monitor all H&S issues, provide feedback and report to the Committee. The Operations Manager at each centre has delegated responsibility for H&S matters and leads the forum. Regular meetings of the Operations Managers take place during the year at which H&S is always on the agenda. All our H&S activity is monitored by independent external advisers. They attend all H&S Committee meetings and Operations Managers meetings.

We continue to work to ensure that the disabled facilities in our properties meet the requirements of our shoppers and occupiers. We monitor impending legislation and plan our compliance. Asbestos Management Plans are in place in all properties where it is applicable. External audits have been undertaken and all recorded asbestos is now confined to "low risk".

H&S performance (UK directly managed shopping centres)
RIDDOR incidents (reportable accidents)

2006	2007	2008	2009	**2010**
29	20	44	36	**55**

Employees
RIDDOR incidents

2006	2007	2008	2009	**2010**
3	0	0	0	**0**

Key relationships

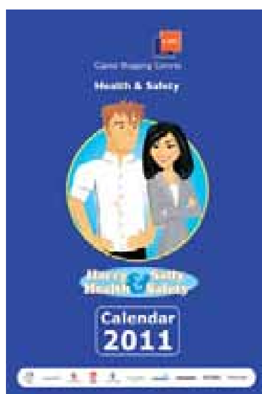
Various companies within the Group have contractual arrangements with a large number of third parties including tenants, joint venture partners, service providers and construction companies. The Directors do not consider that disclosure of the terms of any particular contractual arrangement is necessary to provide an understanding of the development, performance or position of the Group's business.

Tenants

CSC is committed to active tenant management and ongoing investment in its shopping centres with the aim of creating, through a mix of retail, catering and leisure facilities, a compelling choice for both retailers and the shopping public. To achieve this, proactive relationships with our primary customer, the retailer, are essential. Understanding a retailer's business model and needs help inform their space requirements which strengthens CSC centres as compelling destinations for shoppers.

Top 20 tenants account for 41 per cent of CSC's rent

Rank	Tenant group	No of units	% of rent
1	Arcadia	43	5%
2	Next	18	3%
3	Boots	17	3%
4	HMV	21	2%
5	H&M	13	2%
6	BHS	11	2%
7	Monsoon	26	2%
8	Primark	7	2%
9	River Island	12	2%
10	DSG	12	2%
11	WH Smith	11	2%
12	Sports World	12	2%
13	Debenhams	5	2%
14	Clinton Cards	18	2%
15	New Look	11	2%
16	House of Fraser	4	2%
17	Signet Group	24	1%
18	Republic	13	1%
19	JD Sports	12	1%
20	Superdrug	10	1%
Top 20 tenants total		**300**	**41%**



Joint venture partners

The Group is involved in carefully evaluated and fully negotiated business partnerships with companies of suitable stature having similar business ethics, both in the UK and overseas. In each of the partnerships, CSC insists on board representation to ensure that we have shared control in the management of the business.

Our partnership with Provogue (India) Limited, "Prozone-CSC", works collectively to ensure that appropriate systems are in place to promote and safeguard health & safety and welfare matters of relevance to all those working on the construction and subsequent operation of all sites under its control.

Supply chains

A company's relationships with its supply chains are viewed as increasingly important, with an emphasis in the areas of environmental management, sharing best practice and employee development and engagement. We recognise the wide range of potential impacts arising from our supply chains as they relate to the development of our property portfolio and the procurement of the products and services for its management and operation. To this end, we have established procedures for working with key suppliers to deliver our CR objectives.

Our key suppliers are those we have contracted to provide services at our regional shopping centres. There are two principal types of services provided; "soft" services – the provision of security and cleaning and "hard" services – technical services, such as heating, lighting and building management.

Our existing contractual arrangements, for soft and hard services at our directly managed shopping centres, come to an end on 31 March 2011 and during 2010 we undertook an exhaustive tendering process to sign a new five-year contract with two companies which share our high standards of business ethics and people values. Our three companies together will form an industry leading Facilities Management Alliance which will seek to continually improve services standards whilst containing costs through collaboration, driving innovation and sharing best practice.

Board of Directors

Chairman and Executive Directors

Patrick Burgess MBE
Chairman
Age 66 ● ● ●

Appointed a Non-Executive Director of the Group in 2001 and Chairman on 1 August 2008. Qualified as a solicitor in 1992 and became a Partner in Gouldens in 1974, serving as head of the Corporate Department for 14 years and Senior Partner for six, culminating with the merger of Gouldens with Jones Day in 2003, from which he retired in 2007. Mr Burgess is also a Non-Executive Director of Standard Bank PLC, has a wide experience of business and has been active in a number of charitable and community organisations.

Chairman of the Capital Projects Committee

Chairman of the Nomination and Review Committee

Chairman of the CR Committee

David Fischel
Chief Executive
Age 52 ● ●

Qualified as a chartered accountant in 1983. Joined the Group in 1985, appointed Finance Director in 1988, Managing Director in 1992 and Chief Executive in March 2001.

Kay Chaldecott
Executive Director, Property
Age 48 ● ●

Joined the Group in 1984, since when she has worked on all of CSC's UK shopping centres with experience in investment, leasing and retailer relationships, development, asset management and property management. Chairman of CSC London which has responsibility for ten of the Group's fourteen centres.

Matthew Roberts
Finance Director
Age 47 ●

Joined the Group on 17 May 2010 and was formally appointed to the Board on 3 June 2010. Previously the Finance Director of Debenhams plc from 1996 to 2003, where he managed its 1998 IPO and ran its international business and property function. From 2004 to 2008 Matthew was Chief Financial Officer of Gala, subsequently Gala Coral Group Ltd, and led a number of acquisitions and fundraisings including the creation of a £3 billion debt package following the acquisition of Coral.

Committees:

- ● Capital Projects Committee
- ● Audit Committee
- ● Nomination and Review Committee
- ● CR Committee
- ● Remuneration Committee

Non-Executive Directors

John Abel
Age 66

John Abel was appointed as a Non-Executive Director in 2010. Until his retirement in 2005, he was Managing Director of CSC, having commenced his career with CSC in 1972. He was a Non-Executive Director of the Group from 2005 to 2008.

Richard Gordon
Age 52

Richard Gordon was appointed as a Non-Executive Director of the Group upon completion of the demerger of the Capital & Counties business in May 2010. He is the son of the Group's President for Life, Sir Donald Gordon. He was a Non-Executive Director of CSC between 1996 and 2006.

Ian Henderson CBE
Age 67 ● ● ●

Appointed a Non-Executive Director in 2005. Formerly Chief Executive of Land Securities PLC and has been widely involved in industry matters, including being a past President of the British Property Federation. He is a member of the President's Committee of London First, a Trustee of The Natural History Museum, a Council member of The Royal Albert Hall and Chairman of the Governors of the Dolphin Square Foundation. He is also Chairman of Evans Management Limited and of Ishaan Real Estate PLC. A Non-Executive Director and Deputy Chairman of Capital & Counties Properties PLC.

Chairman of the Remuneration Committee

Andrew Huntley
Age 72

Appointed a Non-Executive Director on 8 July 2009. Andrew Huntley is a Chartered Surveyor whose career with Richard Ellis commenced some 40 years ago. He was Chairman of Richard Ellis from 1993 until 2002. He was a Non-Executive Director at Pillar Property plc from 2000–2005 and is currently Non-Executive Chairman of Metric Property Investment PLC and a Non-Executive Director of Capital & Counties Properties PLC and Miller Group Limited.

Rob Rowley
Senior Independent Director
Age 61 ● ● ●

Appointed a Non-Executive Director in 2004. Senior Independent Director. Formerly Executive Deputy Chairman of Cable & Wireless plc and a Non-Executive Director of Prudential plc where he chaired the Audit Committee. He joined Reuters Group plc in 1978, and was an Executive Director between 1990 and 2001 and Finance Director from 1990 to 2000. Currently a Non-Executive Director of Taylor Wimpey plc.

Chairman of the Audit Committee

Neil Sachdev
Age 52 ● ●

Appointed a Non-Executive Director in November 2006. Formerly Property Director for Tesco PLC which he joined in 1978, he became Commercial Director for J Sainsbury PLC in March 2007, and was subsequently appointed Property Director in June 2010. He is Chairman of the Institute of Grocery Distribution.

Andrew Strang
Age 58 ●

Appointed a Non-Executive Director on 8 July 2009. Andrew Strang was the Managing Director of Threadneedle Property Investments Limited until January 2008. He is Chairman of Hermes Real Estate Investment Management Limited, a Director of the British Property Federation and a Non-Executive Director of Capital & Counties Properties PLC. He is a member of the Norges Bank Investment Real Estate Advisory Board and a member of the Investment and Governance Committees at AEW UK, a trading name of AEW Europe LLP. He is a Chartered Surveyor having started his career with Richard Ellis in 1975.

John Whittaker
Deputy Chairman
Age 68 ●

Appointed a Non-Executive Director and Deputy Chairman of the Group in January 2011. Mr Whittaker is Chairman of the Peel Group which he founded in 1971 and is a highly regarded real estate investor. His appointment to the Board followed the acquisition by CSC of The Trafford Centre, Manchester from the Peel Group, a leading UK infrastructure, transport and real estate enterprise with assets under management in excess of £6 billion.

Management team

Corporate/Head Office

Kate Bowyer Investor Relations Manager

Joined the Group in 2000 as Group Financial Controller and was appointed Investor Relations Manager in 2008. She qualified as a Chartered Accountant with Coopers & Lybrand (now PricewaterhouseCoopers) in 1995, working in their Canadian and corporate finance practices.

Claire Combes Head of Risk and Internal Audit

Joined the Group as Head of Risk and Internal Audit in 2009. Qualified as an ACA with Coopers & Lybrand in 1993 and now focuses on Risk & Audit. Previously held Head of Risk and Audit positions in three FTSE 100 and large private companies.

Susan Folger Group Company Secretary

Joined the Group as Company Secretary in 2000. Fellow of the Institute of Chartered Secretaries and Administrators. Commenced her career at the London Stock Exchange, and has been Company Secretary of three FTSE real-estate sector companies prior to joining the Group.

Hugh Ford General Corporate Counsel

Appointed General Corporate Counsel to the Group in 2003. Previously he was General Manager Legal at Virgin Atlantic Airways, and before that a commercial lawyer with British Airways Plc. He qualified as a solicitor in 1992 with Freshfields.

Brian Horsfield Chief Information and Systems Officer

Joined the Group as Chief Information & Systems Officer in October 2008. Former IS Director of Wolseley UK & Ireland and has over 20 years' IT experience including senior UK and European IT roles.

Gary Hoskins Head of Tax

Joined the Group in 2003. Qualified as a Chartered Accountant with KPMG in 1997, working in their property taxation team. A member of the British Property Federation's Taxation and VAT Committees.

Mark Kildea Group Treasurer

Joined the Group in 1995 and was appointed as Group Treasurer in 1998. Member of the Association of Corporate Treasurers. He worked in banking prior to joining the Group.

Bernie Kingsley Head of Human Resources

Joined the Group as Head of Human Resources in March 2009. Previously he was Head of Employee Relations at BAA Airports Limited and has over 30 years' experience in HR, leading the function in a range of companies in the manufacturing and service sectors.

Alexander Nicoll Director of Corporate Responsibility

Joined the Group as Director of Corporate Responsibility in 2007. Previously Head of Internal Communications for the Church of England. Has served in London local government and was Lord Mayor of the City of Westminster during 2006–2007.

Peter Weir Group Financial Controller

Joined the Group in October 2008 as Group Financial Controller. Previously worked in a number of finance roles in both listed and privately owned companies, lastly before joining the Group as Finance Director – Europe at Fidelity International. A member of ICAS.

CSC London

Kay Chaldecott Chairman

See page 36.

Caroline Kirby Property Director

Appointed Property Director for Capital Shopping Centres PLC in October 2005 and has responsibility for the investment management of the shopping centre portfolio.

Has worked for the Group since August 1992 gaining extensive experience in a wide range of CSC's regional shopping centres including involvement in some major investment transactions such as Chapelfield, Norwich; Victoria Centre, Nottingham; Manchester, Arndale; Cribbs Causeway, Bristol, and latterly The Trafford Centre.

Trevor Pereira Commercial Director

Appointed Commercial Director of Capital Shopping Centres PLC in 2007 with responsibilities for shopping centre operations, marketing and supply chain, and has subsequently taken responsibility for property management as well. Previously worked for airport group BAA plc for 21 years, latterly as Retail and Commercial Director for Heathrow Airport.

Construction and Development

Martin Ellis Construction Director

Appointed a Director of Capital Shopping Centres PLC on 1 October 2005. He initially joined the Group in 1990, before moving to a consultant in 1993 and returning to CSC in 2000. Appointed in 2008 as Managing Director, Liberty International Construction and Development Limited. Following the demerger of the Capital & Counties business in May 2010, he reverted to being CSC's Construction Director responsible for development and construction projects.

CSC Trafford

Mike Butterworth Chairman

Joined the Group as Chairman, CSC Trafford in January 2011. Formerly the Property Director of Peel Holdings and the Managing Director of The Trafford Centre Ltd. A fellow of the Royal Institution of Chartered Surveyors.

Gordon McKinnon Operations Director

Joined the Group as Operations Director, CSC Trafford in January 2011. Spent 20 years in various roles with Marks and Spencer, before taking up an assignment with Manchester Millennium Ltd, the task force rebuilding Manchester City Centre following the 1996 IRA bomb. Subsequently appointed Chief Executive of Manchester City Centre Management Company Ltd. He was appointed Director of Operations at The Trafford Centre in 2004.

Julian Wilkinson Property Director

Joined the Group as Property Director, CSC Trafford in January 2011, responsible for investment and property management. He has held similar positions at Director level over the last 15 years as a retailer and landlord. He was appointed Director of Property at The Trafford Centre in 2006.

Directors' report

The Directors have pleasure in presenting their Annual Report and the audited financial statements for the year ended 31 December 2010.

Principal activities

During the period the principal activity of Capital Shopping Centres Group PLC ("CSC") was that of an investment holding company incorporated in the United Kingdom whose business is the management of a portfolio of investments in the property sector predominantly, but not exclusively, in the United Kingdom. CSC has been a Real Estate Investment Trust ("REIT") since 1 January 2007.

CSC is the leading specialist developer, owner and manager of pre-eminent UK regional shopping centres.

Business review

The Chairman's statement on pages 6 to 8, the Business review on pages 12 to 19, the Financial review on pages 22 to 27, and Key risks and uncertainties on pages 28 to 29 provide detailed information relating to the Group, the operation, development and future prospects of the business, the results and financial position for the year ended 31 December 2010 and the principal risks and uncertainties facing the Group. The Corporate Responsibility review on pages 30 to 35 contains information about environmental matters, the Group's employees and social and community matters. The Financial review, accounting policies on pages 69 to 72 and note 32 on pages 89 to 95 contain information on the use of financial instruments.

Dividends

The Directors declared an interim ordinary dividend of 5 pence (2009 – 5 pence) per share on 5 August 2010, which was paid on 3 November 2010, and have recommended a final ordinary dividend of 10 pence per share (2009 – 11.5 pence).

Share capital and control of the Company

Details of the Company's share capital including changes during the year in the issued share capital and details of the rights attaching to the Company's ordinary shares are set out in note 35 on page 97. Details of shares repurchased by the Company and held as treasury shares are set out in note 37 on page 98. No shareholder holds securities carrying special rights with regards to control of the Company. Shares held by the Company's Employee Share Ownership Plan rank pari passu with the shares in issue and have no special rights, but voting rights and rights of acceptance of any offer relating to the shares rest with the Plan's Trustee and are not exercisable by the employees.

There are no restrictions on voting rights or any arrangements by which, with the Company's co-operation, financial rights are held by a person other than the shareholder, or any agreements between shareholders known to the Company which may result in restrictions on the transfer of shares or on voting rights.

Under a £248 million Revolving Facility agreement dated 25 February 2009 (as amended by an agreement dated 19 February 2010) between, amongst others, the Company and HSBC Bank PLC (as Agent), on a change of control, if directed by the majority lenders, the Agent may by notice to the Company cancel the facility and declare all or part of the outstanding loans repayable on demand and/or declare all or part of the outstanding loans, together with accrued interest and all other amounts accrued under the finance documents, immediately due and payable.

The Company is not party to any other significant agreements that would take effect, alter or terminate following a change of control of the Company.

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company share schemes may cause options and awards outstanding under such schemes to vest on a takeover. The terms of appointment of the Non-Executive Directors provide for a payment equal to their basic annual fee in the event of change of control in recognition of the additional work involved in such an event.

Going concern

After making enquiries, the Directors have reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Shareholders' attention is drawn to the Going Concern disclosure contained in the Notes to the accounts on page 69.

Internal control

The statement on Corporate governance on pages 42 to 50 includes the Board's assessment following a review of internal controls and consideration of the 2005 Financial Reporting Council's internal control guidance for Directors.

Directors' report
Continued

Directors

The Directors of CSC who held office during the year were as follows:

Chairman:
D.P.H. Burgess

Executive:
D.A. Fischel
K.E. Chaldecott
E.M.G. Roberts (appointed 3 June 2010)

Non-Executive:
J.G. Abel (appointed 2 June 2010)
R.M. Gordon (appointed 7 May 2010)
I.J. Henderson
AJ.M. Huntley
R.O. Rowley
N. Sachdev
A.D. Strang

Retired during the year:
I.C. Durant (resigned 17 May 2010)
I.D. Hawksworth (resigned 7 May 2010)
G.J. Gordon (resigned 7 May 2010)
M. Rapp (retired 2 June 2010)

Mr R.M. Gordon appointed Mr G.R. Fine as his alternate on 7 May 2010.

Since the year-end, Mr John Whittaker has been appointed as a Non-Executive Director and Deputy Chairman with effect from 28 January 2011. He has appointed Steven Underwood as his alternate with effect from 22 February 2011.

In line with provision B.7.1 of the new UK Corporate Governance Code, the Board has decided that all Directors shall be subject to re-election at the forthcoming Annual General Meeting.

Pursuant to the Articles of Association of the Company, the Company has indemnified the Directors to the full extent allowed by law. The Company maintains Directors' and Officers' insurance which is reviewed annually.

Additional information relating to the Directors can be found in note 48 on pages 107 to 108 on Directors' interests, in the report on Corporate Governance on pages 42 to 50, and in the Directors' Remuneration Report on pages 51 to 59.

The powers of the Directors are determined by UK legislation and the Articles of Association of the Company, together with any specific authorities that may be given to the Directors by shareholders from time to time, such as the power to allot shares and the power to make market purchases of the Company's shares which are described in note 35 on page 97.

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.

Substantial shareholdings

As at 16 February 2011 CSC had been notified of the following substantial holdings of voting rights over ordinary shares of CSC:

- Tokenhouse Holdings (IOM) Limited 169,716,817 (19.76%);
- the family interests of Sir Donald Gordon 92,143,203 (10.73%);
- Coronation Asset Management (Pty) Limited 69,565,717 (8.10%);
- Public Investment Corporation 35,565,906 (4.14%);
- Simon Property Group, Inc. 35,355,794 (4.12%); and
- BlackRock, Inc. 34,952,303 (4.07%).

Employees

CSC actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Company's activities and financial performance by such means as employee briefings and publication to all staff of relevant information and corporate announcements.

The annual bonus arrangements help develop employees' interest in the Company's performance; full details of these arrangements are given in the Directors' Remuneration Report on pages 51 to 59. Note 45 on pages 104 to 106 contains details of conditional awards of shares under the annual bonus scheme and bonus shares currently outstanding, as well as outstanding options.

CSC operates a non-discriminatory employment policy and full and fair consideration is given to applications for employment from people with disabilities or other protected characteristics under the Equality Act where they have the appropriate skills and abilities and to the continued employment of staff who become disabled.

CSC encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of disabled employees and those with protected characteristics.

Information relating to employees is given in note 7 on page 74. The Group provides retirement benefits for the majority of its employees. Details of the Group pension arrangements are set out in note 46 on page 106.

The environment

The Group has adopted a Corporate Responsibility ("CR") strategy and details of the policy and the Group's aims and activities are given on the Company's website. An overview of the Group's CR activity is printed on pages 30 to 35, and a summary booklet is also available for download from the website or on request from the Company Secretary's office.

The Company recognises the importance of minimising the adverse impact on the environment of its operations – particularly through its shopping centre business and the management of energy and water consumption and waste recycling.

The Company strives continuously to improve its environmental performance. The environmental management system and associated Environmental Policy and Guide are regularly reviewed to ensure that the Company maintains its commitment to environmental matters.

During the year, the Group made charitable donations amounting to £223,000 (2009 – £309,000). No political donations were made in the year. In addition, the UK shopping centres provided the equivalent of £1,881,000 (2009 – £1,028,000) in community support, including sponsorship of local causes, support for Town Centre management and provision of free mall space and services.

Creditor payment policy

The Group's policy and practice is to pay creditors in accordance with agreed terms of business.

The Company does not ordinarily pay its creditors directly as this is carried out by other companies in the Group. As a result, the Company has a nil trade creditor balance and it is not practical to calculate creditor days for the Company as at 31 December 2010 (2009 – nil trade creditor balance).

Directors' disclosure of information to the auditors

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The notice convening the 2011 Annual General Meeting of the Company will be published separately and will be available on the Company's website and distributed to those shareholders who have elected to receive hard copies of shareholder information.

By order of the Board

S. Folger
Secretary

23 February 2011

Corporate governance

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

Introduction by Chairman of the Audit Committee

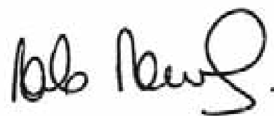
2010 has been another extremely challenging year for Capital Shopping Centres, with two major transactions successfully completed – the demerger of Capital & Counties Properties PLC in May 2010 and the acquisition of The Trafford Centre which completed in January 2011.

I am pleased to report that the Group complied in full with the Combined Code in respect of 2010. In May 2010 the new UK Corporate Governance Code was issued, effective for CSC from 1 January 2011. The Group has complied with virtually all of the provisions of the new Code. In particular, the Board has decided that all Directors will stand for re-election at the 2011 Annual General Meeting, as required by the new Code provision B.7.1.

Also, we asked an external provider to carry out our Board Performance Evaluation exercise at the end of 2010. There are a number of insights and useful recommendations which the Board will implement over the next twelve months. The recommendations are of a relatively minor nature and could be regarded as fine tuning rather than anything radical but should invigorate Boardroom practice.

Fees paid to auditors for non-audit services were higher in 2010 than usual due to the additional work, including Accountants' Reports, required on the demerger and the acquisition of The Trafford Centre. Excluding these distinct projects, the latter of which has continued into the 2011 accounting period, the ratio of audit to non-audit fees was not unreasonable.

Mr Whittaker was appointed as a Non-Executive Director and Deputy Chairman on 28 January 2011. As he is a major shareholder he is not regarded under the Code as being fully independent. This means that we now have 6 non-independent Directors and 5 independent Directors. The Board, advised by the Nomination & Review Committee, is considering how best to restore the balance to 50:50 as required under the new Code.



Rob Rowley
Chairman, Audit Committee
and Senior Independent Director

Statement of compliance

The Board believes that, as demonstrated by the information set out in this section together with the statements and procedures referred to in the Directors' Remuneration Report on pages 51 to 59, the Company has applied the main principles and complied with the provisions set out in Section 1 of the Combined Code (the "Code") throughout the accounting period under review.

The Company is required to comply from 1 January 2011 with the UK Corporate Governance Code issued in May 2010 by the Financial Reporting Council which replaced the previous Combined Code. As explained in the Chairman's introduction, the Group has complied with virtually all of the provisions of the new Code. However, new Code provision C.1.2. states: "The directors should include in the annual report an explanation of the basis on which the Company generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the Company." Information on the Company's business model is included in the Business review on pages 12 to 19 and it is intended that a more detailed business model will be provided in the 2011 Annual Report.

The framework of corporate governance

The Board's overarching objective is to ensure that the Group delivers long-term sustainable growth in returns for its shareholders.

The Group recognises that corporate governance is not an end in itself but an important means to an end. The Code contains no definition of corporate governance. The first supporting principle it contains, at principle A.1, reads as follows:

"The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board should set the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance. The Board should set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met."

The Board believes that the internal processes adopted meet the highest standards of accountability and probity.

The Board is accountable to the Company's shareholders for the good conduct of the Company's affairs and the information and statements set out below describe how the main principles contained in the Code are applied by the Company. The Company's internal procedures are regularly reviewed and updated by the Board and the various relevant Board Committees.

The terms of reference which are the foundation of those procedures specify responsibilities and levels of responsibility. They cover all aspects of the Company's activities including those relating to financial, operational and compliance controls and risk management.

The Company has also demonstrated a strong commitment to high standards of corporate responsibility, details of which are set out in the CR review on pages 30 to 35, which we strongly recommend shareholders to read, and on the Company's website. The Company has been included in the FTSE4Good listing, the JSE SRI index, the Dow Jones Sustainability Index and other important indices.

Engagement with shareholders and the investment community

The Company seeks to engage with shareholders through investor meetings and announcements as well as at the Company's Annual General Meeting. The Company has a comprehensive website on which up-to-date information is available to the public.

The Company has a strong investor relations programme. The Chief Executive and Finance Director, and on occasions the Chairman, meet major shareholders and analysts each year (a) to discuss the results of the Group, (b) to learn of any concerns that may have arisen and (c) (within the appropriate constraints) to respond to any queries they may have. Visits are arranged for investors to tour the Company's property portfolio.

The Senior Independent Director and all Non-Executive Directors are invited to attend investor presentations following the release of the annual results. A number of the Non-Executive Directors attended the annual results presentation in February 2010.

Significant additional meetings were held with large shareholders during 2010 specifically to keep them informed of events relating to the acquisition of The Trafford Centre and the approach from the Simon Property Group.

The Annual General Meeting provides the Board with an opportunity to communicate with, and answer questions from, private and institutional shareholders and the entire Board is available before and after the meeting. The Chairman of each of the Audit and Remuneration Committees is also available at the Annual General Meeting to answer questions.

The Chief Executive, Finance Director and Investor Relations Manager maintain file notes of all meetings with investors and provide a full briefing to the Board. Investor relations, and reports from the Company's brokers on meetings with investors, are a regular agenda item at Board meetings.

The Board

The Board is responsible not only to all shareholders but to its other stakeholders for the effective control and proper management of the Group. A description of the Company's activities over the last year is contained in the Chairman's statement on pages 6 to 8, the Business review on pages 12 to 19, the Financial review on pages 22 to 27 and the CR review on pages 30 to 35.

Certain matters have been reserved for decision by the whole Board and a schedule setting out a list of these is regularly reviewed. In other cases the Board has delegated its authority under clearly defined conditions to technical Committees of the Board. It has been the Board's custom over many years to

Corporate governance
Continued

ensure that major decisions are taken after a reiterative process which involves examination and review at several levels. In part, this examination and review process is dealt with by the Board Committees mentioned below.

The Board discusses and makes decisions relating to, but not limited to: strategy; executive management performance, retention, remuneration and succession; financial measures and performance; acquisitions and disposals, other capital expenditure and controls; risk management; corporate reputation, including shareholder communication; and the Board's own effectiveness. It also receives reports on the proceedings of its Committees and considers their recommendations. Each Board Committee's established authority limits are reviewed on an annual basis by the Audit Committee and, subsequently, by the full Board.

The Chairman's role is to provide a centrepoint of leadership, to ensure that the Board's discussions go into any matter put before it in adequate depth and in an appropriately focused way, that the opinions of all the Directors are taken into account and accorded proper weight, and that all the Board's decisions are supported by adequate and timely information.

Matters relating to corporate governance are kept under regular review by the Audit Committee as well as by the full Board. Matters relating to corporate responsibility are also kept under regular review by the CR Committee as well as by the Board.

All items which fall outside the normal course of business are carefully recorded and reviewed and monitored by the Chief Executive, the Company Secretary and General Corporate Counsel and, in accordance with the amounts involved, referred to the relevant Board Committee or to the Board itself. The Company's position has always been that, in the event that a Director has a concern which cannot be resolved about the running of the Company or a proposed action, such concern is recorded in the minutes. The Board considers that it has clear and robust procedures for monitoring the approval of all transactions within the Group, no matter what their size, through formal Board Committees and formally delegated authority limits, and the signing of all documents.

Composition of the Board

At the year end, the Board consisted of the Chairman, Mr Burgess, three Executive and seven Non-Executive Directors. During the year Mr Hawksworth (Executive) and Mr G.J. Gordon (Non-Executive) resigned as Directors on 7 May 2010; Mr Durant (Executive) resigned on 17 May 2010; and Mr Rapp (Non-Executive) retired on 2 June 2010.

Mr R.M. Gordon (Non-Executive) was appointed a Director on 7 May 2010; Mr Abel (Non-Executive) was appointed on 2 June 2010; and Mr Roberts (Executive) was appointed on 3 June 2010.

Senior Independent Director

Mr Rowley was appointed as Senior Independent Director in September 2008.

The Chairman's term of appointment

The Chairman was appointed in 2008. His current term is due for renewal prior to the 2011 Annual General Meeting, and is expected to be extended by the Board by a further period to be agreed.

The separate roles of the Chairman, Mr Burgess, and of the Chief Executive, Mr Fischel, are recognised and have been defined by the Board.

The principal business commitment of Mr Burgess, the Chairman, is his Chairmanship of Capital Shopping Centres Group PLC.

Directors' contracts

The Executive Directors have service contracts which each have a notice period of 12 months.

Non-Executive Directors are generally appointed for three-year periods and their continuing service thereafter is subject to review by the Board.

The terms of appointment for each of the Non-Executive Directors are available on written request from the Company Secretary.

Re-election of Directors

In accordance with provision B.7.1 of the UK Corporate Governance Code, it is proposed that all Directors will submit themselves for re-election at the 2011 Annual General Meeting, other than Mr Whittaker and Mr Roberts who stand to be elected for the first time.

Board meetings

There were six scheduled Board meetings in the year under review to consider all aspects of the Company's affairs and information requested from management.

There were six unscheduled Board meetings in the year.

The Directors have always had high levels of attendance at Board and Committee meetings.

Meeting papers are distributed in a timely manner giving Directors sufficient time to consider matters for discussion.

The attendance of Directors at all Board and Committee meetings held in 2010 is set out in the table on page 45.

Communication between scheduled Board meetings

Directors are kept fully informed of progress on matters between formal meetings by way of ad hoc meetings and other communications on a regular basis. There are a number of important Committee meetings between Board meetings and these are normally fully attended.

The Chairman and Executive Directors regularly contact the Non-Executive Directors to discuss specific matters, typically of a strategic nature. There are regular informal meetings with the Non-Executive Directors. The Chairman met the Non-Executive Directors during 2010 without the Executive Directors being present.

The Chairman of the Audit Committee, Mr Rowley, holds regular meetings with the Head of Risk and Internal Audit, to monitor and progress matters between scheduled Audit Committee meetings. Mr Rowley also meets the Chairman and Chief Executive between Board meetings.

The Chairman of the Remuneration Committee, Mr Henderson, contacts the Chief Executive and the Company Secretary to progress remuneration matters between scheduled Remuneration Committee meetings.

Other Non-Executive Directors call at the offices of the Company from time to time to discuss the progress of the business generally and to provide input on specific issues (e.g. property matters).

Directors' conflicts of interest

The Board has adopted a formal procedure for the identification of conflicts under which Directors must notify the Chairman of any potential conflicts. The Chairman then decides whether a conflict exists and recommends its authorisation by the Board where appropriate.

No areas of conflict were identified or authorised under this procedure in 2010.

Attendance of members of the Board/Committees during 2010:

	Board scheduled (6 meetings)	Board non-scheduled (convened at short notice) (6 meetings)	Audit Committee (4 meetings)	Remuneration Committee (3 meetings)	Nomination and Review Committee (1 meeting)	CR Board Committee (3 meetings)
D.P.H. Burgess	6	6			1	3
D.A. Fischel	6	6				3
E.M.G. Roberts (appointed 3 June 2010)	3	5				
K.E. Chaldecott	6	6				3
J.G. Abel (appointed 2 June 2010)	3	4				
R.M. Gordon (appointed 7 May 2010)	4	4				
I.J. Henderson	6	6		3	1	3
A.J.M. Huntley	5	5				
R.O. Rowley	4	5	4	3	1	
N. Sachdev	5	6	4	3		
A.D. Strang	6	5	4			

Mr Whittaker has appointed Mr S. Underwood as his alternate. Mr R.M. Gordon has appointed Mr G.R. Fine as his alternate. The Board has generally invited the alternate Directors to attend, but not vote at, Board meetings.

Corporate governance
Continued

Independence of Non-Executive Directors

At the start of the year, excluding the Chairman, the Board comprised six independent Non-Executive Directors and five non-independent Directors. At the end of the year, excluding the Chairman, there were five independent Non-Executive Directors and five non-independent Directors.

Accordingly throughout the year, at least half the Board, excluding the Chairman, comprised Non-Executive Directors determined by the Board to be independent. The table on page 49 shows the balance on the Board between independent and non-independent Directors.

The Directors considered by the Board to be independent are Mr Henderson, Mr Rowley, Mr Sachdev, Mr Huntley and Mr Strang. The non-independent Directors are Mr Fischel, Mr Roberts, Mrs Chaldecott, Mr Abel and Mr Gordon.

Following the appointment of Mr Whittaker on 28 January 2011, there are now six non-independent Directors. In order to restore the 50:50 balance required under the UK Corporate Governance Code, the Board would have to appoint an additional independent Non-Executive Director but is reluctant to do that immediately given the overall size of the Board, which is considered to be sufficient in number at present. The Board will keep this matter under review over the next twelve months.

The Board committees

The terms of reference for each of the Audit, Remuneration and Nomination and Review Committees described below are available on the Company's website.

Audit Committee

The members of the Audit Committee at 31 December 2010 were Mr Rowley (Chairman of the Committee), Mr Sachdev and Mr Strang.

The Board considers Mr Rowley to have significant recent and relevant financial experience in line with the Code. All the current members are independent in the Board's opinion.

The Group's Chairman, Chief Executive, Finance Director, Head of Risk and Internal Audit and representatives of the external auditors are normally invited to attend meetings.

The Audit Committee is responsible for monitoring and reviewing:

- the integrity of the financial statements, including a review of the significant financial reporting judgements and accounting policies
- the effectiveness of the Group's internal control and risk management
- the effectiveness of the internal audit function, including the work programme undertaken by the function
- the Group's policy on whistleblowing
- the Group's overall approach to monitoring areas of risk and
- the Company's relationship with the external auditor, including its independence

The Audit Committee makes recommendations on the appointment, reappointment or removal of the Company's external auditors.

The terms of reference of the Audit Committee are reviewed annually.

The Audit Committee met four times in the year.

During the year the Audit Committee:

- reviewed the annual report and associated preliminary year-end results announcement, focusing on key areas of judgement and critical accounting policies
- reviewed the interim results announcement
- reviewed the Group's whistleblowing policy
- received detailed presentations from certain Senior Executives on the management of key risk and control issues in their respective business areas
- reviewed the Group's annual risk assessment report
- reviewed the effectiveness of the internal audit function which included an Internal Audit Effectiveness Review
- reviewed the external audit plan and reports of the external auditor on its review of the interim announcement and its audit of the annual financial statements
- met privately with the external auditor

The Audit Committee assessed the effectiveness of the external auditor, PricewaterhouseCoopers LLP, and audit process on the basis of meetings with finance, internal audit staff and other Senior Executives.

In reviewing the independence of the external auditor, the Audit Committee considered a number of factors, including the experience and tenure of the external auditor; the nature and level of services provided by the external auditor; and confirmation from the external auditor that it has remained in compliance with relevant UK independence standards.

Following this review process the Audit Committee recommended to the Board that the external auditor be reappointed. Acting on this recommendation the Board recommended to shareholders at the Annual General Meeting in 2010 that the external auditor be reappointed for a period of one year.

PricewaterhouseCoopers LLP has been the Company's audit firm since 1998. The Audit Committee has assessed and is satisfied with the auditor's overall effectiveness. Accordingly, it has not considered it necessary to require the firm to tender for the audit work. Any decision to open the external audit to tender is taken on recommendation of the Audit Committee. This position will be reviewed on an on-going basis. The external

auditors are required to rotate the audit partner responsible for the Group and subsidiary audits every 5 years. In accordance with this requirement the audit partner, Parwinder Purewal, was due to rotate off the audit following the conclusion of the 31 December 2009 audits as he had completed five years in the role. Given the significant changes in the Group arising from the demerger of Capco and the Board composition in the year, the Audit Committee requested and PricewaterhouseCoopers LLP agreed to an extension to the tenure of the audit partner in order to provide continuity and to support the maintenance of audit quality. He has therefore continued to act as audit partner in respect of the 31 December 2010 audits. A new audit partner will be responsible for the Group and subsidiary audits for the year ended 31 December 2011. There are no contractual obligations restricting the Company's choice of external auditor.

Non-audit services

The Company has a policy to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity. The term "non-audit services" does not include reference to any advice on tax. The Audit Committee has delegated to the Executive Directors the authority to contract for non-audit services with the external auditor subject to observing the following guidelines:

(a) Executive Directors have the authority to commission the external auditors to undertake non-audit work where this is in relation to a specific project with a cost not exceeding the lower of £50,000 or 15 per cent of the estimated annual level of the auditor's fees for the time being. If the cost is likely to exceed the limits mentioned above, the agreement of the Chairman of the Audit Committee is required before the work is commissioned

(b) when the external auditor is considered for the provision of non-audit work, the Executive Directors must consider whether the proposed arrangements will maintain audit independence

(c) the external auditor must certify to the Company that it is acting independently and the Audit Committee or the commissioning Director (as applicable) must be satisfied that such is the case

(d) in providing a non-audit service, the external auditor should not:

(i) audit their own work

(ii) make management decisions

(iii) create a mutuality of interest; or

(iv) find they have placed themselves in the role of advocate for the Company

Details of the amounts paid to the external auditor for audit and non-audit services are included in note 8 on page 74 to the financial statements.

Whistleblowing policy

The Audit Committee reviews the arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and ensures that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action. Whistleblowing incidents are reported to each Audit Committee meeting.

Internal control

It is the Board's responsibility to oversee the Group's system of internal control and to keep its effectiveness under review. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only a reasonable, rather than absolute, assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks of the Group, financial and non-financial, and this has been in place throughout the year ended 31 December 2010 and up to the date of approval of the Annual Report and Accounts. The process is regularly reviewed by the Board and it complies with the 2005 Financial Reporting Council's internal control guidance for Directors.

Procedures are in place to ensure that if any weaknesses or failings are identified in the risk review process, appropriate remedial action is taken. No significant weaknesses were identified in 2010.

The Group has an internal audit function. The Head of Risk and Internal Audit reports to the Audit Committee and, in addition, has regular meetings with the Chairman of that Committee.

The Board regularly receives detailed reports setting out key performance and business risks from the individual business units, together with financial reports. Monitoring of key indicators allows the Board to consider control issues. The Board receives regular reports through the Audit Committee from both the internal audit and compliance functions, which may include recommendations for improvement.

The internal audit function carries out an annual review of internal controls, which includes a Group-wide certification that effective internal controls are in place and are being operated effectively. The Head of Risk and Internal Audit carries out a programme of verification of the certification and reports the results to the Audit Committee.

Corporate governance
Continued

Going concern

The Company's statement on going concern is set out in the notes to the accounts on page 69.

Internal financial reporting

Key internal financial reporting procedures, which exist within the wider system of control, are described under the following headings:

Financial information The Group has a comprehensive system for reporting financial results to the Board; each business unit prepares regular financial reports with comparisons against budget. The Board reviews these for the Group as a whole and takes action when appropriate.

Financial reporting process The Group prepares detailed financial reporting on a quarterly basis. This process is carried out using the policies and practices that apply to the control environment in general, and is largely undertaken by the Group's financial reporting team, which comprises appropriately qualified finance professionals. Detailed planning is undertaken prior to the period end. As part of this process, significant business risks and their potential impact on the financial reporting process and results are considered, including the effect of any changes in the business activities or accounting standards and matters arising from the underlying information systems. The preparation of the consolidated financial results involves a number of review stages, including by an internal technical specialist, who has primary responsibility for ensuring that financial accounting developments are appropriately dealt with in the Group's financial reporting process. After various internal review stages, draft financial reports, with narrative commentary on new technical requirements or issues requiring a significant level of judgement are prepared for review and approval by the Audit Committee. This review stage involves the Audit Committee discussing the consolidated financial results and significant judgements with senior management and where appropriate the external auditor.

Major investments All major investments of the Group, whether in the ordinary course of business or of an exceptional nature, are reviewed by at least one Committee of the Board and by the Board itself before being authorised and implemented.

Group treasury The Group has a centralised treasury function which reports to the Board on a regular basis. The reports provide details of counterparties, interest rate and foreign exchange risks and derivatives. Additional information on this subject is given in note 32 on pages 89 to 95.

Operating unit financial controls Key controls over major financial risks include reviews against performance indicators and exception reporting. The operating units make regular assessments of their exposure to major financial risks and the extent to which these risks are controlled. These assessments are considered and reviewed by the Board and by regular internal audit visits.

The Board has conducted a review of the effectiveness, on the basis of criteria set out in the 2005 Financial Reporting Council's internal control guidance for Directors, of systems of internal financial control for the year ended 31 December 2010 and has taken into account material developments which have taken place since the year end.

Board authority limits The Board has adopted formal authority limits throughout the Group. Projects or expenditure with a value in excess of £10 million are submitted for approval to the Board. There are also authority limits in place which relate to treasury management.

Capital Projects Committee

The Capital Projects Committee has been established in order to review new projects and project expenditure in detail in accordance with the Group's authority limits. The members of the Capital Projects Committee are Mr Burgess (Chairman), Mr Whittaker, Mr Fischel, Mrs Chaldecott, Mr Roberts, Mr Butterworth and Mr Ellis, with other Directors and executives invited from time to time.

Executive Committee

The Executive Committee meets every fortnight to consider investment proposals and prospects, to review progress on projects and project expenditure in detail and to receive updates on other business matters. The members of the Executive Committee are Mr Fischel (Chairman), Mr Roberts, Mrs Chaldecott, Mr Butterworth, Ms Folger, Mr Ford and Mr Weir.

Nomination and Review Committee

The members of the Nomination and Review Committee during the year under review were Mr Burgess (Chairman of the Committee), Mr Henderson and Mr Rowley. There were no changes to the composition of the Nomination and Review Committee in 2010.

There was one meeting of the Nomination and Review Committee in 2010.

The terms of reference of the Nomination and Review Committee are reviewed annually. No changes to the terms were made in 2010.

The Committee is responsible for carrying out an annual performance evaluation of the Board, its Committees and individual Directors, as well as making recommendations to the Board on appointments to the Board and to subsidiary Boards and on succession planning.

The appointments of Mr Abel and Mr Gordon as Non-Executive Directors following the demerger were recommended to the Board by the Nomination and Review Committee. No external search consultancy nor open advertising was used. The Committee, and the Board, were conscious of the need to strengthen the skills of the Non-Executive Directors with regard to direct experience of the shopping centre industry and

accordingly Mr Abel was considered to be an ideal candidate. Mr Gordon was appointed in place of Graeme Gordon as the Gordon Family's representative on the Board.

In 2010 an independent review of Board effectiveness and a high level review of the Audit, Remuneration and Nomination and Review Committees was carried out for the first time by an external consultant, Independent Audit Limited. The results are under review by the Board, although there were no material matters arising. The Senior Independent Director in conjunction with the other Directors carried out the annual evaluation of the Chairman's performance.

The Nomination and Review Committee also considers the expected time commitment of the Non-Executive Directors each year. Non-Executive Directors are required to confirm in writing that they continue to have sufficient time to devote to the Company's affairs and in addition they are required to seek prior approval from the Chairman before taking on any additional external commitments which may affect their time available to devote to the Company.

There is a comprehensive induction programme for new Directors and both the Chairman alone and the Committee consider the need for existing Directors to update and refresh their skills and knowledge as part of the annual performance evaluation exercise. The Committee also carried out a rigorous review of the terms of Mr Henderson and Mr Rowley, the Non-Executive Directors who have served for more than six years, taking into account the need for progressive refreshing of the board.

The Nomination and Review Committee evaluates the skills available on the Board and determines when appointments and retirements are appropriate. The Committee met in 2011 to consider the balance of the Board, particularly as following the appointment of Mr Whittaker in January 2011 there are now six non-independent Directors and five independent Directors. As stated above this is a matter which remains under review.

The Nomination and Review Committee has determined that the current balance of skills, knowledge and experience on the Board and on the Board Committees is satisfactory.

The composition of the Board, excluding the Chairman, in terms of the balance of independent and non-independent Directors as at 31 December 2010, was as follows:

	Independent in opinion of Board	Non-Independent in opinion of Board
D.A. Fischel (Executive Director)		✓
K.E. Chaldecott (Executive Director)		✓
E.M.G. Roberts (Executive Director)		✓
J.G. Abel		✓
R.M. Gordon		✓
I.J. Henderson	✓	
R.O. Rowley	✓	
N. Sachdev	✓	
A.J.M. Huntley	✓	
A.D. Strang	✓	
Total*	5	5

* Code provision A.3.2. of the Combined Code on Corporate Governance states that "… at least half the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent".

Corporate governance
Continued

Remuneration Committee

The members of the Remuneration Committee during the year under review were Mr Henderson (Chairman of the Committee), Mr Rowley and Mr Sachdev. There were no changes to the composition of the Remuneration Committee during 2010.

There were three meetings of the Remuneration Committee in 2010.

The Committee's primary responsibilities are to determine the remuneration packages and other terms and conditions of service applying to Executive Directors and Senior Executives of the Group and the provision of incentivisation and performance related benefits to any Executive Director or employee.

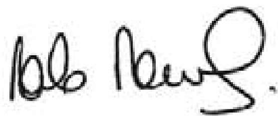
The Directors' Remuneration Report which sets out details of the Committee's responsibilities, the Group's remuneration policy and details of remuneration in 2010 is set out on pages 51 to 59.

Corporate Responsibility Committee

The Group's strong commitment to high standards of Corporate Responsibility is the responsibility of the Chairman and the Board and is managed through a CR Committee. The members of the CR Committee during the year under review were Mr Burgess (Chairman of the Committee), Mr Fischel, Mrs Chaldecott, Mr Henderson, Mr Nicoll (Director of CR) and Mr Dalton (CR Executive).

There were three CR Committee meetings during 2010.

The CR review is set out on pages 30 to 35.



Rob Rowley
Senior Independent Director,
on behalf of the Board

23 February 2011

Directors' Remuneration Report

This report is produced in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and contains both auditable and non-auditable information. The information subject to audit is set out on pages 53, 54 and 59.

Introduction by Chairman of the Remuneration Committee

2010 was a transformational year for Capital Shopping Centres Group PLC with two major transactions – the demerger of Capital & Counties in May 2010 and the acquisition of The Trafford Centre which completed in January 2011.

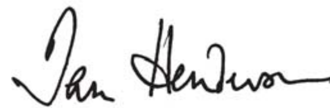
The Group is now in a robust financial position with significant growth prospects and an 11 per cent revaluation uplift for CSC's portfolio in 2010.

The Group met all targets under the staff bonus scheme for 2010. The targets, described in the report, are based on three objective measures of performance and all three targets were met or exceeded.

Modest pay rises have been awarded, effective from April 2011, for the first time since April 2008 (other than in a few exceptional cases), in total amounting to a 3% overall increase across the Group.

Analysis of peer group remuneration has demonstrated that in general remuneration at CSC is at an appropriate level by comparison and this has been confirmed by external remuneration consultants. I believe that the increases and awards for 2010, as set out in the report, are entirely justified, reasonable and will incentivise management towards further enhancement of the value of the Company's shares and I recommend without hesitation that the Remuneration Report be approved by shareholders.

The Committee is considering the introduction of a medium-term incentive which would be geared to reflect the growth ambitions of the Group, but is still consulting on this concept.



Ian Henderson
Chairman of the Remuneration Committee

Directors' Remuneration Report
Continued

2010 at a glance

Directors' Remuneration 2010

	Basic salary £	Bonus				Total	Proportion of performance related pay
			Share element*				
		Cash element	Restricted shares	SIP shares	Value		
D.A. Fischel	£475,000	£95,000	161,710	789	£617,500	£1,187,500	60%
E.M.G. Roberts (appointed 3 June 2010)	£201,474 **	£43,918	66,676	789	£256,371	£501,763	60%
K.E. Chaldecott	£360,000	£72,000	74,999	789	£288,000	£720,000	50%

* The number of shares shown is indicative only, based on an estimated share price of £3.80 per share.
** Mr Roberts' basic annual salary is £350,000.

Salary increases

Mr Fischel's base salary was not increased in 2010. Mrs Chaldecott's base salary was increased from £330,000 p.a. to £360,000 p.a. in 2010 to reflect increased responsibility following the demerger. No base salary rises were proposed for 2010 for the Senior Executives other than in a small number of exceptional cases.

2010 was the second year in succession that no pay rises had been awarded to the majority of the Group's employees.

The Committee has approved an increase in basic pay amounting in aggregate to around 3% across the Group to be effective from April 2011.

Bonus awards

Bonus targets for 2010 were met or exceeded under three objective measures set out in the table on page 57. As a result aggregate bonuses have been awarded across the Group amounting to approximately 16 per cent of overall base salaries, excluding Executive Directors and six senior executives, payable in a combination of cash, SIP and deferred shares.

Six senior individuals each received an additional bonus award, payable in shares deferred for two years, under the Group's Performance Incentive Plan "PIP".

The maximum bonus award for 2010 was capped at 150% of salary, and the cash element of the bonus was capped at 20% of salary.

Details of the bonus awards made to Executive Directors are set out in the table above and the Directors' emoluments table on page 53.

Option awards

Options over a total of 3,899,000 shares were granted to Directors and staff in May 2010, at an option price of 313p per share.

The Committee is proposing to grant options in 2011 to Directors and staff.

Full details of options granted to Executive Directors in 2010 are set out on page 54 of this report.

Directors' emoluments

Name	Salary and service contract remuneration £	Benefits* in kind £	Annual cash bonus** £	Other – including car allowance (see notes below) £	Directors' fees £	Other fees £	Aggregate emoluments*** 2010 £	Aggregate emoluments*** 2009 £
Chairman								
D.P.H. Burgess	350,000	4,242					354,242	339,010
Executive								
D.A. Fischel†	475,000	1,865	95,000	160,500			732,365	967,972
K.E. Chaldecott††	352,500	2,173	72,000	106,125			532,798	660,100
E.M.G Roberts (appointed 3 June 2010)	201,474	1,113	43,918	10,362			256,867	–
Non-Executive								
J.G. Abel (appointed 2 June 2010)					29,346	47,333	76,679	85,000
R.M. Gordon (appointed 7 May 2010)					39,423		39,423	20,000
I.J. Henderson					50,000	15,000	65,000	62,500
A.J.M. Huntley					50,000	2,103	52,103	26,724
R.O. Rowley					50,000	30,000	80,000	77,500
N. Sachdev					50,000	10,000	60,000	57,500
A.D. Strang					50,000	7,103	57,103	28,846
Retired during the year								
I.C. Durant (resigned 17 May 2010)†††	143,750	752		299,065			443,567	620,597
I.D. Hawksworth (resigned 7 May 2010)	116,346	593		6,346			123,285	610,597
G.J. Gordon (resigned 7 May 2010)					17,628		17,628	47,500
M. Rapp (retired 2 June 2010)					21,026	16,821	37,847	87,500
Total	1,639,070	10,738	210,918	582,398	357,423	128,360	2,928,907	3,691,346

* Benefits provided to Executive Directors relate primarily to the provision of medical insurance. The benefits provided for the Chairman comprise medical insurance.

** In addition to the cash bonus shown, the Executive Directors also received awards of SIP and deferred shares in respect of the year ended 31 December 2010. Details of these awards are set out in the table on page 52.

*** Aggregate emoluments exclude pension contributions, which are detailed below.

† Mr Fischel received a payment of £142,500 in lieu of accruing further benefits under the Company's pension arrangements (included in "other").

†† Mrs Chaldecott received a payment of £88,125 in lieu of accruing further benefits under the Company's pension arrangements (included in "other").

††† Following the demerger in May 2010, Mr Durant stepped down as Finance Director of the Company in order to take up his new role as Chairman of Capital & Counties Properties PLC. In accordance with his termination agreement, Mr Durant received a payment of £120,219 comprising three months' salary, pension contributions at 24 per cent of salary together with compensation for unused holiday entitlement. In addition, Mr Durant was awarded a cash bonus of £172,500 (representing 75 per cent of his basic salary) in respect of the period of his employment from 1 January 2010 to the date of his resignation. The bonus was assessed based on both corporate and individual performance and included recognition of Mr Durant's work towards the successful completion of the demerger. These amounts are included in the "Other –including car allowance" column in the table above.

Directors' Remuneration Report
Continued

Directors' interests in share schemes:

Executive Directors are entitled to participate in the Company's Approved and Unapproved share option schemes. Following the Company's demerger in May 2010, all outstanding options under both schemes were adjusted to take into account the Company's reduction in capital which was registered on 7 May 2010. Adjustments were made to both the option exercise price and the number of shares subject to the option such that, following adjustment, the value of the award remained equivalent to the pre-adjusted value. Full details relating to the holding, adjustment and exercise of share options by Directors are set out below:

The Capital Shopping Centres Group PLC Approved Share Option Scheme

Director	Year granted	Option price (pence)	Held at 31 December 2009	Granted in year	Adjustment in year	Exercised† in year	Held at 31 December 2010*	Exercisable between
Current Directors								
K.E. Chaldecott	2009	271.69**	8,356	–	2,685	–	11,041	28/02/13–28/05/19***
D.A. Fischel	2009	271.69**	8,356	–	2,685	–	11,041	28/02/13–28/05/19***
E.M.G. Roberts (appointed 3 June 2010)	2010	313	–	9,584	–	–	9,584	26/05/13–26/05/20
Former Directors†								
I.C. Durant (resigned 17 May 2010)	2009	271.69**	8,356	–	2,685	–	11,041*	28/02/13–28/05/19***
I.D. Hawksworth (resigned 7 May 2010)	2009	271.69**	8,356	–	2,685	–	11,041*	28/02/13–28/05/19***

The Capital Shopping Centres Group PLC Unapproved Share Option Scheme

Director	Year granted	Option price (pence)	Held at 31 December 2009	Granted in year	Adjustment in year	Exercised† in year	Held at 31 December 2010*	Exercisable between
Current Directors								
K.E. Chaldecott	2004	528.24**	25,000	–	8,034	–	33,034	19/02/07–19/02/14
	2009	271.69**	341,644	–	109,797	–	451,441	28/02/13–28/05/19***
	2010	313	–	460,000	–	–	460,000	26/05/13–26/05/20
D.A. Fischel	2009	271.69**	491,644	–	158,004	–	649,648	28/02/13–28/05/19***
	2010	313	–	607,000	–	–	607,000	26/05/13–26/05/20
E.M.G. Roberts (appointed 3 June 2010)	2010	313	–	437,416	–	–	437,416	26/05/13–26/05/20
Former Directors†								
I.C. Durant (resigned 17 May 2010)	2009	271.69**	291,644	–	93,728	–	385,372*	28/02/13–28/05/19***
I.D. Hawksworth (resigned 7 May 2010)	2009	271.69**	291,644	–	93,728	–	385,372*	28/02/13–28/05/19***

* Or date of cessation of directorship if earlier.
** Exercise price following adjustment. Pre-adjustment exercise prices were: 2004 – 698 pence; 2009 – 359 pence.
*** The performance conditions relating to the 2009 awards cannot be satisfied, and therefore the options cannot be exercised, until 2013.
† Details of the options exercised by former Directors during the year are set out in note 48 on page 108.

The standard performance condition for options is as follows:

"The Company's 'smoothed' earnings are to grow over a three-year period at a rate in excess of 5 per cent per annum compound. 'Smoothed' earnings means the percentage increase in underlying earnings per share, adjusted by (a) excluding exceptional and valuation items and (b) limiting trading or non-recurring items to 10 per cent of profit before tax."

The base figure for comparison purposes in respect of both the 2009 and 2010 option grants is the 'smoothed' earnings achieved, after adjustment for the demerger, as at 31 December 2009 of 15.1 pence per share. Therefore, the performance condition for the 2009 options cannot be satisfied until 2013.

The market price of Capital Shopping Centres Group PLC ordinary shares at 31 December 2010 was 418 pence and during the year the price varied between 301 pence and 421 pence.

The interests of Directors in conditional awards of ordinary shares under the annual bonus scheme are detailed in note 48 on pages 107 to 108.

Chairman and Non-Executive Directors' Remuneration

The Chairman

The Chairman's fee is £350,000 per annum. The Chairman receives no benefits from his office other than fees and entitlement to private medical insurance. He is eligible to join the Company's Unapproved Share Option Scheme, but is not eligible to participate in Group pension arrangements.

The terms of the Chairman's appointment broadly reflect the terms of the three-year appointments of the Non-Executive Directors.

Non-Executive Directors

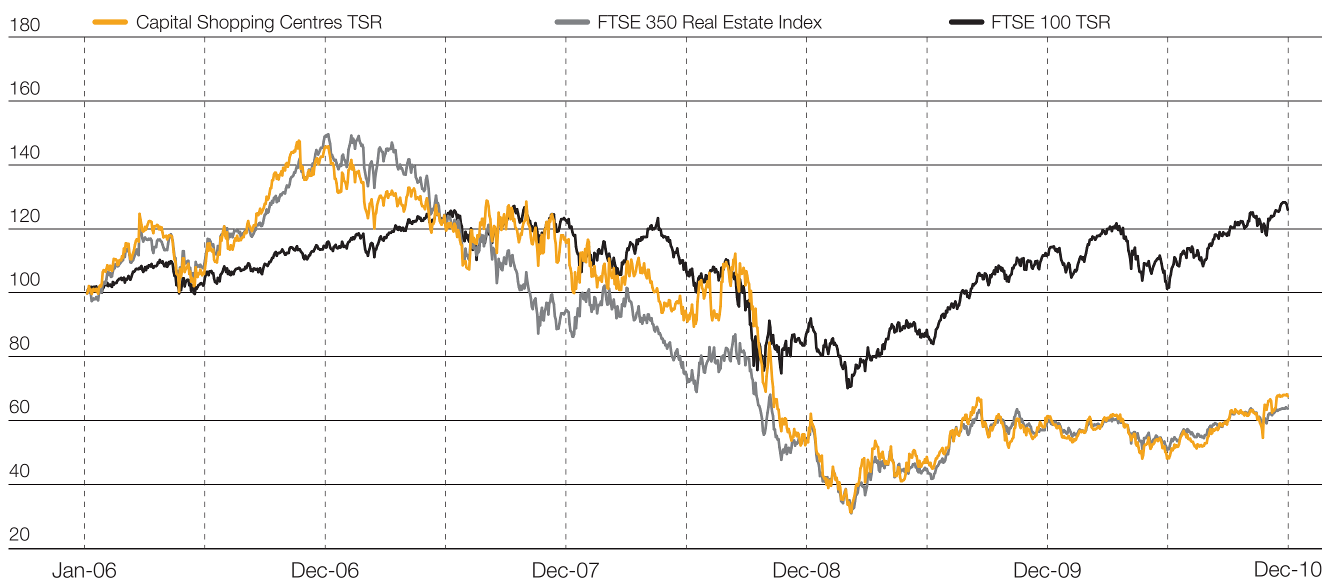
	Basic fee	Committee Member	Committee Chair	Other fees
J.G Abel	50,000	–	–	–
R.M. Gordon	50,000	–	–	–
I.J. Henderson	50,000	5,000	10,000	–
A.J.M. Huntley	50,000	5,000	–	–
R.O. Rowley	50,000	10,000	10,000	10,000*
N. Sachdev	50,000	10,000	–	–
A.D. Strang	50,000	5,000	–	–
J. Whittaker	–	–	–	–

* Mr Rowley receives a fee of £10,000 p.a. as Senior Independent Director.

Performance graph

The following graph shows the Total Shareholder Return ("TSR") for Capital Shopping Centres Group PLC over the five-year period ended 31 December 2010, compared with our closest comparator group for this purpose, the FTSE 350 Real Estate Index. TSR is defined as share price growth plus reinvested dividends. For additional information, a graph showing the TSR for Capital Shopping Centres Group PLC with the FTSE 100 is provided.

Total Shareholder Return (TSR) for period 1 January 2006 to 31 December 2010



This graph is based on adjusted data as a result of the Company's demerger in May 2010.

Directors' Remuneration Report
Continued

Remuneration Committee – composition and policy

Members of the Committee

The Chairman of the Committee is myself, Ian Henderson, with Mr Rowley and Mr Sachdev being the other two members of the Committee.

There were no changes to the composition of the Committee during 2010.

There were three Remuneration Committee meetings in 2010.

The agenda for the February meeting included a review of the outcome for the previous year, considering pay, bonus and option awards in the light of performance, a review of remuneration policy and objectives, consideration of targets and related matters. The agenda for the June meeting included a review of Sir Donald Gordon's consultancy terms; the Committee served 12 months' notice to terminate the consultancy arrangements. The agenda for the July meeting included a consideration of performance targets and minor amendments to option scheme rules.

Responsibilities of the Committee

The Committee's principal responsibilities, which take full account of the recommendations contained within the Combined Code ("the Code") are:

- To determine the overall strategy for remuneration for the Group's Executive Directors and Senior Executives
- To determine the individual remuneration packages for the Chairman, Executive Directors and Senior Executives
- To consider the remuneration policy and rewards across the entire Group, taking comparative data into account
- To oversee any significant changes to employee benefits, including pensions
- To approve the design of and targets for performance-related incentive schemes
- To oversee the operation of all incentive schemes, including the award of incentives, and to determine whether performance criteria have been met

The Committee's terms of reference can be found at www.capital-shopping-centres.co.uk

As set out in the Corporate governance report, the Remuneration Committee's performance for 2010 was reviewed by an external consultant, Independent Audit. The report made some useful observations which are being considered by the Committee; however there were no material matters arising.

Advisers to the Committee

The Committee has appointed and receives advice from Kepler Associates on market trends, incentive design and other remuneration matters. Kepler Associates does not advise the Company on any other matters.

The Committee has also appointed and been advised by Norton Rose LLP during the year on various remuneration matters. Norton Rose does not advise the Company on any other matters.

The Committee makes use of various published surveys to help determine appropriate remuneration levels.

The Chairman, Chief Executive, and Company Secretary are invited to attend meetings and provide advice to the Committee to help it make informed decisions. No Director is present when his or her own remuneration is being discussed.

Shareholding policy

The Committee introduced last year a requirement for Executive Directors to build up, over a 3–5 year period, and maintain a shareholding in the Company with a value equivalent to at least one year's annual salary. The Executive Directors' shareholdings are as follows:

Director	Shareholding	Multiple of salary (one year's salary)
David Fischel	549,322	4.36
Matthew Roberts	30,000	0.32
Kay Chaldecott	102,800	1.08

Remuneration policy

The Company's remuneration policy aims to attract, motivate and retain high calibre executives by rewarding them with competitive compensation and benefit packages.

The Remuneration Committee has complied with the principles and provisions of the Code in developing remuneration policies.

The policies align directly the interests of Executive Directors and senior staff with the performance of the Company and the interests of shareholders.

The key objectives of Capital Shopping Centres' remuneration policy are to:

- Align executive and shareholder interests
- Reward executives primarily for results
- Attract, motivate and retain high calibre executives
- Provide value for money for shareholders
- Deliver upper quartile total remuneration for upper decile performance
- Follow best practice as far as possible, and explain any divergence
- Be simple and flexible

It is the Company's policy that a significant proportion, up to 70 per cent of Executive Director and Senior Executive total remuneration be performance related.

Past practice demonstrates that the Company's approach to remuneration is responsible and restrained.

The components of the remuneration package are:

(1) Annual base salary and benefits Salaries of Executive Directors and other staff are normally reviewed annually in the light of competitive market practice, including reference to comparable data of other companies in the FTSE 100 and the real estate sector. The Committee ensures that pay and employment conditions in the Group as a whole are taken into account and benchmarked against the Company's peer group when determining executive remuneration. The main elements of the benefits are pension contributions, private healthcare and the provision of company cars or cash alternative.

(2) Performance-related remuneration Performance-related components include annual bonus arrangements as well as the annual review of salaries in the light of individual and corporate performance. The policy is to place emphasis on the performance-related components of each Director's remuneration, whilst ensuring that the base salary remains competitive.

The aggregate cost of annual bonuses which may be provided under the Group's annual bonus scheme, excluding employer's National Insurance, is not expected to exceed 40 per cent of the aggregate base salaries of all eligible employees.

The Committee pays close regard to the overall remuneration culture of the Company. The Remuneration Committee decides on the appropriate level of bonus award for Directors each year depending on Group results and individual performance. In relation to the annual share-based bonuses for Directors and Senior Executives, the Remuneration Committee sets rigorous and challenging additional performance criteria based on personal and corporate targets. Exceptional performance is also rewarded.

Bonuses may be paid by way of allocation of cash as well as Restricted and Additional shares with a view to ensuring that the Group has in place effective reward and retention plans.

A detailed description of the Company's bonus arrangements is set out below:

Annual bonus plan

The corporate performance targets for the annual bonus arrangements are described in the following table:

Annual bonus targets	Comparator
Shareholders' Funds	Prior year Shareholders' Funds
Asset Performance	IPD Monthly Index
Profit before tax, valuation, and exceptional items for the year	Budget and Prior year profit

In addition, each executive is evaluated on both individual and overall corporate objectives. The individual objectives are tailored before the beginning of each year and include specific strategic, financial and implementation goals. Bonuses are set on the achievement of those objectives.

Not less than two-thirds of the annual bonus for Executive Directors is determined on the basis of objective performance measures, primarily financial.

Following the end of the financial year, the Committee reviews the performance of executives and the Group as a whole against the set corporate and individual objectives and then determines the level of bonus payable.

Part of the bonus is normally awarded, at the Company's election, in the form of shares in the Company, conditional on the individuals concerned remaining in employment for specified periods. The Committee considers that no further performance conditions should be imposed on bonus payments which are deferred in the form of shares. The Remuneration Committee decides each year on the proportion of cash and shares to be awarded to employees.

The conditional awards comprise "Restricted" shares and "Additional" shares. If awarded, Additional shares are equal to 50 per cent of the Restricted shares and SIP shares (see below) combined. Employees must remain in employment with the Company for periods of two years after the date of award for Restricted shares, and four years after the date of award for Additional shares, before such shares are released.

Performance incentive plan

There is also a performance-related bonus plan (the "Plan") in addition to the normal bonus arrangements described above. The Plan is linked to both absolute and relative shareholder returns as well as growth in earnings.

In addition to supporting the Committee's remuneration policy, the key objectives of the Plan are to (a) align the interests of executives with shareholders; (b) play a vital role in the retention and recruitment of talent; and (c) encourage additional long-term share ownership by executives, based on delivering superior performance.

The aggregate pool for the Plan is based on three measures which the Remuneration Committee believes are the best indicators of success and are aligned with shareholder value creation: total return on shareholders' funds; outperformance of the Investment Property Databank (IPD) Capital Growth Index; and absolute EPS growth.

A pool is created based on performance each year in terms of three measures, expressed as a percentage of opening shareholders' funds:

Directors' Remuneration Report
Continued

- Total Return on opening shareholders' funds (diluted, adjusted), calculated by reference to absolute NAV growth (including dividends)

  0.6 basis points awarded for each 1% growth over and above 5%.
- Relative Return: out-performance in capital growth of the Group's investment properties, measured relative to capital growth in the accepted property industry benchmark, the IPD index*

  1.8 basis points awarded for each 1% out-performance of the IPD index
- Underlying earnings growth, calculated by reference to adjusted EPS

  0.5 basis points awarded for each 1% growth over and above 5%, capped at five basis points

The Remuneration Committee has the discretion to vary the size of the pool by +/- four basis points. The total bonus pool is capped at 20 basis points per annum.

Individual awards under the Plan are deferred into shares and released after two and four years. Deferred amounts would be forfeited on resignation.

At the end of the performance period, the Remuneration Committee allocates awards on a discretionary basis from the pool based on individual performance but having regard to the measures described. The Committee considers environmental, social and governance performance when determining both the overall incentive pool at the year end and the allocation of the incentive pool to individuals.

It is the Committee's desire to maintain a near median base salary culture while providing incentives that can deliver an upper quartile level of total remuneration for significant outperformance. The net effect is to increase the emphasis on "pay for performance".

(3) Executive share option schemes The Remuneration Committee considers that share options closely align the interests of staff with shareholders, and provide a long-term retention mechanism as options can only be exercised after a minimum of three years from the date of grant. The performance condition, based on growth in the adjusted earnings per share, is considered by the Committee to be the most appropriate condition to align the interests of staff with shareholders.

The Company has formed a Joint Ownership Employee Trust under which participating employees may elect to receive share options. This arrangement was structured to preserve shareholders' interests and to provide cost-neutrality.

(4) All employee share schemes The Company operates an Employee Share Ownership Plan ("ESOP") which has in the past used funds provided to purchase shares required under the annual bonus scheme.

* Originally weighted 80% retail property, 20% all-property to match the Group's asset mix, but post-demerger limited to the capital element of the IPD Retail Index only.

The Company operates a Share Incentive Plan ("SIP") for all eligible employees, including Executive Directors, who may receive up to £3,000 worth of shares as part of their annual bonus arrangements. The SIP arrangements offer worthwhile tax advantages to employees and to the Company. Also, as part of the SIP arrangements, the Company offers eligible employees the opportunity to participate in a "Partnership" share scheme, the terms of which are governed by HM Revenue & Customs regulations.

(5) Service contracts Executive Directors have rolling service contracts which are terminable on 12 months' notice on either side. The Non-Executive Directors have letters of appointment which do not include any notice provisions.

None of the existing service contracts for Executive Directors makes any provision for termination payments, other than for payment of salary and benefits in lieu of notice.

In the event of the Company terminating an Executive Director's contract the level of compensation would be subject to mitigation if considered appropriate and legally sustainable.

The Chairman and Non-Executive Directors are entitled to receive an additional payment of an amount equal to their basic annual fee in the event of a change in control of the Company.

The following service contracts in respect of Executive Directors who were in office during the year are rolling service contracts and therefore have no end date.

	Date of commencement of contract	Notice period
Current Executive Directors		
D.A. Fischel	24 June 1999	12 Months
E.M.G. Roberts**	17 May 2010	12 Months
K.E. Chaldecott**	6 April 2000	12 Months
Former Executive Directors		
I.C. Durant	17 March 2008	12 Months
I.D. Hawksworth	1 Sept 2006	12 Months

** Contract with CSC Management Services Limited.

All Non-Executive Directors with less than nine years' service have been appointed on fixed terms of three years, subject to renewal thereafter. Mr R.M. Gordon, who served as an alternate to Mr G.J. Gordon from 1 January 2001 until his appointment as a Non-Executive Director on 7 May 2010, is deemed to have served for more than 9 years and therefore has a term of one year.

Non-Executive Directors receive no benefits from their office other than fees. They are not eligible to participate in Group pension arrangements.

The following table sets out the dates of appointment of Non-Executive Directors.

	Date of appointment
Non-Executive Directors	
J.G. Abel	2 June 2010
R.M. Gordon	7 May 2010
I.J. Henderson	7 February 2005
A.J.M. Huntley	8 July 2009
R.O. Rowley	17 May 2004
N. Sachdev	1 November 2006
A.D. Strang	8 July 2009
J. Whittaker	28 January 2011

In accordance with provision B.7.1 of the UK Corporate Governance Code, all Directors will submit themselves for re-election at the 2011 AGM with the exception of Mr Roberts and Mr Whittaker who stand to be elected for the first time.

Quasi-loan to Director

All employees of the Group are entitled to an interest-free travel season ticket loan which is repaid over the year via deductions from salary. Mr Fischel received a loan of £5,000 in November 2009. The loan was repaid in November 2010 and Mr Fischel elected not to apply for a further loan. Mr Roberts received a loan of £5,000 in June 2010. The outstanding balance of the loan at 31 December 2010 was £2,083.34.

External Non-Executive Directorships

During 2010, Mr Fischel received a fee of £29,135 in respect of his Non-Executive Directorship of FTSE 250 Company Capital & Counties Properties PLC, from which he resigned with effect from 4 February 2011. Mr Fischel retained the fees paid in respect of his appointment. Mr Fischel was appointed as a Non-Executive Director of Equity One, Inc. with effect from 4 January 2011 and retains the fees paid in respect of this appointment. No other Executive Director of Capital Shopping Centres Group PLC currently serves as a Non-Executive Director elsewhere.

Payments to former Directors

Sir Donald Gordon, Life President, received a total of £350,000 (2009 – £350,000) during 2010 in connection with his Life Presidency and consultancy arrangements. Sir Donald Gordon's consultancy arrangements will terminate on 30 June 2011.

Mr David Bramson retired from the Board on 31 March 2006. During 2010, Mr Bramson received £10,000 as Chairman of the Trustees of the Liberty International Group Retirement Benefit Scheme. In addition, Mr Bramson received a further payment of £10,000 for additional work required in connection with the winding up of the scheme.

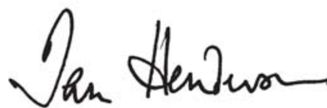
Directors' pensions

The Group's Retirement Benefit Scheme (the "Scheme") was closed to new members in 1997 and was fully closed for future benefit accrual on 19 December 2009; a bulk annuity policy was purchased from Pension Insurance Corporation ("PIC") in respect of all Scheme liabilities at that time. No contributions on behalf of members were made to the Scheme in 2010. Individual policies were issued to all members by PIC in November 2010 and the Scheme had no assets and no liabilities as at 31 December 2010. The Scheme is expected to be fully wound-up in early 2011. As no Director had accrued benefits in the Scheme during 2010 or had benefits in the Scheme at 31 December 2010, no disclosures fall to be made under Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 or the UKLA Listing Rules.

The Group operates a defined contribution Group pension plan (the "GPP") which all employees are eligible to join. Contributions totalling £27,923 (2009 – £79,200) were made by the Group to the GPP on behalf of Mr Hawksworth (resigned 7 May 2010).

Both Mr Durant (resigned as a Director 17 May 2010) and Mr Roberts (appointed as a Director on 3 June 2010) opted out from membership of the GPP and instead elected for contributions equivalent to 24 per cent of annual salary to be paid to personal pension arrangements of their choice. Contributions were paid as follows: Mr Durant £55,200 of which £20,700 was paid on termination as a Director (2009 – £81,600) and Mr Roberts £52,554 (2009 – nil).

Both Mr Fischel (2006) and Mrs Chaldecott (2009) had elected in the year shown to cease accruing benefit in the Scheme; both receive an actuarially determined payment subject to PAYE and NI deductions as set out in the footnotes to the table on page 53.



Ian Henderson
Chairman of the Remuneration Committee,
on behalf of the Board

23 February 2011

Directors' responsibilities

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 have elected to prepare the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

(a) select suitable accounting policies and then apply them consistently;

(b) make judgements and accounting estimates that are reasonable and prudent;

(c) state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;

(d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

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 the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

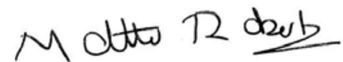
The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Governance section confirm that, to the best of their knowledge:

(a) the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

(b) the Directors' report contained in the governance section of the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board on 23 February 2011



David Fischel
Chief Executive

Matthew Roberts
Finance Director

Independent auditors' report to the members of Capital Shopping Centres Group PLC

Independent auditors' report to the members of Capital Shopping Centres Group PLC (company registration number 03685527)

We have audited the financial statements of Capital Shopping Centres Group PLC for the year ended 31 December 2010, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the Group and Company balance sheets, the Group and Company statements of changes in equity, the Group and Company statements of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities set out on page 60, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2010 and of the Group's profit and Group's and Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 42 to 50 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

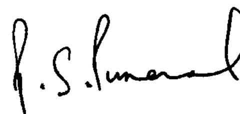
We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 69, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.



Parwinder Purewal
(Senior Statutory Auditor) for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

23 February 2011

Notes:

(a) The maintenance and integrity of the Capital Shopping Centres Group PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement for the year ended 31 December 2010

	Notes	2010 £m	Re-presented 2009 £m
Continuing operations			
Revenue	3	**420.3**	405.0
Net rental income	3	**276.9**	267.3
Net other income	4	**0.7**	4.9
Revaluation and sale of investment and development property	5	**497.2**	(535.7)
Sale and impairment of other investments		**(2.6)**	(10.1)
Administration expenses – ongoing		**(23.0)**	(26.2)
Administration expenses – exceptional		**(15.6)**	–
Operating profit/(loss)		**733.6**	(299.8)
Finance costs	9	**(165.4)**	(174.8)
Finance income		**3.1**	3.7
Other finance costs	10	**(75.1)**	(48.2)
Change in fair value of derivative financial instruments		**(50.0)**	399.6
Net finance (costs)/income		**(287.4)**	180.3
Profit/(loss) before tax		**446.2**	(119.5)
Current tax	11	**(0.1)**	2.9
Deferred tax	11	**2.8**	(67.1)
REIT entry charge	11	**(3.3)**	(3.1)
Taxation	11	**(0.6)**	(67.3)
Profit/(loss) for the year from continuing operations		**445.6**	(186.8)
Profit/(loss) for the year from discontinued operations	38	**83.0**	(183.3)
Profit/(loss) for the year		**528.6**	(370.1)
Attributable to:			
Equity shareholders of CSC Group PLC			
– Continuing operations		**428.8**	(175.1)
– Discontinued operations		**83.0**	(163.7)
		511.8	(338.8)
Non-controlling interest		**16.8**	(31.3)
		528.6	(370.1)
Basic earnings/(loss) per share			
From continuing operations	14	**68.3p**	(35.2)p
From discontinued operations	14	**13.2p**	(32.9)p
	14	**81.5p**	(68.1)p
Diluted earnings/(loss) per share			
From continuing operations	14	**67.5p**	(34.0)p
From discontinued operations	14	**13.0p**	(32.1)p
	14	**80.5p**	(66.1)p
Profit/(loss) for the year from discontinued operations arises from:			
Demerged operations	38	**59.3**	(124.4)
C&C US	38	**23.7**	(58.9)
		83.0	(183.3)

Underlying earnings per share are shown in note 14.

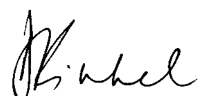
Consolidated statement of comprehensive income for the year ended 31 December 2010

	Notes	**2010 £m**	2009 £m
Profit/(loss) for the year		**528.6**	(370.1)
Other comprehensive income			
Revaluation of other investments		**17.2**	(5.3)
Realise revaluation reserve on disposal of other investments		**2.6**	4.5
Exchange differences		**(1.1)**	2.2
Actuarial loss on defined benefit pension schemes		**–**	(14.8)
Tax on items taken to other comprehensive income	11	**(2.8)**	(2.8)
Other comprehensive income for the year		**15.9**	(16.2)
Total comprehensive income for the year		**544.5**	(386.3)
Attributable to:			
Equity shareholders of CSC Group PLC		**527.7**	(354.7)
Non-controlling interest		**16.8**	(31.6)
		544.5	(386.3)
Total comprehensive income attributable to equity shareholders of CSC Group PLC arises from:			
Continuing operations		**432.6**	(163.0)
Discontinued operations		**95.1**	(191.7)
		527.7	(354.7)

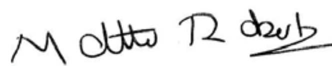
Balance sheets as at 31 December 2010

	Notes	Group 2010 £m	Re-presented Group 2009 £m	Company 2010 £m	Company 2009 £m
Non-current assets					
Investment and development property	16	**5,051.0**	6,182.6	**–**	–
Plant and equipment	17	**4.1**	1.9	**4.1**	0.8
Investment in group companies	18	**–**	–	**1,701.6**	912.5
Investment in associate companies	20	**28.8**	26.8	**–**	–
Other investments	21	**16.4**	58.3	**–**	–
Derivative financial instruments	26	**24.2**	15.0	**–**	–
Trade and other receivables	23	**76.7**	69.8	**1.5**	1.5
		5,201.2	6,354.4	**1,707.2**	914.8
Current assets					
Trading property	22	**25.5**	24.2	**–**	–
Current tax assets		**4.1**	1.1	**–**	–
Trade and other receivables	23	**50.2**	86.1	**617.2**	2,569.2
Cash and cash equivalents	24	**222.3**	582.5	**–**	–
C&C US – assets	38	**423.9**	–	**–**	–
		726.0	693.9	**617.2**	2,569.2
Total assets		**5,927.2**	7,048.3	**2,324.4**	3,484.0
Current liabilities					
Trade and other payables	27	**(194.4)**	(285.2)	**(270.6)**	(95.6)
Borrowings	28	**(46.0)**	(148.5)	**(0.1)**	(79.4)
Derivative financial instruments	26	**(9.3)**	(14.3)	**–**	–
C&C US – liabilities	38	**(276.6)**	–	**–**	–
		(526.3)	(448.0)	**(270.7)**	(175.0)
Non-current liabilities					
Borrowings	28	**(2,751.5)**	(3,740.1)	**–**	(0.1)
Derivative financial instruments	26	**(354.6)**	(371.8)	**–**	–
Deferred tax provision	33	**–**	(37.1)	**–**	–
Other provisions	34	**(1.2)**	(8.6)	**–**	(1.1)
Other payables		**(0.3)**	(21.6)	**–**	(1.8)
		(3,107.6)	(4,179.2)	**–**	(3.0)
Total liabilities		**(3,633.9)**	(4,627.2)	**(270.7)**	(178.0)
Net assets		**2,293.3**	2,421.1	**2,053.7**	3,306.0
Equity					
Share capital	35	**346.3**	311.3	**346.3**	311.3
Share premium		**20.4**	1,005.7	**20.4**	1,005.7
Treasury shares	37	**(29.9)**	(9.7)	**(29.9)**	(9.7)
Convertible bond reserve		**–**	6.7	**–**	6.7
Other reserves	36	**526.5**	286.9	**246.5**	61.7
Retained earnings		**1,410.1**	820.2	**1,470.4**	1,930.3
Attributable to equity shareholders of CSC Group PLC		**2,273.4**	2,421.1	**2,053.7**	3,306.0
Non-controlling interest		**19.9**	–	**–**	–
Total equity		**2,293.3**	2,421.1	**2,053.7**	3,306.0

These consolidated financial statements have been approved for issue by the Board of Directors on 23 February 2011.



D.A. Fischel
Chief Executive



M. Roberts
Finance Director

Notes on pages 69 to 108 form part of these consolidated financial statements.

Statements of changes in equity for the year ended 31 December 2010

Group	Share capital £m	Share premium £m	Treasury shares £m	Convertible bond reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
	Attributable to equity shareholders of CSC Group PLC								
At 1 January 2010	311.3	1,005.7	(9.7)	6.7	286.9	820.2	2,421.1	–	2,421.1
Profit for the year	–	–	–	–	–	511.8	511.8	16.8	528.6
Other comprehensive income:									
Revaluation of other investments	–	–	–	–	17.2	–	17.2	–	17.2
Realise revaluation reserve on disposal of other investments	–	–	–	–	2.6	–	2.6	–	2.6
Exchange differences	–	–	–	–	(1.1)	–	(1.1)	–	(1.1)
Tax on items taken to other comprehensive income	–	–	–	–	(2.8)	–	(2.8)	–	(2.8)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**15.9**	**511.8**	**527.7**	**16.8**	**544.5**
Ordinary shares issued	35.0	20.4	–	–	185.1	–	240.5	–	240.5
Dividends paid	–	–	–	–	–	(102.8)	(102.8)	–	(102.8)
Redemption and conversion of convertible bonds	–	–	–	(6.7)	–	6.7	–	–	–
Non-controlling interest additions	–	–	–	–	–	–	–	3.1	3.1
Share-based payments	–	–	–	–	–	1.0	1.0	–	1.0
Acquisition of treasury shares	–	–	(20.9)	–	–	–	(20.9)	–	(20.9)
Disposal of treasury shares	–	–	0.7	–	–	5.3	6.0	–	6.0
Other	–	–	–	–	–	0.6	0.6	–	0.6
Reduction of capital (note 38)	–	(1,005.7)	–	–	–	1,005.7	–	–	–
Demerger effected by way of repayment of capital (note 38)	–	–	–	–	38.6	(838.4)	(799.8)	–	(799.8)
	35.0	(985.3)	(20.2)	(6.7)	223.7	78.1	(675.4)	3.1	(672.3)
At 31 December 2010	**346.3**	**20.4**	**(29.9)**	**–**	**526.5**	**1,410.1**	**2,273.4**	**19.9**	**2,293.3**

Statements of changes in equity for the year ended 31 December 2010
Continued

	Attributable to equity shareholders of CSC Group PLC								
Group	Share capital £m	Share premium £m	Treasury shares £m	Convertible bond reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 January 2009	182.6	993.4	(10.8)	7.6	287.3	497.9	1,958.0	27.8	1,985.8
Loss for the year	–	–	–	–	–	(338.8)	(338.8)	(31.3)	(370.1)
Other comprehensive income:									
Revaluation of other investments	–	–	–	–	(5.3)	–	(5.3)	–	(5.3)
Realise revaluation reserve on disposal of other investments	–	–	–	–	4.5	–	4.5	–	4.5
Exchange differences	–	–	–	–	2.2	–	2.2	–	2.2
Actuarial loss on defined benefit pension schemes	–	–	–	–	–	(14.5)	(14.5)	(0.3)	(14.8)
Tax on items taken to other comprehensive income	–	–	–	–	(2.0)	(0.8)	(2.8)	–	(2.8)
Total comprehensive income for the year	–	–	–	–	(0.6)	(354.1)	(354.7)	(31.6)	(386.3)
Ordinary shares issued	128.0	–	–	–	737.7	–	865.7	–	865.7
Realisation of merger reserve	–	–	–	–	(737.7)	737.7	–	–	–
Dividends paid	–	–	–	–	–	(28.2)	(28.2)	–	(28.2)
Conversion of convertible bonds	0.7	12.3	–	(0.9)	–	0.9	13.0	–	13.0
Loss of control of deemed subsidiary	–	–	–	–	–	–	–	(8.0)	(8.0)
Increase in partner capital	–	–	–	–	–	0.3	0.3	–	0.3
Non-controlling interest additions	–	–	–	–	–	–	–	11.8	11.8
Purchase of non-controlling interest	–	–	–	–	–	(34.3)	(34.3)	–	(34.3)
Share-based payments	–	–	–	–	0.2	–	0.2	–	0.2
Acquisition of treasury shares	–	–	(0.2)	–	–	–	(0.2)	–	(0.2)
Disposal of treasury shares	–	–	1.3	–	–	–	1.3	–	1.3
	128.7	12.3	1.1	(0.9)	0.2	676.4	817.8	3.8	821.6
At 31 December 2009	311.3	1,005.7	(9.7)	6.7	286.9	820.2	2,421.1	–	2,421.1

Statements of changes in equity for the year ended 31 December 2010
Continued

							Attributable to equity shareholders of CSC Group PLC
Company	**Share capital £m**	**Share premium £m**	**Treasury shares £m**	**Convertible bond reserve £m**	**Other reserves £m**	**Retained earnings £m**	**Total £m**
At 1 January 2010	311.3	1,005.7	(9.7)	6.7	61.7	1,930.3	3,306.0
Loss for the year	–	–	–	–	–	(576.9)	(576.9)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(576.9)**	**(576.9)**
Ordinary shares issued	35.0	20.4	–	–	185.1	–	240.5
Dividends paid	–	–	–	–	–	(102.8)	(102.8)
Redemption and conversion of convertible bonds	–	–	–	(6.7)	–	6.7	–
Share-based payments	–	–	–	–	–	1.0	1.0
Acquisition of treasury shares	–	–	(20.9)	–	–	–	(20.9)
Disposal of treasury shares	–	–	0.7	–	–	5.3	6.0
Reserve transfer	–	–	–	–	(0.3)	0.3	–
Other	–	–	–	–	–	0.6	0.6
Reduction of capital (note 38)	–	(1,005.7)	–	–	–	1,005.7	–
Demerger effected by way of repayment of capital (note 38)	–	–	–	–	–	(799.8)	(799.8)
	35.0	(985.3)	(20.2)	(6.7)	184.8	117.0	(675.4)
At 31 December 2010	**346.3**	**20.4**	**(29.9)**	**–**	**246.5**	**1,470.4**	**2,053.7**

							Attributable to equity shareholders of CSC Group PLC
Company	Share capital £m	Share premium £m	Treasury shares £m	Convertible bond reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2009	182.6	993.4	(10.8)	7.6	61.4	1,395.5	2,629.7
Loss for the year	–	–	–	–	–	(160.4)	(160.4)
Other comprehensive income:							
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(14.2)	(14.2)
Tax on items taken to other comprehensive income	–	–	–	–	–	(0.9)	(0.9)
Total comprehensive income for the year	–	–	–	–	–	(175.5)	(175.5)
Ordinary shares issued	128.0	–	–	–	737.7	–	865.7
Realisation of merger reserve	–	–	–	–	(737.7)	737.7	–
Dividends paid	–	–	–	–	–	(28.2)	(28.2)
Reserve transfer	–	–	–	–	0.1	(0.1)	–
Conversion of convertible bonds	0.7	12.3	–	(0.9)	–	0.9	13.0
Share-based payments	–	–	–	–	0.2	–	0.2
Acquisition of treasury shares	–	–	(0.2)	–	–	–	(0.2)
Disposal of treasury shares	–	–	1.3	–	–	–	1.3
	128.7	12.3	1.1	(0.9)	0.3	710.3	851.8
At 31 December 2009	311.3	1,005.7	(9.7)	6.7	61.7	1,930.3	3,306.0

Statements of cash flows for the year ended 31 December 2010

	Notes	Group 2010 £m	Re-presented Group 2009 £m	Company 2010 £m	Company 2009 £m
Cash flows from continuing operations					
Cash generated from operations	41	**226.8**	250.3	**(37.1)**	(673.1)
Interest paid		**(229.1)**	(221.9)	**(8.7)**	(25.9)
Interest received		**1.5**	16.5	**8.9**	13.3
Taxation		**2.2**	1.1	**0.8**	(0.3)
REIT entry charge		**(40.1)**	(33.1)	**–**	–
Cash flows from operating activities		**(38.7)**	12.9	**(36.1)**	(686.0)
Cash flows from investing activities					
Purchase and development of property, plant and equipment		**(47.4)**	(189.8)	**(3.7)**	(0.7)
Sale of property		**64.4**	4.6	**–**	–
Sale of other investments		**10.4**	18.7	**–**	–
Purchase of other investments		**(4.2)**	–	**–**	–
Purchase of pension insurance policy		**–**	(15.5)	**–**	(15.5)
Other derivative financial instruments		**(26.2)**	–	**–**	–
Cash flows from investing activities		**(3.0)**	(182.0)	**(3.7)**	(16.2)
Cash flows from financing activities					
Partnership equity introduced		**3.1**	11.7	**–**	–
Issue of ordinary shares		**222.4**	865.7	**222.4**	865.7
Acquisition of treasury shares		**(1.4)**	(0.2)	**(1.4)**	(0.2)
Sale of treasury shares		**0.2**	–	**0.2**	–
Cash transferred from/(to) restricted accounts	24	**19.8**	(19.8)	**–**	–
Borrowings drawn		**518.7**	237.3	**–**	190.2
Borrowings repaid		**(690.3)**	(478.3)	**(79.2)**	(330.5)
Equity dividends paid		**(102.2)**	(23.0)	**(102.2)**	(23.0)
Cash flows from financing activities		**(29.7)**	593.4	**39.8**	702.2
Net (decrease)/increase in cash and cash equivalents from continuing operations		**(71.4)**	424.3	**–**	–
Cash flows from discontinued operations					
Operating activities		**0.3**	9.6	**–**	–
Investing activities		**(1.2)**	119.7	**–**	–
Financing activities		**(69.0)**	(60.6)	**–**	–
Cash and cash equivalents transferred on demerger		**(179.2)**	–	**–**	–
Effect of exchange rate changes on cash and cash equivalents		**0.4**	(1.2)	**–**	–
Net (decrease)/increase in cash and cash equivalents from discontinued operations		**(248.7)**	67.5	**–**	–
Net (decrease)/increase in cash and cash equivalents		**(320.1)**	491.8	**–**	–
Cash and cash equivalents at 1 January		**562.7**	70.9	**–**	–
Cash and cash equivalents at 31 December	24	**242.6**	562.7	**–**	–

Notes to the accounts

1 Accounting convention and basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS), IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Directors have taken advantage of the exemption offered by Section 408 of the Companies Act not to present a separate income statement for the Company.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of properties, available-for-sale investments, financial assets and liabilities held for trading. A summary of the more important Group accounting policies is set out in note 2.

The accounting policies used are consistent with those applied in the last annual financial statements, as amended to reflect the adoption of new standards, amendments, and interpretations which became effective in the year. During 2010, the following standards, amendments and interpretations endorsed by the EU are effective for the first time for the Group's 31 December 2010 year end:

IFRS 2 Share-based Payment (amendment);

IFRS 3 Business Combinations;

IAS 27 Consolidated and Separate Financial Statements;

IAS 39 Financial Instruments: Recognition and Measurement (amendment);

IFRIC 12 Service Concession Arrangements;

IFRIC 15 Arrangements for Construction of Real Estate;

IFRIC 16 Hedges of a Net Investment in a Foreign Operation;

IFRIC 17 Distributions of Non-cash Assets to Owners; and

Amendments arising from the 2008 and 2009 annual improvements project.

These either had no material impact on the financial statements or resulted in changes to presentation and disclosure only.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Where such judgements are made they are included within the accounting policies given in note 2.

The comparative information has been re-presented to meet the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations so that operations being reclassified as discontinued during the year ended 31 December 2010 are also shown as discontinued in certain comparatives. Comparative information is re-presented for the income statement and statement of cash flows but not the balance sheet. Balance sheet comparatives have been re-presented to classify derivative financial instruments according to their maturity date.

The following standards and interpretations have been issued and adopted by the EU but are not effective for the year ended 31 December 2010 and have not been adopted early:

IAS 24 Related Party Transactions;

IAS 32 Financial Instruments: Presentation (amendment);

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amendment); and

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

These pronouncements are not expected to have a material impact on the financial statements, but will result in changes to presentation or disclosure where they are applicable.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement on pages 6 to 8 and the Business review on pages 12 to 19. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 22 to 27. In addition note 32 includes the Group's risk management objectives, details of its financial instruments and hedging activities, its exposures to liquidity risk and details of its capital structure.

Following the successful £216 million, net of expenses, capital raising completed in November 2010 and the completion of the Trafford Centre acquisition in January 2011, the Group has access to a substantial cash balance and a £248 million undrawn revolving credit facility. The Group has no major asset-specific debt refinancing requirements until 2014.

The Directors have therefore concluded, based on the Group's forecasts and projections and taking into account reasonably possible changes in trading performance along with the factors listed above, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2 Accounting policies – Group and Company

Basis of consolidation

The consolidated financial information includes the Company and its subsidiaries and their interests in joint ventures and associates.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

– subsidiaries

Subsidiary undertakings are those entities for which the Group has the ability to govern the financial and operating policies, whether through a majority of the voting rights or otherwise. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

Notes to the accounts
Continued

2 Accounting policies – Group and Company (continued)

The Company's investment in Group companies is carried at cost less accumulated impairment losses.

– joint ventures
A joint venture is an entity over which the Group, either directly or indirectly, is in a position to jointly control the financial and operating policies of the entity.

The Group's interest in joint ventures is accounted for using proportional consolidation. The Group's share of the assets, liabilities, income and expenses are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

– associates
An associate is an entity over which the Group, either directly or indirectly, is in a position to exercise significant influence by participating in, but without control or joint control of the financial and operating policies of the entity.

The Group's interest in associate entities is accounted for using the equity method.

– non-controlling interest
A non-controlling interest is the equity in a subsidiary not owned, directly or indirectly, by the Company. Non-controlling interests are presented in the balance sheet within equity, separately from the amounts attributable to equity shareholders of the Company. Profit or loss and each component of other comprehensive income is attributed to equity shareholders of the Company and to non-controlling interests.

Foreign currencies

The assets and liabilities of foreign entities are translated into sterling at the rate of exchange ruling at the reporting date and their income statement and cash flows are translated at the average rate for the period. Exchange differences arising are dealt with in other comprehensive income.

At entity level, transactions in currencies other than the entities functional currency are recorded at the exchange rate prevailing at the transaction dates. Foreign exchange gains and losses resulting from settlement of these transactions and from retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when qualifying as hedges, in which case they are dealt with in other comprehensive income.

Revenue recognition

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.

– property revenue
Gross rental income is calculated on an accruals basis. Rental income receivable is spread evenly over the period from lease commencement to expiry. Directly attributable lease incentives are recognised within net rental income on the same straight-line basis as rental income.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, for example increases arising on rent reviews or rents linked to tenant revenues, are recorded as income in the periods in which they are earned.

Rent reviews are recognised as income from the date of the rent review, based on management's estimates, when they can be measured reliably. Estimates are derived from knowledge of market rents for comparable properties determined on an individual property basis and updated for progress of negotiations.

Service charge income is recognised on an accruals basis in line with the service being provided.

– interest and other income
Revenue in respect of investments and other income represents investment income, earned on an accruals basis and profits or losses recognised on investments held for the short term. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

– dividend income
Dividend income is recognised when the shareholders' right to receive payment has been established.

– trading property income
Revenue on the sale of trading property is recognised when the significant risks and rewards of ownership have been transferred to the buyer. This will normally take place on exchange of contracts.

Share-based payments

The cost of granting share options and other share-based remuneration to employees and Directors is recognised through the income statement with reference to the fair value of the options at the date of grant. The income statement is charged over the vesting period of the options.

An option pricing model is used applying assumptions around expected yields, forfeiture rates, exercise price and volatility.

Own shares held in connection with employee share plans and other share-based payment arrangements are treated as treasury shares and the cost of these is deducted from equity.

Exceptional items

Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Income taxes

Current tax is the amount payable on the taxable income for the year and any adjustment in respect of prior years. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax, on non-REIT items, is provided using the balance sheet liability method in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used in the computation of taxable profit, with the exception of deferred tax on revaluation surpluses where the tax basis used is the accounts' historic cost.

Temporary differences are not provided on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that management believe it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset only when they relate to taxes levied by the same authority and the Group intends to settle them on a net basis.

Tax is included in the income statement except when it relates to items recognised in other comprehensive income, or directly in equity, in which case the related tax is also recognised in other comprehensive income or directly in equity.

2 Accounting policies – Group and Company (continued)

Investment and development property

Investment and development properties are owned or leased by the Group and held for long-term rental income and capital appreciation.

The Group has elected to use the fair value model. Properties are initially recognised at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value. Valuations conform with the Royal Institution of Chartered Surveyors ("RICS"), Valuation Standards 6th Edition and IVS1 of International Valuation Standards.

The main estimates and judgements underlying the valuations are in relation to market rent, taking into account forecast growth rates and yields based on known transactions for similar properties and likely incentives offered to tenants.

Property held under leases are stated gross of the recognised finance lease liability.

The cost of investment and development property includes capitalised interest and other directly attributable outgoings incurred during development, except in the case of properties and land where no development is imminent, in which case no interest is included. Interest is capitalised (before tax relief), on the basis of the average rate of interest paid on the relevant debt outstanding, until the date of practical completion.

Gains or losses arising from changes in the fair value of investment and development property are recognised in the income statement. Depreciation is not provided in respect of investment and development property.

When the use of a property changes from that of investment to trading, the property's deemed cost for subsequent accounting in accordance with IAS 2 Inventories is its fair value at the date of change in use.

Gains or losses arising on the sale of investment and development property are recognised when the significant risks and rewards of ownership have been transferred to the buyer. This will normally take place on exchange of contracts. The gain or loss recognised is the proceeds received less the carrying value of the property and costs directly associated with the sale.

Leases

Leases are classified according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are normally classified as operating leases.

– Group as lessee:
Finance leases of investment property are accounted for as finance leases and recognised as an asset and an obligation to pay future minimum lease payments. The investment property asset is included in the balance sheet at fair value, gross of the recognised finance lease liability.

Other finance lease assets are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments and depreciated over the shorter of the lease term and the useful life of the asset.

Lease payments are allocated between the liability and finance charges so as to achieve a constant financing rate.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

– Group as lessor:
Properties are leased out under operating leases, with rental income being recognised on a straight-line basis over the lease term. For more detail see the revenue recognition policy.

Plant and equipment

Plant and equipment consists of vehicles, fixtures, fittings and other equipment. Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over an asset's estimated useful life up to a maximum of five years.

Other investments

Available-for-sale investments, being investments intended to be held for an indefinite period, are initially and subsequently measured at fair value. For listed investments, fair value is the current bid market value at the reporting date. For unlisted investments where there is no active market, fair value is assessed using an appropriate methodology.

Gains or losses arising from changes in fair value are included in other comprehensive income, except to the extent that losses are considered to represent an impairment, in which case they are recognised in the income statement.

Upon disposal, accumulated fair value adjustments are recycled from reserves to the income statement.

Impairment of assets

The Group's assets are reviewed at each balance sheet date to determine whether events or changes in circumstances exist that indicate that their carrying amount may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (referred to as cash generating units).

Trading property

Trading property comprises those properties either intended for sale or in the process of construction for sale. Where such properties were previously categorised as investment and development property they are transferred at their fair value which forms their deemed cost. Trading property is carried at the lower of cost and net realisable value.

Trade receivables

Trade receivables are recognised and subsequently measured at amortised cost.

The Directors' exercise judgement as to the collectability of the trade receivables and determines if it is appropriate to impair these assets. Factors such as days past due, credit status of the counterparty and historical evidence of collection are considered.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits with banks, whether restricted or unrestricted and other short-term liquid investments with original maturities of three months or less.

Trade payables

Trade payables are recognised and subsequently measured at amortised cost.

Notes to the accounts
Continued

2 Accounting policies – Group and Company (continued)

Provisions

Provisions are recognised when the Group has a current obligation arising from a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle that obligation at the balance sheet date.

Pensions

The costs of defined contribution schemes and contributions to personal plans are charged to the income statement in the year in which they are incurred.

Borrowings

Borrowings are recognised initially at their net proceeds on issue and subsequently carried at amortised cost. Any transaction costs and premiums or discounts are recognised over the contractual life using the effective interest method.

In the event of early repayment, all unamortised transaction costs are recognised immediately in the income statement.

Derivative financial instruments

The Group uses derivative financial instruments to manage exposure to interest rate and foreign exchange risk. They are initially recognised on the trade date at fair value and subsequently re-measured at fair value based on market price.

Changes in fair value are recognised directly in the income statement, except for the effective portion of gains or losses on derivative instruments designated as a hedge of net investment in foreign operations, in which case they are recognised in other comprehensive income.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Compound instruments

At the date of issue of compound instruments, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-compound debt. The difference between the proceeds of issue and the fair value of the liability is included in equity. Issue costs are apportioned between the liability and equity components based on their relative initial carrying values. The liability element of compound instruments is subsequently measured using the expected interest rate method. The value of the equity component is not re-measured in subsequent periods.

Treasury shares

Investments held in the Company's own shares are deducted from equity at cost. Where such shares are subsequently sold, any consideration received is recognised directly in equity.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through sale rather than through continuing use. The asset or disposal group must be available for immediate sale and the sale must be highly probable and be expected to complete within one year of the balance sheet date. Where applicable, non-current assets and disposal groups classified as held for sale are measured at the lower of fair value less costs to sell and their carrying amount.

Impairment losses on initial classification as held for sale are included in the income statement. Gains reversing previous impairment losses or losses on subsequent re-measurements are also included in the income statement.

Assets classified as held for sale are disclosed separately on the face of the balance sheet and classified as current assets or liabilities with disposal groups being separated between assets held for sale and liabilities held for sale. No amortisation or depreciation is charged on non-current assets (including those in disposal groups) classified as held for sale.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operation that has been disposed of, has been abandoned or meets the criteria for classification as held for sale. Discontinued operations are presented in the income statement as a separate line entitled "Profit for the year from discontinued operations" and in a separate section in the statement of cash flows entitled "Cash flows from discontinued operations".

Current/non-current classification

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption in, the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

3 Segmental reporting

Operating segments are determined based on the internal reporting and operational management of the Group. Following the demerger of Capco (see note 38) the Group has reassessed its segmental reporting. The Group is now primarily a UK shopping centre focused business and to reflect this, the segmental reporting has been changed to show one main reportable operating segment being UK Shopping Centres.

Revenue represents total income from tenants and net rental income is the principal profit measure used to measure performance. All continuing items in the income statement arise in the UK Shopping Centres segment. A more detailed analysis of net rental income is given below.

	2010 £m	2009 £m
Revenue	**420.3**	405.0
Rent receivable	**350.4**	341.1
Service charge income	**59.6**	58.9
	410.0	400.0
Rent payable	**(23.7)**	(21.4)
Service charge and other non-recoverable costs	**(109.4)**	(111.3)
Net rental income	**276.9**	267.3

Additional disclosures for the UK Shopping Centres segment:

	2010 £m	2009 £m
Depreciation	**0.4**	0.2
Additions to non-current assets[1]	**37.5**	163.6

1 Excluding financial instruments and deferred tax assets.

The Group's geographical segments are set out below. This represents where the Group's assets and revenues are predominantly domiciled.

	Revenue[1]		Non-current assets[2]	
	2010 £m	2009 £m	2010 £m	2009 £m
United Kingdom	**420.3**	405.0	**5,137.7**	5,956.9
United States	**–**	–	**–**	351.0
India	**–**	–	**39.3**	31.5
	420.3	405.0	**5,177.0**	6,339.4

1 Revenue is presented for continuing operations only.

2 Non-current assets excluding financial instruments and deferred tax assets.

4 Net other income

	2010 £m	2009 £m
Sale of trading property	**10.3**	–
Cost of sales	**(9.3)**	–
Profit on sale of trading property	**1.0**	–
Write down of trading property	**(0.3)**	(0.1)
Insurance recovery	**–**	5.0
Net other income	**0.7**	4.9

5 Revaluation and sale of investment and development property

	2010 £m	2009 £m
Revaluation of investment and development property	**500.6**	(534.7)
Sale of investment property	**(3.4)**	(1.0)
Revaluation and sale of investment and development property	**497.2**	(535.7)

Notes to the accounts
Continued

6 Operating profit

	2010 £m	2009 £m
Operating profit is arrived at after charging:		
Staff costs	**20.7**	18.5
Depreciation	**0.4**	0.2
Remuneration paid to the Company's auditors (note 8)	**2.5**	2.1

7 Employees' information

Employees' information is given for continuing operations only.

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Wages and salaries	**16.5**	15.3	**5.6**	8.3
Social security costs	**2.1**	1.8	**0.8**	0.9
Other pension costs	**1.1**	1.2	**0.3**	0.8
Share based payments (note 45)	**1.0**	0.2	**1.0**	0.2
	20.7	18.5	**7.7**	10.2

At 31 December 2010 the number of persons employed by the Group in continuing operations was 228 (2009 – 246) and by the Company was nil (2009 – 95). During the year all the employees of the Company were transferred to a subsidiary. The monthly average number of persons employed in continuing operations during the year was:

	2010 Number	2009 Number
Head Office	**142**	149
Shopping Centres	**92**	108
	234	257

8 Auditors' remuneration

	2010 £000	2009 £000
Remuneration to the principal auditor in respect of audit fees:		
Statutory audit of the Company and consolidated accounts	**184**	435
Remuneration to the principal auditor in respect of other services:		
Statutory audit of subsidiary accounts	**101**	347
Other services pursuant to legislation[2]	**40**	75
Fees in respect of Group and Company audit and review services	**325**	857
Statutory audit of the pension funds	**10**	9
Taxation advisory services	**14**	40
Other services	**36**	21
Fees in respect of other recurring services	**60**	70
Corporate finance advisory services[1]	**2,150**	1,154
	2,535	2,081
Remuneration to other auditors comprises:		
Statutory audit of UK subsidiaries	**–**	159
Tax services to UK subsidiaries	**27**	229
Statutory audit of US subsidiary	**137**	195
Tax services to US subsidiary	**122**	105

1 Fees payable to the principal auditor in respect of corporate finance advisory services include fees in respect of work required for the Group's demerger of Capco and acquisition of The Trafford Centre. PwC were selected to undertake this work after consideration of the impact this may have on their independence, which it was concluded would not be impinged by undertaking the work. A further consideration in the decision was, given their prior knowledge of the Group's activities, PwC were best placed to carry out the work, taking into account general efficiency and cost effectiveness. Fees of this type are ad hoc in nature and occur in respect of major corporate transactions.

2 Relates to fees in respect of the review of the Group's Interim Report.

9 Finance costs

	2010 £m	2009 £m
On bank loans and overdrafts	**160.8**	184.9
On convertible debt	**2.3**	2.9
On obligations under finance leases	**4.0**	4.1
Gross finance costs	**167.1**	191.9
Interest capitalised on developments	**(1.7)**	(17.1)
Finance costs	**165.4**	174.8

Interest is capitalised, before tax relief, on the basis of the average rate of interest paid on the relevant debt, applied to the cost of developments during the year.

10 Other finance costs

	2010 £m	2009 £m
Metrocentre amortisation of compound financial instrument	**8.8**	9.6
Loss on sale/repurchase of CMBS notes[1]	**–**	4.3
Revolving credit facility arrangement fee[1]	**1.2**	5.4
Cost of termination of derivative financial instruments[1]	**65.1**	28.9
Other finance costs	**75.1**	48.2

1 Amounts totalling £66.3 million in the year ended 31 December 2010 are treated as exceptional and therefore excluded from the calculation of underlying earnings (2009 – £38.6 million).

Notes to the accounts
Continued

11 Taxation

Taxation charge for the year	2010 £m	2009 £m
Current UK corporation tax at 28% (2009 – 28%)	–	–
Prior year items – UK corporation tax	0.1	(2.9)
Current tax	0.1	(2.9)
Deferred tax:		
On investment and development property	0.4	(0.2)
On derivative financial instruments	(2.6)	69.5
On exceptional items	(0.6)	(2.2)
Deferred tax	(2.8)	67.1
REIT entry charge	3.3	3.1
Total tax charge	**0.6**	67.3

The tax charge for the year is lower (2009 – higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2010 £m	2009 £m
Profit/(loss) before tax	446.2	(119.5)
Profit/(loss) before tax multiplied by the standard rate in the UK of 28% (2009 – 28%)	124.9	(33.5)
UK capital allowances not reversing on sale	(4.2)	(4.1)
Disposals of properties and investments	(17.1)	(2.4)
Prior year corporation tax items	0.1	(2.8)
Prior year deferred tax items	1.0	4.5
Expenses disallowed, net of capitalised interest	5.9	(3.4)
Interest disallowed under transfer pricing	0.6	1.9
Group relief	–	1.9
REIT exemption – corporation tax	6.8	(13.4)
REIT exemption – deferred tax	(130.8)	134.1
REIT exemption – entry charge	3.3	3.1
Unutilised losses carried forward	1.2	0.9
Unprovided deferred tax	8.0	(19.5)
Reduction in tax rate	0.9	–
Total tax charge	**0.6**	67.3

Tax on items taken to other comprehensive income is analysed as:

	2010 £m	2009 £m
Investment and development property	(0.1)	–
Pension liability movements	–	0.8
Revaluation and sale of investments	2.9	2.0
Tax on items taken to other comprehensive income	**2.8**	2.8

12 Loss for the financial year attributable to shareholders of Capital Shopping Centres Group PLC

Losses of £576.9 million are dealt with in the accounts of the Company in respect of the year (2009 – losses of £160.4 million). No income statement is presented for the Company as permitted by Section 408 Companies Act 2006. The loss recognised in the Company for the year ended 31 December 2010 was caused by the reorganisation of intercompany balances prior to the demerger of Capco in May 2010.

13 Dividends

	2010 £m	2009 £m
Ordinary shares		
Prior period final dividend paid of 11.5 pence per share (2009 – nil pence per share)	**71.4**	–
Interim dividend paid of 5 pence per share (2009 – 5 pence per share)	**31.4**	28.2
Dividends paid	**102.8**	28.2
Proposed final dividend of 10 pence per share	**85.9**	

Details of the shares in issue and dividends waived are given in notes 35 and 37.

14 Earnings per share

(a) Earnings per share

Basic and diluted earnings per share as calculated in accordance with IAS 33 Earnings per Share.

	2010			2009		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Continuing operations:						
Basic earnings/(loss) per share[1]	**428.8**	**627.8**	**68.3p**	(175.1)	497.7	(35.2)p
Dilutive convertible bonds, share options and share awards	**1.7**	**9.7**		1.5	12.3	
Diluted earnings/(loss) per share	**430.5**	**637.5**	**67.5p**	(173.6)	510.0	(34.0)p
Discontinued operations:						
Basic earnings/(loss) per share[1]	**83.0**	**627.8**	**13.2p**	(163.7)	497.7	(32.9)p
Dilutive convertible bonds, share options and share awards	**–**	**9.7**		–	12.3	
Diluted earnings/(loss) per share	**83.0**	**637.5**	**13.0p**	(163.7)	510.0	(32.1)p
Continuing and discontinued operations:						
Basic earnings/(loss) per share[1]	**511.8**	**627.8**	**81.5p**	(338.8)	497.7	(68.1)p
Dilutive convertible bonds, share options and share awards	**1.7**	**9.7**		1.5	12.3	
Diluted earnings/(loss) per share	**513.5**	**637.5**	**80.5p**	(337.3)	510.0	(66.1)p

1 The weighted average number of shares used for the calculation of basic earnings/(loss) per share has been adjusted for shares held in the ESOP and treasury shares.

(b) Headline earnings per share

Headline earnings per share has been calculated and presented as required by the Johannesburg Stock Exchange listing requirements and is given for continuing plus discontinued operations.

	2010		2009	
	Gross £m	**Net[1] £m**	Gross £m	Net[1] £m
Basic earnings/(loss)		**511.8**		(338.8)
Remove:				
Revaluation and sale of investment and development property	**(580.5)**	**(547.5)**	768.3	704.9
Sale and impairment of other investments	**2.6**	**2.6**	10.4	10.4
Impairment of other receivables	**–**	**–**	12.0	12.0
Exceptional other income	**–**	**–**	(5.3)	(5.3)
Headline (loss)/earnings		**(33.1)**		383.2
Dilution[2]		**1.7**		1.5
Diluted headline (loss)/earnings		**(31.4)**		384.7
Weighted average number of shares		**627.8**		497.7
Dilution[2]		**9.7**		12.3
Diluted weighted average number of shares		**637.5**		510.0
Headline (loss)/earnings per share (pence)		**(5.3)p**		77.0p
Diluted headline (loss)/earnings per share (pence)		**(4.9)p**		75.4p

1 Net of tax and non-controlling interest.

2 The dilution impact is required to be included as for earnings per share as calculated in note 14(a) even where this is not dilutive for headline earnings per share.

Notes to the accounts
Continued

14 Earnings per share (continued)

(c) Underlying earnings per share

Underlying earnings per share is a non–GAAP measure but has been included as it is considered to be a key measure of the Group's operating results and indication of the extent to which dividend payments are supported by current earnings.

			2010			2009
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic earnings/(loss) per share from continuing operations[1]	**428.8**	**627.8**	**68.3p**	(175.1)	497.7	(35.2)p
Remove:						
Revaluation and sale of investment and development property	**(497.2)**		**(79.2)p**	535.7		107.6p
Sale and impairment of other investments	**2.6**		**0.4p**	10.1		2.0p
Exceptional administration costs	**15.6**		**2.5p**	–		–
Exceptional other income	**–**		**–**	(5.0)		(1.0)p
Exceptional finance charges	**66.3**		**10.6p**	38.6		7.8p
Change in fair value of derivative financial instruments	**50.0**		**8.0p**	(399.6)		(80.3)p
Tax on the above	**(2.8)**		**(0.4)p**	66.9		13.5p
REIT entry charge	**3.3**		**0.5p**	3.1		0.6p
Non-controlling interest in respect of the above	**19.1**		**3.0p**	(5.9)		(1.2)p
Add:						
C&C US underlying earnings included within discontinued operations	**10.9**		**1.7p**	6.3		1.3p
Underlying earnings per share	**96.6**	**627.8**	**15.4p**	75.1	497.7	15.1p
Dilutive convertible bonds, share options and share awards	**1.7**	**9.7**		1.5	12.3	
Underlying, diluted earnings per share	**98.3**	**637.5**	**15.4p**	76.6	510.0	15.0p

1 The weighted average number of shares used for the calculation of basic earnings/(loss) per share has been adjusted for shares held in the ESOP and treasury shares.

15 Net assets per share

NAV per share (diluted, adjusted) is a non-GAAP measure but has been included as it is considered to be a key measure of the Group's results.

			2010			2009
	Net assets £m	**Shares million**	**NAV per share (pence)**	Net assets £m	Shares million	NAV per share (pence)
NAV attributable to equity shareholders of CSC Group PLC[1]	**2,273.4**	**685.8**	**331p**	2,421.1	621.5	390p
Dilutive convertible bonds, share options and share awards	**–**	**–**		101.3	12.8	
Diluted NAV	**2,273.4**	**685.8**	**331p**	2,522.4	634.3	398p
Add:						
Unrecognised surplus on trading properties (net of tax)	**1.4**		**–**	0.9		–
Remove:						
Fair value of derivative financial instruments (net of tax)	**314.9**		**46p**	335.5		53p
Deferred tax on investment and development property	**47.7**		**7p**	42.9		7p
Non-controlling interest in respect of the above	**(31.7)**		**(5)p**	(27.1)		(5)p
Add:						
Non–controlling interest recoverable balance not recognised	**71.3**		**11p**	71.3		11p
NAV per share (diluted, adjusted)	**2,677.0**	**685.8**	**390p**	2,945.9	634.3	464p

1 The number of shares used has been adjusted for shares held in the ESOP and treasury shares.

16 Investment and development property

	Freehold £m	Leasehold £m	Total £m
At 1 January 2009	4,001.8	3,072.6	7,074.4
Additions from acquisitions	–	1.5	1.5
Additions from subsequent expenditure	94.4	109.3	203.7
Loss of deemed control of former subsidiary	(94.4)	–	(94.4)
Other disposals	(212.9)	(8.6)	(221.5)
Foreign exchange movements	(49.0)	–	(49.0)
Deficit on revaluation	(376.3)	(355.8)	(732.1)
At 31 December 2009	3,363.6	2,819.0	6,182.6
C&C US balances transferred to assets held for sale	(338.0)	–	(338.0)
Additions from subsequent expenditure	12.1	17.5	29.6
Other disposals	(36.1)	(31.1)	(67.2)
Transferred to trading property	–	(16.1)	(16.1)
Surplus on revaluation	331.4	230.1	561.5
Transferred on demerger (note 38)	(653.1)	(648.3)	(1,301.4)
At 31 December 2010	**2,679.9**	**2,371.1**	**5,051.0**

	2010 £m	2009 £m
Balance sheet carrying value of investment and development property	**5,051.0**	6,182.6
Adjustment in respect of tenant incentives	**86.8**	83.2
Adjustment in respect of head leases	**(38.7)**	(47.1)
Market value of investment and development property	**5,099.1**	6,218.7

Included within investment and development property additions during the year is £1.7 million (2009 – £19.0 million) of interest capitalised on developments in progress.

The fair value of the Group's investment and development property as at 31 December 2010 was determined by independent external valuers at that date. The valuations conform with the Royal Institution of Chartered Surveyors ("RICS") Valuation Standards 6th Edition and with IVS 1 of International Valuation Standards, and were arrived at by reference to market transactions for similar properties.

The main assumptions underlying the valuations are in relation to market rent, taking into account forecast growth rates and yields based on known transactions for similar properties and likely incentives offered to tenants.

A summary of the market value of investment and development property by valuer is given below:

	2010 £m
DTZ	**3,978.9**
CBRE	**845.2**
Knight Frank	**242.8**
Others	**32.2**
	5,099.1

Valuation fees are based on a fixed amount agreed between the Group and the valuers and are independent of the portfolio value.

There are certain restrictions on the realisability of investment property when a credit facility is in place. In most circumstances the Group can realise up to 50 per cent without restriction providing the Group continues to manage the asset. Realising an amount in excess of this would trigger a change of control and mandatory repayment of the facility.

Notes to the accounts
Continued

17 Plant and equipment

Group	Cost 2010 £m	Accumulated depreciation 2010 £m	Net 2010 £m	Cost 2009 £m	Accumulated depreciation 2009 £m	Net 2009 £m
At 1 January	5.1	(3.2)	1.9	4.3	(3.0)	1.3
C&C US balances transferred to assets held for sale	(0.3)	0.1	(0.2)	–	–	–
Additions	3.7	–	3.7	1.8	–	1.8
Disposals	(0.1)	0.1	–	(1.0)	0.3	(0.7)
Charge for the year	–	(0.5)	(0.5)	–	(0.5)	(0.5)
Transferred on demerger (note 38)	(1.0)	0.2	(0.8)	–	–	–
At 31 December	**7.4**	**(3.3)**	**4.1**	5.1	(3.2)	1.9

Company	Cost 2010 £m	Accumulated depreciation 2010 £m	Net 2010 £m	Cost 2009 £m	Accumulated depreciation 2009 £m	Net 2009 £m
At 1 January	1.1	(0.3)	0.8	0.7	–	0.7
Additions	3.7	–	3.7	0.8	–	0.8
Disposals	–	–	–	(0.4)	–	(0.4)
Charge for the year	–	(0.4)	(0.4)	–	(0.3)	(0.3)
At 31 December	**4.8**	**(0.7)**	**4.1**	1.1	(0.3)	0.8

Plant and equipment include vehicles, fixtures, fittings and other office equipment.

18 Investment in Group companies

Company	Cost 2010 £m	Accumulated impairment 2010 £m	Net 2010 £m	Cost 2009 £m	Accumulated impairment 2009 £m	Net 2009 £m
At 1 January	1,943.7	(1,031.2)	912.5	1,943.7	(1,094.9)	848.8
Additions	1,163.2	–	1,163.2	–	–	–
Transferred on demerger	(451.6)	5.0	(446.6)	–	–	–
Impairment reversed in the year	–	72.5	72.5	–	63.7	63.7
At 31 December	**2,655.3**	**(953.7)**	**1,701.6**	1,943.7	(1,031.2)	912.5

IAS 36 Impairment of Assets allows for reversal of impairment charges providing the reversal is calculated on a consistent basis to the original impairment. At 31 December 2010, this resulted in a reversal of £72.5 million (2009 – £63.7 million). The additions to the investment in Group companies during the year ended 31 December 2010 relate mainly to internal reorganisations including those required prior to the demerger of Capco in May 2010.

19 Joint ventures

	Xscape Braehead Partnership £m	The Great Capital Partnership £m	Empress State Limited Partnership £m	St David's Limited Partnership £m	Other £m	Total £m
						2010
Summarised income statement						
Continuing operations						
Revenue	0.9	–	–	13.4	0.9	15.2
Net rental income	0.5	–	–	6.6	0.2	7.3
Net other income	–	–	–	1.0	–	1.0
Revaluation and sale of investment and development property	0.6	–	–	39.3	–	39.9
Administration expenses	–	–	–	(0.1)	–	(0.1)
Net finance costs	(1.5)	–	–	(3.1)	–	(4.6)
Profit/(loss) for the year from continuing operations	**(0.4)**	**–**	**–**	**43.7**	**0.2**	**43.5**
Profit/(loss) for the year from discontinued operations	–	20.6	6.3	–	10.9	37.8
Profit/(loss) for the year	**(0.4)**	**20.6**	**6.3**	**43.7**	**11.1**	**81.3**
Summarised balance sheet						
Investment and development property	22.6	–	–	231.0	–	253.6
Other non-current assets	2.4	–	–	0.2	–	2.6
Current assets	1.9	–	–	35.9	0.2	38.0
C&C US – assets	–	–	–	–	59.6	59.6
Partners' loans	(8.4)	–	–	(102.3)	–	(110.7)
Current liabilities	(2.9)	–	–	(28.5)	–	(31.4)
C&C US – liabilities	–	–	–	–	(33.8)	(33.8)
Non-current liabilities	(24.0)	–	–	(37.8)	–	(61.8)
Net assets/(liabilities)	**(8.4)**	**–**	**–**	**98.5**	**26.0**	**116.1**

Notes to the accounts
Continued

19 Joint ventures (continued)

	Xscape Braehead Partnership £m	The Great Capital Partnership £m	Empress State Limited Partnership £m	St David's Limited Partnership £m	Other £m	2009 Total £m
Summarised income statement						
Revenue	1.9	–	–	6.4	0.7	9.0
Net rental income	1.6	–	–	3.9	0.7	6.2
Net other income	5.0	–	–	–	–	5.0
Revaluation and sale of investment and development property	(4.3)	–	–	(65.1)	–	(69.4)
Administration expenses	–	–	–	–	(0.3)	(0.3)
Net finance costs	(1.9)	–	–	2.3	–	0.4
Tax	–	–	–	–	(0.1)	(0.1)
Profit/(loss) for the year from continuing operations	0.4	–	–	(58.9)	0.3	(58.2)
Profit/(loss) for the year from discontinued operations	–	(14.0)	(7.9)	–	(9.2)	(31.1)
Profit/(loss) for the year	0.4	(14.0)	(7.9)	(58.9)	(8.9)	(89.3)
Summarised balance sheet						
Investment and development property	22.4	252.0	94.4	209.2	37.5	615.5
Other non-current assets	3.2	0.9	–	1.2	–	5.3
Current assets	2.7	10.3	3.9	5.1	1.4	23.4
Partners' loans	(7.4)	85.9	–	(84.6)	–	(6.1)
Current liabilities	(4.2)	(17.6)	(13.0)	(40.3)	(3.6)	(78.7)
Non-current liabilities	(24.5)	(116.4)	(77.0)	(35.9)	(25.3)	(279.1)
Net assets/(liabilities)	(7.8)	215.1	8.3	54.7	10.0	280.3

Joint ventures are accounted for in the consolidated financial statements using proportional consolidation. The Group's share of the assets, liabilities, income and expenditure of joint ventures is included on a line-by-line basis.

The UK joint ventures include the St David's Limited Partnership and the Xscape Braehead Partnership. The St David's Limited Partnership was established in 2004 for investment in the existing St David's shopping centre, Cardiff, and development of a 967,500 sq. ft. retail-led mixed-use extension. The Xscape Braehead Partnership was established in 2004, for investment in the Xscape Leisure Scheme at Braehead, Renfrew, Glasgow.

Other joint ventures are primarily in the US and are in the business of property investment. Full details of all joint ventures will be attached to the Company's annual return to be filed with the Registrar of Companies.

All joint ventures are held with other joint venture investors on a 50:50 basis.

20 Investment in associate companies

	Group 2010 £m	Group 2009 £m
At 1 January	**26.8**	32.3
Impairment charge	**–**	(3.9)
Foreign exchange movement	**2.0**	(1.6)
At 31 December	**28.8**	26.8

Investment in associates comprises a 25 per cent holding in Prozone Enterprises Private Limited and a 20 per cent holding in Lewis's Liverpool LLP Private Limited.

21 Other investments

	Group 2010 £m	Group 2009 £m
Available for sale investments:		
Harvest China Real Estate Fund	**–**	45.9
CMBS	**5.9**	7.7
Listed securities – equity	**10.5**	4.7
	16.4	58.3

The Group's holding in CMBS notes have an original cost of £6.8 million (2009 – £19.0 million) and are carried at fair value based on third party valuations.

22 Trading property

	Group 2010 £m	Group 2009 £m
Undeveloped sites	**11.5**	24.2
Property in development	**11.1**	–
Completed properties	**2.9**	–
	25.5	24.2

The estimated replacement cost of trading properties based on market value amounted to £27.4 million (2009 – £25.0 million).

23 Trade and other receivables

	Group 2010 £m	Group 2009 £m	**Company 2010 £m**	Company 2009 £m
Current				
Rents receivable	**15.5**	27.8	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**616.2**	2,564.8
Tax recoverable	**–**	–	**–**	2.1
Other receivables	**12.7**	20.3	**0.1**	1.2
Prepayments and accrued income	**22.0**	38.0	**0.9**	1.1
	50.2	86.1	**617.2**	2,569.2
Non-current				
Other receivables	**0.2**	11.3	**1.5**	1.5
Prepayments and accrued income	**76.5**	58.5	**–**	–
	76.7	69.8	**1.5**	1.5

Amounts owed by subsidiary undertakings are unsecured, repayable on demand and for amounts falling within formalised loan agreements, interest bearing.

Included within prepayments and accrued income for the Group are tenant lease incentives of £86.8 million (2009 – £83.2 million).

Notes to the accounts
Continued

24 Cash and cash equivalents

	Group 2010 £m	Group 2009 £m
Unrestricted cash	**222.3**	562.7
Restricted cash	**–**	19.8
	222.3	582.5

Cash and cash equivalents per the statement of cash flows:

Unrestricted cash	**222.3**	562.7
C&C US – classified as held for sale	**20.3**	–
	242.6	562.7

Restricted cash at 31 December 2009 related to amounts placed on deposit to ensure continued compliance with certain loan facility financial covenants.

25 Business combinations

There have been no business combinations during the year ended 31 December 2010. Details of the Trafford Centre acquisition, which occurred after the balance sheet date, are disclosed in note 47.

On 18 August 2009 the call option the Group held against the residual 50 per cent of Empress State Limited Partnership expired. This call option was deemed to give the Group control and therefore, up to the date of expiry, Empress State Limited Partnership was consolidated as a subsidiary. No consideration was received relating to the loss of control and no gain or loss was recognised. The consolidated assets and liabilities of Empress State Limited Partnership were derecognised and the remaining interest in Empress State Limited Partnership was accounted for as a joint venture in accordance with the Group's published accounting policy.

26 Derivative financial instruments

			2010			2009
Derivative assets	**Held for trading £m**	**Hedging instruments £m**	**Total £m**	Held for trading £m	Hedging instruments £m	Total £m
Forward foreign exchange contracts	**–**	**–**	**–**	–	–	–
Interest rate swaps	**24.2**	**–**	**24.2**	15.0	–	15.0
	24.2	**–**	**24.2**	15.0	–	15.0

			2010			2009
Derivative liabilities	**Held for trading £m**	**Hedging instruments £m**	**Total £m**	Held for trading £m	Hedging instruments £m	Total £m
Forward foreign exchange contracts	**–**	**(20.6)**	**(20.6)**	–	(32.4)	(32.4)
Interest rate swaps	**(343.3)**	**–**	**(343.3)**	(353.7)	–	(353.7)
	(343.3)	**(20.6)**	**(363.9)**	(353.7)	(32.4)	(386.1)

27 Trade and other payables

	Group 2010 £m	Group 2009 £m	**Company 2010 £m**	Company 2009 £m
Current				
Rents received in advance	**74.7**	98.7	**–**	–
Trade payables	**2.7**	1.0	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**251.8**	72.1
Accruals and deferred income	**64.0**	99.9	**18.4**	22.8
Other payables	**16.0**	30.2	**–**	–
Other taxes and social security	**37.0**	55.4	**0.4**	0.7
	194.4	285.2	**270.6**	95.6

Amounts owed to subsidiary undertakings are unsecured and payable on demand.

28 Borrowings

Group	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
						2010
Current						
Bank loans and overdrafts	**16.5**	16.5	–	–	16.5	16.5
Commercial mortgage backed securities ("CMBS") notes	**25.4**	25.4	–	–	25.4	20.0
Borrowings, excluding finance leases	**41.9**	41.9	–	–	41.9	36.5
Finance lease obligations	**4.1**	4.1	–	4.1	–	4.1
	46.0	46.0	–	4.1	41.9	40.6
Non-current						
CMBS notes 2015	**1,005.9**	1,005.9	–	–	1,005.9	794.6
Bank loan 2014	**58.4**	58.4	–	–	58.4	58.4
Bank loans 2016	**749.1**	749.1	–	–	749.1	749.1
Bank loan 2017	**511.1**	511.1	–	–	511.1	511.1
Debentures 2027	**226.9**	226.9	–	226.9	–	196.5
CSC bonds 2013	**26.7**	–	26.7	26.7	–	27.3
Borrowings excluding finance leases and Metrocentre compound financial instrument	**2,578.1**	2,551.4	26.7	253.6	2,324.5	2,337.0
Metrocentre compound financial instrument	**138.7**	–	138.7	–	138.7	138.7
Finance lease obligations	**34.7**	34.7	–	34.7	–	34.7
	2,751.5	2,586.1	165.4	288.3	2,463.2	2,510.4
Total borrowings	**2,797.5**	2,632.1	165.4	292.4	2,505.1	2,551.0
Cash and cash equivalents	**(222.3)**					
Net debt	**2,575.2**					

Net external debt (adjusted for Metrocentre compound financial instrument) at 31 December 2010 was £2,436.5 million.

The Group substantially eliminates its interest rate exposure to floating rate debt as illustrated in note 32.

The market value of assets secured as collateral against borrowings at 31 December 2010 is £5,073.2 million.

The fair values of financial assets and liabilities have been established using the market value, where available. For those instruments without a market value, a discounted cash flow approach has been used.

Company	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
						2010
Current						
Finance lease obligations	**0.1**	0.1	–	0.1	–	0.1
	0.1	0.1	–	0.1	–	0.1
Non-current						
Finance lease obligations	**–**	–	–	–	–	–
	–	–	–	–	–	–
Net debt	**0.1**	0.1	–	0.1	–	0.1

Notes to the accounts
Continued

28 Borrowings (continued)

2009

Group	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
Current						
Bank loans and overdrafts	30.0	30.0	–	11.5	18.5	30.0
Commercial mortgage backed securities ("CMBS") notes	33.5	33.5	–	–	33.5	25.8
3.95% convertible bonds due 2010	79.2	–	79.2	79.2	–	79.3
Borrowings, excluding finance leases	142.7	63.5	79.2	90.7	52.0	135.1
Finance lease obligations	5.8	5.8	–	5.8	–	5.8
	148.5	69.3	79.2	96.5	52.0	140.9
Non-current						
CMBS notes 2011	417.7	417.7	–	–	417.7	376.1
CMBS notes 2015	1,030.6	1,030.6	–	–	1,030.6	744.0
Bank loan 2011	100.0	100.0	–	–	100.0	100.0
Bank loan 2012	147.0	147.0	–	–	147.0	147.0
Bank loans 2013	633.4	633.4	–	192.7	440.7	633.4
Bank loan 2014	60.0	60.0	–	–	60.0	60.0
Bank loans 2016	809.3	809.3	–	–	809.3	809.3
Bank loan 2017	117.5	117.5	–	–	117.5	117.5
Debentures 2027	226.6	226.6	–	226.6	–	165.9
CSC bonds 2013	26.8	–	26.8	26.8	–	28.8
Borrowings excluding finance leases and Metrocentre compound financial instrument	3,568.9	3,542.1	26.8	446.1	3,122.8	3,182.0
Metrocentre compound financial instrument	129.9	–	129.9	–	129.9	129.9
Finance lease obligations	41.3	41.3	–	41.3	–	41.3
	3,740.1	3,583.4	156.7	487.4	3,252.7	3,353.2
Total borrowings	3,888.6	3,652.7	235.9	583.9	3,304.7	3,494.1
Cash and cash equivalents	(582.5)					
Net debt	3,306.1					

Net external debt (adjusted for Metrocentre compound financial instrument) at 31 December 2009 was £3,176.2 million.

2009

Company	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
Current						
3.95% convertible bonds 2010	79.2	–	79.2	79.2	–	79.3
Finance lease obligations	0.2	0.2	–	0.2	–	0.2
	79.4	0.2	79.2	79.4	–	79.5
Non-current						
Finance lease obligations	0.1	0.1	–	0.1	–	0.1
	0.1	0.1	–	0.1	–	0.1
Net debt	79.5	0.3	79.2	79.5	–	79.6

28 Borrowings (continued)

The maturity profile of gross debt (excluding finance leases) is as follows:

	Group 2010 £m	Group 2009 £m	**Company 2010 £m**	Company 2009 £m
Wholly repayable within one year	**41.9**	142.7	**–**	79.2
Wholly repayable in more than one year but not more than two years	**44.3**	617.0	**–**	–
Wholly repayable in more than two years but not more than five years	**1,124.7**	836.0	**–**	–
Wholly repayable in more than five years	**1,547.8**	2,245.8	**–**	–
	2,758.7	3,841.5	**–**	79.2

Certain borrowing agreements contain financial and other conditions that, if contravened, could alter the repayment profile.

The Group has various undrawn committed borrowing facilities. The facilities available at 31 December in respect of which all conditions precedent had been met were as follows:

	2010 £m	2009 £m
Expiring in one to two years	**–**	360.0
Expiring in more than two years	**248.0**	107.8

Finance lease disclosures:

	Group 2010 £m	Group 2009 £m
Minimum lease payments under finance leases fall due:		
Not later than one year	**4.1**	5.8
Later than one year and not later than five years	**19.1**	22.5
Later than five years	**74.2**	99.5
	97.4	127.8
Future finance charges on finance leases	**(58.6)**	(80.7)
Present value of finance lease liabilities	**38.8**	47.1
Present value of finance lease liabilities:		
Not later than one year	**4.1**	5.8
Later than one year and not later than five years	**15.3**	18.7
Later than five years	**19.4**	22.6
	38.8	47.1

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

Notes to the accounts
Continued

29 Movement in net debt

	Cash and cash equivalents £m	Current borrowings £m	Non-current borrowings £m	Net debt £m
2010				
Balance at 1 January 2010	**582.5**	**(148.5)**	**(3,740.1)**	**(3,306.1)**
Discontinued operations	**(248.7)**	**(29.8)**	**744.2**	**465.7**
C&C US categorised as held for sale	**(20.3)**	**56.4**	**159.9**	**196.0**
Borrowings repaid	**(690.3)**	**79.2**	**611.1**	**–**
Borrowings drawndown	**518.7**	**–**	**(518.7)**	**–**
Issue of ordinary shares	**222.4**	**–**	**–**	**222.4**
Other net cash movements	**(142.0)**	**–**	**–**	**(142.0)**
Other non-cash movements	**–**	**(3.3)**	**(7.9)**	**(11.2)**
Balance at 31 December 2010	**222.3**	**(46.0)**	**(2,751.5)**	**(2,575.2)**

	Cash and cash equivalents £m	Current borrowings £m	Non-current borrowings £m	Net debt £m
2009				
Balance at 1 January 2009	70.9	(95.2)	(4,195.5)	(4,219.8)
Borrowings repaid	(548.0)	79.5	468.5	–
Borrowings drawndown	246.1	–	(246.1)	–
Issue of ordinary shares	865.7	–	–	865.7
Other net cash movements	(47.3)	–	–	(47.3)
Other non-cash movements	(1.2)	(133.9)	155.8	20.7
Loss of deemed control of former subsidiary	(3.7)	1.1	77.2	74.6
Balance at 31 December 2009	582.5	(148.5)	(3,740.1)	(3,306.1)

30 Convertible debt

3.95 per cent convertible bonds due 2010 (“the 3.95 per cent bonds”)
On 16 October 2003, the Company issued £240 million nominal 3.95 per cent bonds raising £233.5 million after costs. At the time of issue, the holders of the 3.95 per cent bonds had the option to convert their bonds into ordinary shares at any time on or up to 23 September 2010 at £8.00 per ordinary share, a conversion rate of 125 ordinary shares for every £1,000 nominal of 3.95 per cent bonds. On 28 May 2009, following the Firm Placing and Placing and Open Offer, the conversion price was adjusted to £7.16 per share, a conversion rate of approximately 139.66 ordinary shares for every £1,000 nominal of 3.95 per cent bonds. On 5 October 2009, following a placing of shares, the conversion price was adjusted to £7.08 per share, a conversion rate of approximately 141.24 ordinary shares for every £1,000 nominal of 3.95 per cent bonds.
On demerger in May 2010, the conversion price was adjusted to £5.31 per share, a conversion rate of approximately 188.32 ordinary shares per £1,000 nominal of 3.95 per cent bonds.

The 3.95 per cent bonds were redeemable at par at the Company’s option subject to the Capital Shopping Centres Group PLC ordinary share price having traded at 120 per cent of the conversion price for a specified period, or at anytime once 85 per cent by nominal value of the bonds originally issued had been converted or cancelled. Unless otherwise converted, cancelled or redeemed the 3.95 per cent bonds were to be redeemed by Capital Shopping Centres Group PLC at par on 30 September 2010. On demerger the terms were adjusted to allow bondholders to redeem the bonds at par plus accrued interest at any time until shortly before maturity.

On 2 January 2009, notices were accepted by the Company in respect of £13.0 million of bonds representing 14.1 per cent of the 3.95 per cent bonds outstanding on 31 December 2008. The bonds converted into 1.7 million new ordinary shares.

During 2010 and prior to 30 September, £6.5 million of bonds were redeemed under the bondholders put option available as a result of the revised terms following the demerger.

On 30 September 2010 Capital Shopping Centres Group PLC redeemed on maturity all the outstanding 3.95 per cent bonds at par.

30 Convertible debt (continued)

The net proceeds received from the initial issue of the convertible bonds was split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity as follows:

	Group and Company	
	2010 £m	2009 £m
Net proceeds of convertible bonds issued	**233.5**	233.5
Equity component	**(19.6)**	(19.6)
Liability at date of issue	**213.9**	213.9
Cumulative amortisation	**19.2**	19.2
Cumulative conversions	**(153.9)**	(153.9)
Cumulative redemptions	**(79.2)**	–
Liability at 31 December	**–**	79.2

31 Operating leases

The Group earns rental income by leasing its investment properties to tenants under operating leases.

In the UK the standard shopping centre lease is for a term of 10 to 15 years. Standard lease provisions include service charge payments, recovery of other direct costs and review every five years to market rent. Standard turnover based leases have a turnover percentage agreed with each lessee which is applied to a retail unit's annual sales and any excess between the resulting turnover rent and the minimum rent is receivable by the Group.

The future minimum lease amounts receivable under non-cancellable operating leases for continuing operations are as follows:

	2010 £m	2009 £m
Not later than one year	**345.2**	341.9
Later than one year and not later than five years	**1,139.3**	1,114.9
Later than five years	**1,493.3**	1,198.8
	2,977.8	2,655.6

The income statement includes £0.6 million (2009 – £0.8 million) recognised in respect of expected increased rent resulting from outstanding reviews where the actual rent will only be determined on settlement of the rent review.

32 Financial risk management

The Group is exposed to a variety of financial risks arising from the Group's operations being principally market risk (including interest rate risk, foreign exchange and market price risk), liquidity risk and credit risk.

The majority of the Group's financial risk management is carried out by the Group treasury department and the policies for managing each of these risks and the principal effects of these policies on the results for the year are summarised below.

Market risk

a) Interest rate risk
Interest rate risk comprises of both cash flow and fair value risks:

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market interest rates.

The Group's interest rate risk arises from borrowings issued at variable rates that expose the Group to cash flow interest rate risk, whereas borrowings issued at fixed interest rates expose the Group to fair value interest rate risk.

Bank debt is typically issued at floating rates linked to LIBOR. Bond debt and other capital market debt are generally issued at fixed rates.

It is Group policy, and often a requirement of the Group's lenders, to eliminate substantially all short and medium-term exposure to interest rate fluctuations in order to establish certainty over medium-term cash flows by using floating to fixed interest rate swaps. Such swaps have the economic effect of converting borrowings from floating to fixed rates.

As a consequence, the Group is exposed to market price risk in respect of the fair value of its fixed rate interest rate swaps, as discussed in the Financial review on pages 22 to 27.

Notes to the accounts
Continued

32 Financial risk management (continued)

The below table shows the effects of interest rate swaps on the borrowings profile of the Group:

	Fixed 2010 £m	**Floating 2010 £m**	Fixed 2009 £m	Floating 2009 £m
Borrowings	**292.4**	**2,505.1**	583.9	3,304.7
Derivative impact (nominal value of interest rate swaps)	**2,117.6**	**(2,117.6)**	3,244.0	(3,244.0)
Net borrowings profile	**2,410.0**	**387.5**	3,827.9	60.7
Interest rate protection on floating debt		**84.5%**		98.2%

Group policy is to target interest rate protection within the range of 75 per cent to 100 per cent.

The weighted average rate for interest rate swaps currently effective is 4.98 per cent (2009 – 5.25 per cent).

The approximate impact of a 50 basis point shift upwards in the level of interest rates would be a positive movement of £93.8 million (2009 – £99.6 million) in the fair value of derivatives. The approximate impact of a 50 basis point shift downwards in the level of interest rates would be a negative movement of £97.7 million (2009 – £104.2 million) in the fair value of derivatives. Movements in the fair value of derivatives are dealt with in the income statement. In practice, a parallel shift in the yield curve is highly unlikely. However, the above sensitivity analysis is a reasonable illustration of the possible effect from the changes in slope and shifts in the yield curve that may actually occur. Because the fixed rate derivative financial instruments are matched by floating rate debt, the overall effect on Group cash flow of such a movement would be very small.

b) Foreign exchange
Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a functional currency other than sterling. It has been Group policy to substantially eliminate any material foreign exchange risk through hedging instruments and foreign currency denominated borrowings. However, following completion of the Equity One transaction, the Group is reviewing its currency hedging policy and therefore the existing currency swaps may not be renewed as they mature.

The table summarises the Group exposure to foreign currency risk arising from the Group's US subsidiaries at 31 December 2010:

	Group 2010 US$m	Group 2009 US$m
Net assets (total US dollar exposure)	**199.7**	161.2
Derivative impact (nominal forward foreign exchange swaps)	**(140.0)**	(270.0)
Net exposure	**59.7**	(108.8)

There was no ineffectiveness arising as a result of these hedges in either year.

Certain other Group investments are denominated in currencies other than sterling, however, they do not currently constitute material risks under the Group risk framework. This remains under constant review.

	Group 2010 £m	Group 2009 £m
USD	**–**	45.9
INR	**39.3**	31.5
Total unhedged exposure	**39.3**	77.4

Sensitivity analysis – impact on Group reserves:

	Group 2010 £m	Group 2009 £m
10% appreciation in foreign exchange rates	**8.5**	15.9
10% depreciation in foreign exchange rates	**(10.4)**	(19.5)

32 Financial risk management (continued)

Liquidity risk

Liquidity risk is managed to ensure that the Group is able to meet future payment obligations when financial liabilities fall due. Liquidity analysis is conducted to ensure that sufficient headroom is available to meet the Group's operational requirements and committed investments.
The Group treasury policy aims to meet this objective through maintaining adequate cash, marketable securities and committed facilities to meet these requirements. Undrawn borrowing facilities are detailed in note 28. The Group's policy is to seek to optimise its exposure to liquidity risk by balancing its exposure to interest rate risk and to refinancing risk. In effect the Group seeks to borrow for as long as possible at the lowest acceptable cost.

Group policy is to maintain a weighted average debt maturity of over five years: as at 31 December 2010, the maturity profile of Group debt showed an average maturity of six years (2009 – five years). This increases to 8.0 years following completion of the Trafford Centre acquisition in January 2011. The Group regularly reviews the maturity profile of its financial liabilities and seeks to avoid bunching of maturities through the regular replacement of facilities and by using a selection of maturity dates. Refinancing risk may be reduced by re-borrowing prior to the contracted maturity date, effectively switching liquidity risk for market risk.

The Group will often pre-fund significant capital expenditure by arranging facilities or raising debt in the capital markets and then placing surplus funds on deposit until required for the project. Efficient treasury management and strict credit control minimise the costs and risk associated with this policy which ensures that funds are available to meet commitments as they fall due.

The tables below set out the maturity analysis of the Group's financial liabilities based on the undiscounted contractual obligations to make payments of interest and to repay principal (including notional principal in the case of gross settled foreign exchange contracts). Where interest payment obligations are based on a floating rate the rates used are those implied by the par yield curve for the relevant currency. Where payment obligations are in foreign currencies, the spot exchange rate ruling at the balance sheet date is used.

					2010
Group	**Within 1 year £m**	**1-2 years £m**	**2-5 years £m**	**Over 5 years £m**	**Total £m**
Borrowings (including interest)	**(110.9)**	**(122.2)**	**(1,502.3)**	**(1,654.0)**	**(3,389.4)**
Finance lease obligations	**(4.1)**	**(4.7)**	**(14.4)**	**(74.2)**	**(97.4)**
Tax, trade payables and other payables	**(55.7)**	**(0.3)**	**–**	**–**	**(56.0)**
Derivative payments	**(154.6)**	**(186.5)**	**(389.4)**	**(480.2)**	**(1,210.7)**
Derivative receipts	**60.3**	**84.4**	**266.8**	**430.5**	**842.0**
	(265.0)	**(229.3)**	**(1,639.3)**	**(1,777.9)**	**(3,911.5)**

					2009
Group	Within 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m	Total £m
Borrowings (including interest)	(227.2)	(723.0)	(1,264.5)	(2,610.8)	(4,825.5)
Finance lease obligations	(5.8)	(5.6)	(16.9)	(99.5)	(127.8)
Tax, trade payables and other payables	(85.3)	(21.6)	–	–	(106.9)
Derivative payments	(264.2)	(214.4)	(507.8)	(626.8)	(1,613.2)
Derivative receipts	105.3	104.1	432.7	567.1	1,209.2
	(477.2)	(860.5)	(1,356.5)	(2,770.0)	(5,464.2)

Contractual maturities reflect the expected maturities of financial instruments.

					2010
Company	**Within 1 year £m**	**1-2 years £m**	**2-5 years £m**	**Over 5 years £m**	**Total £m**
Borrowings (including interest)	**(0.1)**	**–**	**–**	**–**	**(0.1)**
Tax and other payables	**(0.4)**	**–**	**–**	**–**	**(0.4)**
	(0.5)	**–**	**–**	**–**	**(0.5)**

					2009
Company	Within 1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m	Total £m
Borrowings (including interest)	(82.4)	–	–	–	(82.4)
Tax and other payables	(0.7)	(1.8)	–	–	(2.5)
	(83.1)	(1.8)	–	–	(84.9)

Notes to the accounts
Continued

32 Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss if a tenant or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables relating to tenants but also from the Group's holdings of assets with counterparties such as cash deposits, loans and derivative instruments.

Credit risk associated with trade receivables is actively managed; tenants are managed individually by asset managers, who continuously monitor and work with tenants, anticipating and, wherever possible, identifying and addressing risks prior to default.

Prospective tenants are assessed via a review process, including obtaining credit ratings and reviewing financial information, which is conducted internally. As a result deposits or guarantees may be obtained. The amount of deposits held as collateral at 31 December 2010 is £2.5 million (2009 – £3.3 million).

Due to the nature of tenants being managed individually by asset managers, it is Group policy to calculate any impairment of receivables specifically on each contract.

The ageing analysis of these trade receivables is as follows:

	Group 2010 £m	Group 2009 £m
Up to three months	**12.3**	24.3
Three to six months	**3.2**	3.5
Trade receivables	**15.5**	27.8

Included within receivables at 31 December 2009 were £8.3 million of loan notes. There are no loan notes within receivables at 31 December 2010.

In 2010, trade receivables impaired in respect of continuing operations amounted to £2.6 million (2009 – £4.1 million), this is considered to be within an acceptable range given current economic conditions.

The credit risk relating to cash, deposits and derivative financial instruments is actively managed by Group Treasury. Relationships are maintained with a number of tier one institutional counterparties, ensuring compliance with Group policy relating to limits on the credit ratings of counterparties (between BBB+ and AAA).

Excessive credit risk concentration is avoided through adhering to authorised limits for all counterparties.

Counterparty	Credit rating	Authorised limit	**Group Exposure 2010 £m**
Bank #1	AA–	100.0	**68.6**
Bank #2	A	75.0	**55.4**
Bank #3	AAA	150.0	**50.0**
Bank #4	A	50.0	**29.1**
Bank #5	AAA	150.0	**20.0**
Sum of five largest exposures			**223.1**
Sum of deposits and derivative instruments			**248.3**
Five largest exposures as a percentage of total amount at risk			**90%**

32 Financial risk management (continued)

Classification of financial assets and liabilities

The tables below set out the Group's accounting classification of each class of financial assets and liabilities, and their fair values at 31 December 2010 and 31 December 2009.

The fair values of quoted borrowings are based on the asking price. The fair values of derivative financial instruments are determined from observable market prices or estimated using appropriate yield curves at 31 December each year by discounting the future contractual cash flows to the net present values.

				2010
	Carrying value £m	**Fair value £m**	**(Loss)/gain to income statement £m**	**Gain/(loss) to other comprehensive income £m**
Derivative financial instrument assets	**24.2**	**24.2**	**–**	**–**
Total held for trading assets	**24.2**	**24.2**	**–**	**–**
Trade and other receivables	**126.9**	**126.9**	**–**	**–**
Cash and cash equivalents	**222.3**	**222.3**	**–**	**–**
Total cash and receivables	**349.2**	**349.2**	**–**	**–**
Other investments	**16.4**	**16.4**	**(2.6)**	**17.2**
Total available-for-sale investments	**16.4**	**16.4**	**(2.6)**	**17.2**
Derivative financial instrument liabilities	**(363.9)**	**(363.9)**	**(50.0)**	**(7.1)**
Total held for trading liabilities	**(363.9)**	**(363.9)**	**(50.0)**	**(7.1)**
Trade and other payables	**(194.7)**	**(194.7)**	**–**	**–**
Borrowings	**(2,797.5)**	**(2,551.0)**	**–**	**–**
Total loans and payables	**(2,992.2)**	**(2,745.7)**	**–**	**–**

				2009
	Carrying value £m	Fair value £m	(Loss)/gain to income statement £m	Gain to other comprehensive income £m
Derivative financial instrument assets	15.0	15.0	–	–
Total held for trading assets	15.0	15.0	–	–
Trade and other receivables	155.9	155.9	–	–
Cash and cash equivalents	582.5	582.5	–	–
Total cash and receivables	738.4	738.4	–	–
Other investments	58.3	58.3	(6.5)	3.8
Total available-for-sale investments	58.3	58.3	(6.5)	3.8
Derivative financial instrument liabilities	(386.1)	(386.1)	416.5	1.1
Total held for trading liabilities	(386.1)	(386.1)	416.5	1.1
Trade and other payables	(306.8)	(306.8)	–	–
Borrowings	(3,888.6)	(3,494.1)	–	–
Total loans and payables	(4,195.4)	(3,800.9)	–	–

Notes to the accounts
Continued

32 Financial risk management (continued)

Capital structure

The Group seeks to enhance shareholder value both by investing in the business so as to improve the return on investment and by managing the capital structure. The Group uses a mix of equity, debt and hybrid financial instruments and aims to access both debt and equity capital markets with maximum efficiency and flexibility.

The key ratios used to monitor the capital structure of the Group are the debt to assets ratio and the interest cover ratio. The Group's stated medium to long-term preference is for the debt to assets ratio to be within the 40-50 per cent range and interest cover to be greater than 160 per cent. At 31 December 2010 the debt to asset ratio falls within the preferred range and the interest cover ratio has moved closer to the preferred level.

Debt to assets ratio	Group 2010 £m	Group 2009 £m
Investment and development property	**5,051.0**	6,182.6
Trading property	**25.5**	24.2
	5,076.5	6,206.8
Net external debt	**(2,436.5)**	(3,176.2)
	48%	51%

Interest cover (continuing operations)	Group 2010 £m	Group 2009 £m
Interest payable	**(165.4)**	(174.8)
Interest receivable	**3.1**	3.7
	(162.3)	(171.1)
Underlying operating profit excluding trading property related items	**253.9**	241.1
	156%	141%

The table below presents the Group's assets and liabilities recognised at fair value.

				2010
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Derivative financial instruments:				
– Fair value through profit or loss	–	24.2	–	**24.2**
– Derivatives used for hedging	–	–	–	**–**
Available for sale investments	–	10.5	5.9	**16.4**
Total assets	**–**	**34.7**	**5.9**	**40.6**
Liabilities				
Derivative financial instruments:				
– Fair value through profit or loss	–	(343.3)	–	**(343.3)**
– Derivatives used for hedging	–	(20.6)	–	**(20.6)**
Total liabilities	–	**(363.9)**	**–**	**(363.9)**

32 Financial risk management (continued)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
				2009
Assets				
Derivative financial instruments:				
– Fair value through profit or loss	–	15.0	–	15.0
– Derivatives used for hedging	–	–	–	–
Available for sale investments	–	4.7	53.6	58.3
Total assets	–	19.7	53.6	73.3
Liabilities				
Derivative financial instruments:				
– Fair value through profit or loss	–	(353.7)	–	(353.7)
– Derivatives used for hedging	–	(32.4)	–	(32.4)
Total liabilities	–	(386.1)	–	(386.1)

Fair value hierarchy
Level 1: Valuation based on quoted market prices traded in active markets.

Level 2: Valuation techniques are used, maximising the use of observable market data, either directly from market prices or derived from market prices.

Level 3: Where one or more inputs to valuation are not based on observable market data. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models. Such testing has not indicated that any material difference would arise due to a change in input variables.

The table below presents a reconciliation of level 3 fair value measurements for the year:

	Debt securities £m	Unlisted equity investments £m	Total £m
At 1 December 2009	30.4	61.3	91.7
Additions	–	0.9	0.9
Disposals	(22.6)	(11.5)	(34.1)
Interest	(1.0)	–	(1.0)
Unrealised gains/(losses)	0.9	(4.8)	(3.9)
At 31 December 2009	7.7	45.9	53.6
Disposals	(8.3)	(0.5)	(8.8)
Transferred on demerger	–	(53.3)	(53.3)
Interest	(1.2)	(0.2)	(1.4)
Unrealised gains	7.7	8.1	15.8
At 31 December 2010	**5.9**	**–**	**5.9**

Unlisted equity investments are valued externally on a quarterly basis, with valuations performed by examining expected yields of the underlying property and expectations relating to the property market and wider economic factors.

Debt securities – Due to the illiquid nature of the market in these debt contracts and the variations in quotes for their value obtained from brokers, the market for these securities cannot be described as active. Broker quotes obtained are not currently deemed executable.

Notes to the accounts
Continued

33 Deferred tax provision

Under IAS 12 Income Taxes, provision is made for the deferred tax assets and liabilities associated with the revaluation of investment properties at the corporate tax rate expected to apply to the Group at the time of use. For those UK properties qualifying as REIT properties the relevant tax rate will be 0 per cent (2009 – 0 per cent), for other UK non–REIT properties the relevant tax rate will be 27 per cent (2009 – 28 per cent) and for overseas properties the relevant tax rate will be the prevailing corporate tax rate in that country.

The deferred tax provision on non-REIT investment properties calculated under IAS 12 is £nil at 31 December 2010 (2009 – £42.8 million). This IAS 12 calculation does not reflect the expected amount of tax that would be payable if the assets were sold. The Group estimates that calculated on a disposal basis the maximum tax liability would be £nil at 31 December 2010 (2009 – £49.5 million).

Movements in the provision for deferred tax	Investment and development property £m	Derivative financial instruments £m	Other temporary differences £m	**Total £m**
Provided deferred tax provision:				
At 1 January 2009	75.9	(79.4)	3.5	**–**
Recognised in the income statement	(26.9)	70.0	(2.5)	**40.6**
Recognised in other comprehensive income or directly in equity	(6.2)	2.0	0.7	**(3.5)**
At 31 December 2009	42.8	(7.4)	1.7	**37.1**
C&C US balances transferred to held for sale	(37.1)	–	–	**(37.1)**
Recognised in the income statement	0.8	(2.3)	(1.3)	**(2.8)**
Recognised in other comprehensive income or directly in equity	(0.1)	2.9	–	**2.8**
Transferred on demerger (note 38)	(6.4)	2.6	3.8	**–**
At 31 December 2010	–	(4.2)	4.2	**–**
Unrecognised deferred tax asset:				
At 1 January 2010	(12.8)	(14.4)	(12.6)	**(39.8)**
Income statement items	(0.2)	(1.3)	(2.6)	**(4.1)**
Transferred on demerger	12.8	–	1.5	**14.3**
At 31 December 2010	(0.2)	(15.7)	(13.7)	**(29.6)**

In accordance with the requirements of IAS 12 Income Taxes, the deferred tax asset has not been recognised in the Group financial statements due to the uncertainty of the level of profits that will be available in the non-REIT elements of the Group in future periods.

34 Other provisions

	Group 2010 £m	Group 2009 £m	**Company 2010 £m**	Company 2009 £m
At 1 January	**8.6**	7.3	**1.1**	4.3
Charged during the year	**0.1**	4.0	**–**	–
Released during the year	**–**	–	**(1.1)**	–
Transferred on demerger (note 38)	**(7.5)**	–	**–**	–
Pension movements	**–**	(2.7)	**–**	(3.2)
At 31 December	**1.2**	8.6	**–**	1.1

35 Share capital

	Share capital £m
Issued and fully paid	
At 31 December 2009 – 622,878,501 ordinary shares of 50p each	311.3
Shares issued	35.0
At 31 December 2010 – 692,673,009 ordinary shares of 50p each	**346.3**

During the year the Company issued a total of 1,722,214 ordinary shares in connection with the exercise of options by former employees under the Capital Shopping Centres Group PLC Approved Share Option Scheme and the Capital Shopping Centres Group PLC Unapproved Share Option Scheme.

In connection with joint ownership elections by participants under the Company's Joint Share Ownership Plan (JSOP) a total of 5,772,294 ordinary shares were issued during the year to the trustee of the Company's Employee Benefit Trust.

On 25 November 2010 the Company announced a placing of 62.3 million new ordinary shares at a price of 355 pence per share. The placing represented in aggregate 9.9 per cent of the issued share capital of CSC prior to the placing. As a result, share capital increased by £31.2 million with the balance of the proceeds being taken to a merger reserve.

Full details of the rights and obligations attaching to the ordinary shares are contained in the Company's Articles of Association. These rights include an entitlement to receive the Company's report and accounts, to attend and speak at General Meetings of the Company, to appoint proxies and to exercise voting rights. Holders of ordinary shares may also receive dividends and may receive a share of the Company's assets on the Company's liquidation. There are no restrictions on the transfer of the ordinary shares.

At 23 February 2011, the Company had an unexpired authority to repurchase shares up to a maximum of 62,182,850 shares with a nominal value of £31.1 million, and the Directors have an unexpired authority to allot up to a maximum of 144,907,167 shares with a nominal value of £72.5 million.

Included within the issued share capital as at 31 December 2010 are 5,856,736 ordinary shares (2009 – 288,070) held by the Trustee of the Employee Share Ownership Plan (ESOP) which is operated by the Company (note 37) and 1,050,000 treasury shares (2009 – 1,050,000). The nominal value of these shares is £3.5 million (2009 – £0.7 million).

As a technical requirement of the demerger of Capital & Counties Properties PLC from the Group, 50,001 new redeemable shares of £1 each were issued by the Company on 28 April 2010. All 50,001 redeemable shares in issue were redeemed at par on 24 May 2010.

Notes to the accounts
Continued

36 Other reserves

Group	Capital redemption £m	Translation reserve £m	Other £m	Total £m
At 1 January 2009	61.4	11.2	214.7	287.3
Revaluation of other investments	–	–	(5.3)	(5.3)
Realise revaluation reserve on disposal of other investments	–	–	4.5	4.5
Exchange differences	–	2.2	–	2.2
Tax on items taken to other comprehensive income	–	–	(2.0)	(2.0)
Ordinary shares issued	–	–	737.7	737.7
Realisation of merger reserve	–	–	(737.7)	(737.7)
Share-based payments	–	–	0.2	0.2
Reserve transfer	–	0.4	(0.4)	–
At 31 December 2009	61.4	13.8	211.7	286.9
Revaluation of other investments	–	–	17.2	17.2
Realise revaluation reserve on disposal of other investments	–	–	2.6	2.6
Exchange differences	–	(1.1)	–	(1.1)
Tax on items taken to other comprehensive income	–	–	(2.8)	(2.8)
Ordinary shares issued	–	–	185.1	185.1
Demerger effected by way of repayment of capital	–	–	38.6	38.6
At 31 December 2010	**61.4**	**12.7**	**452.4**	**526.5**

Company	Capital redemption £m	Other £m	Total £m
At 1 January 2009	61.4	–	61.4
Share-based payments	–	0.2	0.2
Reserve transfer	–	0.1	0.1
At 31 December 2009	61.4	0.3	61.7
Ordinary shares issued	–	185.1	185.1
Reserve transfer	–	(0.3)	(0.3)
At 31 December 2010	**61.4**	**185.1**	**246.5**

37 Treasury shares and Employee Share Ownership Plan (ESOP)

The cost of shares in Capital Shopping Centres Group PLC held either as treasury shares or by the Trustee of the Employee Share Ownership Plan (ESOP) operated by the Company is accounted for as treasury shares.

The purpose of the ESOP is to acquire and hold shares which will be transferred to employees in the future under the Group's employee incentive arrangements as described in note 45 and the Director's remuneration report on pages 51 to 59. Dividends of £0.01 million (2009 – £0.01 million) have been waived by agreement.

	Group and Company			
	2010 Shares million	**2010 £m**	2009 Shares million	2009 £m
At 1 January	**1.3**	**9.7**	1.4	10.8
Acquisition of treasury shares	**6.1**	**20.9**	0.1	0.2
Disposal of treasury shares	**(0.5)**	**(0.7)**	(0.2)	(1.3)
At 31 December	**6.9**	**29.9**	1.3	9.7

38 Discontinued operations

Demerger

On 9 March 2010 Liberty International PLC (renamed Capital Shopping Centres Group PLC on 7 May 2010) announced its intention to separate into two businesses, CSC and Capco. The separation was effected by way of a demerger of the central London focused property investment and development division to a new company called Capital & Counties Properties PLC (Capco). The demerger became unconditional on 7 May 2010.

The demerger was effected through a reduction of capital. This involved the cancellation of the share premium account followed by the transfer of demerged assets to Capco in consideration for which Capco issued to shareholders of CSC one ordinary share for each CSC ordinary share held.

The share premium account cancelled amounted to £1,005.7 million. The book value of assets and liabilities transferred to Capco, as recorded in the consolidated accounts of CSC, was £799.8 million. The assets and liabilities transferred were:

	£m
Assets	
Investment and development property	**1,301.4**
Plant and equipment	**0.8**
Other investments	**53.3**
Trading property	**0.3**
Current tax assets	**0.6**
Trade and other receivables	**40.4**
Cash and cash equivalents	**179.2**
Total assets	**1,576.0**
Liabilities	
Trade and other payables	**(49.7)**
Borrowings	**(660.7)**
Derivative financial instruments	**(58.3)**
Other provisions	**(7.5)**
Total liabilities	**(776.2)**
Net assets	**799.8**

As a result of the demerger Capco has been classified as a discontinued operation in these financial statements.

The following amounts are included for Capco in the income statement within profit/(loss) for the year from discontinued operations:

	Period ended 7 May 2010 £m	2009 £m
Revenue	**45.4**	133.2
Net rental income	**30.1**	79.2
Net other income	**–**	1.4
Revaluation and sale of investment and development property	**60.9**	(140.7)
Sale and impairment of other investments	**–**	(0.3)
Impairment of other receivables	**–**	(12.0)
Administration expenses	**(7.6)**	(14.5)
Operating profit/(loss)	**83.4**	(86.9)
Net finance costs	**(23.6)**	(36.1)
Profit/(loss) before tax	**59.8**	(123.0)
Taxation	**(0.5)**	(1.4)
Profit/(loss) for the period	**59.3**	(124.4)

Notes to the accounts
Continued

38 Discontinued operations (continued)

C&C US

In 2010, the Group entered into an agreement with Equity One, pursuant to which Equity One would acquire the Group's interests in its US subsidiaries (C&C US), through a joint venture with the Group. The transaction completed after the balance sheet date on 4 January 2011. Consideration was in the form of approximately 11.4 million shares in the joint venture and 4.1 million shares in Equity One common stock, resulting in an estimated gain on disposal of £26 million. The Group's investment in these shares will be accounted for as an available-for-sale investment as the Group does not have control nor significant influence over the venture. Under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, C&C US is required to be classified as a discontinued operation and as a disposal group held for sale at 31 December 2010.

The total assets and total liabilities of C&C US are classified as held for sale and separately disclosed on the face of the balance sheet at 31 December 2010. These comprise:

	£m
Assets	
Investment and development property	**375.8**
Plant and equipment	**0.1**
Trading property	**6.8**
Trade and other receivables	**20.9**
Cash and cash equivalents	**20.3**
C&C US – assets	**423.9**
Liabilities	
Trade and other payables	**(10.2)**
Current tax liabilities	**(2.4)**
Borrowings	**(216.3)**
Deferred tax provision	**(47.7)**
C&C US – liabilities	**(276.6)**
C&C US – net assets	**147.3**

The following amounts are included for C&C US in the income statement within profit/(loss) for the year from discontinued operations:

	2010 £m	2009 £m
Revenue	**47.9**	40.7
Net rental income	**25.7**	24.4
Net other income	**2.3**	(4.1)
Revaluation and sale of investment and development property	**22.4**	(91.8)
Administration expenses	**(2.6)**	(2.7)
Operating profit/(loss)	**47.8**	(74.2)
Net finance costs	**(12.6)**	(12.4)
Profit/(loss) before tax	**35.2**	(86.6)
Taxation	**(11.5)**	27.7
Profit/(loss) for the year	**23.7**	(58.9)
Underlying earnings	**10.9**	6.3

Underlying earnings for the year ended 31 December 2010 includes a taxation charge of £1.9 million (2009 – taxation credit of £1.1 million).

39 Capital commitments

At 31 December 2010, the Group was contractually committed to £90.1 million (2009 – £142.4 million) of future expenditure for the purchase, construction, development and enhancement of investment property. All of the £90.1 million committed is expected to be spent in 2011.

The Group's share of joint venture commitments included above at 31 December 2010 was £63.0 million (2009 – £75.6 million).

40 Contingent liabilities

As at 31 December 2010, the Group has no material contingent liabilities other than those arising in the normal course of business.

41 Cash generated from operations

	Notes	**Group 2010 £m**	Group 2009 £m	**Company 2010 £m**	Company 2009 £m
Continuing operations					
Profit/(loss) before tax		**446.2**	(119.5)	**(575.2)**	(159.6)
Remove:					
Revaluation and sale of investment and development property	5	**(497.2)**	535.7	**–**	–
Sale and impairment of other investments		**2.6**	10.1	**–**	–
Depreciation		**0.4**	0.2	**0.4**	0.3
Share-based payments		**1.0**	0.2	**1.0**	0.2
Amortisation of lease incentives and other direct costs		**(5.3)**	6.5	**0.1**	(1.7)
Reversal of impairment of investment in Group companies		**–**	–	**(72.5)**	(63.7)
Impairment of intercompany receivables		**–**	–	**–**	24.4
Intercompany balances forgiven on demerger		**–**	–	**696.7**	–
IFRIC 17 gain on demerger		**–**	–	**(71.9)**	–
Finance costs	9	**165.4**	174.8	**7.5**	21.1
Finance income		**(3.1)**	(3.7)	**(8.9)**	(13.3)
Other finance costs	10	**75.1**	48.2	**1.2**	5.4
Change in fair value of derivative financial instruments		**50.0**	(399.6)	**–**	–
Changes in working capital:					
Change in trading property		**4.5**	(0.7)	**–**	–
Change in trade and other receivables		**(21.1)**	(7.1)	**31.1**	(459.1)
Change in trade and other payables		**8.3**	5.2	**(46.6)**	(27.1)
Cash generated from operations		**226.8**	250.3	**(37.1)**	(673.1)

Notes to the accounts
Continued

42 Principal subsidiary undertakings

Company and principal activity	Class of share capital	% held
• Capital Shopping Centres PLC[1] (property) and its principal subsidiary undertakings:	Ordinary shares of 50p each	100
Belside Limited (property) (Jersey)	Ordinary shares of £1 each	100
Braehead Glasgow Limited (property)	"A" Ordinary shares of £1 each	100
	"B" Ordinary shares of 1.3 Euros each	100
Braehead Park Investments Limited (property)	Ordinary shares of £1 each	100
Braehead Park Estates Limited (property)	Ordinary shares of £1 each	100
Chapelfield GP Limited acting as General Partner of The Chapelfield Partnership (property)	Ordinary shares of £1 each	100
Chelmsford Property Investments Limited (property)	Ordinary shares of £1 each	100
CSC Harlequin Limited (property)	Ordinary shares of £1 each	100
CSC Lakeside Limited (property)	Ordinary shares of £1 each	100
CSC Enterprises Limited (commercial promotion)	Ordinary shares of £1 each	100
CSC Properties Investments Limited (property)	Ordinary shares of £1 each	100
CSC Bromley Limited (property)	Ordinary shares of £1 each	100
CSC Uxbridge (Jersey) Limited (property) (Jersey)	Ordinary shares of £1 each	100
Curley Limited (property) (Jersey)	Ordinary shares of £1 each	100
Metrocentre (GP) Limited acting as General Partner of The Metrocentre Partnership (property)	Ordinary shares of £1 each	100[2]
WRP Management Limited (property)	Ordinary shares of £1 each	100
• Capital Shopping Centres Debenture PLC[1] (finance) and its principal subsidiary undertakings:	Ordinary shares of £1 each	100
CSC Properties 2027 Limited (property)	Ordinary shares of £1 each	100
CSC (Eldon) Square Limited (property)	Ordinary shares of £1 each	100
Steventon Limited (property) (Jersey)	Ordinary shares of £1 each	100
Potteries (GP) Limited acting as General Partner of The Potteries Shopping Centre Limited Partnership (property)	Ordinary shares of £1 each	100
• Liberty International Group Treasury Limited[1] (treasury management)	Ordinary shares of £1 each	100
• Nailsfield Limited (holding company) (Mauritius)	Ordinary shares of US$1 each	100
• C&C (US) No.1, Inc.[1,3] (property) (USA)	Class A Common Stock of US$1 par Value, £1 face value	100
	Class B Common Stock of US$1 par value, £20,000 face value	100

1 Shareholdings in these companies are held by intermediate subsidiary undertakings except for Capital Shopping Centres PLC where 82.5 per cent is held by Capital Shopping Centres Group PLC, and 17.5 per cent held by Liberty International Financial Services Limited.

2 By virtue of their 40% interest in The Metrocentre Partnership, GIC Real Estate is entitled to appoint 40 per cent of the Directors of Metrocentre (GP) Limited. The non-controlling interest balance of £19.9 million shown in the balance sheet relates to GIC Real Estate's interest and is calculated in accordance with IAS 27 Consolidated and Separate Financial Statements.

3 Ownership of C&C (US) No.1, Inc. was transferred to EQY–CSC LLC, the joint venture through which Equity One has acquired the Group's US business, on 4 January 2011.

The companies listed above are those subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally effected the figures in the Company's annual accounts. A full list of related undertakings will be annexed to the Company's next annual return.

Companies are incorporated and registered in England and Wales unless otherwise stated. All subsidiary undertakings have been included in the consolidated results.

43 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group.

Significant transactions between the Company and its subsidiaries are shown below:

Subsidiary	Nature of transaction	**2010 £m**	2009 £m
Capital Shopping Centres PLC	Increase in investment	**500.0**	–
	Re-charges	**4.5**	4.3
Liberty International Capital (Five) Limited	Dividend	**–**	3.2
Liberty International Capital (Six) Limited	Dividend	**–**	10.0
CSC Capital (Jersey) Limited	Increase in investment	**217.6**	–

Significant balances outstanding between the Company and its subsidiaries are shown below:

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
Subsidiary	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Liberty International Group Treasury Limited	**467.6**	2,373.9	**–**	–
Conduit Insurance Holdings Limited	**16.2**	16.0	**–**	–
Liberty International Holdings Limited	**104.7**	132.8	**–**	–
TAI Investments Limited	**–**	–	**(27.9)**	(5.0)
Capital Shopping Centres PLC	**5.1**	5.1	**–**	–
Libtai Holdings (Jersey) Limited	**–**	–	**–**	(7.1)
Nailsfield Limited	**22.6**	22.6	**–**	–
CSC Trading	**–**	–	**(3.3)**	–
Greenhaven Industrial Properties Limited	**–**	–	**(1.8)**	–
CSC Capital (Jersey) Limited	**–**	–	**(218.7)**	–

Prior to the demerger Capital Shopping Centres Group PLC exercised control over and provided a number of group services to Capco. All transactions since 7 May 2010, including the provision of services under the demerger agreement, have been on an arms-length basis on normal commercial terms.

Key management[1] compensation is analysed below:

	2010 £m	2009 £m
Salaries and short-term employee benefits	**7.2**	7.2
Pensions and other post-employment benefits	**0.3**	0.5
Share-based payments	**0.8**	–
Termination benefits	**0.5**	–
	8.8	7.7

1 Key management comprises the Directors of Capital Shopping Centres Group PLC and those employees who have been designated as persons discharging managerial responsibility.

44 Directors' emoluments

The details of individual Directors' remuneration and pension benefits as set out in the tables contained in the Directors' Remuneration Report on pages 51 to 59 form part of these financial statements.

Notes to the accounts
Continued

45 Share-based payment

The Group operates a number of share based payment arrangements providing employee benefits and incentives. All schemes are equity settled, and as such the expense recognised in the income statement is assessed based on the fair value of the equity instruments awarded as determined at their grant date. The expense is recognised on a straight-line basis over the vesting period based on Group estimates of the number of shares that are expected to vest.

Share Option Schemes

Options to subscribe for ordinary shares may be awarded under the Capital Shopping Centres Group PLC Approved Share Option Scheme and the Capital Shopping Centres Group PLC Unapproved Share Option Scheme.

Exercise is subject to an earnings per share ("EPS") performance condition which requires Capital Shopping Centres Group "smoothed" earnings to grow over a three year period commencing with the year of grant at a rate in excess of 5 per cent per annum compound. "Smoothed" earnings growth means the percentage increase in underlying earnings per share, adjusted by (a) excluding exceptional and valuation items and (b) limiting trading or non-recurring items to 10 per cent of profit before tax. For the award made in 2009 exceptionally, the base figure for comparison purposes will be the "smoothed" earnings achieved in 2009 for comparison with the three year period commencing with 2010.

Except in the case of a "good" leaver, options may not be exercised within three years of grant and before satisfaction or waiver of any applicable performance condition, and are forfeited if the employee leaves the Group before the options become capable of exercise. The options automatically lapse if not exercised within 10 years of the date of grant.

As a result of the demerger the number of options attributed to each option holder was increased by a factor of 1.32 while the option price was reduced by dividing by 1.32.

During the year individuals who received awards made in 2009 and 2010 were given the option to modify their awards. Where this modification option was taken, the future exercise of their existing share options was capped based on the share price at the date of modification and they participate in the Joint Share Ownership Plan from that date as described below. As required by IFRS 2 Share-based Payment, the fair value of the award is measured immediately before the modification and immediately after and any increase in fair value must be recognised as an expense through the income statement over the performance period. Under this test it was found that no additional expense was required.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2010		2009	
	Number of options	**Weighted average exercise price (pence)**	Number of options	Weighted average exercise price (pence)
Outstanding at 1 January	**4,227,635**	**388**	604,844	604
Adjustment to options on demerger	**1,345,985**	**n/a**	–	–
Awarded during the year	**3,907,670**	**313**	3,730,000	359
Forfeited during the year	**(146,769)**	**417**	(89,709)	625
Expired during the year	**–**	**–**	(17,500)	419
Exercised during the year	**(1,761,576)**	**274**	–	–
Outstanding at 31 December	**7,572,945**	**306**	4,227,635	388
Exercisable at 31 December	**496,683**	**474**	498,117	606

The weighted average share price at the date of exercise during the year was 348p (2009 – no options exercised).

Share options outstanding at 31 December 2010 had exercise prices between 272p and 528p (2009 – between 359p and 698p) and a weighted average remaining contractual life of 9 years (2009 – 9 years). More detail by exercise price ranges is shown below:

	2010	
Exercise price (pence)	**Number of options**	**Weighted average remaining contractual life**
272 to 313	**7,075,262**	**9**
387 to 528	**497,683**	**2**

	2009	
Exercise price (pence)	Number of options	Weighted average remaining contractual life
359	3,730,000	9
406 to 698	497,635	3

45 Share-based payment (continued)

The weighted average fair value of options granted during the year, determined using the Black-Scholes option pricing model, was £0.60 per option (2009 – £0.41). The significant inputs to the model for the majority of options awarded during the year were as follows:

	2010	2009
Share price and exercise price at grant date	**£3.13**	£3.59
Expected option life in years	**4 years**	4.5 years
Risk free rate	**2.2%**	2.6%
Expected volatility	**34.5%**	38.0%
Expected dividend yield	**4.8%**	5.8%

Expected dividend yield is based on public pronouncements about future dividend levels. All other measures are based on historical data.

Joint Share Ownership Plan

Eligible employees may be invited to participate in the Joint Share Ownership Plan (JSOP) which forms part of the Capital Shopping Centres Group PLC Unapproved Share Option Scheme. Under the JSOP shares are held jointly by the employee and the Employee Share Ownership Plan Trustee with any increases in the share price and dividends paid on those shares being allocated between the joint owners in accordance with the terms of the scheme.

Conditions for exercise (including satisfaction of the same performance condition), forfeiture and lapsing are as set out above for options generally.

As set out above no additional accounting charge was required for modified awards. The weighted average fair value of awards granted during the year was £0.71 per award (2009 – no awards). This fair value has been determined using the Black-Scholes option pricing model adapted to reflect the specific conditions of the scheme for the split of value and dividends. The significant inputs to the model for the options awarded during the year were as follows:

	2010
Share price at grant date	**£3.58**
Expected option life in years	**4 years**
Risk free rate	**2.2%**
Expected volatility	**34.5%**
Expected dividend yield	**4.3%**

Expected dividend yield as based on public pronouncements about future dividend levels. All other measures are based on historical data.

Bonus Share Scheme

Under the Capital Shopping Centres Group Bonus Scheme (the Bonus Scheme), deferred shares may be awarded as part of any bonus.

Such awards comprise "Restricted" shares and "Additional" shares. Where awarded, Additional shares are equal to 50 per cent of the Restricted shares and SIP shares (see below) combined. The release of deferred share awards is not dependent on the achievement of any further performance conditions other than that participants remain employed by the Group for a specified time from the date of the award, typically two years in the case of Restricted shares and four years in the case of Additional shares. The fair value of share awards are determined by the market price of the shares at the grant date. No awards were made during 2010.

	2010		2009	
Year of grant	**Restricted 2007-2009**	**Additional 2006-2009**	Restricted 2007-2009	Additional 2006-2009
Outstanding at 1 January	**250,980**	**187,011**	237,851	190,553
Awarded during the year	**–**	**–**	82,078	27,112
Forfeited during the year	**–**	**–**	(1,317)	(2,221)
Vested during the year	**(250,980)**	**(187,011)**	(67,632)	(28,433)
Outstanding at 31 December	**–**	**–**	250,980	187,011

Notes to the accounts
Continued

45 Share-based payment (continued)

Share incentive plan (SIP)

The Company operates a SIP for all eligible employees, who may receive up to £3,000 worth of shares as part of their annual bonus arrangements. The SIP arrangements offer worthwhile tax advantages to employees and to the Company.

The SIP Bonus shares can be released three years after the date of the award provided the individual employee has remained in employment but the shares must then be held in trust for a further two years in order to qualify for tax advantages. No awards of SIP Bonus shares were made in 2009 or 2010. The fair value of SIP Bonus shares is determined by the market price at the grant date.

As part of the SIP arrangements, the Company also offers eligible employees the opportunity to participate in a "Partnership" share scheme, under which employees can save up to £125 a month. The Group offers one free Matching share for every two Partnership shares purchased by the employee at the end of a twelve-month saving period. Matching shares are forfeited if the employee leaves the Group within three years of the date of award, and qualify for tax advantages if they are held in the SIP for five years. The fair value of Matching shares is determined by the market price at the grant date.

The dividend payable in respect of the shares held in the SIP is used to purchase additional shares, known as Dividend Shares, which are also held in trust and allocated to individuals and are subject to the same conditions of release.

Movements in SIP bonus shares granted are as follows:

	2010	2009
Outstanding at 1 January	**39,263**	64,267
Forfeited during the year	**(1,043)**	(2,309)
Vested during the year[1]	**(21,664)**	(22,695)
Outstanding at 31 December[2]	**16,556**	39,263

1 May still be held in trust.

2 Shares that remain within their three-year holding period.

46 Pensions

The Group operates a defined contribution group pension plan (the "GPP") which all employees are eligible to join. Additionally the Group makes contributions to a self-invested personal pension ("SIPP") on behalf of an executive director. All contributions are invested in funds administered outside of the Group.

The pension charge for the Group contributions to these arrangements is the actual amount paid which for continuing operations totalled £1.1 million for the year ended 31 December 2010 (2009 – £1.0 million).

The Group previously operated a defined benefit pension scheme, the Liberty International Group Retirement Benefit Scheme (the "Scheme") which was closed to new members in 1997. The Scheme was fully closed for future benefit accrual in December 2009 and a bulk annuity policy purchased from Pension Insurance Corporation ("PIC"). No contributions on behalf of members were made to the Scheme in 2010. Individual policies were issued to all members by PIC in November 2010 and the Scheme had no assets and no liabilities as at 31 December 2010. The Scheme is expected to be fully wound up in early 2011.

47 Events after the reporting period

On 4 January the Group completed a transaction with Equity One whereby Equity One acquired the Group's interest in its US subsidiaries (C&C US), through a joint venture with the Group. Further details are given in note 38.

On 28 January 2011 the Group acquired 100% of the share capital of Tokenhouse Holdings Limited (renamed The Trafford Centre Group Limited) for consideration consisting of 155.0 million ordinary shares in the Company and £127.6 million 3.75 per cent perpetual subordinated convertible bonds (the "convertible bonds"). As a condition of the acquisition the Company also issued to Peel 12,316,817 ordinary shares for £3.55 each and convertible bonds with a nominal value of £26.7 million convertible into 6,679,250 ordinary shares, for a subscription amount of £23.7 million and an implied issue price of the underlying shares of £3.55 each.

The Trafford Centre Group Limited owns and operates, through its subsidiaries, The Trafford Centre in Manchester. Further details of the business are given in the Business review.

Under IFRS 3 Business Combinations, the Group is required to account for the consideration and the assets and liabilities acquired at their fair value on the date the acquisition was completed. The fair value of the consideration based on the share price on 28 January 2011 was £702.7 million and consisted of £582.8 million of ordinary shares and £119.9 million of convertible bonds. Due to the proximity of the acquisition to the date on which these accounts have been published, the initial accounting for the business combination, including the assessment of the fair value of assets and liabilities acquired, has not yet been completed and is therefore not included in this note to the accounts. The financial impact of the acquisition is discussed in the Financial review.

48 Directors' interests

(a) In shares in Capital Shopping Centres Group PLC Group companies

The number of ordinary shares of the Company in which the Directors were beneficially interested were:

	2010	2009
Chairman:		
D.P.H. Burgess	**29,266**	29,266
Executive:		
D.A. Fischel	**549,322**	490,610
K.E. Chaldecott	**102,800**	54,946
E.M.G. Roberts (appointed 3 June 2010)	**30,000**	–
Non-Executive:		
J.G. Abel (appointed 2 June 2010)	**122,221**	122,221
R.M. Gordon (appointed 7 May 2010)	**10,710,526**	10,710,526
I.J. Henderson	**12,601**	12,601
A.J.M. Huntley	**12,000**	–
R.O. Rowley	**1,260**	1,260
N. Sachdev	**–**	–
A.D. Strang	**–**	–
Retired during the year:		
I.C. Durant	**n/a**	–
I.D. Hawksworth	**n/a**	339
G.J. Gordon	**n/a**	2,305,268
M. Rapp	**n/a**	6,372

Capital Shopping Centres Group PLC ordinary shares of 50p each
Conditional awards of shares have previously been made under the Company's annual bonus scheme.

The awards comprise "Restricted" shares and "Additional" shares, the latter equal to 50 per cent of the restricted and Share Incentive Plan shares combined. As noted in the Directors' Remuneration Report contained in the Company's 2009 Annual Report, the Remuneration Committee decided that all outstanding deferred bonus shares held by Directors and staff would vest in March 2010. Executive Directors were required to retain the shares, net of shares sold to meet tax and PAYE deductions, which vested ahead of the normal vesting date.

Awards to Executive Directors under the scheme to date have been as follows:

Current Directors:

	Award date	Market price at award (pence)	Original vesting date	Market price at vesting (pence)	Number of shares at 31 December 2009	Number of shares lapsed during 2010	Number of shares awarded during 2010	Number of shares vested during 2010	**Number of shares at 31 December 2010**
D.A. Fischel	01/03/2008	992	01/03/2012	486	26,822	–	–	26,822	**–**
	01/03/2008	992	01/03/2010	486	53,461	–	–	53,461	**–**
	06/03/2007	1205	01/03/2011	486	9,952	–	–	9,952	**–**
	01/03/2006	1099	01/03/2010	486	9,218	–	–	9,218	**–**
K.E. Chaldecott	01/03/2008	992	01/03/2012	486	10,181	–	–	10,181	**–**
	01/03/2008	992	01/03/2010	486	20,061	–	–	20,061	**–**
	06/03/2007	1205	01/03/2011	486	3,112	–	–	3,112	**–**
	01/03/2006	1099	01/03/2010	486	2,866	–	–	2,866	**–**

Notes to the accounts
Continued

48 Directors' interests (continued)

Directors who retired during the year:

	Award date	Market price at award (pence)	Original vesting date	Market price at vesting (pence)	Number of shares at 31 December 2009	Number of shares lapsed during 2010	Number of shares awarded during 2010*	Number of shares vested during 2010	**Number of shares at 31 December 2010**
I.D. Hawksworth	01/03/2008	992	01/03/2012	486	13,441	–	–	13,441	**–**
	01/03/2008	992	01/03/2010	486	26,580	–	–	26,580	**–**
	28/05/2009	359	01/03/2010	486	27,855	–	–	27,855	**–**
I.C. Durant	28/05/2009	359	01/03/2011	486	21,123	–	–	21,123	**–**
	28/05/2009	359	01/08/2013	486	10,562	–	–	10,562	**–**

No Restricted or Additional shares were awarded in respect of the year ended 31 December 2009. Details of Restricted and Additional shares awarded in respect of the year ended 31 December 2010 are given in the Directors' Remuneration Report on pages 51 to 59.

Awards may also be made under the Company's Share Incentive Plan (SIP). The SIP shares can be released three years after the date of the award provided the individual Director has remained in employment but the shares must be held in trust for a further two years in order to qualify for tax advantages. The dividend payable in respect of the shares held in trust is used to purchase additional shares, known as Dividend Shares, which are also held in trust. No SIP bonus shares were awarded during 2010. Details of SIP shares awarded in respect of the year ended 31 December 2010 are given in the Directors' Remuneration Report on pages 51 to 59.

	At 31 December 2009	Removed from trust	Lapsed	Awarded	Partnership, matching and dividend shares	**At 31 December 2010**
Current Directors:						
D.A. Fischel	5,176	–	–	–	787	**5,963**
K.E. Chaldecott	2,752	–	–	–	687	**3,439**
Directors who retired during the year:						
I.C. Durant[1]	–	(367)	(183)	–	550	**–**
I.D. Hawksworth[2]	1,317	(1,869)	–	–	552	**–**

1 Mr Durant's SIP shares became transferable to him, subject to the usual terms of the SIP, on his resignation from the Company.

2 In accordance with the SIP Rules, Mr Hawksworth's SIP shares were transferred to him on the demerger of Capital & Counties Properties PLC from the Group.

(b) In share options in the Company

Current Directors interests in share options are given in the Directors' Remuneration Report on pages 51 to 59.

Following the demerger, the Remuneration Committee determined that both Messrs Durant and Hawksworth be entitled to exercise their outstanding options granted in 2009 on the understanding that, in respect of the Unapproved options, the net proceeds of such exercises be used to re-invest in shares in Capital & Counties Properties PLC. Mr Durant exercised 180,000 Unapproved options on 17 June 2010 at a market price of 337.4211 pence, and his remaining 205,372 Unapproved options and 11,041 Approved options on 22 July 2010 at a market price of 340.3487 pence per share. Mr Hawksworth exercised 150,000 Unapproved options on 22 June 2010 at a market price of 336.7994 pence per share and his remaining 235,372 Unapproved options and 11,041 Approved options on 27 July 2010 at a market price of 354.5635 pence per share.

(c) Other disclosures

No Director had any dealings in the shares of any Group company between 31 December 2010 and 23 February 2011, being a date less than one month prior to the date of the notice convening the Annual General Meeting.

Other than as disclosed in these accounts, no Director of the Company had a material interest in any contract (other than service contracts), transaction or arrangement with any Group company during the year ended 31 December 2010.

Investment and development property (unaudited)

1. Property valuation data as at 31 December 2010

	Market value £m	Net initial yield (EPRA)	"Topped-up" NIY (EPRA)	Nominal equivalent yield	Occupancy
As at 31 December 2010					
Lakeside, Thurrock	**1,053.0**	**5.19%**	**5.32%**	**5.75%**	**99.0%**
Metrocentre, Gateshead	**843.4**	**5.70%**	**6.41%**	**6.33%**	**97.5%**
Braehead, Glasgow	**575.5**	**5.20%**	**5.38%**	**6.12%**	**99.3%**
The Harlequin, Watford	**353.0**	**5.15%**	**5.16%**	**6.65%**	**96.9%**
Victoria Centre, Nottingham	**337.0**	**5.33%**	**5.37%**	**6.40%**	**98.4%**
Arndale, Manchester	**336.4**	**5.76%**	**5.86%**	**5.99%**	**100.0%**
Eldon Square, Newcastle upon Tyne	**250.4**	**4.62%**	**5.60%**	**7.01%**	**98.6%**
St David's, Cardiff	**242.8**	**3.47%**	**5.77%**	**6.09%**	**97.1%**[A]
Chapelfield, Norwich	**236.1**	**5.22%**	**5.58%**	**6.80%**	**99.0%**
Cribbs Causeway, Bristol	**220.5**	**5.49%**	**5.55%**	**6.05%**	**97.3%**
The Chimes, Uxbridge	**217.1**	**6.01%**	**6.03%**	**6.50%**	**99.3%**
The Potteries, Stoke-on-Trent	**201.2**	**6.43%**	**6.54%**	**7.25%**	**100.0%**
The Glades, Bromley	**177.7**	**5.61%**	**5.73%**	**7.25%**	**97.9%**
Other	**55.0**				
Total investment and development property	**5,099.1**	**5.32%**	**5.64%**	**6.30%**	**98.6%**
As at 31 December 2009					
Total investment and development property	4,631.1	5.70%	5.90%	7.08%	97.8%

Notes

[A] Excludes the recently completed extension to St David's, Cardiff. Including this extension, occupancy for St David's, Cardiff was 81.4 per cent and for the Group was 97.7 per cent.

	2010 £m	2009 £m
Net rental income	**276.9**	267.3
Passing rent	**283.1**	271.1
ERV	**354.1**	363.4
Weighted average unexpired lease	**7.0 years**	6.8 years

Please refer to the glossary for the definition of terms.

2. Analysis of capital return in the year

	Market value		Revaluation surplus	
	2010 £m	2009 £m	2010 £m	2010 %
Like-for-like property	**5,092.4**	4,563.8	**500.6**	**11.0**
Disposals	**–**	67.3	**–**	**–**
Redevelopments and developments	**6.7**	–	**–**	**–**
Total investment and development property	**5,099.1**	4,631.1	**500.6**	**11.0**

3. Analysis of net rental income in the year

	2010 £m	2009 £m	Change %
Like-for-like property	**260.0**	254.7	2.1
Disposals	**1.0**	3.7	(73.0)
Developments	**15.9**	8.9	78.7
Total investment and development property	**276.9**	267.3	3.6

Investment and development property (unaudited)
Continued

4. Additional property information as at 31 December 2010

	Ownership	Note	Form of ownership[J]	Vacancy rate (EPRA)[H]	Gross area million sq. ft.[E]	Year opened	Acquisition date[G]
As at 31 December 2010							
Lakeside, Thurrock	**100%**		**FH**	**0.5%**	**1.4**	**1990**	**–**
Metrocentre, Gateshead	**90%**	A	**LH**	**1.7%**	**2.1**	**1986**	**1995**
Braehead, Glasgow	**100%**		**FH**	**–**	**1.1**	**1999**	**–**
The Harlequin, Watford	**93%**		**LH**	**1.8%**	**0.7**	**1992**	**–**
Victoria Centre, Nottingham	**100%**		**FH**	**0.9%**	**1.0**	**1972**	**2002[I]**
Arndale, Manchester	**48%**	B	**LH**	**–**	**1.6**	**1976**	**2005**
Eldon Square, Newcastle upon Tyne	**60%**		**FH/LH**	**0.5%**	**1.4**	**1976**	**–**
St David's, Cardiff	**50%**		**FH/LH**	**2.8%[F]**	**1.4**	**2009**	**2006**
Chapelfield, Norwich	**100%**		**FH**	**–**	**0.5**	**2005**	**–**
Cribbs Causeway, Bristol	**33%**	C	**FH/LH**	**1.2%**	**1.0**	**1998**	**2005**
The Chimes, Uxbridge	**100%**		**FH**	**–**	**0.4**	**2001**	**–**
The Potteries, Stoke-on-Trent	**100%**		**FH**	**–**	**0.6**	**1998**	**–**
The Glades, Bromley	**64%**		**LH**	**1.1%**	**0.5**	**1991**	**–**
Other		D			**0.4**		
Total investment and development property				**0.8%**	**14.1**		
As at 31 December 2009							
Total investment and development property				0.9%	14.0		

Notes

A Interest shown is that of the Metrocentre Partnership in the Metrocentre (90 per cent) and the Metro Retail Park (100 per cent). The Group has a 60 per cent interest in the Metrocentre Partnership which is consolidated as a subsidiary of the Group.

B The Group's interest is through a joint venture ownership of a 95 per cent interest in The Arndale, Manchester, and 90 per cent interest in New Cathedral Street, Manchester.

C The Group's interest is through a joint venture ownership of a 66 per cent interest in The Mall at Cribbs Causeway and a 100 per cent interest in The Retail Park, Cribbs Causeway.

D Includes the Group's 50 per cent economic interest in Xscape, Braehead.

E Area shown is not adjusted for the proportional ownership.

F Excludes the recently completed extension to St David's, Cardiff. Including this extension, the vacancy rate for St David's, Cardiff was 9.8 per cent and for the Group was 1.5 per cent.

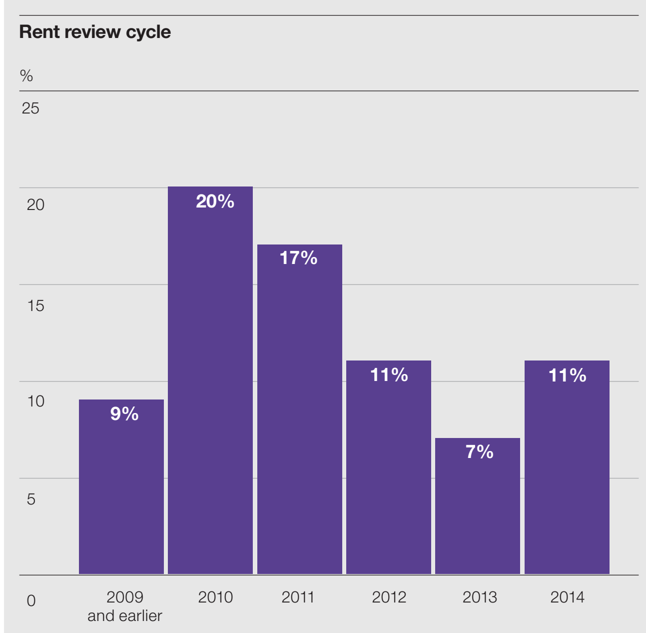
G The acquisition date is presented only where the centre was not built by the Group.

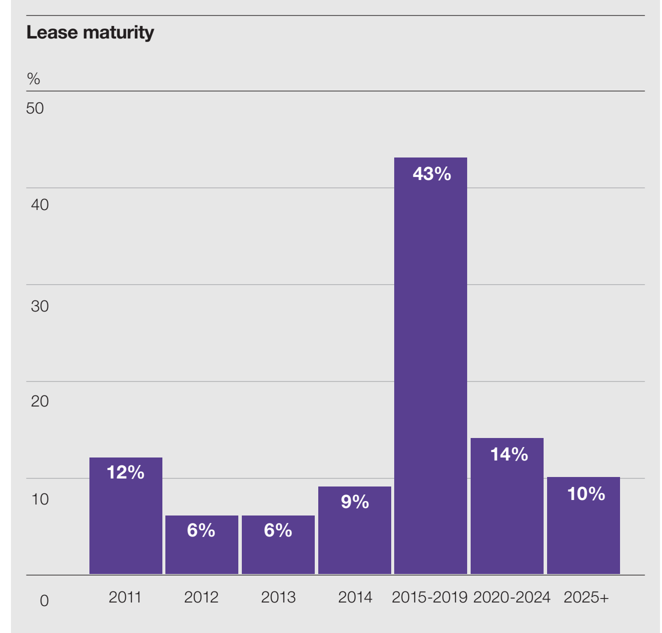
H As defined in the glossary on page 119. Where no rate is presented this is because it is nil as at 31 December 2010.

I CSC held a 20 per cent stake in Victoria Centre, Nottingham prior to 2002 when it acquired the remaining 80 per cent to take its holding to 100 per cent.

J Form of ownership is shown as either freehold (FH), leasehold (LH) or freehold and leasehold (FH/LH).

5. Rent review cycle and lease maturity





Financial covenants (unaudited)

Financial covenants on asset-specific debt excluding joint ventures

	Maturity	Loan outstanding at 31 January 2011[1] £m	LTV covenant	Loan to 31 December 2010 market value[2]	Interest cover covenant	Interest cover actual[3]
Metrocentre	2015	549.1	90%	68%	120%	130%
Braehead	2015	335.3	n/a	n/a	120%	171%
Watford	2015	243.7	n/a	n/a	120%	133%
Nottingham	2016	252.0	90%	75%	110%	165%
Chapelfield	2016	212.1	n/a	n/a	110%	137%
Uxbridge	2016	159.5	85%	73%	120%	148%
Bromley	2016	137.5	85%	77%	120%	145%
Lakeside	2017	519.7	75%	49%	140%	192%
Total		**2,408.9**				

Financial covenants on joint ventures asset-specific debt

	Maturity	Loan outstanding £m	LTV covenant	Loan to 31 December 2010 market value[2]	Interest cover covenant	Interest cover actual[3]
Cardiff	2014	37.2[4,5]	75%	14%	150%	192%
Xscape	2014	22.8[4]	n/a[6]	n/a[6]	120%	189%
Total		**60.0**				

1 The loan values are the actual principal balances outstanding at 31 January 2011, which take into account any principal repayments made in January 2011. The balance sheet value of the loans includes any unamortised fees.

2 The Loan to 31 December 2010 market value provides an indication of the impact of the 31 December 2010 property valuations undertaken for inclusion in the financial statements could have on the LTV covenants. The actual timing and manner of testing LTV covenants varies and is loan specific.

3 Based on latest certified figures, calculated in accordance with loan agreements, which have been submitted between 31 December 2010 and 31 January 2011. The calculations are loan specific and include a variety of historic, forecast and in certain instances a combined historic and forecast basis.

4 50 per cent of the debt is shown which is consistent with accounting treatment and the Group's economic interest.

5 On 17 January 2011 a further drawdown of £56.2 million was made. Based on this the loan to market value would be 36 per cent.

6 The Xscape LTV covenant is suspended until 1 April 2012.

Financial covenants on corporate facilities at 31 December 2010

	Net worth covenant*	Net worth actual	Interest cover covenant*	Interest cover actual	Borrowings/net worth covenant*	Borrowings/net worth actual
£248m facility, maturing in 2013	£600m	£1,415.6m	120%	146%	110%	8%

* Tested on the Borrower Group which excludes, at the Group's election, certain subsidiaries with asset-specific finance. The facility is secured on the Group's investments in the Arndale, Manchester and Cribbs Causeway, Bristol.

Capital Shopping Centres Debenture PLC at 31 December 2010

	Maturity	Loan £m	Capital cover covenant	Capital cover actual	Interest cover covenant	Interest cover actual
	2027	231.4	167%	195%	100%	112%

The debenture is currently secured on the Group's interests in The Potteries, Stoke-on-Trent and Eldon Square, Newcastle.

Should the capital cover or interest cover test be breached Capital Shopping Centres Debenture PLC (the issuer) has three months from the date of delivery of the valuation or the latest certificate to the Trustees to make good any deficiencies. The issuer may withdraw property secured on the debenture by paying a sum of money or through the substitution of alternative property provided that the loan to value and income tests are satisfied immediately following the substitution.

Underlying profit statement (unaudited) for the year ended 31 December 2010

	Year ended 31 December 2010 £m	Re-presented Year ended 31 December 2009 £m	**Six months ended 31 December 2010 £m**	Re-presented Six months ended 31 December 2009 £m	**Six months ended 30 June 2010 £m**	Re-presented Six months ended 30 June 2009 £m
Net rental income	**276.9**	267.3	**142.4**	134.6	**134.5**	132.7
Net other income	**0.7**	(0.1)	**0.4**	(0.1)	**0.3**	–
	277.6	267.2	**142.8**	134.5	**134.8**	132.7
Administration expenses	**(23.0)**	(26.2)	**(11.8)**	(11.9)	**(11.2)**	(14.3)
Underlying operating profit	**254.6**	241.0	**131.0**	122.6	**123.6**	118.4
Finance costs	**(165.4)**	(174.8)	**(83.1)**	(87.6)	**(82.3)**	(87.2)
Finance income	**3.1**	3.7	**1.8**	1.9	**1.3**	1.8
Other finance costs	**(8.8)**	(9.6)	**(4.4)**	(5.1)	**(4.4)**	(4.5)
Underlying net finance costs	**(171.1)**	(180.7)	**(85.7)**	(90.8)	**(85.4)**	(89.9)
Underlying profit before tax	**83.5**	60.3	**45.3**	31.8	**38.2**	28.5
Tax on adjusted profit	**(0.1)**	2.7	**0.1**	2.1	**(0.2)**	0.6
Remove amounts attributable to non-controlling interest	**2.3**	5.8	**1.4**	3.0	**0.9**	2.8
C&C US underlying earnings included within discontinued operations	**10.9**	6.3	**6.5**	4.4	**4.4**	1.9
Underlying earnings	**96.6**	75.1	**53.3**	41.3	**43.3**	33.8
Underlying earnings per share (pence)	**15.4p**	15.1p	**8.4p**	8.3p	**7.0p**	8.4p

Consolidated pro forma balance sheet (unaudited) as at 31 December 2009

The analysis below is provided to illustrate the impact on the Group's balance sheet as if the demerger of Capco and the disposal of C&C US had occurred at 31 December 2009. The demerger of Capco and demerger and other costs information have been extracted from the Circular on the demerger of Capco that was issued on 12 March 2010.

The re-classification of C&C US as held for sale column classifies the C&C US assets and liabilities on a consistent basis with how they are shown in the Group's 31 December 2010 balance sheet.

	As at 31 December 2009 £m	Demerger of Capco[1] £m	Demerger and other costs[2] £m	Reclassify C&C US as held for sale £m	Pro forma as at 31 December 2009 £m
Non-current assets					
Investment and development property	6,182.6	(1,240.5)	–	(338.0)	4,604.1
Plant and equipment	1.9	(1.0)	–	(0.2)	0.7
Investments in associate companies	26.8	–	–	–	26.8
Other investments	58.3	(46.0)	–	–	12.3
Derivative financial instruments	15.0	–	–	–	15.0
Trade and other receivables	69.8	(14.5)	–	(12.8)	42.5
`	6,354.4	(1,302.0)	–	(351.0)	4,701.4
Current assets					
Trading property	24.2	(0.3)	–	(10.0)	13.9
Current tax assets	1.1	(1.3)	–	2.3	2.1
Trade and other receivables	86.1	(20.8)	–	(6.2)	59.1
Cash and cash equivalents	582.5	(263.3)	–	(12.8)	306.4
C&C US – assets	–	–	–	377.7	377.7
	693.9	(285.7)	–	351.0	759.2
Total assets	7,048.3	(1,587.7)	–	–	5,460.6
Current liabilities					
Trade and other payables	(285.2)	61.9	(7.3)	8.3	(222.3)
Borrowings	(148.5)	15.0	–	11.6	(121.9)
Derivative financial instruments	(14.3)	–	–	–	(14.3)
C&C US – liabilities	–	–	–	(250.4)	(250.4)
	(448.0)	76.9	(7.3)	(230.5)	(608.9)
Non-current liabilities					
Borrowings	(3,740.1)	711.4	–	192.7	(2,836.0)
Derivative financial instruments	(371.8)	56.2	–	–	(315.6)
Deferred tax provision	(37.1)	–	–	37.1	–
Other provisions	(8.6)	7.4	–	–	(1.2)
Other payables	(21.6)	2.1	–	0.7	(18.8)
	(4,179.2)	777.1	–	230.5	(3,171.6)
Total liabilities	(4,627.2)	854.0	(7.3)	–	(3,780.5)
Net assets	2,421.1	(733.7)	(7.3)	–	1,680.1

1 Represents the demerger of the Capco business and includes an allocation to Capco of £244 million of cash. The financial information used in this adjustment has been extracted from the Combined Financial Information in the listing prospectus of Capco, dated 12 March 2010, as adjusted to reflect the allocation of cash prior to completion of the demerger.

2 £7.3 million represents estimated demerger and related costs not incurred or accrued as at 31 December 2009.

EPRA performance measures

1. Summary

The EPRA Best Practice Recommendations issued in 2010 identified 5 key performance measures. The measures are deemed to be of importance for investors in property companies and aim to encourage more consistent and widespread disclosure. The Group is supportive of this initiative but continues to disclose additional measures throughout this report which it believes are more appropriate to the Group's current circumstances.

The EPRA measures as calculated for the Group are detailed below:

	2010	2009
EPRA Earnings	**£69.0m**	£61.1m
– per share	**11.0p**	12.3p
EPRA NAV	**£2,677.0m**	£2,945.9m
– per share	**390p**	464p
EPRA Triple Net Asset Value (NNNAV)	**£2,640.3m**	£3,032.0m
– per share	**385p**	478p
EPRA Net Initial Yield	**5.3%**	5.7%
EPRA "topped-up" NIY	**5.6%**	5.9%
EPRA Vacancy Rate	**0.8%**	0.9%

2. EPRA earnings

			2010			2009
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic earnings/(loss) per share from continuing operations	**428.8**	**627.8**	**68.3p**	(175.1)	497.7	(35.2)p
Remove:						
Revaluation and sale of investment and development property	**(497.2)**		**(79.2)p**	535.7		107.6p
Sale and impairment of investments	**2.6**		**0.4p**	10.1		2.0p
Change in fair value of derivative financial instruments	**50.0**		**8.0p**	(399.6)		(80.3)p
Exceptional administration costs – acquisition related	**4.1**		**0.6p**	–		–
Exceptional finance charges – termination of derivative financial instrument	**65.1**		**10.4p**	28.9		5.9p
Profits on sale and write down of trading property	**(0.7)**		**(0.1)p**	0.1		–
Tax on the above	**(2.8)**		**(0.4)p**	66.9		13.5p
Non-controlling interest in respect of the above	**19.1**		**3.0p**	(5.9)		(1.2)p
EPRA earnings per share	**69.0**	**627.8**	**11.0p**	61.1	497.7	12.3p
Reconciliation to the Group's measure of underlying earnings per share						
Remove:						
Exceptional items	**12.7**		**2.1p**	4.7		0.9p
REIT entry charge	**3.3**		**0.5p**	3.1		0.6p
Add:						
Profits on sale and write down of trading property	**0.7**		**0.1p**	(0.1)		–
C&C US underlying earnings included within discontinued operations	**10.9**		**1.7p**	6.3		1.3p
Underlying earnings per share	**96.6**	**627.8**	**15.4p**	75.1	497.7	15.1p

EPRA earnings per share has been presented as recommended by EPRA which seeks to assist comparison between European property companies. However, we believe that our measure of underlying earnings per share is more appropriate than the EPRA measure in the context of our business as set out in note 14.

EPRA performance measures
Continued

3. EPRA NAV

	2010			2009		
	Net assets £m	**Shares million**	**NAV per share pence**	Net assets £m	Shares million	NAV per share pence
NAV attributable to equity shareholders of CSC Group PLC	**2,273.4**	**685.8**	**331p**	2,421.1	621.5	390p
Dilutive convertible bonds, share options and awards	**–**	**–**		101.3	12.8	
Diluted NAV	**2,273.4**	**685.8**	**331p**	2,522.4	634.3	398p
Add:						
Unrecognised surplus on trading properties (net of tax)	**1.4**		**–**	0.9		–
Remove:						
Fair value of derivative financial instruments (net of tax)	**314.9**		**46p**	335.5		53p
Deferred tax on investment and development properties	**47.7**		**7p**	42.9		7p
Non-controlling interest in respect of the above	**(31.7)**		**(5)p**	(27.1)		(5)p
Add:						
Non-controlling interest recoverable balance not recognised	**71.3**		**11p**	71.3		11p
EPRA NAV	**2,677.0**	**685.8**	**390p**	2,945.9	634.3	464p
Fair value of derivative financial instruments (net of tax)	**(314.9)**		**(46)p**	(335.5)		(53)p
Excess of fair value of debt over book value	**246.5**		**36p**	394.5		63p
Non-controlling interest in respect of the above	**31.7**		**5p**	27.1		4p
EPRA NNNAV	**2,640.3**	**685.8**	**385p**	3,032.0	634.3	478p

The Group's measure of NAV per share (diluted, adjusted) disclosed in note 15 is equal to the EPRA NAV presented above. The adjustment in respect of the non-controlling interest recoverable balance not recognised is due to historic accounting practices and is required to get the correct net assets attributable to equity shareholders of the Group.

4. EPRA Net Initial Yield and "topped-up" NIY

	2010 £m	2009 £m
Investment and development property	**5,099**	4,631
Less developments	**(7)**	–
Completed property portfolio	**5,092**	4,631
Allowance for estimated purchasers costs	**259**	228
Gross up completed property portfolio valuation	**5,351**	4,859
Annualised cash passing rental income	**297**	291
Property outgoings	**(15)**	(14)
Annualised net rents	**282**	277
Notional rent expiration of rent free periods or other lease incentives	**18**	8
Topped-up net annualised rent	**300**	285
EPRA net initial yield	**5.3%**	5.7%
EPRA "topped-up" NIY	**5.6%**	5.9%

EPRA net initial yield and "topped-up" NIY by property is given in the Investment and development property section.

5. EPRA Vacancy Rate

	2010 %	2009 %
EPRA Vacancy Rate	**0.8**	0.9

EPRA Vacancy Rate is calculated as the ERV of vacant space divided by the ERV of the whole portfolio. Vacancy rate by property is given in 4. Additional property information as at 31 December 2010 on page 110.

Financial record 2009 – 2010

	2009[1]	**2010**
Net rental income	£267m	**£277m**
Underlying earnings	£75m	**£97m**
Underlying earnings per share	15.1p	**15.4p**
Dividend per share	15.0p	**15.0p**
Property revaluation (deficit)/surplus	£(535)m	**£501m**
NAV per share	339p	**390p**
Market value of investment and development property	£4,631m	**£5,099m**
Net external debt	£2,522m	**£2,437m**
Debt to assets ratio	55%	**48%**
Interest cover	141%	**156%**
Change in like-for-like net rental income	(3.4)%	**2.1%**
Occupancy	97.8%	**98.6%**
Growth in footfall (like-for-like)	3%	**3%**

1 2009 figures are re-presented to remove the impact of the Capco business following the demerger in May 2010 and to present the C&C US business as held for sale. The dividend per share of 15.0 pence is CSC's share of Liberty International PLC's 2009 dividend of 16.5 pence per share.

Management structure and advisers

Capital Shopping Centres Group

Chairman, Deputy Chairman and Executive Directors
Patrick Burgess, Chairman
John Whittaker, Deputy Chairman (Alternate – Steven Underwood)
David Fischel, Chief Executive
Matthew Roberts, Finance Director
Kay Chaldecott, Executive Director, Property

Non-Executive Directors
John Abel
Richard Gordon (Alternate – Raymond Fine)
Ian Henderson
Andrew Huntley
Rob Rowley (Senior Independent Director)
Neil Sachdev
Andrew Strang

Company Secretary
Susan Folger

General Corporate Counsel
Hugh Ford

Group Treasury, Tax and Accounting
Mark Kildea, Treasurer
Gary Hoskins, Head of Tax
Peter Weir, Financial Controller

Internal Audit
Claire Combes, Head of Risk and Internal Audit

Human Resources
Bernie Kingsley, Head of Human Resources

Investor Relations
Kate Bowyer, Investor Relations Manager

Corporate Responsibility
Alexander Nicoll, Director of Corporate Responsibility

Information Systems
Brian Horsfield, Chief Information and Systems Officer

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Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors

Solicitors
Linklaters LLP

Construction and Development

Martin Ellis, Construction Director
Charles Forrester, Director of Project Management
Julie Pears, Director of Development

CSC London

Kay Chaldecott, Chairman
Caroline Kirby, Property Director
Trevor Pereira, Commercial Director
Martin Ellis, Construction Director

Senior Management
Jonathan Ainsley, Director of Asset Management
Martin Breeden, Director of Asset Management
Kate Grant, Director of Property Management
Bob Tingle, Director of Operations

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CSC Trafford

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Gordon McKinnon, Operations Director
Julian Wilkinson, Property Director

General Managers

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The Mall at Cribbs Causeway, Bristol
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Jonathan Edwards 0117 915 5555

Arndale Manchester
www.manchesterarndale.com
Glen Barkworth 0161 833 9851

Glossary

Adjusted, diluted net asset value per share
NAV per share adjusted to exclude the fair value of derivative instruments and related tax and deferred tax on investment and development property and to include any unrecognised post tax surplus on trading properties.

Annual property income
The Group's share of passing rent plus the external valuers' estimate of annual excess turnover rent, additional rent in respect of unsettled rent reviews and sundry income such as that from car parks and mall commercialisation.

Debt to assets ratio
Net external debt divided by the balance sheet value of investment and development property plus trading property.

Diluted figures
Reported amounts adjusted to include the effects of dilutive potential shares issuable under convertible bonds and employee incentive arrangements.

Earnings per share
Profit for the period attributable to equity shareholders of CSC Group PLC divided by the weighted average number of shares in issue during the period.

EPRA
European Public Real Estate Association, the publisher of Best Practice Recommendations intended to make financial statements of public real estate companies in Europe clearer, more transparent and comparable.

ERV (estimated rental value)
The external valuers' estimate of the Group's share of the current annual market rent of all lettable space net of any non-recoverable charges, before bad debt provision and adjustments required under IFRS regarding tenant lease incentives.

Exceptional items
Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Initial yield to the Group
Annualised net rent (as net initial yield (EPRA)) on investment properties expressed as a percentage of the net market value, representing the yield that would be foregone by the Group were the asset to be sold.

Interest cover
Underlying operating profit excluding trading property related items divided by the net finance cost excluding the change in fair value of derivatives, exceptional finance costs and amortisation of compound financial instruments.

Interest rate swap
A derivative financial instrument enabling parties to exchange interest rate obligations for a predetermined period. These are used by the Group to convert floating rate debt to fixed rates.

IPD
Investment Property Databank Ltd, producer of an independent benchmark of property returns.

Like-for-like properties
Investment properties which have been owned throughout both periods without significant capital expenditure in either period, so both income and capital can be compared on a like-for-like basis. For the purposes of comparison of capital values, this will also include assets owned at the previous reporting period end but not throughout the prior period.

Loan-to-value (LTV)
LTV is the ratio of attributable debt to the market value of an investment property.

Net asset value (NAV) per share
Net assets attributable to equity shareholders of CSC Group PLC divided by the number of ordinary shares in issue at the period end.

Net external debt
Net debt after removing the Metrocentre compound financial instrument.

Net initial yield (EPRA)
Annualised net rent (after deduction of revenue costs such as head rent, running void, service charge after shortfalls, empty rates and merchant association contribution) on investment properties expressed as a percentage of the gross market value before deduction of theoretical acquisition costs, consistent with EPRA's net initial yield.

Net rental income
The Group's share of net rents receivable as shown in the income statement, having taken due account of non-recoverable charges, bad debt provisions and adjustments to comply with IFRS including those regarding tenant lease incentives.

Nominal equivalent yield
Effective annual yield to a purchaser from the assets individually at market value after taking account of notional acquisition costs assuming rent is receivable annually in arrears, reflecting estimated rental values (ERV) but disregarding potential changes in market rents.

Occupancy
The passing rent of let and under offer units expressed as a percentage of the passing rent of let and under offer units plus ERV of un-let units, excluding development and recently completed properties and treating units let to tenants in administration as un-let.

Passing rent
The Group's share of contracted annual rents receivable at the balance sheet date. This takes no account of accounting adjustments made in respect of rent free periods or tenant incentives, the reclassification of certain lease payments as finance charges or any irrecoverable costs and expenses, and does not include excess turnover rent, additional rent in respect of unsettled rent reviews or sundry income such as from car parks etc. Contracted annual rents in respect of tenants in administration are excluded.

Property Income Distribution (PID)
A dividend, generally subject to UK withholding tax at the basic rate of income tax, that a UK REIT is required to pay to its shareholders from its qualifying rental profits. Certain classes of shareholder may qualify to receive a PID gross – shareholders should refer to www.capital-shopping-centres.co.uk for further information. The Group can also pay non-PID dividends which are not subject to UK withholding tax.

Real Estate Investment Trust (REIT)
A tax regime which exempts from corporation tax the rental profits and capital gains of the REIT's qualifying investment property activities. In the UK, the regime must be elected into and the REIT must meet certain ongoing qualifications, including the requirement to distribute at least 90 per cent of qualifying rental profits to shareholders. The Group elected for REIT status with effect from 1 January 2007.

Tenant (or lease) incentives
Any incentives offered to occupiers to enter into a lease. Typically incentives are in the form of an initial rent free period and/or a cash contribution to fit-out the premises. Under IFRS the value of incentives granted to tenants is amortised through the income statement on a straight-line basis over the lease term.

Topped-up NIY (EPRA)
Net initial yield adjusted for the expiration of rent free periods and other unexpired lease incentives.

Total financial return
Change in net asset value per share plus dividends per share paid in the period expressed as a percentage of opening net asset value per share.

Trading property
Property held for trading purposes rather than to earn rentals or for capital appreciation and shown as current assets in the balance sheet.

Underlying earnings per share (EPS)
Earnings per share adjusted to exclude valuation movements, exceptional items and related tax.

Underlying figures
Amounts described as underlying exclude valuation movements, exceptional items and related tax.

Vacancy rate (EPRA)
The ERV of vacant space divided by total ERV.

Yield shift
A movement (usually expressed in basis points) in the nominal equivalent yield of a property asset.

Dividends

The Directors of Capital Shopping Centres Group PLC have proposed a final dividend per ordinary share (ISIN GB0006834344) of 10.0 pence (2009 – 11.5 pence) to bring the total dividend per ordinary share for the year to 15.0 pence (2009 – 16.5 pence).

This dividend will be partly paid as a Property Income Distribution ("PID") with a gross value of 5 pence per share and partly paid as a non-PID with a value of 5 pence per share. The PID element will be subject to deduction of a 20 per cent withholding tax unless exemptions apply (please refer to the Special note below). The non-PID element will be treated as an ordinary UK company dividend.

The following are the salient dates for the payment of the proposed final dividend:

Thursday 19 May 2011
Sterling/Rand exchange rate struck

Friday 20 May 2011
Sterling/Rand exchange rate and dividend amount in SA currency announced

Monday 30 May 2011
Ordinary shares listed ex-dividend on the Johannesburg Stock Exchange

Wednesday 1 June 2011
Ordinary shares listed ex-dividend on the London Stock Exchange

Friday 3 June 2011
Record date for 2010 final dividend in London and Johannesburg

Tuesday 21 June 2011
Dividend payment day for shareholders

South African shareholders should note that, in accordance with the requirements of State, the last day to trade cum-dividend will be Friday 27 May 2011 and that no dematerialisation or rematerialisation of shares will be possible from Monday 30 May to Friday 3 June 2011 inclusive. No transfers between the UK and South African registers may take place from Thursday 19 May to Sunday 5 June 2011 inclusive.

PID Special note:
The following applies to the PID element only of the 2010 Final Dividend:

UK shareholders: For those who are eligible for exemption from the 20 per cent withholding tax and have not previously registered for exemption, an HM Revenue & Customs ("HMRC") Tax Exemption Declaration is available for download from the "Investors" section of the Capital Shopping Centres Group website (www.capital-shopping-centres.co.uk), or on request to our UK registrars, Capita Registrars. Validly completed forms must be received by Capita Registrars no later than the Record Date, Friday 3 June 2011, otherwise the dividend will be paid after deduction of tax.

South African and other non-UK shareholders: South African shareholders may apply to HMRC after payment of the dividend for a refund of the difference between the 20 per cent withholding tax and the UK/South African double taxation treaty rate of 15 per cent. Other non-UK shareholders may be able to make similar claims. Refund application forms for all non-UK shareholders are available for download from the "Investors" section of the Capital Shopping Centres Group website (www.capital-shopping-centres.co.uk), or on request to our SA registrars, Computershare, or HMRC. Refunds are not claimable from Capital Shopping Centres Group, the South African Revenue Service or other national authorities, only from the UK's HMRC.

Additional information on PIDs can be found at www.capital-shopping-centres.co.uk/investors/shareholder_info/reit.

The above does not constitute advice and shareholders should seek their own professional guidance. Capital Shopping Centres Group PLC does not accept liability for any loss suffered arising from reliance on the above.

Designed and produced by **Radley Yeldar** www.ry.com

Shareholder information

Registrars

All enquiries concerning shares or shareholdings, including notification of change of address, queries regarding loss of a share certificate and dividend payments should be addressed to:

For shareholders registered in the UK:

Capita Registrars
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Telephone (within UK) 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 8.30 am – 5.30 pm Monday – Friday)
+44 20 8639 3399 (outside UK)
Facsimile 020 8639 2342
Email: ssd@capitaregistrars.com
www.capitashareportal.com

For shareholders registered in South Africa:

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Postal address:
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Marshalltown 2107, South Africa
Telephone +27 11 370 5000
Facsimile +27 11 688 5221
www-uk.computershare.com

Payment of dividends

Shareholders who wish to have their dividends paid directly into a bank or building society account should complete a mandate form available from the appropriate registrars.

Share price information

The latest information on the Capital Shopping Centres Group PLC share price is available on the website www.capital-shopping-centres.co.uk

Web-based enquiry service for shareholders

Shareholders registered in the UK can go to www.capitashareportal.com to obtain details of their shareholdings and dividends. The shareholder's surname, Investor Code (found on any correspondence from registrars) and postcode are required to use this service. Shareholders may also use this service to amend or change their address and dividend mandate details.

Shareholders registered in South Africa can go to www-uk.computershare.com/investor to obtain details of their shareholdings. Shareholders will need to follow a registering process in order to access such information. Unfortunately, due to South African legal requirements, shareholders may not update records, but will be able to view their entire holding of shares globally. Please note that the Computershare company code for Capital Shopping Centres Group PLC is CSOZ.

Share dealing

Existing UK shareholders may trade Capital Shopping Centres Group PLC shares through Capita Share Dealing Services who provide an easy to use, real-time online, telephone and postal dealing service.
www.capitadeal.com
Telephone (within UK) 0871 664 0364 (calls cost 10p per minute plus network extras; lines are open 8.00 am – 4.30 pm Monday – Friday)
(Ireland) Lo-call 1 890 946 375
(outside UK) +44 20 3367 2686

Existing South African shareholders whose shares are held in electronic format through Computershare CSDP, may trade Capital Shopping Centres Group PLC shares through Computershare's low cost telephone share dealing service on 0861 100 633 (SA calls only).

Electronic communication

The company supplies information such as the Annual and Interim Report via its website to shareholders who have consented to such communication. Shareholders will be notified by email or post when new information is available on the website.

Shareholders can at any time revoke a previous instruction in order to receive hard copies of shareholder information.

UK shareholders may register to receive email alerts by logging on to the website of the UK Registrars (www.capitashareportal.com) and following the instructions given to register an email address. Once registered, shareholders are sent a "Notice of Availability" email highlighting that the Annual Report, Interim Report or other information is available for viewing on the website.

This report contains "forward-looking statements" regarding the belief or current expectations of Capital Shopping Centres Group PLC, its Directors and other members of its senior management about Capital Shopping Centres Group PLC's businesses, financial performance and results of operations. Generally, words such as, but not limited to, "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "seek", "continue" or similar expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Capital Shopping Centres Group PLC and are difficult to predict, that may cause actual results, performance or developments to differ materially from any future results, performance or developments expressed or implied by the forward-looking statements. These forward-looking statements speak only as at the date of this report. Except as required by applicable law, Capital Shopping Centres Group PLC expressly disclaims any obligation to update or revise any forward-looking statements contained herein to reflect any change in Capital Shopping Centres Group PLC's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Any information contained in this report on the price at which shares or other securities in Capital Shopping Centres Group PLC have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

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www.capital-shopping-centres.co.uk

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