Capital& Regional

Annual Report and Accounts
for the year ended 30 December 2012

Stock Code: CAL

Capital& Regional

Progress in execution of strategy

- Sale of Group's stakes in The Junction Fund and Xscape Braehead and, in early 2013, its interest in the X-Leisure Fund and FIX
- Purchase of Mall Fund units increased Group share from 18.16% to 20.33%
- Acquisition of 20% interest in Kingfisher Centre, Redditch, in joint venture with Oaktree Capital Partners

Financial

- Robust recurring pre-tax profit up 3.7% to £17.0 million (2011 – £16.4 million)
- Proforma see-through net debt[1] to property value fell to 55% compared to 65% at 2011 year end
- Fall in net assets and EPRA net assets per share to 51p and 55p, respectively (2011 – 56p and 63p) primarily as a result of value adjustments and impairment of the German portfolio 4 joint venture

Operational

- Occupancy on a like for like basis in our UK Shopping Centres up to 96.7% from 96.1% notwithstanding significant administrations during the first half of the year
- Attractive and affordable space supported by 88 new lettings for £5.1 million, 25 renewals for £1.7 million, both at above ERV
- Significant step forward for asset management and development with key terms agreed to enable the reconfiguration of Waterside Lincoln; Hemel Hempstead redevelopment gaining planning permission and a number of pre-lets finalised; The Hub leisure concept at Redditch gaining momentum

Future priorities

- Recycle cash from disposals of non-core assets to create shareholder value by strengthening our core UK Shopping Centre business as well as the buyback of shares
- Resume dividend payments to shareholders to be covered by cash earnings once Mall is in a position to recommence distributions to unit holders

	2012	2011
Recurring pre-tax profit[2]	**£17.0m**	£16.4m
(Loss)/profit for year	**£(16.0)m**	£21.1m
NAV per share	**51p**	56p
EPRA NAV per share	**55p**	63p
Proforma Group net debt[1]	**13%**	30%
Proforma see through net debt[1]	**55%**	65%

1 Adjusted for £30.6 million X-Leisure proceeds received in January 2013.
2 As defined in Note 1 to the financial statements.

See further information on our performance on page 17

See futher information online:
www.capreg.com

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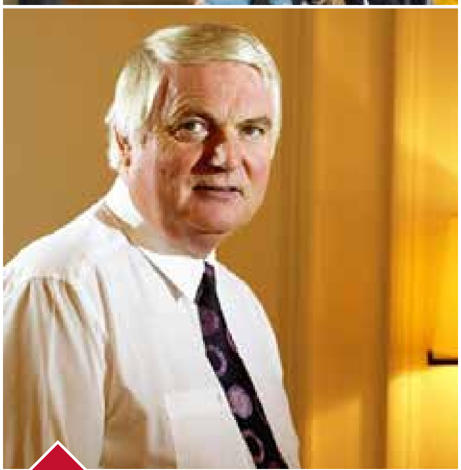


02 Chairman's Statement

I am pleased to report that the Group has this year both successfully responded to the challenges created by a tough operating environment and made significant progress in the execution of its strategy.

05 Our Business

The core strength of Capital & Regional is managing dominant UK Community Shopping Centres. Embedded in our culture is a passion to deliver outstanding operational performance.

10 Operating Review

The principal focus of management during 2012 has been to implement its strategy of disposing of non-core assets in order to concentrate resources on its core UK Shopping Centre business.

Chairman's statement

John Clare Chairman

"I am pleased to report that the Group has this year both successfully responded to the challenges created by a tough operating environment and made signficiant progress in the execution of its strategy."

Strategy

The Group's strategy is to focus its financial resources and management skills on dominant community shopping centres in the UK. The Group intends to recycle capital from non-core assets to strengthen its position as a leading retail property investment company.

Performance Overview

I am pleased to report that the Group has this year not only successfully responded to the challenges created by a tough operating environment but has also made significant progress in the execution of its strategy.

The UK shopping centres have performed well during a difficult time for UK retailing. The Mall Fund, at the property level, continues to outperform its IPD benchmark and occupancy levels at the year-end are higher than 12 months ago, as the very high levels of retail failures in recent months have provided opportunities to reconfigure space. Success in re-letting this space reinforces earlier decisions to retain and acquire those assets, such as Redditch, with dominant market shares in the communities in which they operate, and to dispose of those which do not.

During the course of this year, the Group has either disposed of or taken significant steps to dispose of non-core assets. The Group has sold its interest in The Junction Fund, the X-Leisure Fund and X-Leisure Limited, our 50% interest in Xscape Braehead as well as the sale of our interest in FIX, completed shortly after the end of the year.

Relevance of our property assets

Our shopping centres demonstrate the key characteristics to remain relevant in the current environment. They are specifically founded on a strong community involvement, affordable rents and continued investment to enhance the shopping experience.

We continually adapt to meet changing retailer and consumer needs. Free Cloud Wi-Fi has been rolled out across the shopping centres; the Mall smart phone app has been launched and we are reconfiguring space to support the multi-channel strategies of our retailers.

Dividend

The dividend policy continues to link future payments to the Group's cash generating ability. Following the renegotiation of the Group's banking arrangements, the restrictions limiting the payments to 50% of operating cash flow less interest and tax have been removed. Following further de-gearing, the Mall is likely to be in a position to recommence distributions in the second half of the year. Distributions from The Mall should enable the Group to resume the payment of a dividend, to be covered by cash earnings, at the end of 2013. Until this happens the Board is not recommending the payment of a dividend meaning that no dividend will be payable for the full year 2012.

Responsible business

The Group attaches great importance to maintaining its commitment to responsible business in the still challenging operating environment.

At the beginning of the year a number of key objectives across The Market Place, The Environment and The Workplace were identified, each with target key performance indicators. Good progress has been made in each of these areas. The Group was awarded ROSPA Gold Award status for a sixth consecutive year and has exceeded stretching targets for reduction in energy, water use and water recycling.

Further details are set out in the Responsible Business review in the financial statements.

Our people

The management platform is key to the future and the creation of value for our shareholders. I would like to thank all staff who have once again delivered a robust set of operating results in the face of challenging market conditions. The prompt re-letting of space vacated by retailers in administration earlier in the year reflects the unique asset management skills of our teams.

With the sale of The Junction and X-Leisure we have also said goodbye to a number of colleagues who have been, directly and indirectly, part of the C&R family for some years. We wish them every success in their future careers.

The success of the restructuring programme in recent years gives me confidence the management team can execute the next phase of the Group's strategy.

The Board

I would like to thank Manjit Wolstenholme for her contribution to the Board's deliberations over the last six years. Tony Hales has succeeded Manjit as Chairman of the Audit Committee and Philip Newton will take on the role of Chairman of the Remuneration Committee. I believe the current non-executive directors bring a depth of experience of internet retailing and consumer markets to the Board in addition to their significant contribution to property, financial and strategic matters.

John Clare
Chairman

Chief Executive's statement

Hugh Scott-Barrett Chief Executive

"We have a unique management platform that supports our aim to be a leading investor and property and asset manager of dominant community schemes. Our focus is in shopping centres which have a dominant market share in the communities they serve and which provide attractive and affordable space for retailers."

Operations

Occupancy levels across the UK shopping centres have further improved this year from 96.1% to 96.7%, having fallen to 94.9% at 30 June. This reflects the benefits of a pro-active approach on re-letting vacant space arising from retailers in administration even if, in the short-term, it results in a reduction of income. During the course of the year, 69 units representing £5.8 million or 7% of the year end passing rent fell into administration. At December 2012 only 12% of the affected space was not income producing or part of an asset management initiative. This highlights the effectiveness of the asset management focus during the year which has supported valuations across the portfolio. We believe that in the medium and longer term, a vibrant well let scheme offers the best potential to boost income. Whilst passing rent has therefore fallen by 3% to £82.3 million it is some 1% higher than at the half-year. Against this background, it is pleasing that the Mall, which is at the core of the Group's shopping centre activities, has again out performed its benchmark at the property level. An increase in pre-tax recurring profit from £16.4 million to £17.0 million (including results from discontinued operations) is also particularly encouraging in these circumstances.

In our core German portfolio valuations have been stable and occupancy has remained high at 97.9% at December 2012. Contracted rent has remained stable but, importantly, a number of lease re-gears and renewals have enabled us to maintain the weighted average lease length of the core portfolios at 7.8 years.

Asset Management

In spite of the challenging environment for our retailers, we have continued to see demand for good quality affordable space across our shopping centres and other assets.

Key themes include:-

- Increasing demand from leisure operators (in particular value restaurants) within our shopping centres. The progress we are making in establishing The Hub leisure concept at Redditch highlights the increased importance of such operators to increased dwell time by the shoppers in our schemes
- Demand for space from fashion and department stores such as H&M in Luton and Debenhams at Blackburn
- Reconfiguration of space and introduction of new technologies to accommodate multi-channel strategies
- Significant progress in asset management initiatives at Hemel Hempstead and Great Northern Warehouse where All Star Lanes has now opened
- Negotiations with anchor retailers on the key expansion and development opportunities within our schemes notably at Lincoln, Walthamstow and Camberley

Encouragingly, many of the new lettings have agreed at or above ERV. Indeed, for the full-year, 88 new lettings representing £5.1 million of passing rent were agreed at 0.2% above ERV.

Financial Position

Significant steps have been taken not only to reduce gearing but also to de-risk the Group balance sheet during the course of the year.

Adjusted for the disposal proceeds from the sale of X-Leisure, gearing at the Group level has fallen from 24% to 13% at December 2012 whilst see-through net debt to property value again adjusted for the sale of X-Leisure, has fallen from 65% to 55%.

The impact of disposals on debt levels has therefore more than offset the impact of the acquisition of Redditch. The reduction in statutory NAV from £196 million to £180 million or 56p to 51p has been primarily caused by the impairment and devaluation of the German portfolio 4 and the related Euro B-Note of £15.1 million.

At the same time, the Group has repaid the Hemel bank facility and has extended its two remaining facilities at the Group level being:

- A £25 million Revolving Credit Facility which now matures in July 2016
- A £57.6 million facility for the Great Northern Warehouse which now matures in October 2014

Chief Executive's statement continued

Following the disposal of The Junction, X-Leisure and FIX, the Mall is the only Fund in which C&R is invested. Following the disposal of the Castle Shopping Centre in Norwich and utilising the cash generated from operations, the Fund's debt has fallen by £91.4 million to £570.9 million. This represents a reduction in gross LTV from 69% to 67%. This is expected to fall further in 2013 following bondholder approval to repay £13.4 million in April 2013 from blocked cash. Adjusted for the unrestricted cash in the Mall, net debt to property value stood at 55% as at December 2012.

The decrease in total German debt of €170.1 million primarily reflects the impact of the full impairment of the investment in Holding 4. Following amortisation of €10 million and with values of the rest of the portfolio broadly stable, gearing levels have fallen slightly from 76% to 74%.

Strategy

The Group has delivered on its commitment to make significant progress in 2012 in focusing Capital & Regional on its core UK Shopping Centre activities. We have achieved this through disposals of The Junction, X-Leisure and Braehead, whilst the acquisition of Kingfisher Centre, Redditch adds critical mass and reinforces our core shopping centre activities.

Our objective remains to grow our portfolio of UK shopping centres which are held both through our investment in the Mall and in joint ventures with our key partners. We have a unique management platform that supports our aim to be a leading investor and property and asset manager of dominant community schemes. Our focus is on shopping centres which have a dominant market share in the communities they serve and which provide attractive and affordable space for retailers.

The Mall remains at the centre of C&R's strategy and will continue to be a priority for the allocation of capital. Each of the underlying core properties offers attractive opportunities for asset management initiatives and development opportunities. Our aim is to help position the Mall to access the necessary capital to exploit these opportunities. We will seek to take advantage of opportunities to increase further our stake in order to support the execution of our strategy for the Mall. To date, these purchases have been very accretive for our shareholders.

Capital & Regional will continue to leverage its management platform by investing with our key partners in shopping centres which share similar characteristics to the Mall. Our acquisition in partnership with Oaktree of the Kingfisher Centre, Redditch, confirms the belief that we are able to generate superior returns from investing in and managing such assets.

Outlook

The operating environment for our retailers remains challenging as the twin pressures of changing consumer behaviour and weak economic growth continue to impact sentiment. I am encouraged that our proven track record in prompt re-letting of space on retailer administrations is already having a positive impact in the early part of this year as asset management initiatives to re-let space from recent retailer failures are well advanced.

Disposals of non-core assets will continue to be a major focus. We expect to recycle capital from the remaining on-balance sheet assets of Hemel and Great Northern Warehouse as well as from the portfolio of German retail investments. Improved investment market sentiment gives us confidence that further progress will be possible this year.

We expect further deleveraging of the Mall. The objective is to reduce the quantum of debt below £400 million and the leverage to a level where we can both recommence distributions and look forward with confidence to the refinancing of the CMBS which matures in April 2015.

Our focus on shopping centres which are dominant in the communities they serve gives us confidence that we will continue to be able to respond to changing consumer behaviours. As in prior years the priority will be to ensure that occupancy levels remain high to maintain the vibrancy of the schemes in the belief that we will be able to rebuild and grow income levels over time. Plans will be progressed for each of our schemes ranging from refurbishment to extensions and major redevelopments which will enhance their relevance to the consumers and retailers they serve.

Hugh Scott-Barrett
Chief Executive

Our business

UK Shopping Centres

The Group's Shopping Centre business comprises its investment in The Mall Fund, a specialist UK community shopping centre brand, owning eight properties with a total lettable space of over four million square feet which accommodates over 950 retail units. In addition the Group has interests in The Waterside Centre, Lincoln and The Kingfisher Centre, Redditch.

Our approach

The core strength of Capital & Regional is managing dominant UK community shopping centres. Embedded in our culture is a passion to deliver outstanding operational performance. This ethos has been built up over many years of shopping centre ownership during which we have created a unique in-house platform with demanding operating standards. The platform comprises specialists covering all the relevant disciplines of property and asset management.

Our teams think like retailers so they create and maintain environments that deliver sustained profits for our occupiers and an outstanding shopping experience for the communities we serve. Branding to us is not a name change or new sign, it's a culture that runs through every element of our shopping centre business and is why the Mall brand is recognised as being synonymous with best practice in managing shopping centres.

See further information on our properties on page 115

Pictured Above:
The Mall, Wood Green

Pictured Above:
The Mall, Walthamstow

Our business continued

The elements which help to differentiate us include:

- Our people – our teams hold strong common values and a clear vision as to what makes our business special.
- Operational standards – we regularly measure each Mall against well defined and detailed brand standards, always striving for improvement. Amongst other aspects this ensures we provide clean and safe places to shop.
- Retail relationships – we have built up excellent relationships with our retailers and they trust us to deliver on our promises and recognise the value in our operating culture. We understand their needs for space which allows us to plan to optimise the configuration of space as well as helping us to mitigate the exposure from tenant administrations.
- Technology – shopping habits are changing with a continuing trend towards online shopping, 'click and collect', social media and mobile marketing. Successful retailers now operate through genuine multi-channel formats which enhance the physical shopping experience with the use of mobile technologies. We are absolutely committed to meeting both the challenges and the opportunities which can be derived from technological change.

  Specific aspects include:

  – The Mall website (www.themall.co.uk) which was launched in 2007 and was the first UK branded website covering a portfolio of shopping centres. We have received 25 million page views since then, 55% of which now arrive through our mobile enabled site.

  – Enhancing our marketing and social media feedback through the development of mobile enabled websites, social networking and The Mall smart phone apps and loyalty based marketing and promotions.

  – Introducing free Cloud Wi-Fi across the shopping centre portfolio.

  – We recently signed up fulfilment company "Bybox" to drive our click and collect service.

  – We are working with our retail partners to help them fulfil their evolving omni channel requirements utilising our existing Mall digital media platforms.

  – Retailer affiliate marketing hosted on: themall.co.uk.

- Ancillary revenues – using the portfolio scale and leverage from the Mall brand, we have driven income from many sources – including advertising, promotional space, Retail Merchandising Units (RMU's), digital commerce, gift cards, and telecoms, amongst others. Our ancillary income was up 4.5% like for like in 2012.
- Marketing – by regularly talking to our community of shoppers, we engage and encourage repeat visits and more spend.
- Operational costs – leveraging the scale of our portfolio we drive down costs in all areas of expenditure. Service charges sit at an average £4.30 psf, 15.7% below the industry benchmark (source: Jones Lang LaSalle 2011 survey).
- Environment – we are passionate about operating responsibly, and through our Enviromall operating system, now established for ten years, we have an industry leading track record of year on year improvements with specific excellence in energy reduction and waste management.

Our Assets

Our operational excellence is complemented by the assets that we own and manage. We ensure that our property assets are aligned with the constantly evolving demands of our tenants and shoppers, developments in technology, and consumer behaviour.

The key features we look for in our assets are:

- Town centre locations which are dominant in the local community with significant catchment
- Affordable and sustainable rents
- Attractive opportunities to generate future growth in value from asset management or development opportunities
- Ownership of car parking and good local transport facilities

Our shoppers have demanding expectations of the level of service, convenience, range and quality of facilities, together with a real appreciation of value and local community. These community hubs provide our retailers with a cost effective location from which to serve their customers and sit as an essential element of the multichannel operation. We believe only those shopping centres which can consistently deliver these different elements will continue to be successful.

Our non-executive directors also bring a depth of experience of the internet, retailer and consumer markets to the Board. This ensures our strategy is responsive to the changing retailer and consumer demands that impact on our property assets.

The Mall Fund

Its key statistics are:

	At 30 December 2012	At 30 December 2011
Number of properties	**8**	9
Property value at independent valuation	**£851m**	£971m
Passing rent (like for like)	**£68m**	£70m
Initial yield (like for like)	**7.00%**	6.92%
Property level return	**1.0%**	6.2%
Occupancy (like for like)	**97.0%**	95.8%
Loan to value ratio	**67%**	69%
Net debt to value ratio	**55%**	56%
C&R share	**20.15%**[1]	18.16%

[1] Increased to 20.33% after year end

The Waterside Shopping Centre, Lincoln

The Waterside Shopping Centre was purchased in February 2011 and the Group owns a 50% interest in a joint venture with Karoo. The shopping centre is located on a prime retail pitch in the centre of the cathedral city of Lincoln and has a total lettable space of 118,000 square feet and 46 retail units.

The Kingfisher Centre, Redditch

The Kingfisher Centre was acquired in May 2012 through a joint venture with funds managed by Oaktree Capital Partners with the Group taking a 20% interest. The centre forms the majority of the town centre of Redditch comprising 920,000 square feet and 166 retail units.

All of the assets of the UK Shopping Centre business are managed by Capital & Regional Property Management ('CRPM') as asset and property manager. For The Mall, Aviva Investors fulfils the regulated fund management role and investors hold units in a Jersey Property Unit Trust (JPUT) which provides exposure to a diversified portfolio of properties without direct investment and the ability to transfer units without incurring Stamp Duty Land Tax.

See further information on our properties on page 115

Pictured Above:
The Mall, Camberley

Pictured Above:
The Kingfisher Centre, Redditch

Overview

Germany

The commercial retail property portfolio in Germany is a joint venture with AREA Property Partners. The joint venture owns 26 properties with a total lettable space of over 3.3 million square feet. Its key statistics excluding portfolio 4 are:

	At 30 December 2012	At 30 December 2011
Number of properties	**26**	26
Property value at independent valuation	**€414.8m**	€417.9m
Contracted rent	**€32.5m**	€32.5m
Initial yield	**6.6%**	6.6%
Property level return	**6.6%**	7.8%
Occupancy (like for like)	**97.9%**	99.0%
Loan to value ratio	**74%**	76%
Net debt to value ratio	**71%**	72%
C&R share	**49.60%**	49.60%

Garigal Asset Management GmbH, a German asset and property manager, is responsible for the asset and property management of the German property portfolio and the Group holds a 30% stake in Garigal.

The key characteristics of the German portfolio are:

- Established out-of-town retail locations, typically anchored by food retailers
- Standalone hypermarkets and retail parks with sales areas of more than 3,500 square metres with car parking
- Strong cash generation with generally shorter leases

Germany

- Retail Properties 26 Locations

Pictured Above:

Tönisvort Retail Park

Other UK interests

Leisure: Great Northern Warehouse, Manchester

The Group owns 100% of this 399,000 square foot property, which is a converted Victorian warehouse in the heart of Manchester city centre including a multiplex cinema, casino and bars, health and fitness, ten pin bowling, restaurants and shops. The principal occupiers of its 46 units are AMC Cinema, Virgin Active, London Clubs International and All Star Lanes.

Leisure: Leisure World, Hemel Hempstead

The Group owns 100% of the 156,000 square foot leisure property which is located in Hemel Hempstead. Planning permission has been granted for a comprehensive redevelopment and re-branding of the scheme replacing the swimming complex and nightclub with family oriented restaurants.

Ski operator: SNO!zone

The Group owns 100% of SNO!zone which is the largest indoor ski slope operator in the UK. SNO!zone operates in the two Xscapes at Milton Keynes and Castleford which are owned by the X-Leisure Fund.

Pictured Above:

All Star Lanes, Great Northern Warehouse, Manchester

Pictured Above:

Great Northern Warehouse, Manchester

Operating review

The principal focus of management during 2012 has been to implement its strategy of disposing of non-core assets in order to concentrate resources on its core UK Shopping Centre business.

During the year the Group realised £15.0 million in cash from the disposal of its interest in The Junction and its 50% share of Xscape Braehead. In addition £2.6 million of Performance Fee income was received in respect of The Junction. The Group also exchanged contracts for the sale of its interest in the X-Leisure Fund and X-Leisure Limited which completed after the year end raising a further £30.6 million after related transaction costs. During the last three years the Group has disposed of its interest in £1.9 billion of property at a discount to prevailing valuation of around 0.7%. As a result of these actions the Group's see-through net debt has fallen to 55% from 75% since December 2009.

Since the year end the Group has completed the disposal of its interest in FIX and a parcel of land raising up to £1 million.

UK Shopping Centres

Occupancy levels

Occupancy (like for like)	**30 December[1] 2012 %**	30 June 2012 %	30 December[1] 2011 %
UK Shopping Centres	**96.7**	94.6	96.1

[1] Occupancy at December 2012 and December 2011 includes a seasonal increase in temporary lettings.

The increase in occupancy has been achieved in difficult market conditions for our tenants and despite a significant number of administrations during the year. We continue to focus on maintaining high levels of occupancy which create shopping destinations which are appealing to shoppers and tenants and which acts as a springboard for growth in rental values.

New lettings, renewals and rent reviews

There has been good letting activity across the portfolio. Retailers are prepared to invest in new stores and in refurbishing their existing space as demonstrated by Debenhams, who have extended and refitted their store in Blackburn showing a willingness to invest in strong schemes.

UK Shopping Centres	
Number of new lettings[1]	88
Rent from new lettings (£m)	5.1
Comparison to ERV (%)[2]	0.2
Renewals settled	25
Revised rent (£m)	1.7
Comparison to ERV (%)	2.9
Rent reviews settled	140
Revised passing rent (£m)	8.3
Uplift to previous rent (%)	0.1
Comparison to ERV (%)	10.8

[1] Excluding the temporary letting of the TJ Hughes space in the Mall Maidstone to Beales on a flexible basis.
[2] For lettings which did not include a turnover rent.

Lettings to new occupiers continued at an encouraging level during the year and it is particularly pleasing to see new fascias such as Apple and Pandora taking space in our schemes. Significant highlights during the year are set out below:

Lettings	
Luton	New letting to H&M for a newly created 22,500 sq ft unit. Further lettings totalling 7,000 sq ft to Vodafone, Pandora and Stormfront who operate an Apple franchise.
Wood Green	We have taken advantage of the administration of Peacocks to re-let their space as an extension for TK Maxx at a premium to previous passing rent. Further lettings include ten year leases to Schuh on 3,750 sq ft and Tiger Retail who have taken a 2,700 sq ft unit.
Blackburn	Debenhams have now taken access to their extended space which has involved combining three additional units with their existing store to 95,000 sq ft on a supplemental lease expiring in 2080. Amongst other notable events there has been an 11,000 sq ft letting to Poundworld until 2020.
Maidstone	We are continuing to work to optimise the returns from the former TJ Hughes space to catalyse growth in the scheme in conjunction with a significant refurbishment of the scheme. In the meantime we have completed ten year leases with Sports Direct, who took 25,000 sq ft and with The Entertainer for a 5,000 sq ft unit.
Sutton Coldfield	We have made excellent letting progress with a 15 year lease with Barclays Bank and nine lettings in the second half including deals with Stormfront (Apple), Card Factory, Sharps Bedrooms and Paperchase for a total of 8,800 sq ft.

Lettings	
Camberley	We capitalised on the Clinton's administration and used their unit in conjunction with two others to create a 20,000 sq ft unit over two floors which has been let to TK Maxx with occupation targeted for in the second half of 2013. We also secured the lease of the nightclub following Luminar's administration and made further lettings to Trespass and Barratts totalling 6,300 sq ft.
Walthamstow	New ten year leases were completed with JD Sports and Carphone Warehouse. Deichmann Shoes and Warren James have taken space. The combined space of these lettings is 15,500 sq ft.
Uxbridge	New lettings have been completed with Trespass, Lui Menswear and TFS for 7,000 sq ft.
Lincoln	New letting of the former Barratts unit at the entrance to the scheme to Office has improved the appearance of the scheme. Vision Express were relocated from the rear of the centre to maintain momentum on the intended reconfiguration and occupational flexibility was achieved in respect of the Optical Express and Julian Graves units following their administration.
Redditch	The Entertainer was the first new occupier to take space since the acquisition in May taking a ten year lease. This was followed by Select and Pandora with a total of 5,200 sq ft.

As part of our continued support of mobile commerce we concluded agreements with Cloud Networks, a Wi-Fi operator, across our portfolio on a six year deal. This importantly provides free Wi-Fi across our portfolio improving accessibility to our mobile apps whilst creating an additional income stream.

Since the year end new lettings in the UK Shopping Centres have been made for contracted rent of £0.9 million.

Administrations

Whilst the number of administrations in 2012 increased compared to the prior year we have re-let most of those units that ceased trading, which has supported the strong occupancy levels reported above.

UK Shopping Centres	Year ended 30 December 2012	6 months ended 30 December 2012	6 months ended 30 June 2012
Administrations (units)	**69**	20	49
Passing rent (£m)	**5.8**	1.0	4.8

During the year, the UK shopping centre business was adversely affected by a number of significant administrations. The most notable of these were Peacocks, Bon Marche, Julian Graves, Game Group, Clinton Cards and Birthdays. Throughout our primary objective was to maintain occupancy unless there was a preferable asset management opportunity such as the TK Maxx extension at Wood Green. This strategy has sustained income and mitigated void costs thus preserving the vibrancy of the centres.

Of the 69 units affected by administrations during the year 46 have been re-let while nine either continue to trade and are expected to be re-let or will be re-let as part of on going asset management plans. There were 14 units affected by administration which closed and have not yet been re-let with pre-administration passing rent of £0.7 million.

By the end of February 2013 there had been 13 units that had entered administration with passing rent of £1.3 million representing 1.6% of the year end passing rent. 11 of these insolvencies relate to the widely reported HMV, Jessops and Republic administrations. At the end of February 2013, of the 13 units six remained trading, two had been re-let (including one to Morrisons Local with the lease being extended at an increased rent) and one forms part of the new TK Maxx store being created in Camberley. Four units had been closed.

Operating review continued

Income security

Credit risk is managed through the assessment of the covenant strength of all incoming tenants and by monitoring credit ratings of key existing tenants. Where possible we look to pre-empt the consequences of administrations through contingency planning and actively seeking to reduce exposure to known risks. For example, in Walthamstow we had previously taken a surrender of the HMV lease and re-let the space at ERV. The ten largest occupiers by rental income at 30 December 2012 are given below.

UK Shopping Centres	%
Alliance Boots Limited	4.8
Debenhams Properties Limited	3.3
BHS Limited	2.9
Primark Stores Limited	2.8
Superdrug Stores Plc	2.4
New Look Retailers Limited	2.3
Arcadia (excluding BHS)	2.3
Wilkinsons Hardware Stores	2.2
Argos	1.9
WH Smith	1.8

Rent collection rates in the UK shopping centres (adjusted for tenants in administration) have continued to be strong throughout the year, with 97.4% of rent being paid within 14 days of the due date for December 2012.

Footfall

The UK Shopping Centres' footfall has outperformed the national footfall index by 2.5% although there has been a fall in shopper numbers over the year of 1.8% compared to a decline of 4.3% in the benchmark index, demonstrating the strength of the portfolio. In 2013 UK Shopping Centre footfall has continued to outperform the benchmark; in the ten weeks to 4 March 2013 The Mall decline of 2.5% on the prior year was 1.1% better than the benchmark index.

Temporary lettings

At 30 December 2012 on a like for like basis there were 128 temporary lettings (2011: 113) for a net rent of £3.1 million (2011: £3.2 million) compared to an ERV of £6.4 million (2011: £5.8 million).

Passing rent

Passing rent across our UK shopping centres increased in the second half of the year following the fall in passing rent which occurred in the first half of the year.

Passing rent (like for like)	**December 2012 £m**	June 2012 £m	December 2011 £m
UK Shopping Centres	**82.3**	81.6	84.6

The UK Shopping Centre passing rent decreased by £2.3m during the year principally due to income lost as a result of tenant failures in the first half of the year. This was offset by the income generated from new lettings as set out above. There was a further £3.6 million of contracted rent at 30 December 2012 which is not included in the passing rent figures above.

Investment portfolio performance

The property level total returns are set out below:

30 December 2012	Property valuation £m	Capital return %	Total return %	Initial yield %	Equivalent yield %
UK Shopping Centres[1]	1,009	(4.1)	1.5	7.1	7.6

[1] Weighted average by year end property valuation.

Within UK shopping centres there has been a differential return performance with those schemes located in the south east and, particularly, in London being capitalised on tighter investment yields than those in the rest of the country.

The Mall Fund has outperformed its quarterly IPD index by 50 basis points during 2012.

Asset management and development

Capital for new asset management initiatives will be recycled from within existing businesses into projects which will deliver value using our in-depth knowledge of retailer requirements for each location. Across the portfolio there is an attractive and exciting pipeline with near term plans for a number of properties as set out below.

Shopping Centres

Maidstone

Securing a long-term anchor tenant for the former TJ Hughes store is the key initiative. We are in discussions with a number of major space users in conjunction with a significant investment in the appearance of the scheme.

Camberley

The key letting activity over the year has been securing TK Maxx, who take occupation of a 20,000 sq ft unit in July 2013.

Our ambition is for a 291,000 sq ft extension to the centre. We are in discussions with the local authority and an anchor tenant to secure the requisite agreements during 2013.

Luton

Following the successful opening of the 22,500 sq ft store for H&M who were not previously represented in Luton we are in advanced negotiations with River Island for a store upsize and with Deichmann for a new store.

Longer term development opportunities remain around the current market site and the Silver Street land between the centre and railway station.

Walthamstow

We have continued discussions with the local authority from both a planning and head lease perspective for a 60,000 sq ft extension. Our aim is to submit a planning application during the latter part of 2013.

We are progressing options in the existing scheme to create bigger format retail space to accommodate both existing tenant upsizes and create space suitable for new MSU retailers.

Lincoln

Our reconfiguration proposals are at an advanced stage. Terms have been agreed with two fashion anchors with a third agreement imminent. Together, these lettings account for 52,000 sq ft of lettable space. We also have agreed terms to relocate the food court operator to a newly created Riverside unit.

Development flexibility around existing occupiers has been largely secured and a full planning application covering the reconfiguration works will be submitted before the end of Q1 2013 to enable a start on site by the end of June 2013 and a completed opening by October 2014.

Redditch

We have submitted a planning application to reconfigure the former TJ Hughes to create 19,000 sq ft of restaurant space at ground floor and a 15,000 sq ft gym on the lower level, the letting of which is in solicitor's hands. Offers have been received from nationally recognised operators for the restaurants and we are continuing to negotiate these.

We are creating a fashion zone on Evesham Walk and terms have been agreed to relocate Poundland from this unlocking the space to introduce better fashion offers targeting Top Shop, H&M and River Island.

We are exploring opportunities to create a food store offer in the centre. Architects have created developed plans that are under discussion with mainstream supermarket operators.

Pictured Above:

The Hub Leisure Concept, The Kingfisher Centre, Redditch

Other properties

Hemel Hempstead

We are well progressed with our repositioning proposals for the leisure scheme. We are in legals with operators for five catering units which we are working to document by the end of Q1 2013, with good interest in the final two units under active consideration.

Negotiations continue with operators for the leisure space, covering bowling, fitness and bingo uses and we are targeting legal agreements by the end of Q1 2013/early Q2 2013.

Pictured Above:

Leisure World, Hemel Hempstead

Great Northern

A new letting of the ground floor to the ten pin bowling operator, All Star Lanes, has completed and they opened in March 2013. This will increase activity at the venue and has helped secure a letting to Almost Famous Burgers on a ten year term. Further lettings to a bar-nightclub and a further restaurant are in legals.

Other UK Operations

SNO!zone

The SNO!zone business has had an excellent year increasing its recurring pre-tax profit by 71% to £1.2 million. This has been the result of like for like income growth of 2% which was achieved despite disruption from the weather in January 2012. Significant cost reductions have been achieved following a detailed management review of the business's operations which included the disposal of the loss making site in Braehead, Glasgow last year. We expect further efficiency gains will be achieved in 2013 with the implementation of new online booking systems.

German portfolio

The Group's commercial retail property portfolio in Germany is in a joint venture with AREA Property Partners and is held in six individual and separate joint venture portfolios.

As reported more fully in note 17c to the Financial Statements the Group impaired its investment in German portfolio 4 to £nil in June 2012 and as a consequence data on this is excluded from the review below. Portfolio 4 differs from the remaining portfolios in that it had the weakest assets in the joint venture with greater exposure to East Germany and non-food retailers. Portfolio 4 had gearing 28% higher at 102% and 30% shorter lease lengths at the date of its impairment.

The key portfolio property data at 30 December 2012 is as follows:

			Property sizes						
Portfolio	**Occupancy %**	**Weighted average lease length Years**	**Total #**	**>€50m #**	**€50m - €20m #**	**€10m - €20m #**	**<€10m #**	**Average Property value €million**	**Passing rent €million**
1	96.2	6.8	6	–	–	3	3	9.2	4.4
2	98.3	4.8	3	1	1	–	1	30.9	6.8
3	99.0	10.8	9	–	2	4	3	16.0	11.0
5	99.8	8.2	4	–	1	2	1	14.6	4.6
6	95.3	6.2	4	–	2	1	1	16.8	5.7
Total	97.9	7.8	26	1	6	10	9	16.1	32.5

The movement in German portfolio properties is as follows:

Portfolio	**Valuation 30 December 2012 €million**	Valuation 30 December 2011 €million	Valuation movement €million	**NIY 30 December 2012 %**	NIY 30 December 2011 %
1	**54.2**	55.3	(1.0)	**6.6**	6.8
2	**92.3**	92.7	(0.5)	**6.3**	6.3
3	**143.5**	144.3	(0.7)	**6.5**	6.4
5	**54.7**	58.3	(1.6)	**7.2**	6.8
6	**70.1**	67.3	3.2	**6.8**	7.0
Total	**414.8**	417.9	(0.6)	**6.6**	6.6

Operating review continued

In our German portfolio contracted rent has remained broadly stable at €32.5 million with 20 rent increases through indexation and ten new lettings increasing rent by €0.5 million. These were offset by seven expiries and three lease regears which had a downward impact on rent levels. The focus has been to extend the length of the income stream to increase or maintain valuation, improve marketability and to aid refinancing of the properties. Passing rent decreased marginally from €32.5 million to €31.8 million due to €0.7 million of rent free periods.

Occupancy remains strong at 97.9%, only marginally less than 98.7% at December 2011 due to two lease expiries. The weighted average lease length (WALL) has been maintained at 7.8 years.

The key initiatives undertaken in the year were:

- An agreement has been signed to renew the lease with Real at Ingelheim which was due to expire in August 2014, with a new 15 year lease at the same rent. We have contributed €0.5 million to the refit of their store.
- In Bruhl we have negotiated a further five year extension to 2024 with Real in consideration of which we have agreed to upgrade the car park and entrance.
- At Herne we are working on improvements and an extension to the scheme, which on completion will result in Toom taking a new 15 year lease on their existing unit.
- At Lauchhammer a new ten year lease with Toom and a seven year lease extension with Edeka improved the WALL by six years following refurbishment.
- At Kreuztal a letting has been signed for 1,000m^2 to Rossman and terms agreed with Medimax for a further 1,250m^2. Negotiations are advanced for a letting to a major food retailer which would generate combined additional rent of €0.5 million per annum.
- At Hameln a planning application has been submitted for a proposed 550m^2 extension. A letting to Expert, an electronics retailer, has been agreed to take 2,200m^2 with a target lease start date of June 2014 subject to planning. At the same time we are negotiating lease extensions with tenants in conjunction with a refurbishment of the scheme.
- At Aachen we have agreed a ten year lease to replace the current tenant, Praktiker, on expiry in July 2013. This is conditional on successful change of use planning application.
- A sale of Taufkirchen has been agreed at the year end valuation of €6.4 million.

Financial review

Key performance indicators

The key performance indicators we use to measure our performance against our strategy and objectives are:

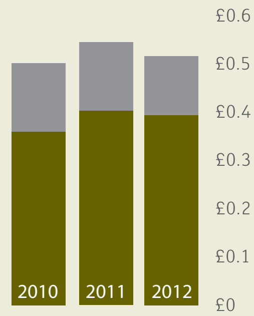
	2012	2011
Investment returns		
Net assets per share	**51p**	56p
EPRA net assets per share	**55p**	63p
Return on equity	**(8.5)%**	11.9%
Total shareholder return	**(9.5)%**	(3.8)%
Financing		
Group net debt	**£53.3m**	£47.2m
Proforma net debt to equity ratio[2]	**13%**	24%
Proforma see-through net debt to property value[1,2]	**55%**	64%
Profitability		
Recurring pre-tax profit	**£17.0m**	£16.4m
(Loss)/profit for year	**£(16.0)m**	£21.1m
Basic earnings per share – continuing and discontinued operations	**(5)p**	6p
Property under management	**£1.4 billion**	£2.5 billion

[1] See-through debt and see-through net debt divided by IFRS property value as disclosed in note 23a.
[2] Adjusted for £30.6 million X-Leisure proceeds received in January 2013. See note 23a for figures pre-adjustment.

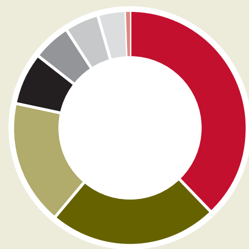
Investment returns

Net assets per share decreased in the year to 51p, down 5p or 8.9% since 30 December 2011, and EPRA net assets per share decreased to 55p, down 8p, or 12.6% since 30 December 2011. The change in net assets resulted in a -8.5% return on equity for the year.

NAV Per Share (£)



NAV Constituents (%)



To provide a greater understanding of the composition of the business, the Group presents its balance sheet in two separate ways, with the "statutory" balance sheet following the accounting and statutory rules, and the "see-through" balance sheet showing the Group's proportionate economic exposure to the different property portfolios. These are shown below as at 30 December 2012:

	See-through			**Statutory**	See-through			Statutory
	Property £m	**Debt £m**	**Other £m**	**30 December 2012 £m**	Property £m	Debt £m	Other £m	30 December 2011 £m
The Mall	**180.8**	**(115.0)**	**2.2**	**68.0**	184.8	(120.3)	0.4	64.9
Germany	**168.9**	**(124.3)**	**(2.0)**	**42.6**	247.8	(197.5)	4.4	54.7
X-Leisure[1]	**–**	**–**	**30.6**	**30.6**	66.5	(35.4)	(0.6)	30.5
The Junction	**–**	**–**	**–**	**–**	36.7	(21.8)	2.2	17.1
Great Northern	**70.0**	**(57.6)**	**0.4**	**12.8**	71.5	(61.9)	(1.7)	7.9
Kingfisher Redditch	**26.3**	**(17.2)**	**0.3**	**9.4**	–	–	–	–
Waterside Lincoln	**13.0**	**(6.8)**	**0.9**	**7.1**	13.0	(6.8)	0.4	6.6
Hemel Hempstead	**8.4**	**–**	**(0.2)**	**8.2**	8.3	(5.3)	–	3.0
Xscape Braehead	**–**	**–**	**–**	**–**	24.1	(22.8)	2.9	4.2
FIX	**–**	**–**	**–**	**–**	26.1	(25.2)	0.1	1.0
Other net assets	**–**	**(1.0)**	**1.9**	**0.9**	0.2	–	5.9	6.1
Net assets	**467.4**	**(321.9)**	**34.1**	**179.6**	679.0	(497.0)	14.0	196.0

[1] For 2012 X-Leisure shown at net realisable value of £32.2 million less related costs of £1.6 million as per note 30.

Financial review continued

Financing

The Group net debt to equity ratio increased from 24% to 30% over the course of the year, primarily due to the acquisition of the Kingfisher Centre, Redditch combined with a decrease in shareholders' equity of £12.4 million. Following the receipt in January 2013 of the proceeds for the Group's interest in the X-Leisure Fund the proforma net debt to equity ratio at 30 December 2012 was 13%. A summary of the movements in Group and off balance sheet debt during the year is set out below:

	Group debt £m	Off balance sheet debt £m	**See-through debt £m**
At 30 December 2011	67.2	429.8	**497.0**
Property acquisition	3.6	17.2	**20.8**
Other drawdowns	1.0	–	**(2.6)**
Repayments from disposals	–	(60.2)	**(60.2)**
X-Leisure – excluded on reclassification as asset held for sale	–	(35.6)	**–**
Other repayments	(13.2)	(9.1)	**(17.9)**
Increased investment in The Mall	–	13.2	**13.1**
Impairment of German portfolio 4	–	(63.2)	**(63.2)**
Impairment of FIX	–	(24.5)	**(25.2)**
Foreign exchange	–	(4.3)	**(4.3)**
At 30 December 2012	58.6	263.3	**321.9**

Group debt

Group debt fell by £8.6 million to £58.6 million at 30 December 2012 (2011: £67.2 million). This fall was due to a £3.8 million loan repayment of the Great Northern Warehouse loan and the repayment of the £5.3 million loan on the Hemel Hempstead property which matured during the year. Both of these repayments were made using central funds. The breakdown of Group debt and net debt at 30 December 2012 are set out below with the proforma impact of the X-Leisure disposal:

30 December 2012	**Debt[1] £m**	Loan to value[3] %	Average interest rate[2] %	Fixed %	Duration to loan expiry Years
Core revolving credit facility	1.0	n/a	3.70	–	3.6
Great Northern	57.6	79	7.51	102	1.8
Group debt	58.6		7.45	102	
Cash and cash equivalents	(5.3)				
Group net debt	**53.3**				
Proforma proceeds from X-Leisure disposal	(30.6)				
Proforma net debt	**22.7**				

[1] Excluding unamortised issue costs.
[2] In the case of variable rate loans, based on LIBOR at 30 December 2012 plus the appropriate margin.
[3] Debt and net debt divided by investment property at fair value and trading property at the lower of cost and net realisable value.

The core revolving credit facility was utilised during the year and the maximum amount drawn down was £14.8 million (2011: £nil). This was mainly as a result of the £5.3 million repayment of the Hemel Hempstead loan at maturity and the repayment of £3.6 million of the Great Northern Warehouse loan. At 30 December 2012 there was £1 million drawn down on the central facility. The forecast covenant tests indicate that there is sufficient headroom for the full £25 million facility available to be drawn down.

In August 2012 the Group signed a new revolving credit facility for £25 million with Bank of Scotland, a reduction from £58 million and with maturity extended to July 2016 from September 2013. This revised facility better reflects the Group's working capital requirements and reduces the cost of the undrawn facility. At the same time the Group extended the maturity of the loan on Great Northern Warehouse by one year to October 2014. The main covenant terms of the revolving facility are reproduced in the section "Covenant Information".

Off balance sheet debt

Off balance sheet debt, which is non-recourse to the Group, fell by £130.9 million to £298.9 million at 30 December 2012 (2011: £429.8 million) as a consequence of asset disposals and the exclusion of the German portfolio 4 and FIX following their impairment.

The proforma breakdown of the Group's share of off balance sheet debt and net debt at 30 December 2012 after adjustment of £35.6 million for the disposal of the X-Leisure Fund was as follows:

Group share 30 December 2012	**Debt[1] £m**	Cash[3] £m	**Net debt £m**	Loan to value[2] %	Net debt to value[2] %	Average interest rate %	Fixed %	Weighted average duration to loan expiry Years
The Mall	**115.0**	(21.4)	**93.6**	67	55	4.23	100	2.3
Germany	**124.3**	(4.1)	**120.2**	73	71	3.93	90	2.2
Waterside Lincoln	**6.8**	(1.0)	**5.8**	52	44	4.70	100	2.1
Kingfisher Redditch	**17.2**	(1.6)	**15.6**	65	59	6.17	100	4.3
Off balance sheet	**263.3**	(28.1)	**235.2**			4.23	95	2.4

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

The Mall Fund's debt was reduced by £91.4 million to £570.9 million at 30 December 2012 (2011: £662.3 million). This decrease was due to debt repayments from the sale proceeds of Norwich and from cash generated from operations. The second amortisation target required by the Mall Fund's CMBS of £600 million by December 2014 has been achieved well in advance of the required date.

The Mall Fund will be permitted to recommence distributions when the LTV of the Fund, which is currently 67%, is less than 60% and we expect this to be achieved later in 2013. Approval has been received from the bond holders to utilise approximately £13.4 million of funds held in Camberley Unit Trust to repay debt which would result in a proforma LTV of 65%.

Total German debt decreased by €170.1 million to €306.7 million at 30 December 2012 (2011: €476.8 million). At the applicable exchange rates this was equivalent to £250.5 million (2011: £398.2 million). The decrease is due to the exclusion of €156.4 million of debt in the German portfolio 4 following the impairment and loss of joint control and amortisation payments of €13.7 million during the year.

Financial review continued

Maturity analysis

The table below shows the maturity profile of the see-through debt and undrawn core credit facility at 30 December 2012 excluding debt relating to the X-Leisure Fund:

	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	Total £m
Sterling debt drawn	–	57.6	121.8	1.0	17.2	**197.6**
Euro debt drawn	43.2	27.0	28.0	11.1	15.0	**124.3**
Undrawn core credit facility	–	–	–	24.0	–	**24.0**
As at 31 December 2012	**43.2**	**84.6**	**149.8**	**36.1**	**32.2**	**345.9**

In relation to the Euro debt secured on the German properties discussions have already begun with a number of lenders to refinance these loans and we expect this debt to be refinanced by June 2013 well in advance of maturity.

Covenants

The Group and its associates and joint ventures were compliant with their banking and debt covenants at 30 December 2012, except as disclosed below:

- The German joint venture has obtained a covenant waiver until maturity on 31 December 2013 for two loans in the same portfolio which had marginally breached their LTV covenants albeit that the overall portfolio covenant was met.
- The German portfolio 4 formally defaulted on 16 July 2012 and was placed into special servicing.

Further details on the various debt covenants are disclosed in the 'other information' section in covenant information.

Interest rate hedging

The majority of current borrowing, both at Group level and in the funds and joint ventures, continues to be covered by interest rate swaps or caps. At 30 December 2012, the see-through valuation of the Group's swaps and caps was a liability of £14.4 million (2011: £18.8 million) which will not be crystallised unless the underlying contracts are closed out before their expiry date. During the year, The Mall and The Junction terminated swaps at a total cash cost of £13.3 million, of which the Group's share was £1.9 million.

Cash distributions

The Group received total cash distributions of £2.4 million during the year comprising a £0.9 million tax distribution from The Mall Fund; £1.1 million from the X-Leisure Fund; £0.2 million from Garigal Asset Management and £0.2 million from FIX UK.

Profitability

Recurring pre-tax profit

The Group's recurring pre-tax profit increased by £0.6 million to £17.0 million for the year ended 30 December 2012 (2011: £16.4 million). The breakdown of recurring pre-tax profit, as defined in note 1, is as follows (and as set out further in note 2a):

	Year to 30 December 2012 £m	Year to 30 December 2011 £m
UK Shopping Centres	**5.6**	4.3
German property investment	**7.1**	7.9
Property management	**3.4**	4.1
SNO!zone	**1.2**	0.7
Other including Leisure	**1.6**	2.5
Group items	**(4.6)**	(4.7)
Discontinued Operations (The Junction, X-Leisure and Xscape Braehead)	**2.7**	1.6
Recurring pre-tax profit	**17.0**	16.4

The recurring pre-tax profit of £5.6 million from UK Shopping Centres reflects the acquisition of The Kingfisher Centre, Redditch and additional Mall units during the period. The fall in recurring profitability in Germany principally reflects the loss of income from portfolio 4. Recurring profits within Property Management have decreased due to the net impact of the loss of fees in respect of The Junction and Mall disposals partially offset by fees arising from The Kingfisher Centre and the agreement of an asset management and development contract with Scottish Widows Investment Partners for the Broadwalk Centre, Edgware. The improvement in SNO!zone recurring profit reflects cost savings delivered from the restructuring of the business during the year.

Loss for the year

The loss for the year ended 30 December 2012 was £16.0 million (2011: profit of £21.1 million) and is analysed below:

	Year to 30 December 2012 £m	Year to 30 December 2011 £m
Recurring pre-tax profit	**17.0**	16.4
Property revaluation	**(20.8)**	1.7
(Loss)/profit on disposal of properties within funds	**(1.6)**	0.7
Performance fees – net of Group share of cost	**2.0**	–
Impairments in respect of German portfolio 4	**(6.5)**	–
Other impairments	**(3.1)**	(0.1)
Financial instruments revaluation on interest rate swaps	**3.6**	2.6
Investment income	**–**	4.0
Gain on investment in The Mall	**1.4**	1.1
Loss on disposal of JV and Associates	**(4.0)**	–
Other items	**(2.9)**	(3.0)
Tax	**(1.1)**	(2.3)
(Loss)/profit for the year	**(16.0)**	21.1

As well as the recurring pre-tax profit discussed above, the other main factors behind the loss in the year were:

- *Property devaluation* of £20.8 million was mainly due to a fall in the value of Germany of £10.0 million, of which £8.6 million relates to the impairment of German portfolio 4 and a decline in the value of The Mall of £7.6 million attributable to the loss of income due to the level of administrations, most of which occurred in the first half of the year.
- *Impairments in respect of German portfolio 4* include £3.3 million related to the write down of the carrying value of the equity investment in German portfolio 4 to £nil to reflect the significant fall in property values during 2012 which resulted in the portfolio defaulting on its debt and being put into special servicing in July 2012. Since the year end an administrator has been appointed over the properties in portfolio 4. A further £3.2 million impairment was recognised on the Group's investment in the Euro B-Note, reducing the carrying value to £2.3 million, reflecting the risk of recovering the loan due from German portfolio 4 given the continuing uncertainty.
- *Other impairments* include £1.8 million of Goodwill previously held in respect of X-Leisure Limited and £1.3 million related to the write down of the carrying value of FIX UK to £nil to reflect the fall in value of the assets such that the net asset value was negative. Since 30 December 2012 the Group has disposed of its interest in FIX realising up to £0.5 million.
- *Gain on investment in The Mall* related to the Group's purchase of 18.7 million units in The Mall Fund as detailed below.

Tax

The tax credit for the year on continuing operations was £0.9 million compared to a charge of £2.0 million in the prior year consisting of £1.4 million credit of current tax and £0.5 million of deferred tax charge (2011: £1.8 million of current tax charge and £0.2 million of deferred tax charge). The reduction in the current tax charge arises primarily due to a prior year tax credit to the income statement of £2.1 million.

The current tax liability was £1.3 million at year end (2011: £3.0 million). The final payment of £5.0 million was made in the year for the settlement concluded with the tax authorities during 2009 in relation to the tax structuring of certain property disposals by the Group in 2004 and 2005 and as such no further liabilities exist at 30 December 2012 in respect of this matter.

Property under management

During the year, property under management fell due to property and fund disposals, which was partially offset by the acquisition of Redditch. The overall impact on property under management is set out below and has been adjusted for the disposal of the X-Leisure Fund which completed after the year end.

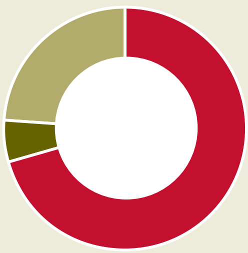
100%	Valuation 30 December 2011[1] £m	Disposals/ additions £m	Other movements[2] £m	Revaluation £m	**Valuation 30 December 2012[1] £m**
UK Shopping Centres	997	60	(2)	(46)	**1,009**
The Junction	288	(256)	(4)	(28)	**–**
X-Leisure	565	(587)	(3)	25	**–**
German joint venture (excluding portfolio 4)	496	–	(140)	(17)	**339**
Other properties	135	(50)	(6)	2	**81**
Property under management	2,481	(833)	(155)	(64)	**1,429**

[1] Valuation excludes adjustments to property valuations for tenant incentives and head leases treated as finance leases and trading properties are included at the lower of cost and net realisable value.

[2] Primarily the exclusion of German portfolio 4 and foreign exchange movements in Germany.

The split of property under management by sector has changed as a result of the sale of The Junction during the year and the reclassification of X-Leisure to an asset held for sale. The sector analysis at 30 December 2012 and prior year end is as follows:

Property under management by sector (%)



	2012 %	2011 %
Shopping centres	**70.7**	40.2
Leisure	**5.6**	28.2
Germany	**23.7**	20.0
Retail parks	**–**	11.6
	100.0	100.0

Property acquisitions

On 1 May 2012, the Group acquired a 20% interest in The Kingfisher Shopping Centre in Redditch for a total consideration of £10.6 million in partnership with funds managed by Oaktree Capital Management Limited. The Kingfisher Centre was purchased for £130.0 million at an 8% initial yield. The Group acts as property and asset manager for the partnership.

Disposals

On 12 July 2012 The Mall sold The Castle Mall Shopping Centre, Norwich for £77.3 million at a net initial yield of 7.8%.

On 19 October 2012 the Group disposed of its 13.4% interest in The Junction fund for proceeds of £14.0 million including Performance Fee of £2.6 million.

On 24 December 2012 the Group sold its 50% interest in the Braehead Partnership for £4 million.

On 4 December 2012 the Group announced the conditional sale of its interest in the X-Leisure Fund and its 50% interest in X-Leisure Limited for gross proceeds of £32.2 million. This disposal subsequently completed on 16 January 2013.

Mall unit purchases

On 8 February 2012, the Group purchased 18.7 million units in The Mall Fund at £0.30 per unit for a total consideration of £5.6 million and this further increased the holding in The Mall Fund from 18.16% to 20.15%.

On 18 January 2013 the Group purchased 1.6 million units in The Mall Fund at £0.25 per unit for a total consideration of £0.4 million. As a consequence the Group's holding in The Mall Fund is now 20.33%.

Foreign currency exposure management

The Group uses a forward foreign exchange contract as a hedge of its net investment in the German joint ventures. At 30 December 2012, this was achieved through a contract for €47.0 million (2011: €47.0 million) at a fixed exchange rate of 1.1797 (2011: 1.1797) which hedges 97% (2011: 81%) of the Group's German investment. At 30 December 2012 the value of the contract was an asset of £1.4 million (2011: asset of £0.6 million). After the year end the Group closed out the forward contract of €47.0 million which matures on 28 March 2013 and entered into a new forward contract for €37.6 million until 31 December 2013 at a fixed exchange rate of 1.1617.

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

Financing strategy

Our financing structure needs to be flexible and cost effective and this was achieved through having cash of £5.3 million and a central revolving credit facility of £25 million at 30 December 2012 of which £1 million was drawn at that date. At end of February 2013 following receipt of the X-Leisure disposal proceeds the Group had cash of approximately £32 million. This gives the Group the scope to fund future property investments as opportunities arise.

At an associate and joint venture level, debt has been raised from a variety of sources, with a spread of maturities to mitigate refinancing risk as set out in the debt maturity analysis chart. Debt held in associates and joint ventures is non-recourse to the Group.

Going concern

As stated in note 1 to the consolidated financial statements, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Charles Staveley
Group Finance Director

Principal risks and uncertainties

There are a number of risks and uncertainties which could have a material impact on the Group's future performance and could cause actual results to differ materially from expected and historical results. References to "the Group" include the funds and joint ventures in which Capital & Regional has an interest. The Group carries out a regular review of the major risks it faces and monitors the controls that have been put in place to mitigate them. Property risks are also monitored at various levels within divisional management.

Risk	Impact	Mitigation
Property risks		
Property investment market risks		
• Weak economic conditions and poor sentiment in commercial real estate markets leading to low investor demand and market pricing correction	• Small changes in property market yields have a significant effect on the value of the properties owned by the Group • Impact of leverage could magnify the effect on the Group's net assets	• Monitoring of indicators of market direction and pursuit of opportunistic asset sales in those schemes and locations most likely to suffer adverse impact • Review of debt levels and consideration of strategies to reduce if relevant • Geographical diversification of investments
Impact of the economic environment (tenant risks)		
• Tenant insolvency or distress • Prolonged downturn in tenant demand and pressure on rent levels	• Tenant failures and reduced tenant demand could adversely affect rental income revenues, lease incentive costs, void costs, available cash and the value of properties owned by the Group	• Large, diversified tenant base • Review of tenant covenants before new leases signed • Long term leases and active credit control process • Good relationships with, and active management of, tenants • Void management through temporary lettings and other mitigation strategies
Threat from the Internet		
• The trend towards online shopping may adversely impact consumer footfall in shopping centres	• A change in consumer shopping habits towards online purchasing and delivery may reduce footfall and therefore potentially reduce tenant demand for space and the levels of rents which can be achieved	• Strong location and dominance of shopping centres (predominantly South East England) • Strength of the community shopping experience • Increasingly retailers within our shopping centres use stores as collection points for purchases made by consumers online • Monitoring of footfall for evidence of falling visitors to shopping centres • Monitoring of retail trends and shopping behaviour • Mobile smart phone marketing initiatives

<table>
<tr><th>Risk</th><th>Impact</th><th>Mitigation</th></tr>
<tr><td colspan="3">Valuation risks</td></tr>
<tr><td>• In the absence of relevant transactional evidence, valuations can be inherently subjective leading to a degree of uncertainty</td><td>• Stated property valuations may not reflect the price received on sale</td><td>• Use of experienced, external valuers
• Rotation of valuers
• Valuations reviewed by internal valuation experts</td></tr>
<tr><td colspan="3">Property management income risks</td></tr>
<tr><td>• Fee income, although largely fixed, may still fall based on value of property under management
• Contracts allow for termination under certain circumstances, which are largely outside management's control</td><td>• Changes in property values, sales of properties or other events not wholly under management's control could result in a reduction in or the loss of property management income</td><td>• Monitoring of compliance with terms of contracts
• Close dialogue with other investors and stakeholders
• Contracts have now been largely renegotiated to fix income
• Reduction of cost base as fee income falls to mitigate loss</td></tr>
<tr><td colspan="3">Nature of investments and relationships with key business partners</td></tr>
<tr><td>• The market for the Group's investments can be relatively illiquid
• Restrictions on ability to exercise full control over underlying investments in joint ventures or fund structures</td><td>• Inability to sell investments or fully control exit/asset sale strategies could result in investments in associates and joint ventures not being realisable at reported values</td><td>• Close dialogue with other investors and stakeholders to align strategies and increase influence over the direction of investments
• Exercise of significant influence over associates and joint ventures through representation on management boards</td></tr>
<tr><td colspan="3">Funding and treasury risks</td></tr>
<tr><td colspan="3">Liquidity and funding</td></tr>
<tr><td>• Inability to fund the business or to refinance existing debt on economic terms when needed</td><td>• Inability to meet financial obligations (interest, loan repayments, expenses, dividends) when due
• Limitation on financial and operational flexibility
• Cost of financing could be prohibitive</td><td>• Capital raising, debt refinancing and asset sales at both Group and fund levels have improved liquidity position, reduced the potential impact of falls in property values and positioned the Group to respond quickly to the turning point in the cycle
• Ensuring that there are significant undrawn facilities
• Option of further asset sales if necessary
• Efficient treasury management and regular proactive reporting of current and projected position to the board to ensure debt maturities are dealt with in good time</td></tr>
<tr><td colspan="3">Covenant compliance risks</td></tr>
<tr><td>• Breach of any of loan covenants causing default on debt and possible accelerated maturity</td><td>• Unremedied breaches can trigger demand for immediate repayment of loan</td><td>• Regular monitoring and projections of liquidity, gearing and covenant compliance
• Review of future cash flows and predicted valuations to ensure sufficient headroom</td></tr>
</table>

Principal risks and uncertainties continued

Risk	Impact	Mitigation
Foreign exchange exposure risks		
• Fluctuations in the exchange rate between sterling and the euro in respect of the Group's German joint venture • Uncertainty over the Eurozone and the future of the euro currency	• Adverse impact on sterling valuation of investments and income flows, and losses as a result of the Group having not, or not effectively, hedged its risk	• Exposure minimised by funding the German investment through euro denominated borrowings and hedging a large proportion of the remaining investment through derivatives • Regular monitoring of the effectiveness of hedging and performance of derivative contracts
Interest rate exposure risks		
• Exposure to rising or falling interest rates	• If interest rates rise and are unhedged, the cost of debt facilities can rise and ICR covenants could be broken • Hedging transactions used by the Group to minimise interest rate risk may limit gains, result in losses or have other adverse consequences	• Regular monitoring of the performance of derivative contracts and corrective action taken where necessary • Use of alternative hedges such as caps
Other risks		
Tax risks		
• Exposure to changes in tax legislation or the interpretation of tax legislation and property related regulations • Potential exposure to tax liabilities in respect of transactions undertaken where the tax authorities disagree with the tax treatment adopted	• Tax related liabilities and other losses could arise	• Expert advice taken on tax positions and other regulations • Maintenance of a regular dialogue with the tax authorities
Regulation risks		
• Exposure to changes in existing or forthcoming property related or corporate regulation	• Failure to comply could result in financial penalties, loss of business or credibility	• Management undertake training to keep aware of regulatory changes • Expert advice taken on complex regulatory matters
Loss of key management		
• Dependence of the Group's business on the skills of a small number of key individuals	• Loss of key individuals or an inability to attract new employees with the appropriate expertise could reduce the effectiveness with which the Group conducts its business	• Key management are paid market salaries and offered competitive incentive packages to ensure their retention • Succession planning for key positions is undertaken • Performance evaluation, training and development programmes are in place to maintain and enhance the quality of staff

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

Significant contracts or arrangements

The Company is required to disclose any contractual or other arrangements which it considers are essential to its business.

- The asset and property management agreement in relation to The Mall is considered to be essential for the Company because of the fee income it generates for the Company's subsidiary CRPM and the significant influence it allows the Group to assert over its investment. The asset and property management agreement for the German portfolio is also considered to be essential for the Company because of the fee income it generates for the Garigal associate, and the significant influence it allows the Group to assert over the investment.
- The Bank of Scotland £25.0 million central credit facility which provides the Group with liquidity.
- The Company also acts as a guarantor of the Great Northern loan and the Group's central credit facility.

Certain of these agreements can be terminated in the event of a change of control of the Company as disclosed in the Directors' report.

Board of directors

Executive directors

Hugh Scott-Barrett

Chief Executive, 54

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

Kenneth Ford

Executive Director, 59

Ken Ford has been involved in commercial real estate for over 30 years and has been an executive director of Capital & Regional Plc since 1997. At C&R he has responsibility for the development of new business initiatives and has oversight of the Group's shopping centre portfolios. Ken has a BSc in Land Economics and is a Fellow of the Royal Institute of Chartered Surveyors.

Xavier Pullen

Executive Director, 61

Member of Responsible Business Committee.

Xavier is a founder director of the Company formed in 1979 and now responsible for managing the German joint venture and the wholly-owned Great Northern property.

Charles Staveley

Group Finance Director, 49

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

Non-executive directors

John Clare

Chairman, 62

Chairman of Nomination Committee, member of Audit and Remuneration Committees

John was Group Chief Executive of Dixons Group plc between 1993 and 2007 and a non-executive director of Hammerson plc between 1988 and 2009. He was also Chairman of JobCentrePlus between 2006 and 2012 and Chairman of Dreams Plc between 2008 and 2011. John was appointed as a director and Chairman of the Company in 2010.

Neno Haasbroek

Non-executive, 58

Neno was a co-founder and director of Attfund Limited (one of the largest private property investment companies in South Africa) until the company was restructured and sold to Hyprop Investments Limited (a company listed on the Johannesburg Stock Exchange in South Africa) on 1 September 2011. He is a director of the Parkdev Group of Companies, and serves on the board of a number of other companies, including The Karoo Investment Fund. He has a BSc Building Science degree from the University of Pretoria and an MBA from the University of the Witwatersrand. Neno was appointed a director of the Company in 2009.

Philip Newton

Non-executive, 64

Senior Independent Director, Chairman of Remuneration and Responsible Business Committees and member of Audit Committee

Philip is the former CEO of Merchant Retail Group plc, owners of The Perfume Shop, a 150 store chain that he developed from its beginnings. He is Chairman of Windsor Vehicle Leasing Limited, a vehicle finance and fleet management company and a trustee and board member of the British Thoroughbred Breeders Association. His early career was in the District Valuer's Office and then the property development industry. Philip was appointed as a director of the Company in 2006.

Louis Norval

Non-executive, 57

Louis was a co-founder, Executive Chairman and Chief Executive of Attfund Limited (one of the largest private property investment companies in South Africa) until the company was restructured and sold to Hyprop Investments Limited (a company listed on the Johannesburg Stock Exchange in South Africa) on 1 September 2011. He was appointed a non-executive director on the Board of Hyprop Investments Limited. Louis is also managing director of the Parkdev Group of Companies, and serves on the board of a number of other companies. He graduated in BSc (QS) (with distinction) from the University of Pretoria. Louis was appointed a director of the Company in 2009.

Tony Hales

Non-executive, 64

Chairman of Audit Committee, member of Nominations and Remuneration Committees

Tony is currently Chairman of the British Canal and River Trust, Senior Independent Director of International Personal Finance plc and chairs NAAFI Pension Fund Trustees. Tony was previously Chief Executive of Allied Domecq plc and a non-executive director of HSBC Bank plc, as well as Chairman of Workspace Group plc. Tony was appointed as a director of the Company in 2011.

Directors' report

Introduction

The directors present their report together with the audited financial statements for the year ended 30 December 2012.

Results and proposed dividends

The consolidated income statement shows a loss for the year (after taxation and results of discontinued operations) of £16.0 million (2011: profit of £21.1 million).

The directors are not recommending the payment of a final dividend meaning that no dividend will be payable for the full year. The current dividend policy links future payments to the Group's cash generating ability and will normally be restricted to not more than 50% of operating cash flow less interest and tax to comply with the undertakings given for the Group's banking arrangements. Following further de-gearing, the Mall is likely to recommence distributions in the second half of 2013. Should this happen, the Board expects to resume the payment of a dividend to be covered by cash earnings with the announcement of the 2013 results.

Principal activities, trading review and future developments

The principal activity of the Group is that of a specialist property company focusing on retail investments in the UK and Germany. The Group uses in-house asset and property management teams to maximise the value from the properties for investors and tenants. The Group has an investment in a well established UK retail fund; a joint venture with a German retail property portfolio; joint ventures in two UK retail properties and interests in wholly owned retail and leisure properties.

A review of the activities and prospects of the Group is given in the Chairman's statement, the operating review and the financial review.

Business review

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

Events after the reporting period are set out in note 34 to the financial statements.

More detail on the financial risks facing the Group is set out in note 23 to the financial statements.

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

Directors

The directors of the Company during the period were: H Scott-Barrett, J Clare, K Ford, N Haasbroek, P Newton, L Norval, X Pullen, C Staveley, M Wolstenholme (retired 31 August 2012), and T Hales.

In connection with the Parkdev Investors' acquisition of Parkdev Firm Placed Shares and pursuant to the Relationship Agreement that the Parkdev Investors and the Company entered into in 2009, the Company agreed, upon request, to appoint two non-executive directors nominated by Parkdev to the Board for so long as the Parkdev Investors own 20% or more of the issued ordinary share capital in the Company and one non-executive director to the Board if the Parkdev Investors own less than 20%, but not less than 15% of the issued ordinary share capital in the Company. L Norval and N Haasbroek are Parkdev nominated non-executive directors.

In accordance with best practice under the UK Corporate Governance Code 2010, all the directors will retire at the AGM and will offer themselves for annual re-election.

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

Directors' interests

The directors and, where relevant, their connected persons (within the meaning of Section 252 of the Companies Act 2006) are interested in 108,117,053 issued shares representing 30.9% of the issued ordinary share capital of the Company as detailed in the directors' remuneration report.

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

Substantial shareholdings

In addition to the interests of the directors, the Company has been notified pursuant to Section DTR5 of the FSA Disclosure & Transparency Rules of the following notifiable interests in its issued ordinary share capital at (7 March 2013) (the latest practicable date prior to the issue of this report):

	Number of shares	%
Parkdev International Asset Managers	82,505,610	23.58
Henderson Global Investors	40,016,140	11.44
Standard Life Investments	35,043,641	10.01
Morgan Stanley Investment Management	33,330,837	9.53
Pinelake International	18,924,243	5.41
APG Asset Management	15,820,147	4.52

Capital structure

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

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

- The £25 million core revolving credit facility can be called in if there is a change of control of the Company, which is defined to be either the Company ceasing to hold not less than 100% of the issued share capital and voting rights of the borrower, or 50% of its issued share capital being held by or on behalf of a single entity or group, or 30% of the issued share capital being held by or on behalf of a single entity or group and more than 50% of the directors immediately following the completion of the Amendment and Restatement of the current facility in August 2012, ceasing to be directors at the time the 30% limit is breached. If this occurs the bank has the right to repayment of the loan. In the case of Parkdev, the 30% limit is ignored if their holding exceeds 30% and no mandatory takeover offer is required as a result of a whitewash resolution being passed.
- In addition, certain taxes could be potentially levied, and certain tax losses could be lost in some circumstances where there are varying degrees of change of ownership of the Group's shares.
- The Mall Fund has the right to remove CRPM as asset and property manager of the fund if there is a change of control of Capital & Regional plc. The Mall General Partner board has discretion whether to trigger this provision and it has indicated that it will not exercise its discretion to enforce this provision were it to come about. In addition, this provision will be removed upon the refinancing of the Mall Bond.

Use of financial derivatives

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

Charitable donations

The main thrust of charitable support is at local level through the Group's associates and joint ventures. At Group level small donations have been made during the year totalling £13,600 (2011: £10,818).

Political donations

The Group made no political donations during the year (2011: £nil).

Payment of suppliers

The policy of the Group is to settle supplier invoices within the terms of trade agreed with individual suppliers. Where no specific terms have been agreed, the Group endeavours to make payment within one month of the receipt of the goods or service. At the year end, the Group had an average of 20 days (2011: 20 days) purchases outstanding.

Purchase of own shares

At the balance sheet date, the Company had authority to purchase 10.0% of the issued share capital and this authority will be renewed at 10.0% at the AGM.

On 10 January 2013, the Company obtained a waiver under Rule 9 of the City Code on Takeovers and Mergers such that if the AGM authority were exercised in full, the aggregate holding of Parkdev International Asset Managers Pty Limited and their related parties (the "Concert Party") would represent 32.4567% of the issued share capital.

As at 11 March 2013 (the last practical date prior to the publication of this report) the Company had bought back 698,958 shares in 2013.

Shares acquired during the year

The Capital & Regional Employee Share Ownership Trust did not acquire any shares in 2012 (2011: nil). Details are set out in note 26 to the financial statements.

Directors' report continued

Compliance with UK Corporate Governance Code

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

Responsible business

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

Employees

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

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

Stakeholder pensions

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

Registered office

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

Auditors' information

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

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

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

A resolution to re-appoint Deloitte LLP as the Company's auditors will be proposed at the forthcoming AGM.

By order of the Board

Falguni Desai
Company Secretary

12 March 2013

Statement of directors' responsibilities

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

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

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

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

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

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

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

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

On behalf of the Board

Hugh Scott-Barrett
Chief Executive

Charles Staveley
Group Finance Director

12 March 2013

Directors' remuneration report

Unaudited information

Remuneration Committee

The Company has a Remuneration Committee ("the Committee") appointed by the Board, consisting entirely of non-executive directors, which is constituted in accordance with the recommendation of the UK Corporate Governance Code. P Newton acted as Chairman until 14 August 2012, with M Wolstenholme (retired 31 August 2012) and T Hales (appointed as Chairman on 14 August 2012) as the other members of the Committee. J Clare was appointed as a member of the Committee on 4 February 2013.

J Clare is not classified as an independent non-executive director for the purposes of the UK Corporate Government Code, solely by virtue of him being the Chairman of the Board, however, he was an independent non-executive director at the time of his appointment as Chairman. All of the other members were and remain independent non-executive directors.

The terms of reference of the Committee are available for inspection on the Group's website.

The Committee is responsible for setting the remuneration policy for the executive directors and senior employees. The Committee determines the terms of the service agreements, salaries and discretionary bonus payments, as well as deciding on the awards to be made to all participants in the Group's share schemes. Advice from independent external advisers PwC was obtained during the year.

This year the Committee has reviewed remuneration policy particularly with regard to the operation of its LTIP to align it more closely with the Company's current strategy. That strategy is designed to simplify the Group, strengthen the balance sheet and create greater liquidity for shareholders, whilst maintaining operational momentum and in doing so improve overall returns for shareholders. An extensive consultation with shareholders took place regarding proposed changes to both short and long term schemes. As a result of those consultations the Company will be making new LTIP awards shortly. The intended awards are outlined later in this report.

Remuneration policy

The Committee seeks to ensure that the total remuneration received by the executive directors under their contracts is competitive within the property industry and will motivate them to perform at the highest level delivering improved returns to shareholders through the execution of a challenging strategy.

In order to align the interests of executive directors with the interests of shareholders, a significant proportion of directors' remuneration is performance related through the use of annual bonus and incentive schemes. Performance-related payments are deferred to aid retention. Clawback provisions will be introduced going forward from the 2013 LTIP awards in the event of misconduct or misstatement of results. Annual cash bonus payments will not be subject to a clawback. In addition, the Committee aims to achieve an appropriate balance between directors' remuneration packages and those of other key management.

Basic salaries

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

From 1 January 2010 , the executive directors (CEO from 2009) voluntarily reduced their annual salaries for two years whilst the Group went through a period of strengthening the balance sheet and refocusing the business.

With effect from 1 January 2011, The Committee approved a 4.4% inflationary salary increase for the executive directors. The salary increase was applied to the reduced level of salaries.

Following expiry of the two year voluntary reduction in executive director salaries on 1 January 2012, the Committee considered it was appropriate to conduct a review of executive director salaries. This review used external benchmarking data to ensure that executive director salaries are in line with current market rates for similar sized listed property companies and director experience.

The executive directors will not receive an increase in salaries in 2013.

The executive directors' annual salaries are shown below:

	Compound growth* %	2013 £000	**2012 £000**	2011 £000	2010 £000	2009 £000
Executive directors						
H Scott-Barrett	4.2	400	**400**	313	300	340**
X Pullen	0.3	295	**295**	209	200	292
C Staveley	1.9	280	**280**	261	250	260
K Ford	1.1	295	**295**	261	250	282

* Compound growth per annum from 2009 to 2013 in executive directors' annual salaries.

** Salary reduced from £360,000 in 2008 to £340,000 in 2009, the compound growth per annum from 2008 to 2013 is 2.2%.

Annual bonus scheme

The Committee may award cash bonuses to executive directors up to 100% of salary based on the Committee's independent assessment of the Group's financial performance during the year and the performance of each executive director against specific and measurable objectives agreed with the Committee at the beginning of each year.

The Committee calibrates the targets for each executive director so that achievement of a maximum pay out under these arrangements would represent performance in excess of the Group budget and individual targets. Achievement of Group budget and of individual targets broadly corresponds to a 50% pay out.

75% of the potential bonus is based on the performance against key financial and business targets for the Group as well as for the areas of the business for which they are responsible. The remaining 25% is based upon the achievement of objectively measurable personal key performance targets.

In 2012, the key group financial objectives reflected the EPRA NAV and NAV targets agreed for the Group budget as well as the level of recurring pre-tax profit. Recurring pre-tax profit constituted 50% of the Group financial metric with the balance accounted for by the two NAV measures. Business objectives were geared to the success in execution of strategy and in particular the disposal of non-core assets including X-Leisure and The Junction, the further de-risking of the Group balance sheet including the extensions granted for both the Group's revolving credit facility and the Great Northern facilities and the successful integration of the Redditch acquisition.

Against these finance, business and personal objectives, the executive directors achieved ratings of between 3.0 and 3.75. A rating of 3 (out of 5) constitutes "on target" performance.

In each of the years 2008, 2009 and 2010, the Committee declined to award any bonus in the light of the very challenging outlook for the Company in this period and it was only in 2011 that the Committee took the view that the improved financial position of the Company provided sufficient comfort to consider the award of cash bonuses to executive directors.

Based on the above mentioned performance, the Committee has decided to award the directors the following cash bonus amounts:

Hugh Scott-Barrett	£276,000
Kenneth Ford	£155,000
Xavier Pullen	£148,000
Charles Staveley	£165,000

The Committee has recently reviewed the appropriateness of the current cash bonus policy and has decided to retain it in its current form.

Incentive schemes

The Group had two incentive schemes under which awards subsisted during the year:

- The Long Term Incentive Plan (the "2008 LTIP")
- The Save As You Earn Plan (the "SAYE Scheme")

A summary of the principal features of the 2008 LTIP and the SAYE Scheme are set out under "Audited information" below.

Pension arrangements

The Group makes contributions, at proportional rates to basic salary, to defined contribution pension schemes of each executive director's choice, except in the case of X Pullen where a salary supplement of £51,845 was paid in lieu of pension contributions.

Other benefits

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

Service contracts

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

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

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

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

Directors' remuneration report continued

Chairman and non-executive directors

Each non-executive director received fees of £40,000 per annum in 2012, compared to £36,000 per annum in 2009. From 1 January 2010, the non-executive directors had voluntarily reduced their annual fees for two years. The Senior Independent Director and Chairmen of the Audit and Remuneration Committees received an additional fee of £5,000 per annum. The Chairman received a total fee of £125,000 per annum.

The non-executive directors are not entitled to bonuses, benefits, pension contributions or to participate in any incentive schemes.

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

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

Performance graph

The graph below is prepared in accordance with the Directors' Remuneration Report Regulations 2002 and illustrates the Company's performance compared to a broad equity market index. The Group uses The Thomson Reuters Datastream Real Estate Index. Performance is measured by total shareholder return (share price growth plus dividends paid).

Audited information

2008 LTIP

The 2008 LTIP was set up to replace the 2002 LTIP but no awards were made under this scheme in 2008 or 2009. The rules of the 2008 LTIP originally permitted awards of up to 150% of salary on an annual basis (up to 200% in exceptional circumstances) but were amended in 2010 to allow one-off awards to be made up to 360% of salary. The Committee made one-off awards to the executive directors during 2010 covering the three year period 2010 to 2012 to address the need for management retention and incentivisation, whilst also reflecting the turnaround through which senior management were leading the Company.

On 14 June 2010 the Trustees of the LTIP granted awards to the following executive directors:

Director	Shares awarded
H Scott-Barrett	3,000,000
K Ford	2,000,000
X Pullen	2,000,000
C Staveley	2,000,000

The awards under the LTIP were based on achieving Total Shareholder Return ("TSR") targets over a three year period, based on the average TSR over a 30 day period prior to the date of award and date of vesting. The targets and vesting levels are:

Growth in TSR over period	Percentage of award vesting
Under 12% per annum	Nil
12% per annum	20%
Between 12% and 40% per annum	Pro-rata between 20% and 100%
40% per annum or above	100%

Only 50% of the vested award will be capable of exercise at the end of the three year performance period with the remaining 50% deferred for a further twelve months in order to provide a further "lock-in" for participants.

The awards made in 2010 are due to mature in June 2013 and are unlikely to deliver any material value.

If these awards do not vest there will be no subsisting long-term incentive awards for the senior executive team (or indeed any employee of the Group). The Committee considers it essential to address this gap and therefore proposes to make new awards under the LTIP in 2013 as summarised below. Additionally, there is an acute need to ensure that key management are also incentivised and locked-in over the short to medium term.

2013 – intended LTIP Awards

The Committee has engaged and consulted with key shareholders on its proposals and also considered the current market practice in structuring long-term incentive arrangements. As a result, the Committee intends to make the next awards under the LTIP in 2013 with the intention that they become the first of a rolling annual cycle of LTIP awards linked to performance targets measured over a three year period.

These annual awards will fall within the individual limits contained in the rules of the LTIP (150% or 200% in exceptional circumstances). It is proposed that awards will be made in 2013 to executive directors as follows:

Participant	Proposed % of salary award
Chief Executive	200%
Executive directors	150%

Awards will also be made to a small group of the senior managers.

Awards in subsequent years will be at a lower level to ensure dilution remains within the Plan limits.

Performance targets for the 2013 awards will be based on absolute growth in TSR with a range of 40p to 70p. 25% of the award will vest at threshold (40p) and 100% will vest at 70p. Vesting between these two points will be on a straight line basis. Linking the new LTIP awards to absolute TSR targets means that they are closely aligned to the strategic objective of delivery of value to shareholders.

The Company is in the midst of an ambitious programme to simplify and increase the focus of the business through the disposal of non-core assets and the recycling of capital into its core shopping centre activities.

We have concluded, however, that absolute TSR is appropriate for the 2013 award, on the basis:

1) The business of Capital & Regional differs from almost all other quoted companies in the property sector during this transformation;

2) The level of de-risking of the Company's balance sheet (through the gradual reduction of debt) will mean that its geared growth potential will differ from other companies in the sector.

As noted above, a key objective of the Company's strategy is delivery of value to shareholders. Although this may be achieved simply through share price growth and superior returns, it is possible that in seeking to deliver value to shareholders, management may look to create a significant liquidity event.

The Committee considers it essential that management take the right decisions for the future of the business in the interests of shareholders. If this results in a liquidity event before the end of the three year performance period of the LTIP awards, the Committee strongly believes that management should not be penalised for 'early' delivery of the strategic objectives.

As a result, if an event occurs within the three year performance period which causes the awards to vest early (eg takeover or a significant liquidity event with a return of cash to shareholders) and the TSR performance targets have been met at that time or as a result of the transaction, the Committee does not propose to reduce the level of vesting to take account of the length of the performance period remaining. Although any final decision would be taken based on the circumstances at the relevant time, the Committee's current intention is to exercise discretion to allow full vesting if the performance targets have been met in full. If the performance target is met in part, the vesting schedule mentioned above would be followed although again, the Committee would not anticipate applying a time proration of the awards.

The Committee intends to adopt the same approach if the liquidity event does not give rise to early vesting under the rules but instead results in an executive leaving employment. Again, in these circumstances, for the award to vest in full, the performance targets must have been met in full at that time.

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

In addition, a deferral/holding period will apply to vested LTIP awards. Vested awards will not be capable of exercise for a period of 12 months following vesting (this will not apply in the case of a liquidity event within three years).

Clawback provisions will apply during this 12 month deferral/holding period. The level of vesting may be reduced (including to nil) if there is a material restatement of any of the accounts of the Company covered by the LTIP performance period or in the event of serious misconduct by a participant which brings the Company into disrepute.

These provisions have been discussed with key shareholders.

Directors' remuneration report continued

SAYE Scheme

Employee eligibility

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

Savings contract

When an employee accepts an invitation to participate in an issue of SAYE Scheme options, they will be required to enter into a savings contract for a period of three or five years under which they must save between £5 and £250 per month (or such other minimum or maximum amount determined by the directors and permitted by legislation). The £250 limit is reduced by any other savings contract linked to this or any other savings related share option scheme. These contributions will be deducted from the employee's salary. If the participant ceases to make contributions before the third or fifth anniversary of the commencement of the savings contract, the option will lapse, except in the case of a deferral of contributions for a period of up to six months.

Exercise price

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

Exercise of options

During the period of six months following the end of the savings contract, the participant may exercise their option to acquire, at the exercise price, ordinary shares up to the total value of his monthly savings contributions (plus any bonus or interest paid On 1 February 2012, the first invitation made in 2008 matured and participants were eligible to exercise their options for up to six months from this date. thereon where appropriate). Alternatively, the participant may withdraw their contributions and any bonus or interest.

Termination of employment

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

Takeover, reconstruction or winding up

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

Invitations

The SAYE scheme was set up in 2008 when employees were invited to participate in the scheme. No invitations were made in 2009 or 2010 but a new invitation under this scheme was made to eligible employees in 2011

Directors' emoluments

Director	Salary £	PPP/ Other £	Total Benefits £	Salary & Benefits £	Bonus £	Total Cap £	Total Mgt Remun £	Directors' Fees £	Ex Gratia £	Pension £	Total £
H Scott-Barrett	400,000	3,510	3,510	**403,510**	276,000	–	**679,510**	–	–	77,575	**757,085**
X Pullen	295,000	2,921	2,921	**297,921**	148,000	–	**445,921**	–	–	51,845	**497,766**
K Ford	295,000	3,787	3,787	**298,787**	155,000	–	**453,787**	–	–	44,250	**498,037**
C Staveley	280,000	2,961	2,961	**282,961**	165,000	–	**447,961**	–	–	42,000	**489,961**
Subtotal Executive Directors	1,270,000	13,179	13,179	**1,283,179**	744,000	–	**2,027,179**	–	–	215,670	**2,242,849**
J Clare	–	–	–	**–**	–	–	**–**	125,000	–	–	**125,000**
P Newton	–	–	–	**–**	–	–	**–**	45,000	–	–	**45,000**
M Wolstenholme	–	–	–	**–**	–	–	**–**	30,000	–	–	**30,000**
T Hales	–	–	–	**–**	–	–	**–**	42,917	–	–	**42,917**
L Norval	–	–	–	**–**	–	–	**–**	40,000	–	–	**40,000**
N Haasbroek	–	–	–	**–**	–	–	**–**	40,000	–	–	**40,000**
Total	1,270,000	13,179	13,179	**1,283,179**	744,000	–	**2,027,179**	322,917	–	215,670	**2,565,766**

Interests in shares

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

	30 December 2012 Shares	30 December 2011 Shares
H Scott-Barrett	**1,202,055**	1,202,055
X Pullen	**1,914,854**	2,796,181
K Ford	**1,851,710**	1,851,710
C Staveley	**283,121**	233,121
J Clare	**224,350**	224,350
N Haasbroek	**102,042,913**	99,429,309
L Norval	**102,427,163**	99,636,559
P Newton	**163,800**	163,800
M Wolstenholme	**n/a**	84,687
T Hales	**50,000**	50,000

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

There have been no changes to the directors' interests in shares between 30 December 2012 and the date of this report, except for H Scott-Barrett who acquired 75,000 shares on 11 January 2013 and K Ford who sold 172,278 shares on 11 January 2013.

The Company encourages executive directors to hold shares, in the medium term, which are equivalent in value to one year's salary of the aggregate purchase price of the shares. In addition, where shares vest from the LTIP, executive directors are expected to retain the number of shares required to make up the amount equivalent to one year's salary, if this is not already the case. The Executive Directors are currently in compliance with these guidelines.

Approval

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

Falguni Desai
Company Secretary

12 March 2013

Corporate governance report

Introduction

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

Statement of compliance

The Company has complied throughout the year ended 30 December 2012 with the provisions set out in Section 1 of the UK Corporate Governance Code with the following exceptions:

- The Audit and Remuneration Committees did not comprise of three members throughout the year up to when P Newton was appointed on 6 March 2012 and after M Wolstenholme retired on 31 August 2012. On 4 February 2013, a third member for both Committees was appointed.
- P Stobart continued to serve as the Senior Independent Director as required by the Code until he retired on 31 October 2011. Philip Newton was appointed the new Senior Independent director on 6 March 2012.

The Board has considered these matters and considers that this non-compliance with the Code does not impede the effective operation of the Board or the Committees in light of the strength and skills of the independent non-executive directors.

This section applies to the Capital & Regional plc Group and all its subsidiaries.

Application of the principles

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

The Board of directors

Details of the directors are set out before the directors' report. The Company is controlled through the Board of directors which comprised the Chairman, four executive and five non-executive directors. During the year, M Wolstenholme retired on 31 August 2012.

Board balance and independence

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

L Norval and N Haasbroek as non-executive directors are not considered independent for the purposes of the Code, as they represent a significant shareholder of the Company.

P Newton continued to serve as the Senior Independent Director as required by the Code.

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

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

Board effectiveness

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

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

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

Re-election

In accordance with best practice under the UK Corporate Governance Code 2012, all the directors will retire at the AGM and will offer themselves for annual re-election.

Performance evaluation

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

Information and professional development

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

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

Nomination Committee

The Committee comprises of J Clare (Chairman), M Wolstenholme (retired 31 August 2012) and T Hales. The appointment of a third member is under review. The Nomination Committee meets as required to select and recommend to the Board suitable candidates for both executive and non-executive appointments to the Board. On an annual basis, the Nomination Committee also considers succession planning for the Board. The Board members are given an opportunity to meet the individual concerned prior to any formal decision. The terms of reference of the Nomination Committee are available for inspection on the Group's website.

Board and committee meetings

The number of meetings of the Board and of the Audit, Remuneration and Nomination Committees, and individual attendance by directors, is set out below.

Board meeting attendance in 2012

	Scheduled	Ad hoc	Total
Number of meetings	**6**	**4**	**10**
Attended by:			
J Clare	6	4	10
K Ford	6	4	10
X Pullen	6	3	9
H Scott-Barrett	6	4	10
C Staveley	6	4	10
N Haasbroek	6	2	8
L Norval	6	3	9
P Newton	6	4	10
M Wolstenholme*	5	2	7
T Hales	6	3	9

* This director was no longer eligible to attend once they had ceased to be a director.

Other committee meeting attendance

	Audit Committee	Remuneration Committee	Nomination Committee	Responsible Business Committee
Number of meetings	**3**	**1**	**1**	**4**
Attended by:				
J Clare	–	–	1	–
P Newton	1	1	–	4
X Pullen	–	–	–	4
M Wolstenholme*	2	1	1	–
T Hales*	3	1	–	–

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

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

Directors' remuneration

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

Shareholder relations

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

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

Accountability and audit

Financial reporting

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

Internal control

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

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

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

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

- Defined organisational responsibilities and authority limits exist throughout the Group. The day-to-day involvement of the executive directors in the running of the business ensures that these responsibilities and limits are adhered to.
- Financial reporting to the Board with regular reports from the Fund Managers of The Mall, the Property and Asset Manager for the German portfolio and for the Group as a whole, including the preparation of budgets and forecasts, cash management, variance analysis, property, taxation and treasury reports and a report on financing.

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

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

Audit Committee

The Audit Committee usually consists of three non-executive directors. M Wolstenholme acted as Chairman until her retirement on 31 August 2012. The other members are T Hales and P Newton who was appointed a member of the Committee on 6 March 2012. John Clare was appointed a member of the Committee on 4 February 2013. The qualifications of the Audit Committee members are set out in the directors' biographies.

T Hales took the role of acting Chairman following Manjit Wolstenholme's retirement and was appointed Chairman of the Committee on 4 February 2013.

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

The Audit Committee is also responsible for reviewing the cost-effectiveness and the volume of non-audit services provided to the Group by its external auditors. The Group does not impose an automatic ban on the Group's external auditors undertaking non-audit work, and details of fees paid to the Group's external auditors are detailed in note 7 to the financial statements. The Group's aim is always to have any non-audit work involving the Group's external auditors carried out in a manner that affords value for money and ensures independence is maintained by monitoring this on a case by case basis.

The Group's policy is that the audit firm must not be in a position of conflict in respect of the work in question and must have the skill, competence and integrity to carry out the work in the best interests of the Group. The Audit Committee reviews and makes recommendations to the Board for the re-appointment of the Group's external auditors. In order to maintain independence the audit partner of the Group's external auditors is subject to rotation at least every five years in accordance with latest guidance. As such the 2012 audit will be the last year of Andrew Clark's tenure, he will be replaced by Georgina Robb subject to shareholders' approval of Deloitte LLP's re-appointment at the next AGM.

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

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

- Financial reporting: during the year the Committee reviewed the interim and annual financial statements. The Committee received a report from the external auditors setting out accounting or judgemental issues which required its attention, and considered papers prepared by management both on these issues and on the impact of any changes in accounting standards. The auditors' reports were based on a full audit (annual report) and a high level review (interim report) respectively. The Committee also advised the Board on a number of other matters.
- Internal Controls and Risk Management: the Committee met with the external auditors to discuss internal control matters. In the year under review the Committee met with the external auditors on three occasions. The Committee also approved the periodic risk reviews that were carried out by the Group.
- Internal Audit: The Group does not have an internal audit function but carries out periodic control reviews, the results of which are discussed with the Committee. The Committee will continue to review the position, but the belief at present is that the current size and complexity of the Group does not justify establishing an internal audit function.

Going concern

In compliance with the Code and the Guidance on Going Concern and Liquidity Risk Guidance for Direction UK Companies 2009 the directors can report that, based on the Group's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board believes that the Company and Group have adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the financial statements are prepared on the going concern basis. Further details are included in note 1 to the financial statements.

Falguni Desai
Company Secretary

12 March 2013

Responsible business

Introduction

We believe that being a responsible business is good business. By reducing the impact we have on the environment, concentrating on our employees and serving our stakeholders and the communities around us we contribute to our most important responsibility – building a stronger and more successful Capital & Regional.

We have a practical, applied and engaged approach to responsible business; it is part of what we do every day, not an exercise in compliance.

We continue to focus on the four key areas Marketplace, Environment, Workplace and Community. The following information reports our performance against the 2012 objectives and details the targets for 2013.

The Responsible Business Committee met four times in 2012 to provide strategic direction and a forum to support the operating team involved. This was chaired by P Newton and attended by X Pullen and H Scott-Barrett as Board representatives.

The Marketplace

Our aim is to engage with customers, suppliers and stakeholders, to understand their needs and identify ways of improving our collective responsible business performance. We recognise the positive impact our customers and suppliers can have on our sustainability efforts and continue to work in partnership to deliver our goals.

	2012 Objective	2012 KPI target	2012 Performance
1	Perform a full review of the Major Incident Management Plan (MIMP) to include post riots security and retail engagement in disabled evacuation. To be audited in the 2012 C&R Safe Compliance Audit.	100% of MIMPs to be audited with no issues raised and E-Permits system in place.	MIMPs updated and tested at all sites through our external audit process. The E-Permit system has been developed and successfully trialled, a rolling implementation programme is underway.
2	To improve the accuracy of reporting of key statistics including slips, trips and falls to enable more detailed root cause analysis.	10% reduction in slips, trips and falls.	An improved methodology for even more accurate reporting of slips, trips and falls has been implemented and as a result of this improved recording process and the unusually wet weather conditions in 2012 showed an increase of nine additional incidents on 2011 (6%).
3	Through the implementation of the Mall Maintain Project the vendor base will be reduced, Group purchasing power increased and improved risk management controls for planned preventative maintenance (PPM) tasks and routine repairs.	Zero enforcement challenges on Mall Maintain contract. Minimum of 95% completion rate of PPMs.	Zero enforcement challenges on the Mall Maintain contract. All maintenance with the exception of lifts and escalators is now contracted to Initial Facilities Services. This has seen a significant reduction in our vendor base with approximately 40 individual contracts now being placed within the overall remit of this contract. Maintenance PPM rate is currently 98%.
4	Update the C&R Safe compliance audit to challenge the already high levels of compliance and drive best practice performance.	Greater than 90% average audit score across the Group.	The average audit score achieved across the sites in 2012 was 91.6%.
5	Retain ROSPA Gold Award status.	Six consecutive gold awards from 2007 to 2012.	ROSPA Gold award achieved 2012.
6	To achieve a minimum score of 90% for the annual technical Structured Site Visit for each property.	90% minimum score.	All Structured Site visit scores were above the 90% target with an average of 94%.

	2013 Objectives	2013 KPI Target
1	To ensure 100% of all site risk assessments have been fully integrated into the recently launched online risk assessment database.	100% of site risk assessments in new format and tested at 2013 audit.
2	To launch a new Compliance Structured site visit with all sites achieving a rating of at least 90%.	All sites to achieve a score of 90% or above.
3	To continue to be awarded the ROSPA Gold Award.	Retention of ROSPA Gold Award.
4	To achieve an average of over 92% across the sites in the 2013 C&R Safe audit.	Average score of over 92%
5	To launch the new bespoke C&R Health and Safety course externally accredited by IOSH.	At least one day of this training course at each site.
6	To maintain our commitment to reducing costs for our retailers and tenants through the full re-tender and market testing of the main security and cleaning contracts that support the business.	Re-tender of key service contracts during 2013 to best value.

The Environment

Our aim is to adopt a proactive approach to tackling our impact on the environment. For many years we have worked hard to reduce our impact on the environment in the three key areas of waste, water and energy. In addition, we continue the focus on reducing the carbon footprint of our properties. We have long recognised that any development activity should mirror this and have proactively ensured we minimise energy consumption and mitigate the effects of climate change throughout the design, refurbishment or building phase.

	2012 Objectives	2012 KPI target	2012 Performance
1	To continue to reduce our environmental impact through the use of five year carbon plans; operational improvements; low carbon retrofit and plant replacement projects.	5% reduction in energy.	*Energy* An 8% reduction in energy was achieved across the Group, a total reduction of 1,446 tonnes of carbon equating to £320,000 in saved energy cost. Over a four year period from 2008 to 2012 C&R has saved over 4,600 tonnes of carbon which has saved over £1 million in energy cost.
		5% reduction in water use.	*Water* There was a reduction of 8% in water consumption across the Group; some seven million litres of water.
		90% diverted from landfill.	*Waste* The Group generated just under 7,500 tonnes of waste in 2012 of which 96% was diverted from landfill.
		85% waste recycled.	61% was recycled for re-use, 17% was used as energy and 9% to anaerobic digestion also used as energy or compost.

Responsible business continued

2	Meet all carbon reduction commitment regulations to retain the Carbon Trust Standard in 2012 and reduce carbon impact by 4% across the Group.	4% reduction in carbon across the Group. Retain Carbon Trust Standard.	The Group in 2012 achieved an 8% reduction in carbon on a like for like basis. This follows a 2011 saving of 6%. The Carbon Trust Standard is due for renewal in April 2013, this will be the fifth year of having the standard. The Mall Fund and Capital and Regional were participants in 2012 in the Carbon Reduction Commitment (CRC) and are fully compliant.
3	Install automatic meter readers (AMR) for all electrical supplies to accurately bill, monitor and target energy usage at The Junction retail park sites.	100% The Junction retail parks with AMR installed.	AMR for The Junction was 90% completed prior to sale of the properties in October 2012.

Other Environmental Highlights 2012

Global Real Estate Sustainability Benchmark (GRESB) The Mall Fund retained Green Start Rating and rated 22nd globally for sustainability management and implementation.

	2013 Objectives	2013 KPI Target
1	Continue to reduce our environmental impact through operational improvements, consider further challenges and opportunities and focus further on low carbon retrofit projects.	Reduce Energy Consumption by 4.5%. Reduce Water Consumption by 2%.
2	Continue to improve our waste handling and management.	Recycle 65% of our waste material for re-use. Maintain 15% of our waste to energy re-use and 95% of all waste diverted from landfill.
3	Meet all carbon reduction commitment regulations.	Retain The Carbon Trust Standard.
4	Ensure readiness for mandatory GHG reporting in 2014.	Data fully prepared.

The Work Place

Our aim is to engage, develop and reward our people, retaining our reputation as the employer of choice within the sectors in which we operate. We want to provide relevant, engaging training for all our employees in order that they can make their fullest contribution to our success. We set out to provide a working environment which supports the wellbeing and health of all our people, taking account of the diversity of our workforce and reflecting our values and ethics.

	2012 Objectives	2012 KPI target	2012 Performance
1	To evaluate engagement and satisfaction levels by conducting an employee survey.	>60% response rate. >70% satisfaction level.	We conducted an employee engagement survey for all our employees. We are pleased to have had an average of 74.5% response rate and average positive satisfaction scoring of 79%. This produced a great deal of important feedback on which we are now working.
2	To build training and development initiatives around the specific operational needs of the business and deliver a full programme of customer service and sales training to all appropriate staff.	>200 delegate days of training delivered across the Group.	The C&R Learning Programme has again been targeted to the needs of the business and contributed positively in our continuing operational performance and the high levels of motivation required of our people (see staff survey). We ran over 25 different courses under the C&R Learning Programme. Employee numbers have reduced throughout the year with the sales of assets and therefore the number of training days in line with this reduction. The number of days training completed in 2012 was 203. Evaluation is very positive for all the training interventions at over 98% positive feedback.
3	To evolve and implement the Legacy 2012 Programme and further develop relationships with our charity partners.	>50 training days invested in the Legacy programme.	Our Legacy Programme partner (Fairbridge) was taken over by The Princes Trust and could no longer continue the partnership. We have refocused our 'legacy' effort to Land Aid and will continue to build this type of programme alongside our commitment as a Foundation Partner. There are many developments at Land Aid which are moving in the right direction to allow us to use this connection most productively in the future.
4	Implementation of the Continuous Improvement Plan agreed with Investors in People following reassessment in 2011.	Successful implementation of the plan.	There were six key action areas in our IIP Continuous Improvement Plan, all of which are now completed.

Responsible business continued

2013 Objectives	2013 KPI Target
1 Design and delivery of a motivational training and personal development initiative for all central team employees and General Managers (GM) early in the year.	All central team and GM attendance on programme over four days. >70% positive evaluation.
2 Design and implementation of our bespoke Institute of Leadership and Management (ILM) accredited Management Skills Programme for new and first line supervisors.	6 modules up to 60 delegate days. >70% positive evaluation.
3 Communicate the employee feedback from the survey and use this to inform our actions and further increase engagement with our people.	Communication of the feedback to all employees.
4 Design and deliver a new Leadership Experience Programme over two days for managers and leaders in the business.	All Manager level attendance. >70% positive evaluation.

The Community

Our aim is to have a key role in the regeneration of the communities and environments in which we operate. We work closely with key stakeholders to ensure we listen, engage and use feedback to develop or refine our approach. We use social media, such as Facebook, to collect feedback and respond. We aim to provide safe, welcoming, clean and attractive shopping and leisure venues where people choose to shop, work and socialise. We aim to make a positive contribution to each local community by being a responsible, socially aware and proactive partner.

2012 Objectives	2012 KPI target	2012 Performance
1 Increase our involvement as a Land Aid Foundation Partner and make a contribution in pro bono expertise if possible.	>20 employee days.	We have offered the equivalent of at least 30 employee days to Land Aid and other local charities throughout 2012. We have taken a more proactive part in Land Aid events throughout the year with the appointment of an executive to the Land Aid Grant Committee. We have also been closely involved in the plans for Land Aid's forthcoming pro bono project which is close to launching and when it does we will offer our services as part of the programme. In addition many of our onsite employees give time to support local charities under the Mall Cares fundraising banner.

2012 Objectives	2012 KPI target	2012 Performance
2 Following the 2011 riots, maintain close working relationships with local police and ensure our centre teams are actively part of local crime prevention initiatives as we strive to improve the community safety in our town centres.	5% reduction in incidents of recorded crime.	During 2012 all site security teams have continued their active involvement in local crime prevention initiatives closely working with local police and business crime partnerships resulting in a slight fall in the overall level of crime recorded of 1%. Specialist training in child protection enabled the team in Blackburn to support police in securing a significant conviction. New procedures and methodology for the recording of crimes and security incidents was launched during 2012 enabling accurate data capture of incidents within the Malls and retailers demised areas. Our innovative approach to CCTV system management has been recognised at the Mall Blackburn by an individual award from the BSIA for the use of technology.
3 Contribute to the revival of the High Street through industry bodies such as BCSC, Business in The Community and The Association of Town Centre Management. Use our own local influence in towns that we invest in to promote positive policy aimed at high street regeneration.	–	Significant time and resource has been dedicated to ensuring that C&R is at the forefront of thought leadership on these issues. From executives engaging with The Portas Report Group to General Managers refocusing even more on town centre partnerships as part of their responsibilities. We house Town Centre Management (TCM) offices on a number of sites and we offer financial support to fund TCM projects. A number of GM's are BIDS chairmen – assisting in the process of investment and regeneration for their area.

Responsible business continued

	2013 Objectives	2013 KPI Target
1	To maintain our involvement in the local business crime partnerships, supporting the police with targeted crime reduction and community safety campaigns in order to further reduce the levels of recorded crime during 2013.	To achieve a 5% reduction in recorded crime during 2013.
2	As CCTV becomes an increasingly powerful tool in the management of public safety and crime reduction it is important that we trial and adopt proven new technology and ensure a consistent approach to system management.	Full trial of body worn CCTV equipment to enable at scene recording.
3	Continue to develop the already high number of local Community projects in the towns in which we operate.	Increase number by 10%.

Pictured Above:
The Mall, Uxbridge

Pictured Above:
The Mall, Camberley

Consolidated income statement

For the year to 30 December 2012

	Note	**2012 £m**	2011[1] £m
Continuing operations			
Revenue	3	**28.7**	28.9
Cost of sales	4	**(11.1)**	(11.7)
Gross profit		**17.6**	17.2
Administrative costs		**(13.6)**	(11.2)
Share of (loss)/profit in associates and joint ventures	17a	**(12.8)**	11.6
Loss on revaluation of investment properties	11a	**(0.2)**	(1.5)
Other gains and losses		**–**	0.1
(Loss)/profit on ordinary activities before financing		**(9.0)**	16.2
Finance income	5	**2.9**	2.3
Finance costs	6	**(5.6)**	(5.7)
(Loss)/profit before tax	7	**(11.7)**	12.8
Tax	9a	**0.9**	(2.0)
(Loss)/profit for the year from continuing operations		**(10.8)**	10.8
Discontinued operations			
(Loss)/profit for the year from discontinued operations	30	**(5.2)**	10.3
(Loss)/profit for the year		**(16.0)**	21.1
Continuing operations			
Basic (loss)/earnings per share	10a	**(3)p**	3p
Diluted (loss)/earnings per share	10a	**(3)p**	3p
Continuing and discontinued operations			
Basic (loss)/earnings per share	10a	**(5)p**	6p
Diluted (loss)/earnings per share	10a	**(5)p**	6p

[1] 2011 results have been restated to separate discontinued operations as explained in note 30.

The loss for the current year and the profit for the preceding year, including amounts from discontinued operations, are fully attributable to equity shareholders.

Consolidated statement of comprehensive income

For the year to 30 December 2012

	2012 £m	2011 £m
(Loss)/profit for the year	**(16.0)**	21.1
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(1.3)**	(1.3)
Gain on a hedge of a net investment taken to equity	**0.7**	0.9
Total items that that may be reclassified subsequently to profit or loss:	**(0.6)**	(0.4)
Total comprehensive income for the year	**(16.6)**	20.7

The total comprehensive income for the current year and preceding year is fully attributable to equity shareholders.

Consolidated balance sheet

At 30 December 2012

	Note	**2012 £m**	2011 £m
Non-current assets			
Investment properties	11a	**8.4**	8.5
Goodwill	12	**–**	1.8
Plant and equipment	13	**0.8**	0.7
Available for sale investments	14	**–**	0.3
Receivables	15	**23.6**	33.3
Investment in associates	17b	**80.7**	120.2
Investment in joint ventures	17c	**25.7**	27.2
Total non-current assets		**139.2**	192.0
Current assets			
Trading properties	11a	**70.0**	71.5
Receivables	18	**7.4**	5.0
Cash and cash equivalents	19	**5.3**	20.0
Assets classified as held for sale	30	**32.2**	–
Total current assets		**114.9**	96.5
Total assets	2b	**254.1**	288.5
Current liabilities			
Bank loans	22a	**–**	(5.0)
Trade and other payables	20	**(11.7)**	(10.0)
Current tax liabilities		**(1.3)**	(3.0)
Liabilities directly associated with assets classified as held for sale	30	**(1.6)**	–
		(14.6)	(18.0)
Non-current liabilities			
Bank loans	22a	**(58.3)**	(61.6)
Other payables	21	**(0.7)**	(4.0)
Deferred tax liabilities	9c	**(0.9)**	(3.9)
Non-current tax liabilities	9e	**–**	(5.0)
Total non-current liabilities		**(59.9)**	(74.5)
Total liabilities	2b	**(74.5)**	(92.5)
Net assets		**179.6**	196.0
Equity			
Share capital	24	**9.9**	9.9
Other reserves		**72.0**	72.8
Capital redemption reserve		**4.4**	4.4
Own shares held	26	**(0.7)**	(6.8)
Retained earnings		**94.0**	115.7
Equity shareholders' funds		**179.6**	196.0
Basic net assets per share	28	**£0.51**	£0.56
EPRA triple net assets per share	28	**£0.51**	£0.56
EPRA net assets per share	28	**£0.55**	£0.63

These financial statements were approved by the Board of directors, authorised for issue and signed on their behalf on 12 March 2013 by:

Charles Staveley
Group Finance Director

Consolidated statement of changes in equity

For the year to 30 December 2012

	Share capital £m	Special reserve £m	Merger reserve £m	Acquisition reserve £m	Foreign currency reserve £m	Net investment hedging reserve £m	Capital redemption reserve £m	Own shares held £m	Retained earnings £m	Total equity £m
		Other reserves								
Balance at 30 December 2010	**9.9**	**79.5**	**60.3**	**9.5**	**7.4**	**(3.5)**	**4.4**	**(9.7)**	**16.7**	**174.5**
Profit for the year	–	–	–	–	–	–	–	–	21.1	21.1
Other comprehensive income for the year	–	–	–	–	(1.3)	0.9	–	–	–	(0.4)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(1.3)**	**0.9**	**–**	**–**	**21.1**	**20.7**
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	–	–	0.8	0.8
Transfer between reserves	–	(79.5)	–	–	–	–	–	–	79.5	–
Other movements	–	–	–	–	(0.5)	–	–	2.9	(2.4)	–
Balance at 30 December 2011	**9.9**	**–**	**60.3**	**9.5**	**5.6**	**(2.6)**	**4.4**	**(6.8)**	**115.7**	**196.0**
Loss for the year	–	–	–	–	–	–	–	–	(16.0)	(16.0)
Other comprehensive income for the year	–	–	–	–	(1.3)	0.7	–	–	–	(0.6)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(1.3)**	**0.7**	**–**	**–**	**(16.0)**	**(16.6)**
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	–	–	0.8	0.8
Transfer between reserves	–	–	–	–	–	–	–	–	–	–
Transfer to income statement for German portfolio 4	–	–	–	–	(0.7)	–	–	–	–	(0.7)
Other movements	–	–	–	–	–	0.5	–	6.1	(6.5)	0.1
Balance at 30 December 2012	**9.9**	**–**	**60.3**	**9.5**	**3.6**	**(1.4)**	**4.4**	**(0.7)**	**94.0**	**179.6**

The special reserve arose on the cancellation of the Company's share premium account in 2009 when £141.0 million of the share premium account was credited to retained earnings and the balance of £79.5 million remained in the special reserve pending consent from all of the Company's creditors. During 2011 the special reserve of £79.5 million was transferred to retained earnings following the resolution of the outstanding required consent from the Company's creditors.

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

The acquisition reserve of £9.5 million relates to the purchase of the entire ordinary share capital of Morrison Merlin Limited in 2005, prior to which it had been a joint venture in which the Group had a 50% interest. The balance on the reserve arose from the difference at the date of acquisition between the carrying value of the Group's existing interest and its fair value. The reserve will remain on the balance sheet until Morrison Merlin Limited is sold.

The foreign currency reserve of £3.6 million and the net investment hedging reserve deficit of £2.0 million respectively show foreign exchange translation differences from the Group's investment in its German joint venture and any hedges of that investment. £0.7 million has been reclassified from the foreign currency reserve to the income statement during the year related to the impairment of German portfolio 4 (see note 17c).

Consolidated cash flow statement

For the year to 30 December 2012

	Note	**2012 £m**	2011 £m
Operating activities			
Net cash from operations	27	**4.3**	8.2
Distributions received from associates	17b	**2.2**	11.2
Distributions received from joint ventures	17c	**0.6**	4.5
Distributions received from fixed asset investments		**0.2**	–
Interest paid		**(5.1)**	(5.3)
Interest received		**–**	0.1
Income taxes paid		**(7.2)**	(9.9)
Cash flows from operating activities		**(5.0)**	8.8
Investing activities			
Purchase of investment property	11a	**–**	(26.1)
Sale of equity interest in Waterside Lincoln	17c	–	6.4
Disposal of interests in Joint Ventures and Associates		**14.9**	–
Other disposals		**0.5**	(0.1)
Purchase of plant and equipment	13	**(0.4)**	(0.3)
Investment in associates	17b	**(16.2)**	(4.0)
Investment in joint ventures	17c	**–**	(1.2)
Loans to joint ventures		**–**	(1.3)
Loans repaid by joint ventures		**0.4**	1.2
Cash flows from investing activities		**(0.8)**	(25.4)
Financing activities			
Bank loans drawn down		**4.6**	13.6
Bank loans repaid		**(13.2)**	(3.2)
Loan arrangement costs		**(0.3)**	(0.3)
Settlement of forward foreign exchange contract		**–**	1.5
Premium cost of interest rate swaption		**–**	(0.7)
Cash flows from financing activities		**(8.9)**	10.9
Net decrease in cash and cash equivalents		**(14.7)**	(5.7)
Cash and cash equivalents at the beginning of the year		**20.0**	25.7
Cash and cash equivalents at the end of the year	19	**5.3**	20.0

Notes to the financial statements

For the year to 30 December 2012

1 Significant Accounting Policies

General information

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

Basis of accounting

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes 1 to 35. They are prepared on the historical cost basis except for the revaluation of certain properties and financial instruments. Other than as noted in the 'Accounting developments and changes' section below, the accounting policies have been applied consistently to the results, other gains and losses, assets, liabilities, income and expenses.

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

Restatement of prior year comparatives

In accordance with the requirements of IFRS5 Non-current Assets Held for Sale and Discontinued Operations the income statement and segmental amounts for the year to 30 December 2011 have been restated to show the results relating to the Group's interests in The Junction Fund, X-Leisure Fund, X-Leisure Limited and Xscape Braehead within discontinued operations. The results of discontinued operations are set out in note 30.

Statement of compliance

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

Accounting developments and changes

Developments – during 2012

During 2012 the new standards and amendments that have been issued and adopted by EU and the Group have not resulted in a material change to the consolidated financial statements.

Developments – not yet adopted

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

- IFRS1 (amended) Severe hyperinflation and removal of fixed dates for first time adopters
- IFRS7 (amended) Disclosures – Transfers of financial assets
- IFRS9 Financial Instruments
- IFRS10 Consolidated financial statements
- IFRS11 Joint arrangements
- IFRS12 Disclosure of interests in other entities
- IFRS13 Fair value measurement
- IAS1 (amended) Presentation of items of other comprehensive income
- IAS12 (amended) Deferred tax: Recovery of underlying assets
- IAS19 (revised) Employee benefits
- IAS27 (revised) Separate financial statements
- IAS28 (revised) Investments in associates and joint ventures
- IAS32 (amended) Offsetting Financial Assets and Financial Liabilities

1 Significant Accounting Policies continued

The directors are in the process of assessing the impact that the adoption of these standards may have on the financial statements of the Group in future periods. The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements, however it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Going concern

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

Further detail is contained within the Financial Review. The Group's borrowing facilities and its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risks are provided in notes 22 and 23 of the financial statements.

Critical accounting judgements

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

The following are the critical judgements, apart from those involving estimation uncertainty which are dealt with separately, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. The critical accounting judgements are:

Property valuation

Reliance upon the work undertaken at 30 December 2012 by independent professional qualified valuers, as disclosed in note 11b, in assessing the fair value of certain of the Group's investment and trading properties.

Associates

An assessment of whether the Group exercises significant influence over its investment in The Mall as discussed in note 17b.

Derivative financial instruments

Reliance upon the work undertaken at 30 December 2012 by independent third party experts in assessing the fair values of the Group's derivative financial instruments, which are disclosed in notes 15, 18, 21 and 23f.

Lease classification

Consideration of the potential transfer of risks and rewards of ownership in accordance with IAS17 Leases for all properties leased to tenants. The directors have determined that all such leases are operating leases.

Performance fees

Where performance conditions have not already been met the likelihood that CRPM and Garigal will receive performance fee revenue under their respective asset and property management contracts. The directors have concluded that it is not yet probable that any amounts will be received but the performance criteria are disclosed in note 35.

1 Significant Accounting Policies continued

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are:

Taxation

An assessment of the likelihood that potential historic tax liabilities will arise as well as the impact of changes in recent legislation, case law and accounting standards, along with future projections for the Group, in determining the current and deferred tax assets, liabilities and charge to the income statement, as disclosed in note 9.

Valuation of loan receivable in Euro B-Note Holding Limited

Determining whether the subordinated loan receivable held indirectly by Euro B-Note Holding Limited is impaired requires an estimation of the credit risk of the relevant German investment portfolio. An independent valuation was obtained as at 30 June 2011 for the loan receivable fair value at the time of the debt refinancing. This fair value was based on the future cash flows expected to arise from the loan receivable and an appropriate discount rate of 15.35% was applied for the calculation of the present value. This discount rate assumed that the loan principal was discounted by 12.0% per annum to reflect credit risk. The discount rate was based on a risk adjusted yield curve. Subsequent to the refinancing the loan receivable is held at amortised cost and tested for impairment at each reporting date.

At 30 December 2012 management performed an impairment review over the relevant German joint venture portfolio which included an assessment of the actual and forecast loan to value, liquidity, net rental income and contribution and the ability of the joint venture entity to repay the debt. This impairment assessment resulted in the Group's share of the loan receivable being carried at £2.3 million compared to a nominal value of £14.7 million (2011 : Group's share of carrying value of £5.6 million compared to nominal value of £15.0 million) as disclosed in note 17b.

The directors believe that the estimates and associated assumptions used in the preparation of the financial statements are reasonable, but actual outcomes may differ from those anticipated and so the judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Principal accounting policies

The principal accounting policies adopted are set out below.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal. The reporting period for subsidiaries and affiliates ends on 31 December and their financial statements are consolidated from this date. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1 Significant Accounting Policies continued

Business combinations

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

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

Assets held for sale

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year of the date of classification.

Investments in associates and joint ventures

A joint venture is an entity over which the Group has joint control, which is the contractually agreed sharing of control over an economic activity which exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In accordance with IAS28 Investments in Associates and IAS31 Interests in Joint Ventures, associates and joint ventures are accounted for under the equity method, whereby the consolidated balance sheet and income statement incorporate the Group's share of net assets and profits or losses after tax. The profits or losses include revaluation movements on investment properties. Losses of an associate or joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the associate and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate over the cost of acquisition, after reassessment, is recognised immediately in the income statement.

The reporting period for associates and joint ventures ends on 31 December and their financial statements are equity accounted to this date. In accordance with IAS39 Financial Instruments: Recognition and Measurement, associates and joint ventures are reviewed at the end of the reporting period to determine whether any impairment loss should be recognised.

1 Significant Accounting Policies continued

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired and is measured as the excess of the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any equity interest in the entity already held by the acquirer over the net of the acquisition date amounts of identifiable assets acquired and liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. The impairment is calculated on the value in use of the goodwill and is recognised immediately in the income statement and not subsequently reversed. Where the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any equity interest in the entity already held by the acquirer, the excess is recognised immediately in the income statement as a bargain purchase gain.

Foreign currency

Foreign currency transactions

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

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at the exchange rates ruling at the balance sheet date. The operating income and expenses of foreign operations are translated into sterling at the average exchange rates for the period. Significant transactions, such as property sales, are translated at the foreign exchange rate ruling at the date of each transaction. The principal exchange rate used to translate foreign currency denominated amounts in the balance sheet is the rate at the end of the year: £1 = €1.2241 (2011: £1 = €1.1972). The principal exchange rate used for the income statement is the average rate for the year: £1 = €1.2333 (2011: £1 = €1.1522).

Net investment in foreign operations

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

Plant and equipment

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

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

1 Significant Accounting Policies continued

Property portfolio

Investment properties

Investment properties are properties owned or leased under finance leases which are held either for long-term rental income or for capital appreciation or both. Investment property is initially recognised at cost (including directly related transaction costs) and is revalued at the balance sheet date to fair value, being the market value determined by professionally qualified external or director valuers, with changes in fair value being included in the income statement. Valuations are generally carried out twice a year. In accordance with IAS 40 Investment Property, no depreciation is provided in respect of investment properties.

Leasehold properties

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

Refurbishment expenditure

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

Property transactions

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

Trading properties

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

Head leases

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

Tenant leases and incentives

Incentives and costs associated with entering into tenant leases are amortised over a straight line basis over the term of the lease.

Operating leases

Annual rentals under operating leases are charged to the income statement on a straight line basis over the term of the lease.

Financial instruments

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

1 Significant Accounting Policies continued

Financial assets

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

Effective interest rate method

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

Available for sale financial assets

The Group has investments in unlisted shares and unit trusts that are not traded in an active market but whose fair value the directors consider can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income, with the exception of impairment losses which are recognised in the income statement. Dividends are recognised in the income statement when the Group's right to receive the dividends is established.

Loans and receivables

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

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities

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

Borrowings

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

1 Significant Accounting Policies continued

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

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

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

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

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

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

Share-based payments
The Group has applied the arrangements of IFRS2 Share-based Payment. Equity settled share-based payments are measured at fair value at the date of grant. The fair values of the 2008 LTIP, the COIP, the Matching Share Agreement and the SAYE scheme are calculated using Monte Carlo simulations or the Black-Scholes model as appropriate. The fair values are dependent on factors including the exercise price, expected volatility, period to exercise and risk free interest rate. Market related performance conditions are reflected in the fair values at the date of grant and are expensed on a straight line basis over the vesting period. Non-market related performance conditions are not reflected in the fair values at the date of grant. At each reporting date, the Group estimates the number of shares likely to vest under non-market related performance conditions so that the cumulative expense will ultimately reflect the number of shares that do vest. Where awards are cancelled, including when an employee ceases to pay contributions into the SAYE scheme, the remaining fair value is expensed immediately.

1 Significant Accounting Policies continued

Own shares

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

Revenue

Management fees

Management fees are recognised, in line with the property management contracts, in the period to which they relate. They include income in relation to services provided by CRPM to associates and joint ventures for asset and property management, project co-ordination, procurement, and management of service charges and directly recoverable expenses. Income earned by X-Leisure Limited (up to date of reclassification as held for sale) and Garigal for similar services is recognised in the share of profit/(loss) in associates and joint ventures.

Net rental income

Net rental income is gross rental income adjusted for tenant incentives, recognised on a straight line basis over the term of the underlying lease, less expenses directly related to letting and holding the properties.

Dividend and interest income

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

Performance fees

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

- The Mall: by CRPM on property level outperformance relative to the IPD Shopping Centre Index (taking the 30 June 2010 valuation as the start point) of more than 50 basis points provided that the fund level return is greater than zero, payable at the end of the life of the fund or on an exit event, which is defined as a listing, sale of all the interests in the fund or the making of a cash offer which is accepted by a majority of the investors in the fund. For i) between 50 basis points and 150 basis points, CRPM receives 10% of the outperformance proceeds; ii) for between 150 basis points and 300 basis points of outperformance, CRPM receives 15% of the outperformance proceeds; and iii) for over 300 basis points of outperformance, CRPM receives no additional fee to ensure excessive risks are not taken. The provisions in the management agreements relating to removal for underperformance, which currently apply with effect from 31 December 2012, have been amended such that the GP board will only have the right to remove CRPM as the asset and property manager in the event of underperformance of at least 100 basis points below the IPD Shopping Centre Index over the period ending 31 December 2014.
- German portfolio: by Garigal on any realised geared returns in excess of an internal rate of return of 12% over the period from June 2010 to the disposal of the entire portfolio or its conversion into a listed structure, subject to a maximum of €15 million.

Provisions for performance fees payable by the underlying associate or joint venture are made when there is a present obligation to settle the performance fee, its amount can be measured reliably and it is probable that it will be paid. Further disclosure on performance fees is included in note 35.

1 Significant Accounting Policies continued

Finance costs

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

Operating segments

The Group's share of results for the year from The Junction Fund, Xscape Braehead, X-Leisure Fund and X-Leisure Limited has been classified as Discontinued Operations with the prior year comparatives restated. The Junction Fund and X-Leisure Fund were previously presented as separate segments, X-Leisure Limited was included within Property Management and Xscape Braehead was previously aggregated within 'Other'.

Following these changes and reflecting the smaller and simplified Group structure management have re-evaluated the reportable segments under IFRS8. This has resulted in a further partial breakdown of what was previously included within the 'Other' segment into new segments of Leisure, consisting of Great Northern Warehouse and Hemel Hempstead, and 'Other UK Shopping Centres' consisting of The Waterside Lincoln Limited Partnership and Kingfisher Limited Partnership (Redditch). The prior year comparatives have also been restated on this basis.

The Group's other reportable segments remain The Mall, Germany, Property Management (consisting of CRPM and Garigal Asset Management GmbH) and SNO!zone. Other segments not individually reportable and therefore aggregated as 'Other' are the Group's remaining associates and joint ventures, comprising FIX UK, until the loss of significant influence, and The Auchinlea Partnership. Group items include Group overheads incurred by Capital & Regional plc and other subsidiaries, and the interest expense on the Group's central borrowing facility.

The Mall, Other UK Shopping Centres, Germany and Leisure derive their revenue from the rental of investment and trading properties. The Property Management and SNO!zone segments derive their revenue from the management of property funds or schemes and the operation of indoor ski slopes respectively. The split of revenue between these classifications satisfies the requirement of IFRS8 to report revenues from different products and services. Depreciation and the variable overhead represent the only significant non-cash expenses.

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

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

Recurring pre-tax profit

Recurring pre-tax profit is the total of Contribution, the Group's share of management fees less fixed management expenses earned by CRPM, X-Leisure Limited (until reclassification as held for sale) and Garigal, the profit from SNO!zone and any central costs and interest adjusted for any significant one off items such as Performance Fees. Recurring pre-tax profit includes results from Discontinued Operations up until the point of disposal or reclassification as held for sale.

2a Operating segments

Year to 30 December 2012	Note	UK Shopping Centres The Mall £m	UK Shopping Centres Other UK Shopping Centres £m	Germany £m	Leisure £m	Other £m	Property Management £m	SNO!zone £m	Group items £m	**Total continuing operations £m**	Discon-tinued operations £m	**Total £m**
Rental income from external sources	2b	15.4	3.0	15.9	6.7	1.1	–	–	–	**42.1**	8.9	**51.0**
Property and void costs		(4.3)	(0.8)	(3.0)	(0.6)	(0.1)	–	–	–	**(8.8)**	(3.7)	**(12.5)**
Net rental income		11.1	2.2	12.9	6.1	1.0	–	–	–	**33.3**	5.2	**38.5**
Interest income		–	–	0.7	–	–	–	–	–	**0.7**	–	**0.7**
Interest expense		(6.6)	(1.1)	(6.5)	(5.0)	(0.4)	–	–	–	**(19.6)**	(3.1)	**(22.7)**
Contribution		4.5	1.1	7.1	1.1	0.6	–	–	–	**14.4**	2.1	**16.5**
Management fees	2b	–	–	–	–	–	10.4	–	–	**10.4**	2.3	**12.7**
Management expenses		–	–	–	–	–	(7.0)	–	(3.9)	**(10.9)**	(1.7)	**(12.6)**
SNO!zone income	2b	–	–	–	–	–	–	10.1	–	**10.1**	–	**10.1**
SNO!zone expenses		–	–	–	–	–	–	(8.7)	–	**(8.7)**	–	**(8.7)**
Depreciation		–	–	–	–	–	(0.1)	(0.2)	–	**(0.3)**	–	**(0.3)**
Inter-segment eliminations	2b	–	–	–	(0.1)	–	0.1	–	–	**–**	–	**–**
Interest expense on central facility		–	–	–	–	–	–	–	(0.7)	**(0.7)**	–	**(0.7)**
Recurring pre-tax profit/(loss)		4.5	1.1	7.1	1.0	0.6	3.4	1.2	(4.6)	**14.3**	2.7	**17.0**
Performance fees	2b	–	–	–	–	–	2.6	–	–	**2.6**	(0.6)	**2.0**
Variable overhead		–	–	–	–	–	(0.9)	(0.1)	(1.7)	**(2.7)**	–	**(2.7)**
Revaluation of properties		(7.6)	(1.3)	(10.0)	(1.7)	(0.1)	–	–	–	**(20.7)**	(0.1)	**(20.8)**
(Loss)/profit on disposal of properties		(1.6)	–	0.1	–	0.1	–	–	–	**(1.4)**	(0.2)	**(1.6)**
Impairment of goodwill	12	–	–	–	–	–	–	–	–	**–**	(1.8)	**(1.8)**
Impairment of FIX UK		–	–	–	–	(1.3)	–	–	–	**(1.3)**	–	**(1.3)**
Impairment of German portfolio 4		–	–	(3.3)	–	–	–	–	–	**(3.3)**	–	**(3.3)**
Transfer from foreign currency reserve for German portfolio 4		–	–	0.7	–	–	–	–	–	**0.7**	–	**0.7**
Impairment of Euro B-Note		–	–	(3.2)	–	–	–	–	–	**(3.2)**	–	**(3.2)**
Gain/(loss) on financial instruments		1.6	(0.6)	(0.1)	1.7	(0.1)	–	–	–	**2.5**	1.1	**3.6**
Other items		1.4	–	0.2	–	–	(0.2)	(0.2)	(0.4)	**0.8**	(0.3)	**0.5**
Loss on disposal of JVs and Associates		–	–	–	–	–	–	–	–	**–**	(4.0)	**(4.0)**
Profit/(loss) before tax		(1.7)	(0.8)	(8.5)	1.0	(0.8)	4.9	0.9	(6.7)	**(11.7)**	(3.2)	**(14.9)**
Tax credit/(charge)	9a									**0.9**	(2.0)	**(1.1)**
Profit after tax										**(10.8)**	(5.2)	**(16.0)**
Total assets	2b	210.5	49.2	191.9	84.2	0.2	4.8	2.5	4.0	**547.3**	32.2	**579.5**
Total liabilities	2b	(142.5)	(32.9)	(149.8)	(62.3)	–	(4.2)	(2.0)	(4.6)	**(398.3)**	(1.6)	**(399.9)**
Net assets		68.0	16.3	42.1	21.9	0.2	0.6	0.5	(0.6)	**149.0**	30.6	**179.6**

Notes to the financial statements continued

For the year to 30 December 2012

2a Operating segments continued

		UK Shopping Centres										
Year to 30 December 2011	Note	The Mall £m	Other UK Shopping Centres £m	Germany £m	Leisure £m	Other £m	Property Management £m	SNO!zone £m	Group items £m	**Total continuing operations £m**	Discon-tinued operations £m	**Total £m**
Rental income from external sources	2b	16.0	1.0	19.3	7.4	2.2	–	–	–	**45.9**	9.9	**55.8**
Property and void costs		(4.0)	(0.3)	(2.6)	(0.8)	(0.2)	–	–	–	**(7.9)**	(2.1)	**(10.0)**
Net rental income		12.0	0.7	16.7	6.6	2.0	–	–	–	**38.0**	7.8	**45.8**
Interest income		–	–	0.8	–	–	–	–	–	**0.8**	–	**0.8**
Interest expense		(8.1)	(0.3)	(9.6)	(4.7)	(1.3)	–	–	–	**(24.0)**	(6.6)	**(30.6)**
Contribution		3.9	0.4	7.9	1.9	0.7	–	–	–	**14.8**	1.2	**16.0**
Management fees	2b	–	–	–	–	–	10.4	–	–	**10.4**	2.3	**12.7**
Management expenses		–	–	–	–	–	(6.2)	–	(3.9)	**(10.1)**	(1.9)	**(12.0)**
SNO!zone income	2b	–	–	–	–	–	–	12.4	–	**12.4**	–	**12.4**
SNO!zone expenses		–	–	–	–	–	–	(11.5)	–	**(11.5)**	–	**(11.5)**
Depreciation		–	–	–	–	–	(0.2)	(0.2)	–	**(0.4)**	–	**(0.4)**
Inter-segment eliminations	2b	–	–	–	(0.1)	–	0.1	–	–	**-**	–	**–**
Net interest expense on central facility		–	–	–	–	–	–	–	(0.8)	**(0.8)**	–	**(0.8)**
Recurring pre-tax profit/(loss)		3.9	0.4	7.9	1.8	0.7	4.1	0.7	(4.7)	**14.8**	1.6	**16.4**
Variable overhead		–	–	–	–	–	(0.6)	–	(1.1)	**(1.7)**	–	**(1.7)**
Revaluation of properties		(1.1)	–	(2.4)	(0.7)	(1.0)	–	–	–	**(5.2)**	6.9	**1.7**
Profit/(loss) on disposals		(0.7)	–	(0.1)	–	–	–	–	–	**(0.8)**	1.5	**0.7**
Impairment of goodwill	12	–	–	–	–	–	–	–	–	**–**	(0.1)	**(0.1)**
Gain on financial instruments		0.1	(0.2)	0.7	1.0	0.2	–	–	–	**1.8**	0.8	**2.6**
Investment income		–	–	4.0	–	–	–	–	–	**4.0**	–	**4.0**
Other items		1.1	–	(1.1)	–	–	–	0.1	(0.2)	**(0.1)**	(0.1)	**(0.2)**
Profit/(loss) before tax		3.3	0.2	9.0	2.1	(0.1)	3.5	0.8	(6.0)	**12.8**	10.6	**23.4**
Tax charge	9a									**(2.0)**	(0.3)	**(2.3)**
Profit after tax										**10.8**	10.3	**21.1**
Total assets	2b	212.9	20.4	277.3	84.3	27.3	6.6	2.1	17.0	**647.9**	152.7	**800.6**
Total liabilities	2b	(148.0)	(13.9)	(222.6)	(73.2)	(26.3)	(3.8)	(2.1)	(14.0)	**(503.9)**	(100.7)	**(604.6)**
Net assets		64.9	6.5	54.7	11.1	1.0	2.8	–	3.0	**144.0**	52.0	**196.0**

2b Reconciliations of reportable revenue, assets and liabilities

Revenue	Note	**Year to 30 December 2012 £m**	Year to 30 December 2011 £m
Rental income from external sources	2a	**42.1**	45.9
Inter-segment revenue	2a	**0.1**	0.1
Management fees	2a	**10.4**	10.4
Performance fees	2a	**2.6**	–
SNO!zone income	2a	**10.1**	12.4
Revenue for reportable segments – continuing operations		**65.3**	68.8
Elimination of inter-segment revenue	2a	**(0.1)**	(0.1)
Rental income earned by associates and joint ventures	17d, 17e	**(35.3)**	(38.5)
Management fees earned by associates and joint ventures	17d, 17e	**(1.2)**	(1.3)
Revenue per consolidated income statement – continuing operations	3	**28.7**	28.9
Revenue for reportable segments by country – continuing operations			
UK		**48.2**	48.2
Germany		**17.1**	20.6
Revenue for reportable segments – continuing operations		**65.3**	68.8

Revenue is attributed to countries on the basis of the location of the underlying properties. Revenue from the Group's major customer is management fee income from The Mall LP, included in the property management segment, which represented £6.7 million (2011: £7.1 million) of the Group's total revenue of £28.7 million (2011: £28.9 million). Further information on related party transactions is disclosed in note 35 to the financial statements.

Assets	Note	**30 December 2012 £m**	30 December 2011 £m
Total assets of reportable segments	2a	**575.5**	783.6
Adjustment for associates and joint ventures		**(325.4)**	(512.1)
Non-segment assets	2a	**4.0**	17.0
Group assets		**254.1**	288.5
Liabilities			
Total liabilities of reportable segments	2a	**(395.3)**	(590.6)
Adjustment for associates and joint ventures		**325.4**	512.1
Non-segment liabilities	2a	**(4.6)**	(14.0)
Group liabilities		**(74.5)**	(92.5)
Net assets by country			
UK		**136.5**	140.1
Germany		**43.1**	55.9
Group net assets		**179.6**	196.0

3 Revenue

Statutory	Note	**Year to 30 December 2012 £m**	Year to 30 December 2011 £m
Gross rent from wholly owned properties		**6.6**	7.4
Management fees		**12.0**	9.1
SNO!zone income	2a	**10.1**	12.4
Revenue per consolidated income statement – continuing operations	2b	**28.7**	28.9
Finance income	5	**2.9**	2.3
Total revenue from continuing operations		**31.6**	31.2

Management fees represent revenue earned by the Group's wholly-owned CRPM subsidiary.

With effect from 21 July 2010, the fee basis earned by CRPM for asset and property management on The Mall changed from a percentage of property under management to a fixed fee of £4.5 million per annum. 25% of this fee is subject to reduction on a sliding scale from 100% to 75% if the valuation of the properties in the fund falls to between £850 million and £600 million.

4 Cost of sales

	Note	**Year to 30 December 2012 £m**	Year to 30 December 2011 £m
Property costs of wholly owned properties		**0.5**	0.3
Void costs of wholly owned properties		**0.2**	0.4
SNO!zone expenses		**8.9**	11.7
Impairment/(Impairment reversal) of trading properties	11a	**1.5**	(0.7)
Total cost of sales		**11.1**	11.7

5 Finance income

	Year to 30 December 2012 £m	Year to 30 December 2011 £m
Interest receivable	**1.0**	1.3
Dividend income from investments	**0.2**	–
Gain in fair value of financial instruments:		
– Interest rate swaps	**1.5**	0.5
– Ineffective portion of forward foreign exchange contracts	**0.2**	0.2
– Unhedged element of forward foreign exchange contracts	**–**	0.3
Total finance income	**2.9**	2.3

6 Finance costs

	Year to 30 December 2012 £m	Year to 30 December 2011 £m
Interest payable on bank loans and overdrafts	**5.1**	4.8
Interest receivable on swaps	**(0.5)**	(0.5)
Interest payable	**4.6**	4.3
Amortisation of loan issue costs	**0.4**	0.4
Other interest payable	**0.6**	1.0
Total finance costs	**5.6**	5.7

7 Profit before tax

The profit before tax has been arrived at after charging the following items:

	Note	Year to 30 December 2012 £m	Year to 30 December 2011 £m
Depreciation of plant and equipment	13	**0.3**	0.4
Property revaluation	11a	**0.2**	1.5
Staff costs	8	**13.8**	13.5
Auditor's remuneration for audit services (see below)		**0.3**	0.3

Auditor's remuneration

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

	30 December 2012 £m	30 December 2011 £m
Fees payable to the Company's auditor and their associates for the audit of the Company's annual financial statements	**0.1**	0.1
Fees payable to the Company's auditor and their associates for other services to the Group – the audit of the Company's subsidiaries	**0.1**	0.1
Total audit fees for the Company and its subsidiaries	**0.2**	0.2
Fees payable to the Company's auditor and their associates for other services to the Group – the audit of the Company's affiliates	**0.1**	0.1
Total audit fees	**0.3**	0.3
Tax compliance services	**0.1**	0.1
Other non-audit services	**0.1**	0.1
Total non-audit fees	**0.2**	0.2
Total fees paid to auditor and their associates	**0.5**	0.5

Included in other non-audit services is an amount for audit related assurance services of £44,200 (2011: £41,500) for the review of the Group's interim report.

The fees in relation to the audit of the Company's affiliates have been disclosed gross and have not been pro-rated to reflect the Company's equity investment percentage.

Of the tax compliance services payable to the Company's auditor, £nil (2011: £nil) was payable by the Company, with the balance of the fee relating to amounts incurred by affiliates. No fees were charged in the current or prior period pursuant to contingent fee arrangements.

8 Staff costs

All remuneration, including directors, is paid by either CRPM or the SNO!zone companies.

	Note	Year to 30 December 2012 £m	Year to 30 December 2011 £m
Salaries		**9.5**	10.5
Discretionary bonuses		**2.1**	1.0
Share-based payments	25	**0.8**	0.8
		12.4	12.3
Social security		**1.2**	1.1
Other pension costs		**0.2**	0.1
		13.8	13.5

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

Staff numbers

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

	Year to 30 December 2012 Number	Year to 30 December 2011 Number
CRPM	**79**	84
SNO!zone	**203**	251
Total staff numbers	**282**	335

9 Tax

9a Tax charge

	Note	Year to 30 December 2012 £m	Year to 30 December 2011 £m
Current tax charge			
UK corporation tax – continuing operations		**1.0**	1.9
UK corporation tax – discontinued operations		**2.0**	0.3
Adjustments in respect of prior years – continuing operations		**(2.6)**	(0.2)
Foreign tax – continuing operations		**0.2**	0.1
Total current tax charge		**0.6**	2.1
Deferred tax charge			
Origination and reversal of temporary timing differences		**0.5**	0.2
Deferred tax credit – discontinued operations	9c	**(3.5)**	–
Total deferred tax (credit)/charge	9c	**(3.0)**	0.2
Total tax (credit)/charge		**(2.4)**	2.3
Total tax (credit)/charge – continuing operations	9b	**(0.9)**	2.0
Total tax (credit)/charge – discontinued operations	30	**(1.5)**	0.3

£nil (2011: £nil) of the tax charge relates to items included in other comprehensive income.

9b Tax charge reconciliation

	Note	Year to 30 December 2012 £m	Year to 30 December 2011 £m
(Loss)/profit before tax on continuing operations		**(11.7)**	12.8
Profit multiplied by the UK corporation tax rate of 24.5% (2011: 26.5%)		**(2.9)**	3.4
Non-allowable expenses and non-taxable items		**(1.0)**	(2.7)
Utilisation of tax losses		**(1.3)**	(1.1)
Tax on realised gains/(losses)		**0.5**	0.2
Unrealised losses on investment properties not taxable		**4.7**	1.6
Temporary timing and controlled foreign companies income		**1.7**	0.9
Adjustments in respect of prior years		**(2.6)**	(0.3)
Total tax (credit)/charge	9a	**(0.9)**	2.0

9c Deferred tax

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

	Note	Capital allowances £m	Other timing differences £m	Total deferred tax liability £m
At 30 December 2010		(4.9)	1.2	**(3.7)**
Deferred tax charge		(0.3)	0.1	**(0.2)**
At 30 December 2011		(5.2)	1.3	**(3.9)**
Deferred tax credit/(charge) – continuing operations	9a	0.1	(0.6)	**(0.5)**
Deferred tax credit – discontinued operations	9a	3.3	0.2	**3.5**
At 30 December 2012		(1.8)	0.9	**(0.9)**

The reduction in the UK corporation tax rate at 1 April 2013 from 25% to 23% was substantively enacted on 3 July 2012. Consequently, the UK corporation tax rate at which deferred tax is booked in the financial statements is 23% (2011: 25%).

There are no temporary differences relating to the unremitted earnings of subsidiaries as the Group's overseas subsidiaries are controlled foreign companies under UK tax legislation and their profits are treated as taxable in the UK in the year they arise. No deferred tax asset has been recognised in respect of temporary differences arising from investments in associates and interests in joint ventures of £0.9 million (2011: £2.2 million) as it is not certain that a deduction will be available when the asset crystallises.

9d Unused tax losses

The Group has £46.0 million (2011: £55.8 million) of unused revenue tax losses, all of which are in the UK. During the period several historic tax matters were successfully concluded with the tax authority which has resulted in the closure of all open tax years up to and including 2009 and a prior year tax credit to the income statement of £2.1 million. A deferred tax asset of £0.5 million (2011: £0.5 million) has been recognised in respect of £2.0 million (2011: £2.1 million) of these losses, based on future profit forecasts. No deferred tax asset has been recognised in respect of the remainder owing to the unpredictability of future profit streams and other reasons which may restrict the utilisation of the losses. The Group has unused capital losses of £20.6 million (2011: £21.4 million) that are available for offset against future gains but similarly no deferred tax has been recognised in respect of these losses owing to the unpredictability of future capital gains and other reasons which may restrict the utilisation of the losses. The losses do not have an expiry date.

9e Factors affecting tax

The Budget on 21 March 2012 revised the previously announced phased reduction in the UK statutory corporation tax rate. The rate is now proposed to reduce to 22% (previously 23%) by 1 April 2014. The reduction in the UK corporation tax rate at 1 April 2012 to 24% was substantively enacted on 26 March 2012. The reduction to 23% from 1 April 2013 was substantively enacted on 3 July 2012. This change will not have a significant impact on the Group.

In 2009 agreement was reached with the tax authorities related to tax structuring of previous property disposals by the Group in 2004 and 2005 which resulted in a liability of £19.5 million including interest. During the period the final instalment of £5.0 million was paid and as at 30 December 2012 no further liability exists.

10 Earnings per share

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

10a Earnings per share calculation

	Note	Year to 30 December 2012 Basic	Diluted	EPRA diluted	Year to 30 December 2011 Basic	Diluted	EPRA diluted
(Loss)/profit (£m)							
(Loss)/profit for the year from continuing operations		**(10.8)**	**(10.8)**	**(10.8)**	10.8	10.8	10.8
Revaluation of investment properties	10b	**–**	**–**	**19.2**	–	–	5.9
Profit on disposal of investment properties (net of tax)	10b	**–**	**–**	**1.1**	–	–	0.6
Movement in fair value of financial instruments (net of tax)	10b	**–**	**–**	**(1.9)**	–	–	(1.2)
Deferred tax charge on capital allowances	9c	**–**	**–**	**(0.1)**	–	–	–
(Loss)/profit from continuing operations		**(10.8)**	**(10.8)**	**7.5**	10.8	10.8	16.1
Discontinued operations		**(5.2)**	**(5.2)**	**(4.6)**	10.3	10.3	1.9
(Loss)/profit		**(16.0)**	**(16.0)**	**2.9**	21.1	21.1	18.0
Weighted average number of shares (m)							
Ordinary shares in issue	24	**350.6**	**350.6**	**350.6**	350.6	350.6	350.6
Own shares held		**(1.3)**	**(1.3)**	**(1.3)**	(1.8)	(1.8)	(1.8)
Dilutive contingently issuable shares and share options		**–**	**–**	**–**	–	0.2	0.2
		349.3	**349.3**	**349.3**	348.8	349.0	349.0
(Loss)/Earnings per share (pence)		**(5)p**	**(5)p**	**1p**	6p	6p	5p
(Loss)/Earnings per share (pence) – continuing operations		**(3)p**	**(3)p**	**2p**	3p	3p	5p

At the end of the year, the Group had 13,987,306 (2011: 15,569,672) share options and contingently issuable shares granted under share-based payment schemes that could potentially have diluted basic earnings per share in the future but which have not been included in the calculation because they are not dilutive or the conditions for vesting have not been met.

10b Reconciliation of earnings figures included in earnings per share calculations

		Year to 30 December 2012			Year to 30 December 2011		
	Note	**Revaluation movements £m**	**Profit/(loss) on disposal of investment properties £m**	**Movement in fair value of financial instruments £m**	Revaluation movements £m	Profit/(loss) on disposal of investment properties £m	Movement in fair value of financial instruments £m
Associates	17d	**(8.9)**	**(1.6)**	**1.0**	(1.9)	0.7	0.3
Joint ventures	17e	**(10.2)**	**0.1**	**(0.4)**	(2.5)	0.1	0.5
Wholly owned		**(0.1)**	**0.1**	**1.9**	(1.5)	–	1.0
Tax effect		**–**	**0.3**	**(0.6)**	–	(0.2)	(0.6)
Total	10a	**(19.2)**	**(1.1)**	**1.9**	(5.9)	(0.6)	1.2

11 Property assets

11a Wholly-owned properties

	Note	Freehold investment properties £m	Leasehold investment properties £m	Sub-total investment properties £m	Freehold trading properties £m	**Total property assets £m**
Cost or valuation						
At 30 December 2010		0.2	9.8	10.0	70.8	**80.8**
Acquisition	17c	26.1	–	26.1	–	**26.1**
Disposal into a joint venture	17c	(26.1)	–	(26.1)	–	**(26.1)**
Impairment reversal of trading properties		–	–	–	0.7	**0.7**
Revaluation movement		–	(1.5)	(1.5)	–	**(1.5)**
At 30 December 2011		0.2	8.3	8.5	71.5	**80.0**
Capital expenditure		–	0.3	0.3	–	**0.3**
Disposal of freehold investment properties		(0.2)	–	(0.2)	–	**(0.2)**
Impairment of trading properties		–	–	–	(1.5)	**(1.5)**
Revaluation movement		–	(0.2)	(0.2)	–	**(0.2)**
At 30 December 2012		**–**	**8.4**	**8.4**	**70.0**	**78.4**

The Group did not have any wholly-owned development property in either the current year or the preceding year. The Group has pledged land and buildings with a carrying amount of £70.0 million (2011: £79.8 million) to secure banking facilities granted to the Group, including amounts relating to trading properties of £70.0 million (2011: £71.5 million). Those banking facilities restrict the remittance of income from the properties to elsewhere in the Group. The historical cost of wholly-owned property at 30 December 2012 was £92.2 million (2011: £90.0 million).

11b Property assets summary

	Note	30 December 2012 Valuation £m	30 December 2011 Valuation £m
Wholly-owned			
Investment properties at fair value		**8.4**	8.5
Trading properties at the lower of cost and net realisable value		**72.5**	72.0
Unamortised tenant incentives on trading properties		**(2.5)**	(0.5)
		78.4	80.0
Joint ventures (100%)			
Investment properties at fair value		**364.1**	575.9
Unamortised tenant incentives on investment properties		**(0.2)**	(6.0)
	17e	**363.9**	569.9
Associates (100%)			
Investment properties at fair value		**982.6**	1,871.7
Head leases treated as finance leases on investment properties		**65.5**	70.2
Unamortised tenant incentives on investment properties		**(19.1)**	(44.8)
Held for sale properties at fair value		**–**	84.2
	17d	**1,029.0**	1,981.3

Valuations

In addition to the wholly-owned properties shown above, the Group's property assets include its share in the investment properties held by its associates and joint ventures. External valuations at 30 December 2012 were carried out on £1,428.7 million (2011: £2,479.7 million) of the property assets held by the Group and its associates and joint ventures, of which the Group's share was £461.3 million (2011: £650.2 million).

The valuations were carried out by independent qualified professional valuers from CB Richard Ellis Limited, Cushman & Wakefield LLP, DTZ Debenham Tie Leung Limited and Jones Lang LaSalle Limited. These valuers are not connected with the Group and their fees are charged on a fixed basis that is not dependent on the outcome of the valuations. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties.

No directors' valuations were performed at 30 December 2012. At 30 December 2011 directors' valuations were carried out on £132.6 million of the property assets of the Group's associates and joint ventures, of which the Group's share was £26.7 million. The valuations were carried out by Kenneth Ford BSc FRICS and were arrived at by reference to market evidence of transaction prices for similar properties.

12 Goodwill

	30 December 2012 £m	30 December 2011 £m
At the start of the year	**1.8**	1.9
Impairment losses for the year	**(1.8)**	(0.1)
At the end of the year	**–**	1.8

The goodwill carried in the Group balance sheet relating to the management contracts for the X-Leisure fund held by the Group's X-Leisure Limited joint venture was fully impaired during the year through discontinued operations on assessment that the likely future cash benefit arising to the Group from the X-Leisure Limited joint venture would not support the carrying value either through sale or continuing use.

13 Plant and equipment

	30 December 2012 £m	30 December 2011 £m
Cost or valuation		
At the start of the year	**2.3**	2.7
Additions	**0.4**	0.3
Disposals	**–**	(0.7)
At the end of the year	**2.7**	2.3
Accumulated depreciation		
At the start of the year	**(1.6)**	(1.8)
Charge for the year	**(0.3)**	(0.4)
Eliminated on disposal	**–**	0.6
At the end of the year	**(1.9)**	(1.6)
Carrying amount		
At the end of the year	**0.8**	0.7

14 Available for sale investments

	30 December 2012 £m	30 December 2011 £m
Fair value		
At the start of the year	**0.3**	0.3
Disposals	**(0.3)**	–
At the end of the year	**–**	0.3

On 12 January 2012 the Group disposed of its 0.3% interest in the units of the Paddington Central III Unit Trust for £0.3 million.

15 Non-current receivables

	30 December 2012 £m	30 December 2011 £m
Financial assets		
Loans to joint ventures	**21.2**	32.1
Non-derivative financial assets	**21.2**	32.1
Financial assets carried at fair value through the profit or loss:		
– Foreign exchange forward contracts	**–**	0.6
– Interest rate swaption	**–**	0.2
	21.2	32.9
Non-financial assets		
Prepayments – tenant incentives	**2.4**	0.4
	23.6	33.3

Interest is payable on the majority of loans to joint ventures at normal commercial rates. The Group has pledged loans to joint ventures with a carrying amount of £15.0 million (2011: £15.0 million) to secure banking facilities granted to the Group.

Notes to the financial statements continued

For the year to 30 December 2012

16 Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation, and proportion of ownership interest is given in note G to the Company financial statements.

The terms of the Group's central borrowing facility may restrict the ability of Capital & Regional Holdings Limited and its subsidiaries to make cash distributions or repay loans and advances to the Company or elsewhere in the Group if they would thereby cause a default on the facility.

The terms of the borrowing facilities for the Great Northern property includes a cash sweep that restricts the ability of Morrison Merlin Limited to make cash distributions or repay loans and advances to the Company or elsewhere in the Group as disclosed in note 19.

17 Investment in associates and joint ventures

17a Share of results

	Note	**Year to 30 December 2012 £m**	Year to 30 December 2011 £m
Share of results of associates	17d	**(5.6)**	7.7
Impairment of FIX UK		**(1.3)**	–
Share of results of joint ventures	17e	**(3.3)**	3.9
Impairment of German portfolio 4		**(3.3)**	–
Transfer from foreign currency reserve for German portfolio 4		**0.7**	–
		(12.8)	11.6

17b Investment in associates

	Note	**30 December 2012 £m**	30 December 2011 £m
At the start of the year		**120.2**	110.8
Investment in associates		**16.2**	4.0
Share of results of associates	17d	**(5.6)**	7.7
Share of results of associates within discontinued operations	17d	**0.5**	9.0
Dividends and capital distributions received	35	**(2.2)**	(11.2)
Reclassified as held for sale (X-Leisure Fund)		**(33.9)**	–
Foreign exchange differences		**–**	(0.1)
Impairment of FIX UK		**(1.3)**	–
Disposal of The Junction Fund		**(13.2)**	–
At the end of the year	17d	**80.7**	120.2

17b Investment in associates continued

The Group's associates are:

	Group interest		
	At the start of the year %	Average during the year/until disposal %	At the end of the year %
The Mall Limited Partnership	18.16	19.98	20.15
Kingfisher Limited Partnership	–	20.00	20.00
The Junction Limited Partnership	13.29	13.29	–
X-Leisure Limited Partnership[1]	11.93	11.93	11.93
The FIX UK Limited Partnership	20.00	20.00	20.00
Garigal Asset Management GmbH ("Garigal")	30.06	30.06	30.06
Euro B-Note Holding Limited	49.90	49.90	49.90

[1] Reclassified as asset held for sale.

Whilst the Group held less than 20% in The Mall Limited Partnership at the start of the year it has been accounted for as an associate throughout the year and in the preceding year as the Group have maintained significant influence arising from its representation on the General Partner boards. For the same reason the Group's investments in The Junction Limited Partnership and X-Leisure Limited Partnership were also accounted for as associates prior to their disposal and reclassification to held for sale respectively. The share of results of these investments shown in note 17d therefore relates to the period up to disposal and being transferred to held for sale respectively (see note 30 for further details). The Group holds 20% or more of Garigal Asset Management GmbH and Kingfisher Limited Partnership and exercises significant influence through its representation on the General Partner or advisory boards. The Group holds an effective 49.90% of Euro B-Note Holding Limited and exercises significant influence through its ownership interest.

The Mall Limited Partnership

On 8 February 2012 the Group purchased 18.7 million units in The Mall Fund at £0.30 per unit for a total consideration of £5.6 million. This purchase was at a discount to the net asset value of The Mall and resulted in a gain on investment of £1.4 million. This purchase increased the holding in The Mall Fund from 18.16% to 20.15%.

On 12 July 2012, The Mall completed the sale of The Castle Mall Shopping Centre in Norwich for £77.3 million at a 7.8% net initial yield.

After the year end on 4 January 2013, the Group purchased 1.6 million units in The Mall Fund at £0.25 per unit for a total consideration of £0.4 million. This increased the holding in The Mall Fund from 20.15% to 20.33%.

Kingfisher Limited Partnership

On 1 May 2012, the Group completed its acquisition of a 20% interest in The Kingfisher Shopping Centre in Redditch for a total consideration of £10.6 million in partnership with funds managed by Oaktree Capital Management L.P. The Kingfisher Centre was purchased for £130.0 million at an 8% net initial yield.

17b Investment in associates continued

The FIX UK Limited Partnership

At 30 June 2012, the Group made a provision for impairment of £1.3 million to write down the carrying value of its investment in FIX UK Limited Partnership to £nil. This was to take account of the significant refinancing risk associated with the FIX debt (non-recourse to the Group) amounting to £125.0 million at 30 June 2012 that was due to mature in February 2013. At that date the Group also concluded it had lost significant influence given the debt of the fund exceeded the value of the property and the impending refinancing. As such the following share of results of FIX UK that has been included within note 17d relates purely to the period to 30 June 2012.

	£m
Net rent	1.0
Contribution	0.3
Profit after tax	0.3

The impairment resulted in the following share of assets and liabilities of FIX UK being removed from the see-through analysis in note 18d:

	£m
Investment properties	26.1
Other assets	1.1
Current liabilities	(25.0)
Non-current liabilities	(0.9)
Net assets	1.3

Euro B-Note Holding Limited

At 30 December 2012, the loan receivable due from German portfolio 4 is being carried at an amortised cost less impairment of €5.7 million (Group share of £2.3 million) compared to the principal value of €18.0 million of the junior debt. The carrying value at 30 December 2011 was €13.5 million (Group share of £5.6 million). The additional impairment of €7.8 million (Group share of £3.2 million) recognised in the period reflects an assessment of the risk of recovering the loan value due to the continuing uncertainty impacting the portfolio as detailed in note 17c.

Cash distributions

Distributions received from Joint Ventures and Associates are disclosed in note 35.

17c Investment in joint ventures

	Note	**30 December 2012 £m**	30 December 2011 £m
At the start of the year		**27.2**	25.7
Investment in joint ventures		**–**	1.2
Share of results of joint ventures	17e	**(3.3)**	3.9
Share of results of joint ventures within discontinued operations	17e	**2.0**	1.7
Dividends and capital distributions received	35	**(0.6)**	(4.5)
Reclassified as held for sale (X-Leisure Limited)		**(0.8)**	–
Impairment of German portfolio 4		**(3.3)**	–
Disposal of interest in Xscape Braehead		**5.4**	–
Foreign exchange differences		**(0.9)**	(0.8)
At the end of the year	17e	**25.7**	27.2

17c Investment in joint ventures continued

The Group's significant joint ventures are:

	At the start of the year %	Group interest Average during the year/until disposal since acquisition %	At the end of the year %
German portfolio	50.00	50.00	50.00
X-Leisure Limited	50.00	50.00	50.00
Xscape Braehead Partnership	50.00	50.00	–
The Auchinlea Partnership	50.00	50.00	50.00
Waterside Lincoln Limited Partnership	50.00	50.00	50.00

The Group's investments in joint ventures include its share of the German portfolio (49.6%), and its investments in The Waterside Lincoln Limited Partnership (50%) and The Auchinlea Partnership (50%). The Group's interest in X-Leisure Limited (50%) was reclassified as held for sale during the year while the interest in Xscape Braehead Partnership (50%) was disposed of on 24 December 2012 (See note 30 for further details). The Group's share in the German portfolio is accounted for at 50% as the minority interests are included as a liability on the joint venture balance sheet.

German portfolio

At 30 June 2012, the Group made a provision for impairment of £3.3 million to write down the carrying value of its investment in the German portfolio 4 joint venture to £nil. This was to take account of the fall in property values during the first half of 2012 which resulted in portfolio 4 defaulting on its €157.9 million debt as it did not meet the required 93% loan to value covenant test that was required to extend the loan into the second year of its extension period. As a result the loan maturity date was 16 July 2012 and the loan was placed into special servicing by the loan servicer. The Group concluded that it had lost joint control of its investment in German portfolio 4 at 30 June 2012 given the known inability to repay the debt on maturity and as such the following share of results of German portfolio 4 that has been included within note 17d relates purely to the period to 30 June 2012:

	£m
Net rent	1.6
Net interest payable	(0.7)
Contribution	0.9
Revaluation of investment properties	(8.6)
Profit on sale of investment properties	0.1
Loss before tax	(7.6)
Tax	1.0
Loss after tax	(6.6)

The impairment recorded at 30 June 2012 resulted in the following share of assets and liabilities of German portfolio 4 being removed from the see-through analysis in note 17e:

	£m
Investment properties	63.6
Other assets	4.2
Current liabilities	(63.2)
Non-current liabilities	(1.3)
Net assets	3.3

At 30 June 2012, £0.7 million was reclassified from the foreign currency reserve to the income statement related to portfolio 4.

Following receipt of a demand for repayment in December 2012 the portfolio was placed into administration in January 2013. The securitised loan is non-recourse to the Group or any properties in the other German joint venture portfolios.

17c Investment in joint ventures continued

Waterside Lincoln Limited Partnership

On 22 February 2011, the Group completed the purchase of The Waterside Shopping Centre ("Waterside") in Lincoln for total cash consideration of £26.1 million, being a property cost of £24.8 million and directly related transaction costs of £1.3 million. The acquisition was completed utilising a new four year £13.6 million facility from Deutsche PostBank, together with existing cash resources.

On 8 March 2011, the Group conditionally exchanged contracts with Karoo Investment Fund II S.C.A SICAV-SIF ("Karoo") to form a joint venture by selling 50% of the Group's interest in Waterside ("the Disposal"). As the Group and Karoo have common significant shareholders the formation of the joint venture was conditional upon shareholder approval which was granted on 1 April 2011.

On 8 April 2011 the Group completed the Disposal. The Group initially acquired the Waterside through an English Limited Partnership consisting of a General Partner and two equal Limited Partners. In order to form the joint venture, the Group sold the entire share capital of one of the Limited Partners and 50% of the share capital of the General Partner to Karoo. Under the terms of the Disposal it was agreed that Karoo would fund half of the total costs and related expenses incurred by the Group in acquiring Waterside. Accordingly, the total amount paid by Karoo was £6.4 million comprising a purchase price for the shares being sold of £58k and £6.37 million of financing that had been provided by the Group to complete the purchase of Waterside. Following the Disposal the Group's remaining 50% interest in Waterside is classified as a loan to joint venture amounting to £6.4 million at 30 December 2012 (2011: £6.4 million).

17d Analysis of investment in associates

	Note	The Mall £m	Other UK Shopping Centres £m	Other £m	Discontinued Operations: The Junction £m	Discontinued Operations: X-Leisure £m	**Year to 30 December 2012 Total £m**	Year to 30 December 2011 Total £m
Income statement (100%)								
Revenue – gross rent		77.5	9.0	5.5	14.4	42.6	**149.0**	170.1
Property and management expenses		(17.0)	(2.1)	(0.6)	(4.3)	(7.1)	**(31.1)**	(29.9)
Void costs		(4.3)	–	(0.1)	(0.8)	(1.3)	**(6.5)**	(7.7)
Net rent		56.2	6.9	4.8	9.3	34.2	**111.4**	132.5
Net interest payable		(33.2)	(3.7)	(3.6)	(6.6)	(21.2)	**(68.3)**	(95.1)
Contribution		23.0	3.2	1.2	2.7	13.0	**43.1**	37.4
Revenue – management fees		–	–	4.1	–	–	**4.1**	4.3
Management expenses		–	–	(2.7)	(2.6)	(7.5)	**(12.8)**	(2.9)
Revaluation of investment properties		(38.7)	(5.8)	(0.5)	(29.8)	25.4	**(49.4)**	33.9
(Loss)/profit on sale of investment properties		(8.1)	–	(0.1)	(1.1)	–	**(9.3)**	6.8
Fair value of interest rate swaps		8.1	(3.3)	0.6	1.5	6.9	**13.8**	7.1
Investment income		–	–	–	–	–	**–**	8.1
Impairment of Euro B-Note		–	–	(6.3)	–	–	**(6.3)**	–
(Loss)/profit before tax		(15.7)	(5.9)	(3.7)	(29.3)	37.8	**(16.8)**	94.7
Tax		–	0.1	(0.4)	–	–	**(0.3)**	(0.4)
(Loss)/profit after tax		(15.7)	(5.8)	(4.1)	(29.3)	37.8	**(17.1)**	94.3
Balance sheet (100%)								
Investment properties		897.5	131.5	–	–	–	**1,029.0**	1,897.1
Investment properties held for sale		–	–	–	–	–	**–**	84.2
Other assets		147.4	11.0	9.3	–	–	**167.7**	250.0
Current liabilities		(36.4)	(7.5)	(1.3)	–	–	**(45.2)**	(86.2)
Non-current liabilities		(671.2)	(87.9)	–	–	–	**(759.1)**	(1,383.6)
Net assets (100%)		337.3	47.1	8.0	–	–	**392.4**	761.5
Income statement (Group share)								
Revenue – gross rent		15.4	1.8	1.1	1.9	5.1	**25.3**	26.3
Property and management expenses		(3.4)	(0.4)	(0.2)	(0.6)	(0.9)	**(5.5)**	(4.5)
Void costs		(0.9)	–	–	(0.1)	(0.1)	**(1.1)**	(1.3)
Net rent		11.1	1.4	0.9	1.2	4.1	**18.7**	20.5
Net interest payable		(6.6)	(0.7)	(0.7)	(0.9)	(2.5)	**(11.4)**	(14.7)
Contribution		4.5	0.7	0.2	0.3	1.6	**7.3**	5.8
Revenue – management fees		–	–	1.2	–	–	**1.2**	1.3
Management expenses		–	–	(0.8)	(0.3)	(1.0)	**(2.1)**	(0.9)
Revaluation of investment properties		(7.6)	(1.2)	(0.1)	(4.0)	3.1	**(9.8)**	3.5
(Loss)/profit on sale of investment properties		(1.6)	–	–	(0.2)	–	**(1.8)**	0.8
Fair value of interest rate swaps		1.6	(0.7)	0.1	0.2	0.8	**2.0**	1.2
Investment income		–	–	–	–	–	**–**	4.0
Impairment of Euro B-Note		–	–	(3.2)	–	–	**(3.2)**	–
Gain recognised on investment in Mall	17b	1.4	–	–	–	–	**1.4**	1.1
(Loss)/profit before tax		(1.7)	(1.2)	(2.6)	(4.0)	4.5	**(5.0)**	16.8
Tax		–	–	(0.1)	–	–	**(0.1)**	(0.1)
(Loss)/profit after tax		(1.7)	(1.2)	(2.7)	(4.0)	4.5	**(5.1)**	16.7
Balance sheet (Group share)								
Investment properties		180.8	26.3	–	–	–	**207.1**	298.8
Investment properties held for sale		–	–	–	–	–	**–**	15.3
Other assets		29.7	2.2	3.7	–	–	**35.6**	45.6
Current liabilities		(7.3)	(1.5)	(0.4)	–	–	**(9.2)**	(14.2)
Non-current liabilities		(135.2)	(17.6)	–	–	–	**(152.8)**	(225.3)
Net assets (Group share)		68.0	9.4	3.3	–	–	**80.7**	120.2

17e Analysis of investment in joint ventures

	German portfolio £m	Other UK Shopping Centres £m	Others £m	Discontinued Operations £m	**Year to 30 December 2012 Total £m**	Year to 30 December 2011 Total £m
Income statement (100%)						
Revenue – gross rent	31.8	2.5	–	3.8	**38.1**	44.2
Property and management expenses	(5.8)	(0.6)	–	(4.2)	**(10.6)**	(6.0)
Void costs	(0.3)	(0.2)	–	(0.2)	**(0.7)**	(0.8)
Net rent	25.7	1.7	–	(0.6)	**26.8**	37.4
Net interest payable	(12.9)	(0.7)	–	0.6	**(13.0)**	(23.4)
Contribution	12.8	1.0	–	–	**13.8**	14.0
Revenue – management fees	–	–	–	4.7	**4.7**	4.7
Management expenses	–	–	–	(2.3)	**(2.3)**	(3.9)
Revaluation of investment properties	(20.1)	(0.3)	–	1.6	**(18.8)**	(1.9)
Profit/(loss) on sale of investment properties	0.1	–	–	–	**0.1**	(0.1)
Fair value of interest rate swaps	(0.7)	0.1	–	0.1	**(0.5)**	0.7
(Loss)/profit before tax	(7.9)	0.8	–	4.1	**(3.0)**	13.5
Tax	0.4	–	–	(0.6)	**(0.2)**	(2.3)
(Loss)/profit after tax	(7.5)	0.8	–	3.5	**(3.2)**	11.2
Balance sheet (100%)						
Investment properties	337.8	26.1	–	–	**363.9**	569.9
Other assets	11.7	2.6	0.4	–	**14.7**	29.7
Current liabilities	(31.0)	(0.9)	(0.1)	–	**(32.0)**	(45.2)
Non-current liabilities	(268.6)	(26.7)	–	–	**(295.3)**	(500.0)
Net assets (100%)	49.9	1.1	0.3	–	**51.3**	54.4
Income statement (Group share)						
Revenue – gross rent	15.9	1.2	–	1.9	**19.0**	22.1
Property and management expenses	(2.8)	(0.1)	–	(1.9)	**(4.8)**	(3.0)
Void costs	(0.2)	(0.1)	–	(0.1)	**(0.4)**	(0.4)
Net rent	12.9	1.0	–	(0.1)	**13.8**	18.7
Net interest payable	(6.5)	(0.4)	–	0.3	**(6.6)**	(11.6)
Contribution	6.4	0.6	–	0.2	**7.2**	7.1
Revenue – management fees	–	–	–	2.3	**2.3**	2.3
Management expenses	–	–	–	(1.1)	**(1.1)**	(1.9)
Revaluation of investment properties	(10.0)	(0.2)	–	0.8	**(9.4)**	(1.0)
Profit/(loss) on sale of investment properties	0.1	–	–	–	**0.1**	(0.1)
Fair value of interest rate swaps	(0.4)	–	–	0.1	**(0.3)**	0.4
(Loss)/profit before tax	(3.9)	0.4	–	2.3	**(1.2)**	6.8
Tax	0.2	–	–	(0.3)	**(0.1)**	(1.2)
(Loss)/profit after tax	(3.7)	0.4	–	2.0	**(1.3)**	5.6
Balance sheet (Group share)						
Investment properties	168.9	13.0	–	–	**181.9**	284.9
Other assets	5.9	1.3	0.2	–	**7.4**	14.9
Current liabilities	(15.5)	(0.5)	–	–	**(16.0)**	(22.6)
Non-current liabilities	(134.3)	(13.3)	–	–	**(147.6)**	(250.0)
Net assets (Group share)	25.0	0.5	0.2	–	**25.7**	27.2

18 Current receivables

	30 December 2012 £m	30 December 2011 £m
Financial assets		
Trade receivables	**0.7**	0.7
Amounts owed by associates	**2.0**	1.4
Amounts owed by joint ventures	**–**	0.2
Other receivables	**1.7**	0.9
Accrued income	**0.3**	0.5
Non-derivative financial assets	**4.7**	3.7
Financial assets carried at fair value through the profit or loss:		
– Foreign exchange forward contract	**1.4**	–
	6.1	3.7
Non-financial assets		
Prepayments	**1.3**	1.3
	7.4	5.0

Trade receivables largely comprise amounts owed by tenants of the Group's wholly-owned properties. Before accepting a new tenant, a review of its creditworthiness is carried out using an external credit scoring system and other publicly available financial information. Included in the non-derivative financial assets balance are receivables with a carrying amount of £0.5 million (2011: £1.1 million) which are past due at the reporting date for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds collateral of £0.1 million (2011: £0.1 million) over trade receivables as security deposits held in rent accounts. The average age of trade receivables is 35 days (2011: 35 days).

	30 December 2012 £m	30 December 2011 £m
Analysis of non-derivative current financial assets		
Not past due	**4.2**	2.6
Past due but not individually impaired:		
Less than one month	**–**	0.4
One to three months	**0.4**	0.1
Three to six months	**–**	–
Over six months	**0.1**	0.6
	4.7	3.7

	30 December 2012 £m	30 December 2011 £m
Allowances for doubtful receivables		
At the start of the year	**0.2**	0.8
Additional allowances created	**0.2**	–
Utilised during the year	**(0.2)**	(0.6)
At the end of the year	**0.2**	0.2

19 Cash and cash equivalents

	30 December 2012 £m	30 December 2011 £m
Cash at bank	**2.9**	16.2
Security deposits held in rent accounts	**0.1**	0.1
Other restricted balances	**2.3**	3.7
	5.3	20.0

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

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

	30 December 2012 £m	30 December 2011 £m
Sterling	**4.7**	19.7
Euro	**0.6**	0.3
	5.3	20.0

20 Current payables

	30 December 2012 £m	30 December 2011 £m
Financial liabilities		
Trade payables	**0.6**	0.4
Accruals	**4.6**	4.1
Payable to associates	**0.8**	0.7
Other payables	**0.8**	1.7
Non-derivative financial liabilities	**6.8**	6.9
Financial liabilities carried at fair value through the profit or loss		
Interest rate swaps	**1.8**	–
	8.6	6.9
Non-financial liabilities		
Deferred income	**1.9**	1.9
Other taxation and social security	**1.2**	1.2
	11.7	10.0

The average age of trade payables is 20 days (2011: 20 days) and no amounts incur interest (2011: £nil).

21 Non-current payables

	30 December 2012 £m	30 December 2011 £m
Financial liabilities		
Accruals	**0.7**	0.2
Other payables	**–**	0.3
Non-derivative financial liabilities	**0.7**	0.5
Financial liabilities carried at fair value through profit or loss:		
– Interest rate swaps	**–**	3.5
	0.7	4.0

22 Borrowings
22a Summary of borrowings

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

Borrowings at amortised cost	Note	30 December 2012 £m	30 December 2011 £m
Secured			
Fixed and swapped bank loans	23e	**57.6**	59.6
Variable rate bank loans	23e	**1.0**	7.6
Total borrowings before costs		**58.6**	67.2
Unamortised issue costs		**(0.6)**	(0.6)
Total borrowings after costs		**58.0**	66.6
Analysis of total borrowings after costs			
Unamortised issue costs (within prepayments)		**(0.3)**	–
Current		**–**	5.0
Non-current		**58.3**	61.6
Total borrowings after costs		**58.0**	66.6

On 31 August 2012 the Group signed a new revolving credit facility for £25 million, a reduction from £58 million and with the maturity extended to July 2016 from September 2013. These changes better reflect the Group's working capital requirements and reduce the cost of the undrawn facility. At the same time the Group extended the maturity of the loan on the Great Northern Warehouse by one year to October 2014. The loan on Great Northern Warehouse is secured by charges on that property. The Group's central credit facility is secured by charges over the units the Group holds in The Mall carried at £68.0 million at 30 December 2012 (2011: £64.9 million), X-Leisure carried as an asset held for sale at £32.2 million less associated liabilities of £1.6 million (2011: interest in associate of £30.5 million), the units the Group held in The Junction until its disposal (2011: £17.1 million), charges over certain holdings in and loans to the German joint venture carried at £35.5 million (2011: £34.9 million) and guarantees by the Company.

The core revolving credit facility was drawn by £1.0 million at 30 December 2012 (30 December 2011: £nil).

22b Maturity of borrowings

	Note	30 December 2012 £m	30 December 2011 £m
From two to five years		**1.0**	–
From one to two years		**57.6**	61.9
Due after more than one year		**58.6**	61.9
Current		**–**	5.3
	23a	**58.6**	67.2

22c Undrawn committed facilities

	30 December 2012 £m	30 December 2011 £m
Expiring between one and two years	**–**	58.0
Expiring between two and five years	**24.0**	–

Under the terms of the loan covenants, as disclosed in note 24e, a total of £25.0 million (2011: £58.0 million under the previous facility) was available for drawdown at year end on this facility. The Articles of the Company also restrict borrowing but this did not limit the amount available for drawdown on the facility during the current year or the preceding year.

22d Interest rate and currency profile of borrowings

	Note	30 December 2012 £m	30 December 2011 £m
Fixed and swapped rate borrowings			
6% to 7%		**57.6**	59.6
	23a	**57.6**	59.6
Floating rate borrowings	23a	**1.0**	7.6
		58.6	67.2

All loans are sterling denominated with the weighted average length of fix being 1.8 years (2011: 1.8 years). Floating rate borrowings bear interest based on three month LIBOR.

23 Financial instruments and risk management
23a Overview

Capital risk management
The Group manages its capital to ensure that all entities in the Group will be able to continue as going concerns while maximising the returns to shareholders through the optimisation of the debt and equity balance. The overall strategy of reducing the Group's levels of balance sheet and see-through debt remained unchanged from 2011.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22a; cash and cash equivalents as disclosed in note 19; and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the statement of changes in equity. For the purpose of calculating gearing ratios, debt is defined as long and short-term borrowings (excluding derivatives) excluding unamortised issue costs. Equity includes all capital and reserves of the Group attributable to equity holders of the Company.

The Group is not subject to externally imposed capital requirements. The Board reviews the capital structure and cost of capital on an annual basis but does not set specific targets for gearing ratios. The risks associated with each class of capital are also considered as part of the risk reviews presented to the Audit Committee and the Board. The Group has met its objectives for managing capital during 2012, with a reduction in its net debt to equity ratios largely as a result of property disposals.

Gearing ratios

Statutory	Note	**30 December 2012 £m**	30 December 2011 £m
Debt before unamortised issue costs	22a	**58.6**	67.2
Cash and cash equivalents	19	**(5.3)**	(20.0)
Group net debt		**53.3**	47.2
Equity		**179.6**	196.0
Debt to equity ratio		**33%**	34%
Net debt to equity ratio		**30%**	24%

See-through	Note	**30 December 2012 £m**	30 December 2011 £m
Debt before unamortised issue costs	23f	**321.9**	497.0
Cash and cash equivalents		**(33.4)**	(56.8)
See-through net debt[1]		**288.5**	440.2
Equity		**179.6**	196.0
Debt to equity ratio		**179%**	254%
Net debt to equity ratio		**161%**	225%
Property assets – wholly-owned	11a	**78.4**	80.0
Investment properties – associates[1]	17d	**207.1**	314.1
Investment properties – joint ventures[1]	17e	**181.9**	284.9
Property value		**467.4**	679.0
Debt to property value ratio		**69%**	73%
Net debt to property value ratio		**62%**	65%

[1] See-through values for 2012 do not include the Group's share of German portfolio 4 and FIX UK following the impairment of the investments and loss of joint control/significant influence during the year (see notes 17b and 17c). The X-Leisure Fund has also been excluded following its reclassification as an asset held for sale (see note 30).

23a Financial instruments and risk management – Overview continued

Categories of financial assets/(liabilities)

	Note	2012 Carrying value £m	2012 Gain/(loss) to income £m	2012 (Loss)/gain to equity £m	2011 Carrying value £m	2011 Gain/(loss) to income £m	2011 (Loss)/gain to equity £m
Financial assets							
Investments	14	**–**	**–**	**–**	0.3	–	–
Available for sale		**–**	**–**	**–**	0.3	–	–
Loans to joint ventures	15	**21.2**	**0.9**	**(0.4)**	32.1	1.2	(0.4)
Current receivables	18	**4.7**	**–**	**–**	3.7	–	–
Cash and cash equivalents	19	**5.3**	**–**	**–**	20.0	0.1	–
Loans and receivables		**31.2**	**0.9**	**(0.4)**	55.8	1.3	(0.4)
Foreign exchange forward contracts	15,18	**1.4**	**0.9**	**0.6**	0.6	0.5	0.9
Derivatives in effective hedges		**1.4**	**0.9**	**0.6**	0.6	0.5	0.9
Interest rate swaption	15	**–**	**(0.2)**	**–**	0.2	(0.5)	–
Assets at fair value held for trading		**–**	**(0.2)**	**–**	0.2	(0.5)	–
Financial liabilities							
Current payables	20	**(6.8)**	**–**	**–**	(6.9)	0.5	–
Non-current payables	21	**(0.7)**	**–**	**–**	(0.5)	–	–
Current borrowings	22a	**–**	**–**	**–**	(5.0)	–	–
Non-current borrowings	22a	**(58.3)**	**(5.0)**	**–**	(61.6)	(4.7)	–
Liabilities at amortised cost		**(65.8)**	**(5.0)**	**–**	(74.0)	(4.2)	–
Interest rate swaps	20	**(1.8)**	**1.7**	**–**	(3.5)	1.0	–
Liabilities at fair value held for trading		**(1.8)**	**1.7**	**–**	(3.5)	1.0	–
Total financial (liabilities)/assets		**(35.0)**	**(1.7)**	**0.2**	(20.6)	(1.9)	0.5

Significant accounting policies

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

Financial risk management objectives

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

23b Interest rate risk

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

The following table shows a summary of the Group's interest rate swap contracts and their maturity dates:

	Maturity date	Notional principal £m	Contract Fixed rate %	**Fair value 30 December 2012 £m**	Gain/(loss) to income 2011 £m	Fair value 30 December 2011 £m
Interest rate swap	10 October 2013	58.9[1]	4.42	**(1.8)**	1.7	(3.5)
Interest rate swaption[2]	2 September 2017	50.0	2.75	**0.0**	(0.2)	0.2

[1] The notional principal at 30 December 2011 was £59.6 million.
[2] The exercise date of the interest rate swaption is 2 September 2013.

Sensitivity analysis

The following table shows the Group's sensitivity to a 1% increase or decrease in Sterling and Euro interest rates. To calculate the impact on the income statement for the year the interest rates on all external floating rate interest bearing loans and borrowings and interest earning cash, including loans and cash within associates and joint ventures, have been increased or decreased by 1%. The income statement impact includes the effect of a 1% decrease or increase in interest rates on the market values of interest rate derivatives.

	1% increase in interest rates		**1% decrease in interest rates**	
	Year to 30 December 2012 £m	Year to 30 December 2011 £m	**Year to 30 December 2012 £m**	Year to 30 December 2011 £m
Floating rate loans and cash – gain/(loss)	**0.2**	(0.4)	**(0.2)**	0.4
Interest rate derivatives – gain/(loss)	**5.4**	8.0	**(5.4)**	(8.0)
Impact on the income statement – gain/(loss)	**5.6**	7.6	**(5.6)**	(7.6)
Impact on equity – gain/(loss)	**5.6**	7.6	**(5.6)**	(7.6)

23c Credit risk

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

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

23d Currency risk

The Group publishes its consolidated financial statements in Sterling but has investments and loans to its German joint venture portfolio which have the Euro as their functional currency. Therefore the Group is subject to currency risk due to exchange rate movements which affect the translation of results and underlying net assets of the German joint venture portfolio.

Net investment hedge

The Group uses a forward foreign exchange contract as a hedge of its net investment in the German joint ventures. At 30 December 2012, this was achieved through a contract for €47.0 million (2011: €47.0 million) at a fixed exchange rate of 1.1797 (2011: 1.1797) which hedges 97% (2011: 81%) of the Group's German investment. After the year end the Group closed out the forward contract of €47.0 million which will mature on 28 March 2013 and entered into a new forward contract for €37.6 million until 31 December 2013 at a fixed exchange rate of 1.1617.

Only the spot element of the forward foreign exchange contracts is designated as the hedging instrument, determined as the undiscounted difference between the spot rate on the trade date and the spot rate on the revaluation date applied to the notional. The unhedged forward element of the fair value is determined as the total fair value less the spot element. Changes in the forward element of the fair value are reported through the income statement as finance income or finance costs as appropriate. During the year, this change in the unhedged element of the fair value was £0.0 million (2011: gain of £0.3 million) as disclosed in note 6. During the year, the ineffective portion of the hedge resulted in a charge of £0.2 million (2011: charge of £0.2 million) to the income statement as disclosed in note 5.

Sensitivity analysis

The following table shows the Group's sensitivity to a 10% strengthening or weakening in Sterling against the Euro. To calculate the impact on the income statement for the year the average exchange rate has been decreased or increased by 10%. The translational effect on equity is limited due to the Euro hedging in place. The effect on equity is calculated by decreasing or increasing the closing exchange rate with an adjustment for the movement in the currency hedge. It is assumed that the net investment hedge will be 100% effective.

	10% strengthening in Sterling		**10% weakening in Sterling**	
	Year to 30 December 2012 £m	Year to 30 December 2011 £m	**Year to 30 December 2012 £m**	Year to 30 December 2011 £m
Impact on the income statement – gain/(loss)	**0.2**	(0.8)	**(0.4)**	0.9
Impact on equity – gain/(loss)	**(0.4)**	(1.2)	**1.2**	2.1

23e Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The day-to-day operations of the Group are largely funded through the items included in the breakdown of recurring profit included in note 2a. The majority of income within recurring profit is received quarterly, since the inflows and outflows from net rental income and net interest payable generally coincide with English quarter days, and property management fees are billed to the funds quarterly. As a result, the Group normally has sufficient funds to cover recurring administrative expenses which occur throughout the year. Liquidity risk therefore arises principally from the need to make payments for non-recurring items, such as tax payments and the close out of derivative financial instruments. Payments may also be necessary against bank debt facilities to prevent covenant breaches on loans related to the Group's wholly-owned properties or to cover losses in the Group's joint ventures, or to repay loans when they fall due.

The Group's objective in managing liquidity risk is to ensure that it has sufficient funds to meet all its potential liabilities as they fall due, both in normal market conditions and when considering negative projections against expected outcomes, so as to avoid the risk of incurring contractual penalties or damaging the Group's reputation. The Group's treasury department maintains a rolling eighteen month forecast of anticipated recurring and non-recurring cash flows under different scenarios. This is compared to expected cash balances and amounts available for drawdown on the Group's core revolving credit facility to ensure that any potential shortfalls in funding are identified and managed. The Group's primary means of managing liquidity risk is the £25.0 million core revolving credit facility, expiring in July 2016, of which £1.0 million was drawn down at 30 December 2012 with the remainder fully available for drawdown at the end of the year as disclosed in note 22c.

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

2012	Note	Effective interest rate %	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Financial assets							
Available for sale investments	14		–	–	–	–	–
Non-current receivables	15	**3.5**	–	–	**21.2**	–	**21.2**
Current receivables	18		**4.7**	–	–		**4.7**
Cash and cash equivalents	19	**0.5**	**5.3**	–	–	–	**5.3**
			10.0	–	**21.2**	–	**31.2**
Financial liabilities							
Borrowings – fixed and swapped bank loans[1]	22a	**7.51**	–	**(57.6)**	–	–	**(57.6)**
Borrowings – variable rate bank loans	22a	**3.70**	–	–	**(1.0)**	–	**(1.0)**
Current payables	20		**(6.8)**	–	–	–	**(6.8)**
Non-current payables	21		–	**(0.7)**	–	–	**(0.7)**
			(6.8)	**(58.3)**	**(1.0)**	–	**(66.1)**

23e Liquidity risk continued

2011	Note	Effective interest rate %	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Financial assets							
Available for sale investments	14		0.3	–	–	–	0.3
Non-current receivables	15	4.2	–	10.6	21.5	–	32.1
Current receivables	18		3.7	–	–	–	3.7
Cash and cash equivalents	19	0.5	20.0	–	–	–	20.0
			24.0	10.6	21.5	–	56.1
Financial liabilities							
Borrowings – fixed and swapped bank loans[1]	22a	6.30	–	(59.6)	–	–	(59.6)
Borrowings – variable rate bank loans	22a	3.49	(5.3)	(2.3)	–	–	(7.6)
Current payables	20		(6.9)	–	–	–	(6.9)
Non-current payables	21		–	(0.5)	–	–	(0.5)
			(12.2)	(62.4)	–	–	(74.6)

[1] The maturity is the same as the contractual repricing of the Group's fixed and swapped bank loans

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

2012	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	**Total £m**
Non-interest bearing	(6.8)	(0.7)	–	–	–	–	**(7.5)**
Fixed and swapped bank loans	–	(57.6)	–	–	–	–	**(57.6)**
Variable interest rate instruments	–	–	(1.0)	–	–	–	**(1.0)**
	(6.8)	(58.3)	(1.0)	–	–	–	**(66.1)**

2011	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Non-interest bearing	(6.9)	(0.5)	–	–	–	–	(7.4)
Fixed and swapped bank loans	–	(59.6)	–	–	–	–	(59.6)
Variable interest rate instruments	(7.5)	(3.8)	–	–	–	–	(11.3)
	(14.4)	(63.9)	–	–	–	–	(78.3)

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

23e Liquidity risk continued

2012	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	**Total £m**
Net settled							
Interest rate swaps	(1.8)	–	–	–	–	–	**(1.8)**
Foreign exchange forward contract	1.4	–	–	–	–	–	**1.4**
	(0.4)	–	–	–	–	–	**(0.4)**

2011	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Net settled							
Interest rate swaps	(2.0)	(1.5)	–	–	–	–	(3.5)
Interest rate swaption	–	–	0.1	0.1	–	–	0.2
Foreign exchange forward contract	–	0.6	–	–	–	–	0.6
	(2.0)	(0.9)	0.1	0.1	–	–	(2.7)

23f Fair values of financial instruments

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

	Note	**Notional principal £m**	**2012 Book value £m**	**2012 Fair value £m**	2011 Book value £m	2011 Fair value £m
Financial liabilities not at fair value through income statement						
Sterling denominated loans	22a		**(58.6)**	**(58.6)**	(67.2)	(67.2)
Total on balance sheet borrowings			**(58.6)**	**(58.6)**	(67.2)	(67.2)
Group share of associate borrowings			**(115.0)**	**(115.0)**	(202.7)	(202.7)
Group share of joint venture borrowings			**(148.3)**	**(149.0)**	(227.1)	(228.2)
Total see-through borrowings	23a		**(321.9)**	**(322.6)**	(497.0)	(498.1)
Derivative assets/(liabilities) at fair value through income statement						
Sterling interest rate swaps	20	**58.9**	**(1.8)**	**(1.8)**	(3.5)	(3.5)
Sterling interest rate swaption	15	**50.0**	**–**	**–**	0.2	0.2
Foreign exchange forward contracts	15,18	**39.4**	**1.4**	**1.4**	0.6	0.6
Total on balance sheet derivatives			**(0.4)**	**(0.4)**	(2.7)	(2.7)
Group share of Sterling interest rate swaps in associates and joint ventures		**139.0**	**(8.4)**	**(8.4)**	(13.1)	(13.1)
Group share of Euro interest rate swaps in joint ventures		**143.3**	**(2.7)**	**(2.7)**	(2.4)	(2.4)
Total see-through derivatives			**(11.5)**	**(11.5)**	(18.2)	(18.2)
Less foreign exchange forward contracts			**(1.4)**	**(1.4)**	(0.6)	(0.6)
Total see-through interest rate derivatives	28		**(12.9)**	**(12.9)**	(18.8)	(18.8)

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For the year to 30 December 2012

23f Fair values of financial instruments continued

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

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

Fair value measurements recognised in the consolidated balance sheet

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

			2012	
	Note	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets				
Interest rate swaption	15	–	–	–
Foreign exchange forward contracts	15,18	**1.4**	–	**1.4**
		1.4	–	**1.4**
Financial liabilities				
Interest rate swaps	20	**(1.8)**	–	**(1.8)**
		(1.8)	–	**(1.8)**

			2011	
	Note	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Available for sale investments	14	–	0.3	0.3
Interest rate swaption	15	0.2	–	0.2
Foreign exchange forward contracts	15,18	0.6	–	0.6
		0.8	0.3	1.1
Financial liabilities				
Interest rate swaps	21	(3.5)	–	(3.5)
		(3.5)	–	(3.5)

There were no transfers between Level 1 and Level 2 in the year. Since the only Level 3 fair value measurements in the year related to available for sale investments, the reconciliation of the movement in these measurements is disclosed in note 14.

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24 Share capital

	Number of authorised shares		Number of shares issued and fully paid		Nominal value of shares issued and fully paid	
	2012 Number	2011 Number	**2012 Number**	2011 Number	**2012 £m**	2011 £m
Ordinary shares of 1p each						
At the start and end of the year	**857,589,603**	857,589,603	**350,612,754**	350,612,754	**3.5**	3.5
Deferred shares of 9p each						
At the start and end of the year	**71,348,933**	71,348,933	**71,348,933**	71,348,933	**6.4**	6.4
Total called-up share capital			**421,961,687**	421,961,687	**9.9**	9.9

The Company has one class of Ordinary shares which carry voting rights but no right to fixed income. Deferred shares carry neither voting nor dividend rights.

25 Share-based payments

The Group's share-based payments comprise the SAYE scheme, the 2008 LTIP, the Matching Share Agreement and the COIP. Full details of each of the schemes are disclosed in the directors' remuneration report. In accordance with IFRS2, the fair value of equity-settled share-based payments to employees is determined at the date of grant, calculated using either a Black-Scholes option pricing model or a Monte Carlo simulation.

Analysis of income statement charge

	Year to 30 December 2012 £m	Year to 30 December 2011 £m
2008 LTIP	**0.8**	0.8
Equity-settled share-based payments	**0.8**	0.8

Movements during the year

	SAYE scheme				
	Invitation I	**Invitation II**	**2008 LTIP**	**Matching share agreement**	**COIP**
Outstanding at 30 December 2010	691,326	–	13,000,000	302,055	1,202,080
Granted during the year	–	499,567	500,000	–	–
Exercised during the year	(22,984)	–	–	(302,055)	–
Forfeited/lapsed/expired during the year	(66,437)	(12,261)	–	–	–
Outstanding at 30 December 2011	601,905	487,306	13,500,000	–	1,202,080
Granted during the year	–	–	–	–	–
Exercised during the year	(521,901)	–	–	–	–
Forfeited/lapsed/expired during the year	(80,004)	(90,929)	–	–	(1,202,080)
Outstanding at 30 December 2012	–	396,377	13,500,000	–	–
Exercisable at the end of the year	–	–	–	–	–
Fair value of award at grant date	£0.15	£0.05	£0.20	£4.76	£0.14
Weighted average exercise price	22.8p	36.7p	0.0p	0.0p	0.0p
Weighted average remaining contractual life	n/a	2.33 years	n/a	n/a	n/a

On 1 November 2011 a new invitation ('Invitation II') to participate in the SAYE scheme was made to employees.

25 Share-based payments continued

The 2008 LTIP awards are subject to a performance condition based on growth of total shareholder return (TSR) as disclosed in the Directors' remuneration report.

On 31 December 2011 all of the COIP lapsed as the performance criteria were not met.

On 1 February 2012, the first SAYE scheme invitation ('Invitation I') matured and participants were eligible to exercise their options for up to six months from this date.

Assumptions

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

	SAYE scheme			Matching share	
	Invitation I	Invitation II	2008 LTIP	agreement	COIP
Share price at grant date	45.5p	34.0p	31.9p	553.0p	44.75p
Exercise price	46.0p	36.7p	0.0p	0.0p	0.0p
Expected volatility	84%	56%	83%	37%	84%
Expected life (years)	3.12	3.00	3.00	2.99	3.04
Risk free rate	2.28%	3.51%	1.58%	3.78%	2.58%
Expected dividend yield	11.0%	14.7%	0%	4.9%	11.2%
Lapse rate	40%	2%	0%	0%	0%
Correlation	n/a	n/a	n/a	30%	29%

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

26 Own shares

	Own shares £m
At the start of the year	**6.8**
Disposed of on exercise of options	**(6.1)**
At the end of the year	**0.7**

The own shares reserve represents the cost of shares in the Company purchased in the market. At 30 December 2012, the Capital & Regional plc 2002 Employee Share Trust (the "ESOT") held 1,319,201 (2011: 1,841,102) shares to assist the Group in meeting the outstanding share awards under the schemes described above. The right to receive dividends on these shares has been waived. The market value of these shares at 30 December 2012 was £0.4 million (2011: £0.6 million).

27 Reconciliation of net cash from operations

	Note	Year to 30 December 2012 £m	Year to 30 December 2011 £m
(Loss)/profit on ordinary activities before financing		**(9.0)**	16.2
(Loss)/profit from discontinued operations		**(5.2)**	10.6
		(14.2)	26.8
Adjusted for:			
Income tax expense – discontinued operations	30	**2.0**	–
Loss on disposal of JV & Associates – discontinued operations	30	**4.0**	–
Impairment of goodwill – discontinued operations	12	**1.8**	0.1
Share of loss/(profit) in associates and joint ventures	17a	**10.3**	(22.3)
Loss on revaluation of wholly-owned properties	11a	**1.7**	0.8
Loss on disposal of other assets		**0.1**	–
Depreciation of other fixed assets	13	**0.3**	0.4
(Increase)/decrease in receivables		**(2.4)**	2.3
Decrease in payables		**(0.1)**	(0.7)
Non-cash movement relating to share-based payments	25	**0.8**	0.8
Net cash from operations		**4.3**	8.2

28 Net assets per share

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

		30 December 2012			30 December 2011
	Note	**Net assets £m**	**Number of shares (m)**	**Net assets per share (£)**	Net assets per share (£)
Basic net assets		**179.6**	**350.6**	**0.51**	0.56
Own shares held	26	**–**	**(1.3)**		
Dilutive contingently issuable shares and share options		**–**	**–**		
Fair value of fixed rate loans (net of tax)		**(0.5)**			
EPRA triple net assets		**179.1**	**349.3**	**0.51**	0.56
Exclude fair value of fixed rate loans (net of tax)		**0.5**			
Exclude fair value of see-through interest rate derivatives	23f	**12.9**			
Exclude deferred tax on unrealised gains and capital allowances		**0.9**			
EPRA net assets		**193.4**	**349.3**	**0.55**	0.63

29 Return on equity

	30 December 2012 £m	30 December 2011 £m
Total comprehensive (loss)/income attributable to equity shareholders	**(16.6)**	20.7
Opening equity shareholders' funds	**196.0**	174.5
Return on equity	**(8.5)%**	11.9%

30 Discontinued operations

On 19 October 2012 subsidiaries of Hammerson plc acquired The Junction Fund, a specialist retail park fund, for a total of £259.5 million of which Capital & Regional plc had a 13.43% interest resulting in net cash consideration attributable to the Group of £11.4 million, excluding performance fee income of £2.6 million. A loss on disposal after tax of £1.2 million was recognised.

On 24 December 2012 the Group sold Capital & Regional (Braehead) Limited to its joint venture partner Capital Shopping Centres for cash consideration of £4 million. Capital & Regional (Braehead) Limited held a 50% stake in Xscape Braehead Partnership, the entity that owns the Xscape Braehead, Glasgow property. A profit on disposal after tax of £1.2 million was recognised. At the date of disposal the net assets of Capital & Regional (Braehead) Limited were £4.8 million consisting of a receivable due from the Xscape Braehead Partnership of that amount.

On 4 December 2012 the Group entered into a conditional binding agreement for the sale of its 11.9% stake in the X-Leisure Fund and its 50% interest in X-Leisure Limited to a subsidiary of Land Securities Group plc. The X-Leisure Fund is the largest specialist fund investing in UK leisure property, X-Leisure Limited is the property and asset manager for the Fund. The approval of X-Leisure Fund unit holders not involved in the transaction was obtained on 21 December 2012 and on that date Management, considering the disposal to be highly probable, reclassified the investments to assets held for sale at the consideration expected to be received of £32.2 million, with associated liabilities of £1.6 million in respect of outstanding transaction costs recognised as a separate liability on the balance sheet. A loss on disposal after tax of £4.0 million was recognised.

At 30 December 2012 the principal conditions that needed to be met for the sale to complete were the approval of Capital & Regional plc shareholders and the consent of the X-Leisure Fund's banks. These conditions were satisfied after the year end and as disclosed in note 34 the sale completed on 16 January 2013.

The disposals formed part of the strategy to exit non-core operations to generate cash to further de-leverage and to concentrate on the Group's core UK shopping centre activities.

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

	Note	**Year ended 30 December 2012 £m**	Year ended 30 December 2011 £m
Share of profit in associates and joint ventures before attributable tax		**0.8**	10.6
Attributable current tax charge		**(2.0)**	(0.3)
Share of loss in associates and joint ventures after attributable tax		**(1.2)**	10.3
Loss on disposal of discontinued operations		**(4.0)**	–
(Loss)/profit from discontinued operations	2a, 17d, 17e	**(5.2)**	10.3

The loss on disposal of discontinued operations of £4.0 million is stated after Deferred Tax credits of £3.5 million relating to Deferred Tax liabilities extinguished on disposal.

During the year, discontinued operations contributed £1.5 million (2011: £11.9 million) to the Group's net operating cash flows, contributed £15.0 million (2011: £nil million) in respect of investing activities (disposal proceeds) and paid £nil million (2012: £nil million) in respect of financing activities.

Assets held for sale comprise:

	Note	**30 December 2012 £m**	30 December 2011 £m
Investment in associate – X-Leisure Limited Partnership		**31.7**	–
Investment in joint venture – X-Leisure Limited		**0.5**	–
		32.2	–

£1.6 million of balance sheet liabilities associated with these assets have been recognised at 30 December 2012 representing transaction costs outstanding at that date.

31 Lease arrangements

The Group as lessee – operating leases

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

	2012 £m	2011 £m
Lease payments		
Within one year	**(2.0)**	(2.2)
Between one and five years	**(8.2)**	(7.4)
After five years	**(19.9)**	(21.7)
	(30.1)	(31.3)

Operating lease payments are denominated in Sterling and have an average remaining lease length of 14 years (2011: 15 years) and rentals are fixed for an average of two years (2011: three years). During the year there were no contingent rents (2011: £nil) and the Group incurred lease payments recognised as an expense of £2.0 million (2011: £2.2 million).

The Group as lessor

The Group leases out all of its investment properties under operating leases for average lease terms of eight years (2011: ten years) to expiry. The most significant leasing arrangements are summarised in the fund portfolio information. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

100% figures	Unexpired average lease term Years	Less than 1 year £m	2–5 years £m	6–10 years £m	11–15 years £m	16–20 years £m	More than 20 years £m	**30 December 2012 Total £m**	30 December 2011 Total £m
The Mall	8.2	62.9	189.4	124.7	48.5	29.5	130.9	**585.9**	701.4
Redditch	7.8	8.5	27.0	16.4	6.8	2.8	17.9	**79.4**	–
The Junction	–	–	–	–	–	–	–	**–**	225.9
X-Leisure[1]	–	–	–	–	–	–	–	**–**	530.7
FIX UK[1]	–	–	–	–	–	–	–	**–**	73.3
Total associates		71.4	216.4	141.1	55.3	32.3	148.8	**665.3**	1,531.3
German portfolio[1]	7.8	24.7	81.1	55.0	19.3	3.1	–	**183.2**	243.8
Other joint ventures	5.4	1.7	5.2	3.6	0.6	–	–	**11.1**	71.5
Total joint ventures		26.4	86.3	58.6	19.9	3.1	–	**194.3**	315.3
Wholly owned	10.6	6.9	26.8	27.4	7.6	3.6	1.3	**73.6**	76.7
Total		104.7	329.5	227.1	82.8	39.0	150.1	**933.2**	1,923.3

[1] Values for 2012 do not include German portfolio 4 and FIX UK following the loss of joint control/significant influence during the year (see notes 17b and 17c). The X-Leisure Fund has also been excluded following its reclassification as an asset held for sale and subsequent disposal post year end (see note 30).

There was no contingent rent (2011: £nil) recognised in income from wholly-owned properties during the year.

32 Capital commitments

At 30 December 2012 the Group's share of the capital commitments of its associates, joint ventures and wholly-owned properties was £2.5 million (2011: £0.5 million). This comprised £2.5 million (2011: £0.4 million) relating to The Mall and £nil million (2011: £0.1 million) relating to other assets.

33 Contingent liabilities

Under the terms of the Group's disposal of its interest in The Junction Fund, Capital & Regional Units LLP and Capital & Regional (Junction GP) Limited gave certain customary warranties as to their title to the relevant units and shares and certain warranties in relation to the Junction Fund generally and the GP sellers gave warranties in relation to the Junction GP. The relevant warranties were given on a several basis and the maximum liability of Capital & Regional Units LLP in respect of the title and capacity warranties is £34,843,065 and the maximum liability of Capital & Regional (Junction GP) Limited in respect of the title and capacity warranties is £35,356,875. The maximum liability of Capital & Regional Units LLP in respect of the other warranties is £3,484,306.50 and the maximum liability of Capital & Regional (Junction GP) Limited in respect of the other warranties is £3,535,688. Any claims in respect of the warranties must be bought within 12 months of the date of the agreement, being 19 October 2012, other than in respect of certain claims relating to taxation, where the claims must be bought within either 24 months or six years from the date of agreement.

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

34 Events after the balance sheet date

X-Leisure disposal
The Group's proposed disposal of its 11.9% stake in the X-Leisure Fund and its 50% interest in X-Leisure Limited as detailed in note 32 completed on 16 January 2013 with gross cash consideration of £32.2 million being received.

Mall unit purchase
On 4 January 2013, the Group purchased 1.6 million units in The Mall Fund at £0.25 per unit for a total consideration of £0.4 million. This increased the holding in The Mall Fund from 20.15% to 20.33%.

FIX UK disposal
On 8 February 2013 Legal & General Property acquired the FIX UK Portfolio. The Group will receive up to £0.5 million of consideration in respect of their 20% interest held, since 30 June 2012, as a fixed asset investment at an impaired value of £nil. The level of consideration is contingent on the final total consideration on the transaction.

Share buy-back
Subsequent to 30 December 2012 and up to and including 11 March 2013 (the last practical date prior to the publication of this report) the Group had purchased for cancellation a total of 698,958 of its own shares at a price of 28 pence per share.

Covenant waiver
The German joint venture obtained a one year bank waiver for two loans in one portfolio which had marginally breached their individual LTV covenant. In January 2013 this waiver was extended to the maturity of the loan in December 2013.

35 Related party transactions

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

	Interest received		**Distributions received**	
	Year to 30 December 2012 £m	Year to 30 December 2011 £m	**Year to 30 December 2012 £m**	Year to 30 December 2011 £m
Associates				
The Junction Limited Partnership	**–**	–	**–**	9.9
Garigal	**–**	–	**0.2**	–
The Mall Limited Partnership	**–**	–	**0.9**	–
X-Leisure Limited Partnership	**–**	–	**1.1**	1.3
	–	–	**2.2**	11.2
Joint ventures				
Xscape Braehead Partnership	**0.5**	0.6	**–**	–
The Auchinlea Partnership	**–**	–	**–**	0.3
X-Leisure Limited	**–**	–	**0.3**	0.5
German joint venture companies	**0.5**	0.7	**0.3**	3.7
	1.0	1.3	**0.6**	4.5

The borrowing arrangements of The Mall restrict the ability to make cash distributions of profit to the Group as long as its LTV is above 60% and its debt above £600 million. The £0.9 million received during the year relates to a distribution to cover tax to be paid on share of profits for the period; such distributions are excluded from the restriction. It is anticipated that normal distributions from the Mall will resume by the end of 2013 as the relevant debt tests are met.

	Fee income and rent income/(expense)		**Net amounts receivable from**	
	Year to 30 December 2012 £m	Year to 30 December 2011 £m	**As at 30 December 2012 £m**	As at 30 December 2011 £m
Associates				
The Mall Limited Partnership	**6.7**	7.1	**1.9**	0.7
The Junction Limited Partnership	**3.4**	1.1	**0.1**	0.1
X-Leisure Limited Partnership	**(1.6)**	(1.6)	**(0.1)**	–
Redditch Limited Partnership	**0.4**	–	**0.1**	–
The FIX UK Limited Partnership	**0.1**	0.1	**–**	–
	9.0	6.7	**2.0**	0.8
Joint ventures				
Xscape Braehead Partnership	**–**	0.1	**–**	10.7
X-Leisure Limited	**0.3**	0.1	**–**	0.1
German joint venture companies	**–**	–	**14.8**	15.0
Waterside Lincoln Limited Partnership	**0.2**	0.1	**6.4**	6.4
	0.5	0.3	**21.2**	32.2

Amounts receivable from associates are unsecured and do not incur interest and they are payable on demand and settled in cash.

Amounts receivable from the German joint venture incur interest at commercial rates which is payable on demand. The balances are unsecured and settled in cash. Amounts receivable from the Waterside Lincoln Limited Partnership are interest free and repayable on demand.

35 Related party transactions continued

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

All rents payable by SNO!zone companies are due to the relevant Xscape Partnerships. SNO!zone Limited (operator of the ski slopes at Milton Keynes and Castleford) paid rent of £1.6 million (2011: £1.6 million) to the X-Leisure Limited Partnership. SNO!zone (Braehead) Limited was sold on 16 December 2011, it paid rent of £0.1 million in 2011 to the Xscape Braehead Partnership.

Waterside Lincoln Limited Partnership
During 2011 the Group formed a joint venture with Karoo Investment Fund II S.C.A SICAV-SIF ("Karoo") by selling 50% of the Group's interest in The Waterside Shopping Centre in Lincoln. As the Group and Karoo have common significant shareholders the formation of the joint venture was conditional upon shareholder approval which was granted on 1 April 2011. Included within loans to joint ventures is an amount of £6.4 million related to the Waterside Lincoln Limited Partnership. The details of this transaction are disclosed in note 17c.

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

The Mall Fund
CRPM will earn a performance fee if the property level return is positive and is more than 50 basis points above the index when measured from July 2010 to the realisation of the fund, which is due to expire in April 2017. Part of any performance fee earned may be payable to certain key CRPM management and staff as part of their incentive plans. The Group will also bear 20.33% (our unit holding as of 4 January 2013) of the cost of this performance fee and that payable to the fund manager as an investor in The Mall fund.

Kingfisher Limited Partnership
CRPM will earn an additional equity return if distributions result in a geared return in excess of a 15% IRR. Part of any receipt may be payable to certain key CRPM management and staff as part of their incentive plans. The Group will bear 20.00% of the cost by virtue of their investment in the Partnership.

Waterside Lincoln Limited Partnership
CRPM will earn a performance fee on sale of the Property or sale of all of the Partners interests in the Partnership if distributions have resulted in a geared return in excess of a 15% IRR. Part of any performance fee earned may be payable to certain key CRPM management and staff as part of their incentive plans. The Group will bear 50.00% of the cost of any performance fee by virtue of their investment in the Partnership.

The Junction Fund
A performance fee of £2.6 million was recognised within CRPM during the year following the acquisition of the fund by Hammerson plc. A further amount of up to £0.2 million may potentially be received subject to the successful resolution of various outstanding matters. The Group also bore 13.29% of the cost of the performance fee paid in the year through its share of The Junction Fund prior to disposal.

35 Related party transactions continued

X-Leisure Fund

As part of the transaction in which the Group and other investors agreed the sale of their investments in The X-Leisure Fund and X-Leisure Limited to a subsidiary of Land Securities Group plc it was agreed that a performance fee of £7.5 million would be paid by The X-Leisure Fund to X-Leisure Limited post sale. 50% of this amount received in X-Leisure Limited was paid to certain key X-Leisure Limited management and staff as part of their incentive plans. The agreement effectively provided that the Group would neither bear any of the cost of the performance fee as investor in the fund, nor receive any of the fees as shareholder of X-Leisure Limited. Based on amounts accrued in the accounts of the X-Leisure entities the Group have recognised their 50% share of the remainder within their share of X-Leisure Limited's results for the period up to reclassification as an asset held for sale. Similarly the Group have borne 11.93% of the cost within their share of results of X-Leisure Fund up to the date of reclassification as an asset held for sale. This has then been effectively reversed out of the carrying value of the asset at year end.

German joint venture

Garigal will earn a performance fee if the internal rate of return is over 12% when measured from August 2010 to the realisation of the joint venture, whose current business plan runs to June 2013. Up to 80% of any performance fee earned may be payable to certain key Garigal management and staff as part of their incentive plans. The Group will also bear 49.60% of the cost of this performance fee as an investor in the German joint venture.

Transactions with key personnel

In accordance with IAS24, key personnel are considered to be the executive and non-executive directors as they have the authority and responsibility for planning, directing and controlling the activities of the Group. Their remuneration in the income statement is as follows:

	Year to 30 December 2012 £m	Year to 30 December 2011 £m
Short term employment benefits	**2.4**	2.0
Post-employment benefits	**0.2**	0.1
Share-based payments*	**0.5**	0.6
	3.1	2.7

* Share-based payments relate to amounts awarded under the 2008 LTIP, the COIP and the Matching Share Agreement.

Independent auditor's report

to the members of Capital & Regional plc

We have audited the financial statements of Capital & Regional plc for the year ended 30 December 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Cash Flow Statement, the related notes 1 to 35, the Parent Company Balance Sheet and the related notes A to G. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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.

Scope of the audit of the financial statements

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

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 Parent Company's affairs as at 30 December 2012 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, contained within the Corporate Governance Report, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Andrew Clark, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
12 March 2013

Company balance sheet

At 30 December 2012

Registered number: 1399411
Prepared in accordance with UK GAAP

	Note	2012 £m	2011 £m
Fixed assets			
Investments	C	**79.8**	145.1
Current assets			
Debtors – amounts falling due within one year	D	**145.8**	142.4
Debtors – amounts falling due after more than one year	D	**14.2**	18.5
Cash and deposits		**0.3**	1.4
		160.3	162.3
Creditors – amounts falling due within one year			
Trade and other creditors	E	**(61.3)**	(97.5)
		(61.3)	(97.5)
Net current assets		**99.0**	64.8
Creditors – amounts falling due after more than one year			
Loan guarantees		**(0.2)**	(0.3)
Corporation tax payable	E	**–**	(5.0)
		(0.2)	(5.3)
Net assets		**178.6**	204.6
Capital and reserves			
Called-up share capital	F	**9.9**	9.9
Merger reserve	F	**60.3**	60.3
Capital redemption reserve	F	**4.4**	4.4
Retained earnings	F	**104.0**	130.0
Shareholders' funds		**178.6**	204.6

These financial statements were approved by the Board of directors, authorised for issue and signed on their behalf on 12 March 2013 by:

Charles Staveley
Group Finance Director

Notes to the Company financial statements

For the year ended 30 December 2012

A Accounting policies

Although the Group consolidated financial statements are prepared under IFRS, the Company financial statements for Capital & Regional plc presented in this section are prepared under UK GAAP. The main accounting policies have been applied consistently in the current year and the preceding year.

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

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

The Company's related party transactions are described in note 35 to the Group financial statements. The Company had no direct employees during the year (2011: none). Information on the directors' emoluments, share options, long-term incentive schemes and pension contributions is shown in the directors' remuneration report.

B Profit/(Loss) for the year

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The loss for the year attributable to equity shareholders was £26.0 million (2011: profit of £34.9 million).

C Fixed asset investments

	Subsidiaries £m	Joint ventures £m	Other investments £m	**Total £m**
At the start of the year	130.9	13.9	0.3	**145.1**
Investment	4.8	–	–	**4.8**
Disposals	–	–	(0.3)	**(0.3)**
Impairment of investments	(56.9)	(12.9)	–	**(69.8)**
At the end of the year	78.8	1.0	–	**79.8**

During the year several of the Company's subsidiaries converted intercompany balances payable to the Company to equity resulting in a £4.8 million increase in the Company's investment in subsidiaries balance.

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

Notes to the Company financial statements continued

For the year to 30 December 2012

D Debtors

Amounts falling due within one year	2012 £m	2011 £m
Amounts owed by subsidiaries	**145.8**	142.3
Other receivables	**–**	0.1
	145.8	142.4

Amounts falling due after more than one year	2012 £m	2011 £m
Amounts owed by joint ventures	**14.2**	18.5
	14.2	18.5

E Creditors

Amounts falling due within one year	2012 £m	2011 £m
Amounts owed to subsidiaries	**58.8**	95.6
Current tax payable	**0.7**	0.7
Accruals and deferred income	**1.8**	1.2
	61.3	97.5

Amounts falling due after more than one year	2012 £m	2011 £m
Corporation tax payable		
From one to two years	**–**	5.0
	–	5.0

F Share capital and reserves

	Non-distributable			Distributable		
	Share capital £m	Capital redemption reserve £m	Retained earnings £m	Retained earnings £m	Merger reserve £m	**Total £m**
At the start of the year	9.9	4.4	3.5	126.5	60.3	**204.6**
Retained profit for the year	–	–	(0.5)	(25.5)	–	**(26.0)**
Transfer between reserves	–	–	–	–	–	**–**
At the end of the year	9.9	4.4	3.0	101.0	60.3	**178.6**

The Company's authorised, issued and fully paid-up share capital is described in note 24 to the Group financial statements. The other reserves are described in the consolidated statement of changes in equity in the Group financial statements.

G Principal subsidiaries, associates and joint ventures

	Nature of business	Share of voting rights
Incorporated/registered and operating in Great Britain		
Capital & Regional Earnings Limited	Property management	100%
Capital & Regional Income Limited	Property investment	100%
Capital & Regional Holdings Limited	Property investment and management	100% *
Capital & Regional Property Management Limited	Property management	100%
Capital & Regional Units LLP	Property investment	100%
Morrison Merlin Limited	Property trading	100% *
Snozone Limited	Operator of indoor ski slopes	100%
The Auchinlea Partnership	Property investment	50%
X-Leisure Limited	Property management	50%
The FIX UK Limited Partnership	Property investment	20%
Waterside Lincoln Limited Partnership	Property investment	50%
Kingfisher Limited Partnership	Property investment	20%
Incorporated/registered and operating in Germany		
Garigal Asset Management GmbH	Property management	30.06%
Incorporated/registered and operating in Jersey		
Capital & Regional Capital Partner Limited	Property investment	100%
Capital & Regional (Europe Holding 5) Limited	Property investment	100%
Capital & Regional (Europe LP) Limited	Property investment	50% *
Capital & Regional (Europe LP 2) Limited	Property investment	50% *
Capital & Regional (Europe LP 3) Limited	Property investment	50% *
Capital & Regional (Europe LP 4) Limited	Property investment	50% *
Capital & Regional (Europe LP 5) Limited	Property investment	50% *
Capital & Regional (Europe LP 6) Limited	Property investment	50% *
Euro B-Note Holding Limited	Finance	49.90% *
The Mall Unit Trust	Property investment	20.15%
The X-Leisure Unit Trust	Property investment	11.93%
Incorporated/registered in Jersey and operating in Great Britain		
Capital & Regional (Jersey) Limited	Property investment	100%
Capital & Regional Hemel Hempstead (Jersey) Limited	Property investment	100% *
Capital & Regional Overseas Holdings Limited	Property investment	100%

* Held directly by the Company or, in the case of the Europe LPs, part-held directly by the Company and part-held through a subsidiary and in the case of Euro B-Note Holding Limited, part-held through a subsidiary and part-held through the ESOT.

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

To avoid a statement of excessive length, details of investments which are not significant have been omitted. All of the above principal subsidiaries, associates and joint ventures have been consolidated in the Group financial statements. Investments in associates and joint ventures are analysed in notes 17d and 17e to the Group financial statements.

Glossary of terms

CRPM is Capital & Regional Property Management Limited, a subsidiary of Capital & Regional plc, which earns management and performance fees from The Mall and certain other associates and joint ventures of the Group. It also earned management and performance fees from The Junction until the Group disposed of its interest on 19 October 2012. It also owned the Group's 50% share in X-Leisure Limited prior to its disposal on 16 January 2013.

Contracted rent is passing rent and the first rent reserved under a lease or unconditional agreement for lease but which is not yet payable by a tenant.

Contribution is net rent less net interest, including unhedged foreign exchange movements.

Capital return is the change in value during the period for properties held at the balance sheet date, after taking account of capital expenditure and exchange translation movements, calculated on a time weighted basis.

Debt is borrowings, excluding unamortised issue costs.

EPRA earnings per share (EPS) is the profit/(loss) after tax excluding gains on asset disposals and revaluations, movements in the fair value of financial instruments, intangible asset movements and the capital allowance effects of IAS12 "Income Taxes" where applicable, less tax arising on these items, divided by the weighted average number of shares in issue during the year excluding own shares held.

EPRA net assets per share include the dilutive effect of share-based payments but ignore the fair value of derivatives, any deferred tax provisions on unrealised gains and capital allowances, any adjustment to the fair value of borrowings net of tax and any surplus on the fair value of trading properties.

EPRA triple net assets per share include the dilutive effect of share-based payments and adjust all items to market value, including trading properties and fixed rate debt.

Estimated rental value (ERV) is the Group's external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a unit or property.

ERV growth is the total growth in ERV on properties owned throughout the year including growth due to development.

Garigal is Garigal Asset Management GmbH, an associate of the Group, which earns management and performance fees from the German joint venture.

Gearing is the Group's debt as a percentage of net assets. See-through gearing includes the Group's share of non-recourse debt in associates and joint ventures.

Interest rate cover (ICR) is the ratio of either (i) recurring profit (before interest, tax, depreciation and amortisation); or (ii) net rental income to the interest charge.

IPD is Independent Property Databank Limited, a company that produces an independent benchmark of property returns.

Like for like figures exclude the impact of property purchases and sales on year to year comparatives.

Loan to value (LTV) is the ratio of debt excluding fair value adjustments for debt and derivatives, to the fair value of properties (excluding adjustments for tenant incentives and head leases).

Market value is an opinion of the best price at which the sale of an interest in a property would complete unconditionally for cash consideration on the date of valuation as determined by the Group's external or internal valuers. In accordance with usual practice, the valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty, agent and legal fees.

Net assets per share (NAV) are shareholders' funds divided by the number of shares held by shareholders at the period end, excluding own shares held.

Net initial yield (NIY) is the annualised net rent generated by the portfolio expressed as a percentage of the portfolio valuation, excluding development properties, which is in line with EPRA's best practice recommendations.

Net debt to property value is debt less cash and cash equivalents divided by the property value (including adjustments tenant incentives and head leases).

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

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

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

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

Property under management (PUM) is the valuation of properties for which CRPM, X-Leisure Limited or Garigal is the asset manager.

Recurring pre-tax profit is the total of Contribution, the Group's share of management fees less fixed management expenses earned by CRPM, X-Leisure Limited and Garigal, the profit from SNO!zone and any central costs and interest.

Return on equity is the total return, including revaluation gains and losses, divided by opening equity plus time weighted additions to and reductions in share capital, excluding share options exercised.

Reversionary percentage is the percentage by which the ERV exceeds the passing rent.

Reversionary yield is the anticipated yield to which the net initial yield will rise once the rent reaches the ERV.

See-through balance sheet is the pro forma proportionately consolidated balance sheet of the Group and its associates and joint ventures.

See-through income statement is the pro forma proportionately consolidated income statement of the Group and its associates and joint ventures.

Temporary lettings are those lettings for one year or less.

Topped-up net initial yield is the net initial yield adjusted for the expiration of rent-free periods or other unexpired lease incentives.

Total return is the Group's total recognised income or expense for the year as set out in the consolidated statement of comprehensive income expressed as a percentage of opening equity shareholders' funds.

Total shareholder return (TSR) is a performance measure of the Group's share price over time. It is calculated as the share price movement from the beginning of the period to the end of the period plus dividends paid, divided by share price at the beginning of the period.

Vacancy rate is the ERV of vacant properties expressed as a percentage of the total ERV of the portfolio, excluding development properties, in line with EPRA's best practice recommendations.

Variable overhead includes discretionary bonuses and the costs of awards to directors and employees made under the 2008 LTIP, Matching Share Agreement, COIP and SAYE Scheme, which are spread over the performance period.

Five year review

For the period 31 December 2007 to 30 December 2012

	2012 £m	2011[1] £m	2010 £m	2009 £m	2008 £m
Balance sheet					
Property assets	**78.4**	80.0	80.8	94.4	98.9
Other non-current assets	**24.4**	34.3	27.1	26.3	31.7
Intangible assets	**–**	1.8	1.9	2.6	4.2
Investment in joint ventures	**25.7**	27.2	25.7	30.3	34.4
Investment in associates	**80.7**	120.2	110.8	76.4	182.3
Cash at bank	**5.3**	20.0	25.7	17.5	4.1
Assets classified as held for sale	**32.2**	–	–	–	–
Other net current liabilities	**(7.2)**	(13.0)	(10.2)	(25.7)	(72.9)
Bank loans greater than one year	**(58.3)**	(61.6)	(68.8)	(78.6)	(93.8)
Other non-current liabilities	**(1.6)**	(12.9)	(18.5)	(13.4)	(2.8)
Net assets	**179.6**	196.0	174.5	129.8	186.1
Financed by					
Called up share capital	**9.9**	9.9	9.9	9.9	7.1
Share premium account	**–**	–	–	–	220.5
Revaluation reserve	**–**	–	–	–	–
Other reserves	**75.2**	70.4	147.9	148.3	8.5
Retained earnings/(loss)	**94.5**	115.7	16.7	(28.4)	(50.0)
Capital employed	**179.6**	196.0	174.5	129.8	186.1
Return on equity					
Return on equity (%)	**(8.5)%**	11.9%	33.9%	(64.3)%	(71.5)%
Increase/(decrease) in net assets per share + dividend (%)	**(8.4)%**	11.8%	35.1%	(72.3)%	(62.2)%
Total shareholder return	**(9.5)%**	(3.8)%	(2.2)%	(24.7)%	(77.4)%
Period end share price (pence)	**29p**	32p	33p	34p	45p
Total return					
Total comprehensive income/(expense)	**(16.6)**	20.7	44.0	(119.7)	(502.7)
Net assets per share (pence)					
Basic net assets per share	**51p**	56p	50p	37p	130p
EPRA triple net assets per share	**51p**	56p	50p	37p	133p
EPRA net assets per share	**55p**	63p	57p	47p	174p
EPRA triple net assets per share growth (%)	**(8.3)%**	11.9%	35.1%	(72.3)%	(73.4)%
Gearing (%)	**32.6%**	34.3%	40.4%	61.9%	60.5%
Gearing (%) on a see-through basis	**179.2%**	253.6%	305.0%	508.7%	449.2%
Income statement[1]					
Group revenue	**28.7**	28.9	30.7	37.8	65.4
Gross profit	**17.6**	17.2	20.3	21.8	23.7
Profit/(loss) on ordinary activities before financing	**(9.0)**	16.2	52.6	(105.1)	(478.5)
Net interest payable	**(2.7)**	(3.4)	(6.2)	(8.3)	(37.8)
Profit/(loss) on ordinary activities before tax	**(11.7)**	12.8	46.4	(113.4)	(516.3)
Tax (charge)/credit	**0.9**	(2.0)	(2.0)	(6.3)	14.1
Profit/(loss) after tax	**(10.8)**	10.8	44.4	(119.7)	(502.2)
Recurring pre-tax profit	**17.0**	16.4	14.9	17.5	27.6
Fully taxed recurring dividend cover (x)	**–**	–	–	–	5.6
Interest cover (x)	**3.7**	5.5	4.1	2.8	1.2
Earnings per share (pence)					
Basic	**(5)p**	6p	13p	(59)p	(355)p
Diluted	**(5)p**	6p	13p	(59)p	(355)p
EPRA	**1p**	5p	4p	1p	(39)p
Dividends per share	**–**	–	–	–	5p

[1] 2011 results have been restated to separate discontinued operations as explained in note 30.

Property under management information

At 30 December 2012

Property under management	**30 December 2012 £m**	30 December 2011 £m	30 December 2010 £m	30 December 2009 £m	30 December 2008 £m
Wholly-owned	**81**	81	82	84	88
Associates	**983**	1,824	2,132	2,408	3,147
Joint ventures	**365**	576	547	648	750
Other property	**–**	–	71	–	–
Total	**1,429**	2,481	2,832	3,140	3,985

Figures exclude adjustments to property valuations for tenant incentives and head leases treated as finance leases. Trading properties are included at the lower of cost and net realisable value.

EPRA performance measures

At 30 December 2012

	2012	2011
EPRA earnings (£m)	**7.5**	18.0
EPRA earnings per share	**2p**	5p
EPRA net assets (£m)	**193.4**	218.3
EPRA net assets per share	**55p**	63p
EPRA triple net assets (£m)	**179.1**	195.2
EPRA triple net assets per share	**51p**	56p
EPRA net initial yield	**6.5%**	6.7%
EPRA topped-up net initial yield	**6.7%**	6.9%
EPRA vacancy rate (UK portfolio only)	**4.0%**	4.3%

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

	2012 £m	2011 £m
Investment property – wholly-owned	**8.4**	8.3
Investment property – share of joint ventures and associates	**380.3**	596.4
Trading property	**72.5**	72.0
Less developments	**(8.4)**	(14.8)
Completed property portfolio	**452.8**	661.9
Allowance for capital costs	**8.4**	6.2
Allowance for estimated purchasers' costs	**35.0**	40.0
Grossed up completed property portfolio valuation	**496.2**	708.1
Annualised cash passing rental income	**36.8**	51.4
Property outgoings	**(4.4)**	(4.0)
Annualised net rents	**32.4**	47.4
Add: notional rent expiration of rent free periods or other lease incentives	**1.1**	1.5
Topped up annualised rent	**33.5**	48.9
EPRA net initial yield	**6.5%**	6.7%
EPRA topped-up net initial yield	**6.7%**	6.9%

Covenant information

At 30 December 2012

	See-through borrowings £m	Covenant	30 December 2012	Future changes
Core revolving credit facility				
Asset cover	1.0	Greater than 200%	**6,547%**	
Gearing	–	Less than 100%	**2%**	
ICR	–	Greater than 150%	**2,291%**	
The Great Northern facility				
LTV	57.6	80%	**79%**	
ICR	–	Greater than 145%	**173%**	
The Mall				
LTV	115.0	83%	**67%**	Reducing in stages to 65% by December 2014
ICR	–	Greater than 130%	**171%**	
Germany				
LTV				
Portfolio 1	15.8	75%	**72%**	
Portfolio 2	26.8	87%/93%	**69%/74%**	
Portfolio 3	40.9	n/a	**n/a**	
Portfolio 5	18.7	81%	**77%**	
Portfolio 6	22.1	n/a	**n/a**	
ICR				
Portfolio 1	–	Greater than 150%	**267%**	
Portfolio 2	–	Greater than 150%	**222%**	
Portfolio 3	–	Greater than 160%	**256%**	
Portfolio 5	–	Greater than 120%	**186%**	
Portfolio 6	–	Greater than 140%	**148%**	
Waterside Lincoln				
LTV	6.8	60%	**52%**	
ICR	–	Greater than 175%	**205%**	
Redditch				
LTV	17.2	76%	**65%**	
ICR	–	Greater than 125%	**205%**	
	321.9			

Fund portfolio information (100% figures)

At 30 December 2012

	The Mall	German Portfolio
Physical data		
Number of properties	8	26
Number of lettable units	967	198
Lettable space (sq feet – '000s)	4,271	3,350
Valuation data		
Properties at independent valuation (£m)	850.8	338.9
Adjustments for head leases and tenant incentives (£m)	46.7	–
Properties as shown in the financial statements (£m)	897.5	338.9
Revaluation in the year (£m)	(38.7)	(3.1)
Initial yield	7.00%	6.59%
Equivalent yield	7.49%	6.12%
Property level return	0.96%	n/a
Reversionary	15.7%	n/a
Loan to value ratio	67%	74%
Net debt to value ratio	55%	71%
Lease length (years)		
Weighted average lease length to break	8.2	7.8
Weighted average lease length to expiry	9.0	7.8
Passing rent (£m) of leases expiring in:		
2013	8.6	2.2
2014	3.9	3.2
2015-2017	19.3	5.9
ERV (£m) of leases expiring in:		
2013	9.7	n/a
2014	5.0	n/a
2015-2017	20.0	n/a
Passing rent (£m) subject to review in:		
2013	3.7	n/a
2014	6.7	n/a
2015-2017	15.5	n/a
ERV (£m) of passing rent subject to review in:		
2013	3.5	n/a
2014	6.9	n/a
2015-2017	18.3	n/a
Rental Data		
Contracted rent at year end (£m)	71.8	n/a
Passing rent at year end (£m)	68.4	26.0
ERV at year end (£m per annum)	79.1	n/a
ERV movement (%)	(3.2)%	n/a
Vacancy rate (%)	3.0%	2.1%
Like for like net rental income under UK GAAP (100%)		
Current year net rental income (£m)		
Properties owned throughout 2011/2012	60.5	25.3
Disposals	3.5	1.6
Net rental income	64.0	26.9
Prior year net rental income (£m)		
Properties owned throughout 2011/2012	64.0	23.9
Disposals	13.7	–
Net rental income	77.7	23.9
Other Data		
Unit Price (£1.00 at inception)	£0.39	n/a
Group share	20.15%	49.60%

Property information

At 30 December 2012

The Mall properties

Property	Description	Lettable space (sq feet)	Car park spaces	Principal occupiers	Number of lettable units
Valued at £125m plus					
The Mall, Luton	Leasehold covered shopping centre on two floors, offices extending to over 65,000 sq ft	994,000	2,300	Debenhams, Boots, Primark, Next, Top Shop and Top Man, Marks & Spencer, Wilkinsons, River Island, Argos, TK Maxx	167
The Mall, Wood Green	Freehold, partially open shopping centre, on two floors with nearly 40,000 sq ft of offices	558,000	1,500	Primark, Cineworld, TK Maxx, Wilkinson, H&M, Boots, Argos, WH Smith, New Look	104
Valued at £75m to £125m					
The Mall, Blackburn	Leasehold partially covered shopping centre on three floors	575,000	1,304	Primark, Debenhams, BHS, Next, H&M, New Look, JD Sports, Bank, Tesco, Boots, Argos	126
The Mall, Sutton Coldfield	Freehold partially open shopping centre on a single level with offices extending to approximately 30,000 sq ft	559,000	960	House of Fraser, BHS, Marks & Spencer, H&M, Boots, Argos, WH Smith	112
The Mall, Maidstone	Freehold covered shopping centre on three floors with offices extending to 40,000 sq ft	538,000	1,050	Boots, BHS, Wilkinson, New Look, Sportsworld	103
The Mall, Uxbridge	Leasehold single level covered shopping centre with 40,000 sq ft of offices	428,000	1,150	Marks & Spencer, Tesco, TK Maxx, Wilkinsons, Argos, Iceland	121
The Mall, Camberley	Part leasehold covered shopping centre on one floor	401,000	1,040	Argos, Boots, Sainsbury's, River Island, House of Fraser, Primark	180
The Mall, Walthamstow	Freehold covered shopping centre on two floors	250,000	870	Asda, BHS, Boots, Dixons, Top Shop, Top Man, River Island	61

Other properties

Property	Description	Lettable space (sq feet)	Principal occupiers	Number of lettable units
Valued at above £50m				
Kingfisher Shopping Centre, Redditch	Freehold covered shopping centre on two principal trading levels	914,000	Marks & Spencer, Primark, Debenhams, BHS, Apollo, Next, H&M, New Look, Boots, Wilkinsons, TK Maxx	160
Great Northern Warehouse, Manchester	Freehold leisure property with multiplex cinema, casino and bars, health and fitness, restaurants and shops	399,000	All Star Lanes, AMC Cinema, Virgin Active, London Clubs International	46
Valued at below £50m				
Waterside Shopping Centre, Lincoln (50%)	Freehold covered shopping centre on three floors	118,000	Primark, New Look, Top Shop, Superdrug	46
Leisure World, Hemel Hempstead	Redevelopment site	160,000	–	–

Property information continued

At 30 December 2012

German properties[1]

Property	Description	Lettable space (sq feet)	Principal occupiers	JV share
Valued at €50 million to €100 million				
Dortmund	Retail park	33,800	Real	100%
Valued at €20 million to €50 million				
Lübeck	Retail park	29,100	Coop/Plaza	100%
Hameln	Retail park	16,800	Kaufland	95%
Moerfelden	Retail park	12,200	Rewe	100%
Schwäbisch Hall	Retail park	19,845	Hela	95%
Trier – Kenn	Hypermarket	11,600	Real	100%
Ingelheim	Hypermarket	10,200	Real	100%
Valued at €10 million to €20 million				
Lauchhammer	Retail park	17,700	Marktkauf	95%
Oschersleben	Retail park	10,500	Marktkauf & Toom	95%
Marl	Retail park	8,800	Kaufland	100%
Brühl	Hypermarket	17,500	Real	100%
Sinzheim	Hypermarket	16,500	Real	100%
Koln Gremberg	Hypermarket	8,300	Real	100%
Herne	Hypermarket	7,400	Rewe & Toom	100%
Bochum Langendreer	Hypermarket	6,400	Kaufland	91.5%
Stadthagen	DIY	10,900	Hagebau	100%
Balingen	DIY	7,500	Toom	100%
Valued at less than €10 million				
Bochum – Wattenscheid	Retail	10,000	Gota Tapeten	100%
Sobernheim	Supermarket	7,400	Real	95%
Leverkusen	Supermarket	6,600	Edeka & Total	100%
Kreuztal	Supermarket	6,400	–	94%
Heide	Supermarket	4,600	Aldi	100%
Kirchheimbolanden	Supermarket	2,500	HIT Handelsgruppe	100%
Taufkirchen[2]	Supermarket & Retail	5,000	Rewe & AWG	95%
Hosbach	DIY	14,700	Globus Fachmarkte	100%
Aachen	DIY	2,800	Praktiker	100%
Kirchheim	Petrol station	2,400	Real	100%

[1] Excluding German portfolio 4 (see note 17c of Group Financial statements).
[2] Sold post year end.

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2013 Financial calendar

Annual General Meeting	June 2013
2013 interim results	August 2013
2013 annual results	March 2014

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