Capital& Regional

Annual Report and Accounts
for the year ended 30 December 2016

Stock Code: CAL

Welcome to the Capital & Regional Annual Report 2016

Capital & Regional is a UK focused specialist retail property REIT.

We actively manage a portfolio of attractively positioned assets to create sustainable income and capital growth through innovative and accretive asset management initiatives, recycling capital from these assets once repositioned.

Our portfolio currently consists of seven shopping centres in Blackburn, Hemel Hempstead, Ilford, Luton, Maidstone, Walthamstow and Wood Green and a 20% joint venture interest in the Kingfisher Centre, Redditch. We manage these assets, which comprise over 900 lettable units and attract *c.*1.7 million shopping visits each week, through our scalable specialist in-house property and asset management platform.

A business model which offers

A secure and sustainable dividend which is targeted to grow at 5% to 8% per annum together with the opportunity to generate capital value growth underpinned by:

- A uniquely positioned portfolio of shopping centres with robust cash generating characteristics and significant growth potential
- A dynamically managed £80+ million capital expenditure programme maintaining the relevance of our centres and generating highly attractive returns
- Efficient recycling of capital enabling gains to be crystallised and funds reallocated to more accretive investments, be they capital expenditure on existing assets or new acquisitions
- An entrepreneurial approach to acquisitions which coupled with our asset management capabilities has potential to further boost returns

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Highlights

£52.6m
See-through Net Rental Income

2016	£52.6m
2015	£49.3m

£26.8m
Adjusted Profit[1]

2016	£26.8m
2015	£24.0m

3.8p
Adjusted EPS

2016	3.8p
2015	3.4p

£(4.4)m
IFRS (Loss)/Profit for the Period

2016	£(4.4)m
2015	£100.0m

3.39p
Total Dividend per Share

2016	3.39p
2015	3.12p

68.0p
Net Asset Value (NAV) per Share

2016	68p
2015	72p

68.0p
EPRA NAV per Share

2016	68p
2015	71p

£328.6m
Proforma Group Net Debt[2]

2016	£328.6m
2015	£338.1m

42%
Proforma see-through net debt to property value[2,3]

2016	42%
2015	41%

46%
See-through net debt to property value at date of results[2,3,4]

2016	46%
2015	45%

[1] Adjusted Profit is as defined in the Glossary and Note 1 to the Financial Statements. It incorporates profits from operating activities and excludes revaluation of properties and financial instruments, gains or losses on disposal, exceptional items and other defined terms. We previously used 'Operating Profit' but have amended the term to clarify that it is an adjusted measure. The only change to the definition is to incorporate tax charges or credits relating to operating activities. A reconciliation to the statutory result is provided in the Financial Review. EPRA figures and a reconciliation to EPRA EPS are shown in Note 9 to the Financial Statements.

[2] Reflecting refinancing of Mall assets completed on 4 January 2017.

[3] See-through net debt divided by property valuation.

[4] Further adjusted for the Ipswich disposal completed on 17 February 2017 and Ilford acquisition completed on 8 March 2017. 2015 reflects the Hemel Hempstead acquisitions completed in February/March 2016.

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Read more content in the Report

Read more at **capreg.com**

Our Portfolio

Key Characteristics

High footfall
c.1.7m shopper visits per week

Scale and dominance
of retail offering

Demographics
Strong and Improving

Locations
London/South-East Bias

Convenience
town centre locations

Affordable rents
— Average rent c.£15 psf
— Occupancy Cost Ratio c.12.6%[1]

Extensive accretive asset management opportunities
including: leisure,residential and office

Key to Map

Wholly Owned Assets

JV Assets

[1] Estimate based on Blackburn, Luton, Maidstone, Walthamstow and Wood Green.

Wholly-owned assets

The Mall, Blackburn

Leasehold covered shopping centre on three floors

600,000 sq ft
127 lettable units

Principal occupiers
Primark, Debenhams, H&M, Next, Wilko

The Mall, Luton

Leasehold covered shopping centre on two floors, offices extending to over 65,000 sq ft

900,000 sq ft
166 lettable units

Principal occupiers
Primark, Debenhams, H&M, M&S, TK Maxx

The Mall, Wood Green

Freehold, partially open shopping centre on two floors

540,000 sq ft
111 lettable units

Principal occupiers
Cineworld, Boots, H&M, New Look, Primark, TK Maxx

The Marlowes, Hemel Hempstead

Freehold covered shopping centre and high street parades

350,000 sq ft
110 lettable units

Principal occupiers
M&S, New Look, River Island, Sports Direct, Wilko

The Mall, Maidstone

Freehold covered shopping centre on three floors with offices extending to 40,000 sq ft

500,000 sq ft
104 lettable units

Principal occupiers
Boots, New Look, Next, TJ Hughes, Wilko

The Exchange, Ilford

Predominantly freehold covered shopping centre on three floors

300,000 sq ft
77 lettable units

Principal occupiers
Debenhams, H&M, M&S, New Look, Next, TK Maxx

The Mall, Walthamstow

Leasehold covered shopping centre on two floors

260,000 sq ft
68 lettable units

Principal occupiers
Asda, Boots, Lidl, The Gym, New Look, River Island, Sports Direct, TK Maxx

Joint Venture asset

Kingfisher Shopping Centre, Redditch

C&R owns 20% in JV with Oaktree Capital Management

Freehold covered shopping centre on two principal trading levels

900,000 sq ft
174 lettable units

Principal occupiers
Vue Cinema, H&M, M&S, Primark, Next, Debenhams, The Range, TK Maxx

Snozone Leisure business

100% subsidiary

Largest indoor ski slope operator in the UK

Operating at Milton Keynes and Castleford

In existence since 2000 and has taught over 1.5 million people to ski or snowboard

Chairman's Statement
John Clare CBE, Chairman

> "Capital & Regional's strong performance in 2016, against a background of increased economic uncertainty, has demonstrated the resilience of the business model. This has led to an 8.7% increase in the dividend to 3.39p for the full year, delivering an attractive dividend yield to shareholders."

John Clare CBE
Chairman

Performance Overview

Capital & Regional's strong performance in 2016, against a background of increased economic uncertainty, has demonstrated the resilience of the business model. This has led to an 8.7% increase in the dividend to 3.39p for the full year, delivering an attractive dividend yield to shareholders.

I am pleased to report that Adjusted Profit increased by 11.7% to £26.8 million. This is an excellent result in a year where, building on the solid foundations we have successfully created over the last few years, our focus shifted decisively towards boosting income from delivery of the asset management and development initiatives across the portfolio. The performance is all the more creditable as, during the course of the year, the BHS administration, while providing a medium-term opportunity to create value and improve the tenant mix, did inevitably result in a short-term loss of income.

NAV per share as at 30 December 2016 was 68p compared to 72p at the beginning of the year. This reflects the impact of one-off costs associated with the successful long-term refinancing of the Group's core banking arrangements, the impact of stamp duty increases as well as the modest fall in valuations since the EU referendum in June 2016. Whilst the EU referendum vote did slow investment activity, the core portfolio has proven to be very resilient with valuations adjusted for capital expenditure down only 2%, supported by a steady volume of transactional evidence for assets in London and the South East.

IFRS profit for the period fell from £100 million to a loss of £4.4 million. This reflected a non-cash revaluation loss, for the reasons noted above, partially reversing the strong unrealised valuation gain recognised in 2015, together with the £11 million charge in relation to implementing the new long-term debt structure.

Strategy

Capital & Regional creates value for shareholders through a focus on increasing income and capital value growth from entrepreneurial asset management initiatives on its portfolio of shopping centres. As we have successfully demonstrated, once assets have been repositioned we seek opportunities to recycle them if we believe capital can be more effectively employed on new investments or other asset management initiatives. Our portfolio offers both resilience and significant opportunities for growth. Our centres combine the scale and dominance of prime shopping centres with the convenience and affordability of town centres. The portfolio is increasingly weighted to London and the South East where the demographics are strong and we see healthy demand from both retailers and leisure operators for affordable space and opportunities for alternative use remain attractive. The uplift in rents that has been achieved from the re-let BHS space in Walthamstow and Blackburn highlights the income potential that can be unlocked from this portfolio, as well as the strong occupier demand for space within it.

Following a very successful investment in Lincoln, which was sold in 2014, the Company has again demonstrated its ability to generate capital gains through the redevelopment and repositioning of assets, with the sale of its Ipswich joint venture which completed in February 2017. The centre was acquired in March 2015 and, through significant investment and imaginative asset management, repositioned as a vibrant leisure and retail destination, delivering an IRR of over 40% on exit. The progress the Company is making in Hemel Hempstead on plans to transform the town centre provides another opportunity to grow both income and create attractive capital gains as does Ilford, following the acquisition of The Exchange centre in March 2017.

We believe that the key characteristics of the underlying assets within the whole portfolio leave us well positioned to sustainably grow earnings further.

Responsible Business

We have reduced our energy consumption by 5% over the course of this year and our continuous year-on-year improvement has been recognised by the award of Best in Carbon Management at the Carbon Trust Awards, ranking Capital & Regional first amongst 150 companies in the UK. Our expertise not only helps reduce our environmental impact but also enables us to deliver measurable savings to our occupiers through a very competitive service charge.

We have also intensified the training of our operational teams to ensure staff are prepared for any potential threat. Our centre teams have implemented scenario planning and conducted exercises in conjunction with local emergency services.

The award of a 10th consecutive ROSPA Gold award underlines our continued focus on health and occupational safety standards across the shopping centres.

Dividend

For 2016, the Board is proposing a final dividend of 1.77 pence per share taking the full-year dividend to 3.39 pence per share, representing an increase on 2015 of 8.7%. This is ahead of guidance, which targets annual dividend growth in the range of 5-8% in the medium-term. The Board is reaffirming its commitment to this guidance reflecting its confidence in the income growth prospects for the business underpinned by our asset management programme.

People

As in previous years, I would like to thank all who work at Capital & Regional for their hard work during the year. I would, in particular, like to celebrate the efforts of those in the shopping centres who have become Customer Hosts and who have done so much to welcome our visitors and who have selflessly acted to improve the quality of the service we provide to our shoppers. I would also like to congratulate all Snozone staff whose efforts in promoting customer service led to being shortlisted alongside Manchester United and Twickenham Stadium for the School Travel Award.

The Board

I am delighted to welcome Guillaume Poitrinal who joined the Board on 1 November 2016. Guillaume is one of the most well regarded figures in European real estate and brings with him a wealth of highly relevant experience and knowledge of the shopping centre sector which will be of great value to the Company.

Mark Bourgeois stepped down from the Board on 1 November 2016 after 18 years at Capital & Regional. On behalf of the Board, I would like to thank Mark for his hard work and significant contribution to the Group's recent success and we wish him well for the future.

The Board has focused much attention on senior management succession planning during the course of the year, seeking to balance the introduction of new talent with continuity. Both Hugh Scott-Barrett and I have indicated a desire to step down from our current roles in 2017 after, respectively, nine and seven years of service. I am therefore delighted that Lawrence Hutchings, who is a highly experienced and well regarded retail real estate professional, will join in June 2017 as Chief Executive and Hugh Scott-Barrett will take up the role of Non-Executive Chairman, at which point I will retire.

I would like to thank my Board colleagues for all their support and guidance over the last seven years. I am pleased to leave the Company in such a strong position; it has been a privilege to have been Chairman of Capital & Regional during a time of such significant progress.

John Clare CBE
Chairman

The Marketplace

The retail market remains a robust and significant contributor to the UK economy, employing 2.8 million people in the UK. Annual sales are worth £388 billion, representing 5% of GDP.

Retail market

Notwithstanding Brexit uncertainty, consumer spending held up well in 2016, with the initial Office for National Statistics estimate of growth for the last quarter of the year being 0.6%, matching that in the previous two quarters. Broader economic fundamentals continue to support sales growth, including low interest rates, high employment and modest wage growth. Whilst forecast inflationary pressures and slowing GDP growth present uncertainties for 2017, the appetite of retail and leisure occupiers for the type of high quality affordable space available in our centres remains strong. This is evidenced by the progress made in re-letting the BHS units within our portfolio (see Operating Review for further details).

The interdependency of physical and digital retail is becoming increasingly important as consumers move effortlessly between online and physical purchases. According to Knight Frank/Verdict research, 94% of all purchases involve a physical store and Google are increasingly adjusting their retail strategy to recognise the importance of physical stores, noting that 50% of all mobile product searches result in a visit to a physical store and commenting "The future of Shopping isn't local vs online. It's both, together, all at once".

Our centres embrace the opportunities that the multichannel sales models now offer. Approximately 70% of our retailers provide a click and collect service and the Collect+ parcel handling service is rapidly expanding in our centres with parcel volumes up 196% on 2015. The collection visits generated provide an opportunity to convert additional spend across the wide range of physical offers and experiences our centres provide.

Retailers are evolving to address the cost pressures of a weaker pound, increased fulfilment costs, minimum wage, and the apprenticeship levy. In doing so they are driving operational efficiencies, including rightsizing store portfolios, improving supply chain efficiencies and optimising their online capabilities. The result is a continued push towards well managed high footfall shopping centre locations that present a sustainable physical trading location in the context of a wider multichannel offer. Whilst the march of pure play online operators such as eBay and Amazon continues, none have yet produced sustained profitability, which further strengthens the case for the physical store.

In summary physical stores remain an integral part of a retailer's offering and through the creation and management of excellent and convenient retail environments we provide accommodation that is central to the contemporary multichannel sales model.

Investment market

While the investment market for shopping centres saw a significant slowdown in volumes during 2016 buyers looking for a "Brexit Discount" have been largely disappointed. The spread between good shopping centre yields and long-term gilts has remained significant and where centres have transacted these have proved generally supportive of pre-referendum valuations with the sales of Intu Bromley, Southside Wandsworth and our own disposal of The Mall, Camberley all demonstrating that demand for good quality assets in this sector remains robust.

Our assets are well positioned to continue to evolve to reflect shopping and leisure trends. Their convenient and accessible locations are attractive to our often time poor customers and their scale allows a wide breadth of retail and leisure experiences to be offered. These features, allied to an occupational affordability that enables our retail and leisure operators to trade profitably, provide for secure income streams that have potential for growth and that continue to underpin investment values.

"94% of all purchases involve a physical store."

Knight Frank Verdict research


WEAR A HAT TO SUIT YOUR PERSONALITY
OR WEAR A HAT TO CHANGE IT.
recycle here
COSTA COFFEE

Our Business Model

Our core strength is acquiring, enhancing and managing conveniently located dominant community shopping centres in the UK.

With our experienced team, our strong retailer relationships and our extensive community connections, we seek to generate sustainable income and capital value growth by combining active asset management with operational excellence.

Our approach is summarised as follows:

Acquisitions › Enhance › Income and Capital Value Growth

Acquisitions

There are a number of assets that meet our potential investment criteria. Typically these will be assets that are underperforming in their catchment but have significant asset management or development opportunities. This might be in single asset purchases or opportunities to acquire and consolidate adjacent sites (e.g. Hemel Hempstead).

Wherever possible we will leverage our deep industry relationships to secure off market transactions.

Enhance

Operational Excellence

— Develop excellent local team

— Drive footfall with creative marketing

— Maximise commercial income

— Reduce costs

— Enhance website and develop digital database

— Embed C&R finance process

Asset Management/Development

— Improve retail/leisure mix

— Build local authority partnerships

— Deliver improvements to retail environment

— Identify and deliver development opportunities

— Increase occupancy

The Result

— Attractive retail and leisure environment

— Improved customer experience

— Increased market share

— Increased footfall and spend

All contributing to **Income and Capital Value Growth**

Each asset is held in order to generate sustainable income growth supporting our progressive dividend policy. When opportunities for further improvement become more limited we actively seek opportunities to recycle capital to allow us to reinvest into assets with greater growth potential.

Read more content online **www.capreg.com**

Key Skills

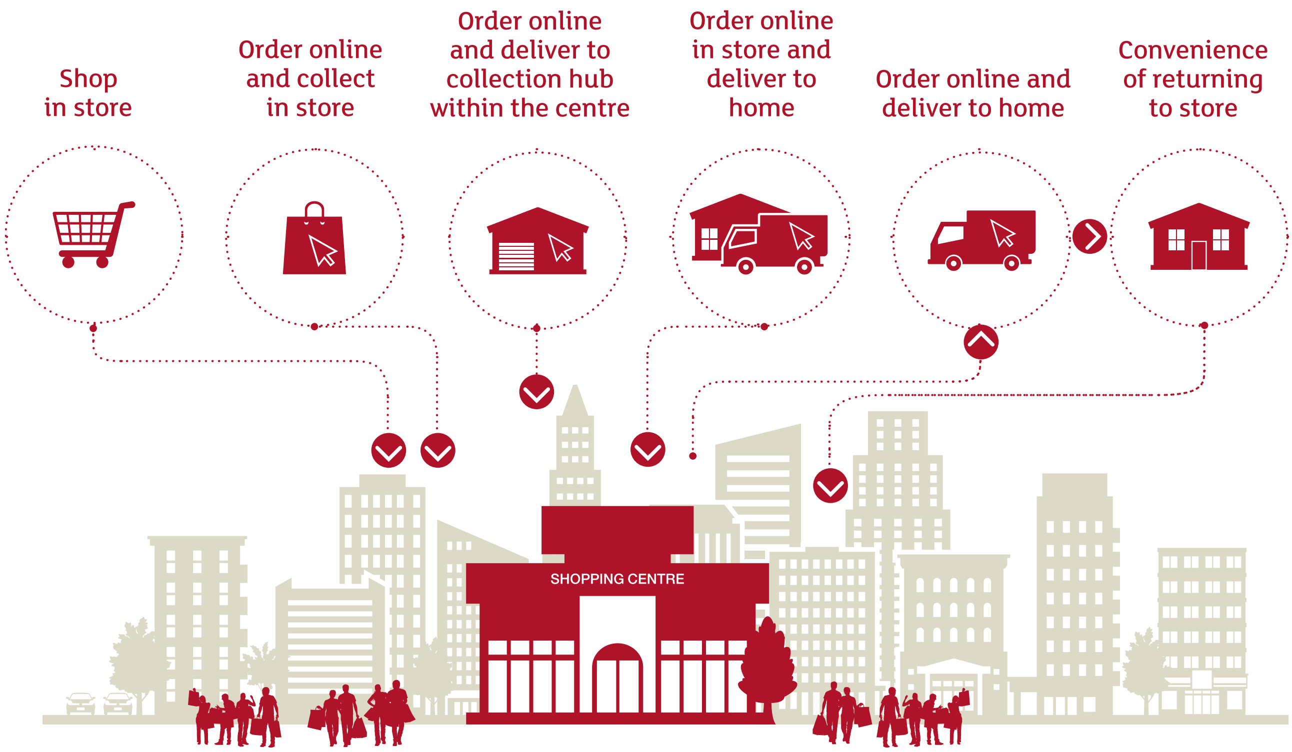
The core strengths of the Capital & Regional team are:

- An in-house platform providing all the relevant disciplines of property and asset management
- Proven ability of successfully delivering complex asset management initiatives
- Strong relationships with our retailers
- A track record of being at the forefront of technological change
- Delivering approximately a quarter of centre income from sources beyond retail
- A track record of delivering value for money for occupiers
- Scalable management platform and business model

Read profiles of some of our team members on pages 20, 25, 32, 35 and 36

Physical shops remain an integral part of a retailer's multichannel model

Through the creation and management of excellent and convenient retail environments we provide accommodation that is central to the contemporary multichannel sales model.



Our Strategy

Our strategy is focused on generating secure and sustainable income growth to drive a progressive dividend which, when allied with capital value growth, will deliver strong total shareholder returns.

Priority	Aim	Progress and Highlights
Invest in our existing portfolio	Continual enhancement of our assets to maintain their relevance and drive sustainable income growth.	Accelerated momentum on five year £65 million Mall capital expenditure plan with £21.2 million spent in 2016 including: — £6.2 million at Maidstone - refurbishment and TJ Hughes reconfiguration — £4.2 million at Wood Green - new Travelodge and extended easyGym — £2.9 million at Blackburn - new Ainsworth Mall entrance and enhanced units at Blackburn
Grow our portfolio by recycling capital into more accretive opportunities	To seek opportunities to reinvest capital that will boost income generation and support capital value and dividend growth.	Investment in The Marlowes and surrounding properties in Hemel Hempstead and the acquisition of the Exchange Centre, Ilford in early 2017. Disposal of The Mall, Camberley and Buttermarket Ipswich Joint Venture at exit yields of sub-6%.
To be the **leading dominant community shopping centre REIT**	To deliver capital value growth together with a highly attractive dividend yield.	2016 total dividend of 3.39p per share, an increase of 8.7% from 2015
Connect with Communities		
Digitally	Be a pioneer of digital solutions to enhance shopper experience and drive footfall and rental value.	Collect+ service expanded handling 34,000 parcels in 2016, almost three times the volume in 2015. New C&R corporate website successfully launched in March 2016.
Responsibly	Be a positive influence on the communities we serve and the people we employ.	— Won Best in Carbon Management at the Carbon Trust Awards — Achieved 5% reduction in energy use. — Retained Global Real Estate Benchmark (GRESB) Green Star Status. — Retained RoSPA Gold Award for 10th consecutive year.
Commercially	Maintain strong relationships with retailers and local authorities.	Consolidation of The Marlowes, Hemel Hempstead and surrounding properties into one successfully integrated scheme with repositioning plans significantly advanced. Leading role in the development of masterplans for Wood Green and Luton offering potential to transform the town centres and our shopping centres which sit at the heart of each community.

Key to Risk

1 Property investments, market risks
2 Impact of economic environment
3 Threat from the internet
4 Concentration and scale risk
5 Development risk

2017 and beyond – key targets and milestones	Associated Risks
Delivery of £80+ million capital expenditure investment over 2017-2019 targeting income returns of over 9%	1 5 6
Successfully integrate the 2017 acquisition of the Exchange Centre, Ilford. Obtain planning for new leisure hub in The Marlowes, Hemel Hempstead. Seek opportunities for further investments, be those new centres or adjacencies to existing centres that further dominance and increase flexibility.	1 7
Future dividend growth in the range of 5% to 8% per annum in the medium-term.	2 6
— Roll-out Collect+ to Ilford and increase total parcel volume by 25% — Upgraded customer database and new dashboard reporting — Expand functionality of the RewardME app Reduce CO_2 by 5%. Retain GRESB Green Star Status Achieve RoSPA Gold Award. See Carbon Trust award case study on page 34 Planning consent for the proposed extension and residential development at Walthamstow and new leisure offer at Hemel Hempstead.	2 4 8

6 Execution of business plan 7 Property acquisition/ disposal strategy 8 Competition risk

Creating fuel for growth

Crystallising value through effective recycling

Acquisitions		Disposals
Waterside, Lincoln £24.8m/ 7.7% NIY	2011	
Kingfisher, Redditch £130.0m / 8.0% NIY	2012	
The Mall, Camberley[1] £75.0m / 7.2% NIY	2014	**Waterside, Lincoln** £46.0m / 5.9% NIY / 20% IRR
Buttermarket, Ipswich £9.2m / 8.5% NIY	2015	
The Marlowes, Hemel Hempstead £53.8m / 7.0% NIY	2016	**The Mall, Camberley** £86.0m / 5.9% NIY / 10% IRR
The Exchange, Ilford £78.0m / 6.7% NIY	2017	**Buttermarket, Ipswich** £54.7m / 5.9% NIY / 40%+ IRR

[1] The Mall, Camberley quoted with reference to value when C&R acquired 63.59% of The Mall portfolio in 2014

Strategic Report

Our Strategy in Action

Investing in our portfolio

The Mall, Maidstone refurbishment

Before

After

The bold £4.7 million refurbishment of the Mall, Maidstone which completed in the summer of 2016 and spanned over 12 months has transformed this forty year old shopping centre.

The project encompassed the delivery of upgraded entrances on King Street and Gabriel's Hill, twelve improved and heightened shop fronts, refurbished public toilets and lift interiors and a new floor, ceiling and lighting system. The wider Gabriel's Hill entrance and lobby makes for a wonderful new space in which to potentially expand commercial activities while the expanded floor area at the heart of the centre at Dukes Walk enhances connectivity between the two shopping levels. Together this has dramatically altered the look and feel of the scheme providing a light and contemporary design, significantly improving the shopper experience.

The response from tenants has been very positive. The completion of the refurbishment coincided with the opening of the new 33,000 sq ft TJ Hughes. Poundland has completed a 10 year lease on a 6,400 sq ft Store. Holland and Barrett have relocated and upsized to 5,000 sq ft and a number of occupiers, including Greggs, McDonalds and Pizza Hut, have mirrored our investment with significant refits of their units.

Transformational asset management

Buttermarket, Ipswich

A debt funded £25 million reconfiguration and modernisation created a 235,000 sq ft retail and leisure complex.

The centre was acquired in March 2015 through a 50:50 joint venture with Drum Property Group for £9.6 million. The retail space has been consolidated onto the ground floor and is anchored by TK Maxx and New Look, while Empire Cinemas has taken a lease of a 12 screen cinema on the upper floors, as part of a leisure suite of nine restaurant units including Prezzo, Wagamama, Byron Burgers and Coast to Coast and a Pure Gym.

The project was a great showcase for Capital & Regional's expertise and asset management skills. The transformation from a tired shopping centre, with only 43% occupancy, into a vibrant retail and leisure destination facilitated the sale in February 2017 delivering expected proceeds of £13.5 million to the Group and an IRR of over 40%.

Strategic Report

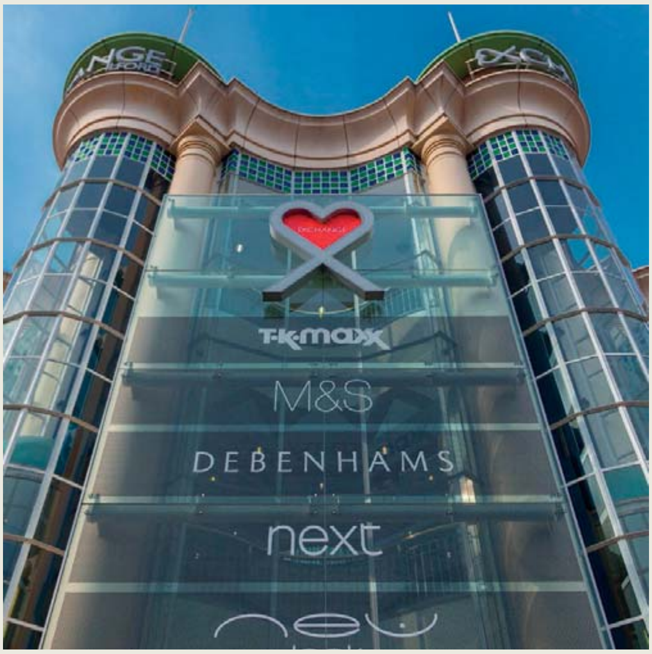
Our Strategy in Action continued

Underpinning our growth ambitions is our ongoing capital expenditure investment across our portfolio.

We plan to invest over £80 million during 2017-2019, incorporating £29 million of remaining spend from the previous £65 million plan, as announced with The Mall acquisition in 2014, and over £50 million of capital expenditure on new acquisitions and initiatives. A key element of the £50 million concerns our plans for our Hemel Hempstead and Ilford acquisitions:

Capturing growth opportunities
The Exchange Centre, Ilford

The centre is the dominant shopping provision in a London growth borough.



Strong growth expectations around residential and Crossrail, with an aligned asset plan to maximise performance

Capital expenditure plan centred around:

— cinema anchored 50,000 sq ft leisure hub

— entrance upgrades linked to Crossrail

— implementation of residential consent

Anticipated £8.5 million net capital expenditure investment over 2017 to 2019

Target IRR: 15%+ / cash-on-cash: 10%

The Marlowes Centre, Hemel Hempstead

Significant town centre control in well located London satellite town.

£53.8 million investment acquiring three separate ownerships in February/March 2016

Masterplan vision to transform town centre offer:

— introduction of leisure core

— refurbishment investment

— upgraded retail offer

— consolidated town centre management approach

Actively working up cinema-led leisure solution to deliver c.50,000 sq ft leisure hub

Anticipated project delivery – early 2019 (with planning H1 2017)

£13 million investment targeting c.10% income return

Our KPIs

KPI	Why we use this as an indicator	Performance
Adjusted Profit[1]	Adjusted Profit seeks to track the recurring profits of the business which is the key driver for dividend payments.	2016 £26.8m; 2015 £24.0m
Adjusted Profit[1] **per share**		2016 3.8p; 2015 3.4p
Dividend per share	This is the cash return to be delivered to investors in respect of the year under review.	2016 3.39p; 2015 3.12p
EPRA net assets per share	This is a measure of the movement in the underlying value of assets and liabilities underpinning the value of a share.	2016 68p; 2015 71p
See-through net debt to property value[2]	We aim to manage our balance sheet effectively with the appropriate level of gearing.	2016 46%; 2015 45%
See-through Net Rental Income	This is the key driver of Adjusted Profit.	2016 £52.6m; 2015 £49.3m
Footfall (wholly-owned)	Footfall is an important measure of a centre's popularity with customers. Occupiers use this measure as a key part of their decision-making process.	2016 -0.2%; 2015 -2.1%
Occupancy (like-for-like) (wholly-owned)	We aim to optimise the occupancy of our centres as attracting and retaining the right mix of occupiers will enhance the trading environment.	2016 95.4%; 2015 96.7%

[1] Adjusted Profit is as defined in the Glossary and Note 1 to the Financial Statements. It incorporates profits from operating activities and excludes revaluation of properties and financial instruments, gains or losses on disposal, exceptional items and other defined terms. We previously used 'Operating Profit' but have amended the term to clarify that it is an adjusted measure. The only change to the definition is to incorporate tax charges or credits relating to operating activities. A reconciliation to the statutory result is provided in the Financial Review. EPRA figures and reconciliation to EPRA EPS are shown in Note 9 to the Financial Statements.

[2] See-through net debt divided by property valuation. 2016 is adjusted for refinancing of Mall assets on 4 January 2017, Ipswich disposal on 17 February 2017 and Ilford acquisition on 8 March 2017. 2015 reflects the Hemel Hempstead acquisitions completed in February/March 2016.

How this links to our strategy	Progress during the year
We target delivering dividend per share growth of between 5% and 8% per annum in the medium-term.	An increase of 11.7% reflected a strong operational performance together with the positive impact from the Hemel Hempstead acquisitions, net of the sale of The Mall, Camberley.
We target delivering dividend per share growth of between 5% and 8% per annum in the medium-term.	3.39p represented an increase of 8.7% over 2015 and therefore ahead of the top of our target range.
We aim to maximise the value of our assets. Our capital expenditure investment programme is planned to deliver a capital return over and above the income enhancement.	The decrease primarily reflected a 1.6p reduction attributable to implementing the new long-term debt package (see Financial Review for further details) and a further 1.2p from the 1% increase in stamp duty.
Having the appropriate level of gearing is important to effectively managing our business through the property cycle. Our target range is 40%-50% in the medium-term.	An increase to 46% reflected a small decrease in property valuations and the impact of the cost of implementing the new long-term debt.
We target delivering dividend per share growth of between 5% and 8% per annum in the medium-term.	An increase of £3.3 million represented 6.7% reflecting underlying growth of 1.2% on the wholly-owned portfolio together with the positive impact from the Hemel Hempstead acquisitions, net of the sale of The Mall, Camberley.
Footfall performance provides an indication of the relevance and attractiveness of our centres, influencing occupier demand and future letting performance.	Footfall at the Group's UK shopping centres declined by a marginal 0.2%, but significantly outperformed the national ShopperTrak index which fell by 2.1%.
Occupancy has a direct impact on the profitability of our schemes and also influences footfall and occupier demand.	Our occupancy measure decreased marginally, reflecting the impact of the BHS administration, but remained strong at 95.4%.

Chief Executive's Statement

Hugh Scott-Barrett, Chief Executive

> "Looking forward, there is no shortage of accretive opportunities both within our existing portfolio and beyond. This underpins our confidence in the growth prospects of the business by enabling us to focus on those initiatives which generate the best returns."

Hugh Scott-Barrett
Chief Executive

Income Growth Drives Operational Performance

Net Rental Income (NRI) within the wholly-owned portfolio grew by 6.6%, from £47.3 million to £50.4 million. Stripping out the impact of the Hemel acquisitions, and the disposal of Camberley, underlying growth in wholly-owned NRI was 1.2%. Adjusted for the impact of the BHS administration, NRI grew by approximately 2.4%. This, combined with tight control over administrative expenses, underpins the strong improvement in Adjusted Profit of 11.7%. While this partially reflects the return from the capital expenditure spend to date the full benefit of the investment to date will only be realised in 2017 and 2018.

Leasing activity has been robust during the course of the year. New lettings and lease renewals within the wholly-owned portfolio excluding Camberley aggregated £5.6 million and were agreed at rents 2.1% ahead of ERV. Critically, they were also ahead of previous passing rent by approximately 18%.

The letting of BHS space at Walthamstow highlights the potential for income growth from within the existing portfolio. Lettings to Lidl (18,000 sq ft) and The Gym (15,000 sq ft) will generate a 40% uplift in headline rent on the relevant Walthamstow unit even before the letting of the remaining space, where there is strong demand, is taken into account. This reinforces our belief that our centres offer attractive and affordable space to retailers and leisure operators alike.

Delivery of Asset Management Initiatives

The Group has spent £21.2 million of capital expenditure on wholly-owned assets during the year, including:

- £6.2 million at Maidstone — scheme refurbishment and TJ Hughes reconfiguration
- £4.2 million at Wood Green — new Travelodge and extended easyGym
- £2.9 million at Blackburn — the opening of the new Ainsworth Mall entrance and enhanced units

The redevelopment of the Buttermarket Centre, Ipswich, was completed on time and on budget facilitating the sale post year end. This was a complex construction project involving the creation of an Empire Cinema on the two upper levels surrounded by a suite of nine new restaurants including Coast to Coast, Prezzo, Wagamama and Cosy Club. The joint venture invested capital expenditure of £25.1 million to transform the scheme from a substantially empty shopping centre to a thriving leisure-led destination.

Recycling for Growth

The sale of The Mall, Camberley, for £86 million, representing a Net Initial Yield of 5.9%, was completed in November 2016. The transaction crystallised an IRR of 10% based on the acquisition price at the time of Capital & Regional's buy-out of The Mall Fund in 2014. It has also raised funds to invest in more accretive investments both in our existing portfolio and by way of acquisition. The Camberley sale followed the earlier acquisitions of the Marlowes Shopping Centre in Hemel Hempstead and the adjacent Edmonds Parade and Fareham House properties for combined consideration of £53.8 million. The consolidated scheme presents the Group with the opportunity to reposition the Hemel Hempstead town centre.

Similarly, the sale shortly after year-end of our joint venture interest in The Buttermarket Centre, Ipswich at a net equivalent yield of 5.9%, realising an expected £13.5 million to the Group, gave us additional fire-power for investment. We quickly put this to use with the acquisition of The Exchange Centre, Ilford, for £78 million, representing a net initial yield of 6.7%, which completed on 8 March 2017. The centre dominates retail in the town and offers great potential for leisure and residential development given its Crossrail link which is expected to open in 2019. It also further strengthens the London and South East bias of our portfolio.

The Group has a track record of acquiring assets at attractive prices and of recycling capital once innovative and entrepreneurial asset management initiatives have been completed. This is not just about capital discipline but about creating fuel for growth by achieving very attractive returns.

Enhanced Balance Sheet Strength and Flexibility

On 4 January 2017 the Group completed the refinancing of its five wholly-owned Mall properties by entering into three new debt facilities totalling £372.5 million with a weighted average maturity of 7.8 years, rising to 8.8 years if the extension options are exercised.

Interest has been fixed enabling us to lock into the historically low interest rates, resulting in an all-in cost on these new facilities of 3.27%. In addition, the refinancing has also enabled the Group to diversify its sources of funding and increase the quantum of capital expenditure funding. Critically, the facilities also provide flexibility for asset recycling. We believe that these significant benefits offset the one-off charge of £11.0 million associated with the early redemption of the existing facilities that was recognised in the year.

Outlook

Whilst the business environment may be challenging, the prospects for Capital & Regional are exciting. Our assets have proven to be very resilient and capital expenditure investment over the last two years has provided a strong platform for future income and dividend growth. Our portfolio of asset management initiatives continues to grow, with leisure reconfigurations providing an opportunity to reposition both the Hemel and Ilford schemes. We are looking for planning consent for the extension and residential development to be granted at Walthamstow during the year whilst the development of master plans in Luton and Wood Green are likely to be transformational for both the towns and our shopping centres, which sit at the heart of each community.

Strategic Report

Operating Review

The Capital & Regional business model is founded upon the acquisition, ownership and management of dominant community shopping centres which are convenient for shoppers and generate strong footfall with high levels of repeat visits. These are primarily located in strong south east locations and offer retailers and leisure operators high quality space in thriving schemes at affordable levels of occupational cost. Every scheme in the Group's portfolio is subjected to intensive asset management from the Group's specialist in-house asset management team which identifies opportunities to invest capital expenditure in a highly accretive manner.

The value of the Group's platform is emphasised by the strong operational performance in the period with lettings and lease renewals combined being above ERV, occupancy being maintained at high levels, together with the successful asset recycling that has taken place.

Wholly-owned **As at 30 December:**	**2016**	2015	Change
Contracted rent (like-for-like)	**£57.5m**	£56.6m[1]	+1.6%
Passing rent (like-for-like)	**£53.0m**	£53.7m[1]	–1.3%
Occupancy (like-for-like)	**95.4%**	96.7%[1]	–1.3p.p.
Portfolio value	**£794.1m**	£822.7m	–3.5%
For the year ended 30 December:			
NRI	**£50.4m**	£47.3m	+6.6%
NRI (like-for-like)	**£42.8m**	£42.3m	+1.2%
Footfall – versus prior year	**–0.2%**	–0.6%	
Footfall – versus national index	**+1.9 p.p**	+1.1 p.p.	
Total Property return	**4.1%**	16.0%	–11.9 p.p

[1] Hemel Hempstead as at acquisition used for 2015.

Contracted rent increased by 1.6% on a like-for-like basis, driven by a strong letting performance despite the impact of the BHS administration which initially reduced both passing and contracted rent by £1.3 million. By 30 December 2016 £0.6 million of income had been contracted in relation to the BHS space and a further £0.3 million has been signed since the year end. In total at 30 December 2016, there was £2.7 million of contracted rent in a rent free period of which £2.6 million will convert to passing rent in 2017.

There is also a further £1.8 million of contracted rent where the income will commence once the works to create or convert the units has completed.

Occupancy at 30 December 2016 reflects the impact of the BHS administration where the units involved closed during the second half of the year. Whilst as noted below good progress has been made reletting the units the impact of BHS on occupancy at the year end accounted for 1.2 percentage points of the decrease.

New lettings, renewals and rent reviews

Wholly-owned Centres excluding Camberley	**Year ended 30 December 2016**
Number of new lettings	**58**
Rent from new lettings (£m)	**£4.0m**
Comparison to ERV1(%)	**+2.3%**
Renewals settled	**24**
Revised rent (£m)	**£1.6m**
Comparison to ERV P1 (%)	**+1.7%**
Lettings and renewals compared to previous rent	**+18%**
Rent reviews settled	**24**
Revised passing rent (£m)	**£3.3m**
Uplift to previous rent (£m)	**–**
Comparison to ERV (%)	**+3.5%**

[1] For lettings and renewals with a term of five years or longer which did not include a turnover rent element

There has been strong leasing activity across the wholly-owned portfolio reflecting the affordability of the schemes, with £4.0 million of rental income achieved through new lettings and a further £1.6 million of rent on renewals settled.

For renewals, we also consider the net effective rent taking into account the valuers assumptions on tenant incentives. The net effective rent achieved on all lease renewals which were for a five year term or greater and contained no element of turnover rent was, at 96.5% of ERV, 3.4% higher than assumed by the Group's valuers.

Capital & Regional People

Sian Bowen

Retail Asset Manager

Sian has been with Capital & Regional for over 10 years, having previously been an Estate Manager for one of Britain's largest retailers. She is responsible for letting retail and leisure units at schemes, delivering new retailers to the portfolio and driving specific asset management initiatives. Having come from a retail background, she particularly enjoys working closely with retailers, having an in depth knowledge of brands and new retail entrants to the UK market. In 2016 her most satisfying achievement was the letting of Pret in Wood Green, a key driver to improving tenant mix within the scheme.

Creating opportunity from adversity following the BHS Administration

The value of the Group's in-house team is perfectly illustrated by the progress made in reletting the BHS units, resulting in the delivery of significant income increases at Blackburn and Walthamstow over the rent paid by BHS.

At Blackburn, the entire store has been re-let. Wilko have taken a 10 year lease of a 24,500 sq ft store and Sports Direct, who were a subtenant of BHS, have become a direct tenant. This has resulted in a £73,000 uplift in income. Handover of the store to Wilko is scheduled for May 2017.

In Walthamstow, the Group took a surrender of the BHS lease from the administrator and a 25 year letting has been completed with Lidl on 18,000 sq ft on the ground floor since the year end. On the first floor, The Gym has signed a 15 year lease over 15,000 sq ft and a Turkish restaurant has agreed a 15 year lease on a 6,800 sq ft ground floor unit. There are three further retail units totalling 5,400 sq ft which are still available. The Group's aim is to increase rental income at the units in this centre by approximately £500,000 more than was receivable from BHS and the deals referred to above will secure 79% of that targeted income. The estimated capital expenditure to achieve this is £4.1 million, of which 11.5% will be met by the headlessor, London Borough of Waltham Forest, resulting in a net incremental income return to the Group of 12%.

In Maidstone, the Group is pursuing a number of asset management strategies ranging from a single letting of the whole store to scenarios where the store is subdivided for multiple occupiers.

Other leasing activity

Momentum on other lettings has been equally strong driven by the affordability and quality of the space at our schemes. Occupancy costs in our schemes are significantly lower than regional prime centres. Our service charges are extremely competitive, an overall £4.92 per sq ft which is below Jones Lang LaSalle's most recent OSCAR benchmark of £5.67 per sq ft. Average rent is around £15 per sq ft and total occupancy cost ratio is estimated at 12.6%[1]. Across the portfolio, the 2017 business rates revaluation will result in an average decrease in rateable value of 13.5% for the six wholly-owned schemes held at 30 December 2016, with four of the schemes showing significant declines and the two London schemes at Walthamstow and Wood Green increasing by 7.1% and 15.0% respectively.

Further progress has been made in increasing the leisure element in our schemes with 13 new leisure lettings completing with a rent of £0.8 million. The increasing leisure offer, which now stands at over 10% of the portfolio compared to approximately 7% at the end of 2014, attracts a wider customer base and increases dwell time.

Highlights of letting activity as a whole include:

Blackburn

In addition to Wilko, lettings were made to Costa, Burger King and Muffin Break totalling 6,500 sq ft on terms of at least 10 years.

Luton

Holland & Barrett took a new 3,700 sq ft store whilst JD Sports upsized to a 5,500 sq ft unit and Schuh took a 3,400 sq ft unit, all on 10 year terms. Lettings were also completed on a cluster of five new catering offers, further improving the leisure offering at the centre.

Maidstone

TJ Hughes has taken a 10 year lease of a 33,000 sq ft unit and Poundland has completed a 10 year lease on a 6,400 sq ft store. Holland & Barrett have relocated and upsized to 5,000 sq ft and several other occupiers including Greggs, McDonalds and Pizza Hut have refitted following on from the general refurbishment of the scheme that completed in the summer of 2016.

Walthamstow

In addition to The Gym and Lidl lettings, Holland & Barrett has taken a 4,400 sq ft unit on a 10 year term and Shoe Zone and Select each have signed for five years for a 3,300 sq ft store.

Wood Green

Lettings have been made to Choice and Footlocker on 10 year terms for units of 5,900 and 3,800 sq ft respectively. Pret has taken a 15 year lease on 2,500 sq ft at the entrance to the scheme. Since the year end the letting to Five Guys of a new 3,750 sq ft restaurant has been secured and we are progressing discussions with a national retailer to expand into unused basement space. We have also received an attractive offer from a national food retailer for a 7,500 sq ft convenience store.

[1] Estimate based on Blackburn, Luton, Maidstone, Walthamstow, Wood Green. See Glossary for further details

Operating Review continued

Administrations and Insolvency

Wholly-owned Centres	Year ended 30 December 2016	Year ended 30 December 2015	6 months ended 30 June 2016
Administrations (units)	**18**	9	12
Passing rent (£m)	**2.4**	0.5	1.9

In 2015, on a like-for-like basis, there were nine administrations with passing rent of £0.5 million, compared to £2.4 million of passing rent in 2016, which was largely due to three administrations: AJ Levy Group where seven units were affected, BHS which accounted for three units and Ed's Diner which affected two units. Eight of the affected units have been re-let at an increased level of rent. At 30 December 2016, there were five units with passing rent of £0.5 million which were affected by tenant administration where the tenant was continuing to trade.

There are four units impacted by the proposed Creditors Voluntary Arrangement submitted by Blue Inc in early March 2017 with a combined rent of £0.2 million. There were two other units impacted by administration in 2017 up to 8 March 2017 with a combined rent of less than £0.1 million.

Income security has been strengthened by the improved tenant mix, in particular, through greater diversification, given the increased levels of leisure use within our schemes.

Capital expenditure and developments

The Group's £65 million capital expenditure plan was announced with The Mall acquisition in 2014. £21.2 million was spent in 2016, bringing the total spend to date to £36.1 million. The largest element of the unspent funds relates to the Walthamstow development. The projected income return on these projects in total is over 10%.

Spending in 2016 included:

£2.9 million at Blackburn relating to the reconfiguration to create a 15,000 sq ft gym and three retail units in the new entrance opposite the redeveloped bus station.

£6.2 million at Maidstone including the refurbishment and works to secure the letting of the 33,000 sq ft anchor store to T J Hughes which has reported strong trading since opening.

£4.2 million at Wood Green including the conversion of offices into a 78 bedroom Travelodge and the extension of the gym. The 23,000 sq ft gym was handed over in September 2016 and the Travelodge works are progressing well with handover expected by August 2017. In addition Deichmann opened following the amalgamation of two units to create a new 5,800 sq ft unit.

A new multi-year capital expenditure plan has now been formulated which incorporates the remainder of the £65 million and planned spending on the recent acquisitions in Hemel Hempstead and Ilford. This totals £80 million at an anticipated average income return of around 10%, with at least £30 million expected to be spent in 2017. This emphasises the accretive opportunities inherent within the portfolio owing to their location and dominance. The £80 million includes:

- £13 million repositioning of The Marlowes, Hemel Hempstead
- £8.5 million net repositioning investment in The Exchange, Ilford
- £4.5 million conversion of the Market Hall at Luton into 50,000 sq ft of MSU space.
- £3.5 million for the reconfiguration and break-up of the former BHS store at Walthamstow

The Group continues to progress its plans to extend Walthamstow to deliver 92,000 sq ft of new retail space and over 400 residential units. An agreement has been reached with the London Borough of Waltham Forest within which the headlease will be extended from 71 years to 250 years. Public consultation has taken place and a planning application will be submitted imminently with consent sought by the end of the year.

Footfall, car park income and trade index

Footfall at the Group's wholly-owned shopping centres outperformed the national footfall index by 1.9 percentage points during 2016, registering a small decline of 0.2% versus a national ShopperTrak index decline of 2.1%.

Car park usage was 5.5 million visits, resulting in gross car park income increasing by 1.3% with tariff increases more than offsetting a small decline in usage.

Our in-house C&R trade index estimated retailer sales to be 0.1% higher than 2015, indicating resilient levels of trading across the portfolio.

Short-term lettings

Short-term lettings are used to maximise the vibrancy of our schemes, to minimise the costs of vacant units, and to provide opportunities for new and growing retailers to experience our schemes. At 30 December 2016, on a like-for-like basis, there were 59 temporary lettings (2015: 74) for a net rent of £0.8 million (2015: £0.4 million) as compared to an ERV of £2.5 million (2015: £3.9 million). With increasing levels of occupancy, the Group will look to convert these lettings onto permanent terms with higher rents.

Investment portfolio performance

The property level total returns for the wholly-owned portfolio, as held at 30 December 2016, are set out below:

30 Dec 2016	Property valuation £m	Capital return %	Total return %	Initial yield %	Equivalent yield %
Wholly-owned portfolio	794.1	–1.9	4.1	6.0	6.2

Acquisitions and Disposals

The Group continually assesses the returns available from the schemes within its portfolio and actively seeks to recycle capital into assets or projects which offer more accretive opportunities for the Group's in-house asset management team to generate income and value.

Disposals

The Mall, Camberley

The Group completed the sale of The Mall, Camberley to Surrey Heath Borough Council on 11 November 2016 for £86.0 million at a net initial yield of 5.9%. This compares to the value of £75.0 million, and a net initial yield of 7.18%, when Capital & Regional bought out The Mall Fund in 2014. Allowing for the capital expenditure invested and income returned since then this represents an IRR of 10%.

Buttermarket Centre, Ipswich

The Group sold its 50% interest in The Buttermarket Centre in Ipswich to National Grid Pension Fund on 17 February 2017. This is expected to realise £13.5 million to the Group after repayment of related debt, delivering an IRR of over 40%. The initial consideration received was £9.8 million with the expected balance of £3.7 million, contingent on the completion of the letting programme. The impact of the sale is reflected in the year end numbers as the investment was reclassified as an asset held for sale at 30 December 2016.

The centre was acquired in March 2015 through a 50:50 joint venture with Drum Property Group for £9.6 million at a Net Initial Yield of 8.5%. A £25 million reconfiguration and modernisation created a 235,000 sq ft retail and leisure complex. The retail space has been consolidated onto the ground floor and is anchored by TK Maxx and New Look, while Empire Cinemas has taken a lease of a 12 screen cinema on the upper floors, as part of a leisure suite of nine restaurant units including Prezzo, Wagamama, Byron Burgers and Coast to Coast and a Pure Gym.

Acquisitions

The Marlowes, Hemel Hempstead

On 5 February 2016 the Group completed the acquisition of The Marlowes Shopping Centre for £35.5 million, representing an initial yield of 7.0%, with the vendor funding the replacement of the glazed atrium roof as part of the transaction. The Group subsequently acquired the adjacent Edmonds Parade and Fareham House properties for a total of £18.3 million.

Together these provide the Group with substantial control of the retail heart of a strong south east town with the potential to be fundamentally repositioned as an attractive shopping and leisure destination, following on from the significant local authority investment which has already benefited the town. The Group is planning to invest capital expenditure of around £13 million in the next three years with a targeted income return in the high single digits.

The Exchange Centre, Ilford

On 8 March 2017 the Group completed the acquisition of The Exchange Centre, Ilford for £78 million, representing a net initial yield of 6.70%.

The Exchange Centre is located opposite Ilford train station which will be rebuilt ahead of the opening of Crossrail, which is planned for 2019. It has three trading levels with 77 units providing 300,000 sq ft of lettable space and a multi-storey car park with over 1,000 spaces. The scheme is anchored by Debenhams and Marks & Spencer with other retailers including H&M, Next, River Island, Sports Direct, TK Maxx and Wilko. The Group is planning to make a net invest of approximately £8.5 million of capital expenditure in the scheme, focused primarily on transforming the leisure offer and crystallising value from the significant residential opportunity.

Redditch

The Group has a 20% interest in, and is the property and asset manager of, The Kingfisher Centre, Redditch. This scheme was also affected by the BHS insolvency in 2016 but following the year end the entire 46,000 sq ft store has been re-let to The Range on a 10 year term. Other significant lettings include the letting of space that had never previously been let, to a soft play operator, 360 Play, on a 14 year lease. Contracted income marginally decreased by £0.1 million to £12.2 million at 30 December 2016.

Occupancy at 30 December 2016 was 93.3% (2015: 96.7%) as a result of the BHS and Ed's Diner insolvencies which occurred in the second half of the year and represented 3.7% occupancy. Both of these units have now been re-let.

Snozone

In an increasingly competitive market place, Snozone produced another strong performance returning profits of £1.4 million. With the roll out of its mobile slopes and the launch of a Disability Snow school and Education programme, Snozone continues to enhance its core offering and explore new opportunities to innovate.

Strategic Report

Financial Review

Charles Staveley, Group Finance Director

	2016	2015	Change
Profitability			
Net Rental Income	**£52.6m**	£49.3m	+6.7%
Adjusted Profit[1]	**£26.8m**	£24.0m	+11.7%
Adjusted Earnings per share	**3.8p**	3.4p	+11.7%
IFRS (Loss)/Profit for the period	**£(4.4)m**	£100.0m	
EPRA cost ratio (excluding vacancy costs)	**25.8%**	26.4%	–60bps
Net Administrative Expenses to Gross Rent	**13.6%**	14.8%	–120bps
Investment returns			
Net Asset Value (NAV) per share	**68p**	72p	–4p
EPRA NAV per share	**68p**	71p	–3p
Dividend per share	**3.39p**	3.12p	+8.7%
Dividend payout	**88.7%**	91.1%	
Return on equity	**(0.9)%**	23.5%	
Financing[2]			
Proforma Group net debt	**£328.6m**	£338.1m	–£9.5m
Proforma see-through net debt	**£354.0m**	£355.7m	–£1.7m
Adjusted for the 2017 sale of Ipswich and acquisition of Ilford:			
Proforma see-through net debt to property value[3,4]	**46%**	45%	+1p.p.
Proforma average debt maturity[4,5]	**7.8 years**	3.6 years	+4.2 years
Proforma cost of debt[4,6]	**3.26%**	3.51%	–25bps

[1] Adjusted Profit is as defined in the Glossary and Note 1 to the Financial Statements. A reconciliation to the statutory result is provided further below. EPRA figures and a reconciliation to EPRA EPS are shown in Note 9 to the Financial Statements.
[2] 2016 adjusted for refinancing of the Mall assets completed on 4 January 2017.
[3] See-through net debt divided by property valuation.
[4] 2015 adjusted to reflect Hemel Hempstead acquisitions completed in February/March 2016.
[5] As at date of results, assuming exercise of all extension options.
[6] Assuming RCF fully drawn.

The above results are discussed more fully in the following pages.

Profitability

Components of Adjusted Profit and reconciliation to IFRS Profit

Amounts in £m	**Year to 30 December 2016**	Year to 30 December 2015
Net rental income		
Wholly-owned assets (see analysis on page 26)	**50.4**	47.3
Kingfisher, Redditch[1]	**1.7**	1.8
Buttermarket, Ipswich[2]	**0.5**	0.2
	52.6	49.3
Net interest (see analysis on page 26)	**(20.3)**	(19.5)
Snozone profit (indoor ski operation)	**1.4**	1.4
Central operating costs net of external fees	**(6.9)**	(7.2)
Adjusted Profit	**26.8**	24.0
Adjusted Earnings per share (pence)[3]	**3.8p**	3.4p
Reconciliation of Adjusted Profit to statutory result		
Adjusted Profit	**26.8**	24.0
Property revaluation (including Deferred Tax)	**(14.5)**	74.8
(Loss)/profit on disposals	**(2.6)**	2.5
Loss on financial instruments	**(2.5)**	(0.8)
Refinancing costs	**(11.0)**	–
Other items[4]	**(0.6)**	(0.5)
(Loss)/profit for the period	**(4.4)**	100.0

[1] See note 14d to the Financial Statements.
[2] See note 14c to the Financial Statements.
[3] EPRA figures and a reconciliation to EPRA EPS are shown in Note 9 to the Financial Statements.
[4] Includes £0.5 million for the non-cash accounting charge in respect of share-based payments (2015: £0.6 million).

Adjusted Profit and Adjusted Earnings per share increased 11.7% reflecting good operational performance in the period together with the positive impact from the Hemel Hempstead acquisitions, net of the sale of The Mall, Camberley.

Included within Loss for the period is the £11.0 million of refinancing costs triggered by serving notice on the existing debt facility on the five Mall assets on 28 December 2016 (see Financing section for further details). They comprise £7.6 million of fixed rate loan redemption costs and the non-cash write off of the £3.4 million unamortised financing costs at 30 December 2016.

Central operating costs net of external fees has improved by £0.3 million. We expect our continued emphasis on reducing costs and improving efficiency to deliver a cost saving of at least £0.5 million per annum for 2017.

Capital & Regional People

Anthony Brady

Head of Business Systems

Anthony has over 20 years' experience in property sector business systems. He is currently part of a business wide team engaged in delivering a programme of continuous improvement across Capital & Regional. The aim of this programme being to drive through positive change to deliver efficiencies, improved quality, better process control and promoting a culture of inclusion and collaboration, whilst at the same time supporting the underpinning ethos engrained within the continuous improvement methodology and lean principles.

Financial Review continued

Wholly-owned assets Net rental income

Further detail on the components of Net rental income for the core wholly-owned portfolio is provided below. Included within wholly-owned for 2015 were the results for Blackburn, Camberley, Luton, Maidstone, Walthamstow and Wood Green. 2016 includes Camberley until its disposal on 11 November 2016 and the contributions from The Marlowes, Hemel Hempstead acquired on 5 February 2016 as well as the adjacent Edmonds Parade and Fareham House properties on 26 February 2016 and 18 March 2016 respectively. Net rental income attributable to Camberley in 2016 was £4.2 million (2015: £5.0 million) and the Hemel Hempstead assets were £3.5 million (2015: nil).

Gross rental income increased by 7.8% to £62.0 million and Net rental income by 6.6% to £50.4 million.

Amounts in £m		**2016**		2015	
Rental income			**51.0**		47.7
Car park income			**8.5**		7.4
Ancillary income			**2.5**		2.4
Gross rental income			**62.0**		57.5
Service charge and void costs			**(4.4)**		(3.6)
Bad debt			**(0.8)**		(0.5)
External Operator/Fund Manager fees			**(0.1)**		(0.1)
Other property expenses	Car park costs	**(3.4)**		(3.1)	
	Head leases	**(3.1)**		(3.1)	
	IFRS head lease adjustment[1]	**3.6**		3.6	
	Letting and rent review fees	**(1.2)**		(1.2)	
	Administration expenses	**(0.5)**		(0.7)	
	Repairs and maintenance	**–**		(0.2)	
	Other costs	**(1.7)**		(1.3)	
			(6.3)		(6.0)
Net rental income			**50.4**		47.3

[1] Notional interest charge with offsetting opposite and materially equal credit within net interest.

Net Asset Value

1.6 pence of the fall in Net Asset Value per share was due to the costs associated with putting in place the new long-term debt on the five Mall assets. A further 1.2 pence was due to the 1% increase in stamp duty during the year and 0.9 pence from the fall in property values.

Financing

Net interest on a see-through basis

Amounts in £m	**Year to 30 December 2016**	Year to 30 December 2015
Wholly-owned assets		
Net Interest on loans	**14.0**	13.0
Amortisation of refinancing costs	**1.4**	1.3
Notional interest charge on head leases[1]	**3.6**	3.6
	19.0	17.9
Kingfisher, Redditch	**0.8**	0.8
Buttermarket, Ipswich	**0.1**	–
Central	**0.4**	0.8
Net Group interest	**20.3**	19.5

[1] Notional interest charge with offsetting opposite and materially equal credit within other property operating expenses.

The increase in interest on wholly-owned assets is a consequence of interest incurred on the Hemel loan of £1.1 million since acquisition. It is expected that total debt costs will be at least £0.5 million lower for 2017, benefiting from the refinancing of the Mall assets that completed on 4 January 2017 and as detailed further below.

Proforma see-through debt

The following analysis is provided on a proforma basis to reflect the refinancing of the debt on the five Mall assets that completed on 4 January 2017. This is essentially the year end position as the notice to repay the existing debt had been served on 28 December 2016 and the redemption costs were reflected as a charge in 2016 profit.

The table has been further extended to show the impact of the sale of the Buttermarket Ipswich on 17 February 2017 and acquisition of The Exchange Centre, Ilford on 8 March 2017 to reflect the position at the time of reporting.

Group share 30 December 2016	Debt[1] £m	Cash[2] £m	Net debt £m	Loan to Value[3] %	Net debt to value[3] %	Average interest rate %	Fixed %	Duration to loan expiry Years	Duration with extensions Years
Mall assets	**362.5**	(17.3)	**345.2**	49	47	3.27	100	7.8	8.8
Hemel Hempstead	**26.9**	(1.9)	**25.0**	49	46	3.32	100	4.0	6.0
Group RCF	**–**	(41.6)	**(41.6)**	n/a	n/a	3.52	–	2.4	2.4
On balance sheet debt	**389.4**	(60.8)	**328.6**						
Buttermarket Ipswich	**9.7**	(0.1)	**9.6**	36	36	3.51	–	–	–
Kingfisher Redditch	**16.8**	(0.8)	**16.0**	55	52	3.66	100	2.3	2.3
Off balance sheet debt	**26.5**	(0.9)	**25.6**						
Proforma see-through debt	**415.9**	(61.7)	**354.2**	49	42				
Adjusted for the sale of Ipswich and acquisition of Ilford:									
Ipswich disposal	**(9.7)**	(9.7)	**(19.4)**						
Ilford acquisition	**39.0**	40.3	**79.3**	50	50	2.76	100	7.0	7.0
See-through debt at time of results	**445.2**	(31.1)	**414.1**	49	46	3.26	94	7.0	7.8

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

Our target range for net debt to property value remains 40%-50% with an intention to bring this to the lower end of that range in the medium-term.

As noted above the existing debt on the Mall assets was refinanced on 4 January 2017 and the following commentary therefore reflects the new arrangements:

Blackburn, Maidstone, Walthamstow and Wood Green

These were refinanced with a £165 million 10 year loan with Teachers Insurance and Annuity Association of America with a one year extension option, and a £100 million bank facility of five years with two one year extension options with The Royal Bank of Scotland plc. £90 million of this latter facility has been drawn down with a further £10 million available to fund future capital expenditure.

The weighted average maturity of the two new facilities is 8.1 years, rising to 9.5 years if the extension options are assumed to be exercised. Interest on the new facilities has been fixed resulting in an overall blended rate of 3.33%.

Luton

As part of the refinancing The Mall Luton was transferred out of The Mall Limited Partnership which holds the other four assets. It is now held in a separate structure which allowed us to fund this asset separately and provides greater future flexibility. Luton was refinanced with a £107.5 million seven year loan with Wells Fargo Bank International Unlimited. Interest on the new facility has been fixed at 3.14%.

The Hemel Hempstead debt facility

The £26.9 million Hemel Hempstead loan, which was drawn in two tranches in February and March 2016, was for an initial five year term with two one year extension options available at the end of each of the first two years, the first of which was agreed subsequent to 30 December 2016. Interest is fixed via two seven year swaps resulting in a total interest rate of 3.32%.

The Exchange Ilford debt facility

The £39 million facility with DekaBank Deutsche Girozentrale was drawn on completion of the acquisition of The Exchange Centre, Ilford on 8 March 2017. The debt has been 100% hedged for the full term using interest rate swaps resulting in an all-in cost of debt of 2.76%.

Group Revolving Credit Facility (RCF)

Interest on the facility is charged at a margin of 3.0% per annum above LIBOR. A non-utilisation fee of 1.5% is payable. No amount was drawn at year end.

Covenants

The Group and its associates and joint ventures were compliant with their banking and debt covenants at 30 December 2016. Further details are disclosed in the ‘covenant information’ section at the end of this report.

South African secondary listing

At 30 December 2016, 58,253,524 of the Company’s shares were held on the South African register representing 8.29% of the total shares in issue.

Dividend

The Board is proposing a final dividend of 1.77 pence per share, taking the full-year dividend to 3.39 pence per share, representing an 8.7% increase from 2015. The Board has re-affirmed its guidance that the Company will target year on year dividend growth in the range of 5% to 8% per annum over the medium-term.

Further details regarding the payment of the dividend are provided within the Directors’ Report on page 64.

Charles Staveley
Group Finance Director

Managing Risk

Risk management process

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

Ahead of every half year and year end the Group undertakes a comprehensive risk and controls review involving interviews with relevant management teams. The output of this process is an updated risk map and internal control matrix for each component of the business which is then aggregated into a Group risk map and matrix which is reviewed by executive management, the Audit Committee and the Board and forms the basis for the disclosures made below. This process clearly outlines the principal risks, considers their potential impact on the business, the likelihood of them occurring and the actions being taken to manage, and the individual(s) responsible for managing, those risks to the desired level.

This risk matrix is also used in performing our annual assessment of the material financial, operational and compliance controls that mitigate the key risks identified. Each control is assessed or tested for evidence of its effectiveness. The review concluded that all such material controls were operating effectively during 2016.

Principal risks at 30 December 2016

Following the risk reviews carried out at 30 June 2016 and 30 December 2016 two risks have been added to the list of principal Group risks to the list disclosed in the 2015 Annual Report being property valuation and business disruption from a major incident. Property valuation reflects the risk that given the relatively low current volume of investment market activity a lack of relevant comparable transactional evidence could increase the level of subjectivity in property valuations and widen the range of possible outcomes. Business disruption from a major incident reflects the potential impact to operations and future trading of a significant event such as a terrorist attack.

Otherwise it was concluded that the nature of the Group's risks had not significantly changed, although the ongoing economic and political uncertainty in the UK, most prominently due to the result of the EU referendum, has increased some of the wider market risks that the Group is subject to.

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

Risk	Impact	Mitigation
Property risks		
Property investment market risks		
— Weakening economic conditions and poor sentiment in commercial real estate markets could lead to low investor demand and an adverse movement in valuation	— Small changes in property market yields can have a significant effect on valuation — Impact of leverage could magnify the effect on the Group's net assets	— Monitoring of indicators of market direction and forward planning of investment decisions — Review of debt levels and consideration of strategies to reduce if relevant
Impact of the economic environment		
— 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, lease incentive, void costs, cash and ultimately property valuation	— Large, diversified tenant base — Review of tenant covenants before new leases signed — Long-term leases and active credit control process — Good relationships with, and active management of, tenants — Void management though temporary lettings and other mitigation strategies
Valuation risk		
— Lack of relevant transactional evidence	— Property valuations increasingly subjective and open to a wider range of possible outcomes	— Use of experienced, external valuers who understand the specific properties — Use of more than one valuer — Valuations reviewed by internal valuation experts and key assumptions challenged
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 and the levels of rents which can be achieved	— Strong location and dominance of shopping centres (portfolio is weighted to London and South East England) — Strength of the community shopping experience — Increasing provision of 'Click & Collect' within our centres — Digital marketing initiatives — Monitoring of footfall for evidence of negative trends — Monitoring of retail trends and shopping behaviour
Concentration and scale risk		
— By having a less diversified portfolio the business is more exposed to specific tenants or types of tenant	— Tenant failures could have a greater impact on rental income — Reduced purchasing power could impact the ability to drive economies of scale and the feasibility of certain investment decisions regarding the operating platform	— Regular monitoring of retail environment and performance of key tenants — Maintaining flexibility in operating platform — Further diversification considered through acquisitions or joint ventures

Managing Risk continued

Risk	Impact	Mitigation
Competition risk		
— The threat to the Group's property assets of competing in town and out of town retail and leisure schemes	— Competing schemes may reduce footfall and reduce tenant demand for space and the levels of rents which can be achieved	— Monitoring of new planning proposals — Close relationships with local councils and willingness to support town centres — Continued investment in schemes to ensure relevance — Investment in traditional and digital marketing
Business disruption from a major incident		
— Major incident takes place	— Financial loss if unable to trade or impacts upon shopper footfall	— Trained operational personnel at all sites and documented major incident procedures — Updated operational procedures reflecting current threats and major incident testing run — Regular liaison with the police — Key IT applications hosted offsite — Insurance maintained
Development risk		
— Delays or other issues may occur to capital expenditure and development projects	— May lead to increased cost and reputational damage — Planned value may not be realised	— Approval process for new developments — Use of experienced project co-ordinators and external consultants with regular monitoring and Executive Committee oversight
Funding and treasury risks		
Liquidity and funding		
— Inability to fund the business or to refinance existing debt on economic terms when needed	— Inability to meet financial obligations when due — Limitation on financial and operational flexibility — Cost of financing could be prohibitive	— Refinancing of debt on the Mall assets completed shortly after year end improved liquidity and long-term security — Ensuring that there are significant undrawn facilities — Efficient treasury management and forecasting with regular reporting to the Board — Option of asset sales if necessary
Covenant compliance risks		
— Breach of any loan covenants causing default on debt and possible accelerated maturity	— Unremedied breaches can trigger demand for immediate repayment of loan	— Regular monitoring and projections of liquidity, gearing and covenant compliance — Review of future cash flows and predicted valuations to ensure sufficient headroom
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

Risk	Impact	Mitigation
Other risks		
Execution of business plan		
— Failure to execute business plan in line with internal and external expectations	— Potential loss of income or value resulting in lower cash flow and property valuation — Reputational damage negatively impacting investor market perception	— Management of projects and the individual shopping centres by experienced and skilled professionals — Strong relationships with retailers and contractors/suppliers — Ongoing monitoring of performance against plan and key milestones
Property acquisition/disposal strategy		
— Exposure to risks around overpayment for acquisitions — Portfolio not effectively managed through the investment cycle, with sales and de-leveraging at the appropriate time	— Overpayment may result in acquisitions not delivering forecast returns — The Group may not be able to take advantage of investment opportunities as they arise — Covenants may move adversely when the cycle changes	— Regular monitoring of the property market and the use of professional advisers — Impact of cycle reflected in business planning
Tax risks		
— Exposure to non-compliance with the REIT regime and changes in tax legislation or the interpretation of tax legislation — Potential exposure to tax liabilities in respect of transactions undertaken where the tax authorities disagree with the tax treatment adopted	— Tax related liabilities and other losses could arise	— Monitoring of REIT compliance — 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 effectiveness	— Key management are paid market salaries and offered competitive incentive packages to ensure their retention — New LTIP awards made in 2016 — Succession planning for key positions is undertaken as evidenced by CEO transition announced post year end — Performance evaluation, training and development programmes are in place to maintain and enhance the quality of staff
Historic transactions		
— Historic sales have included vendor warranties and indemnities and as such, the Group has potential exposure to future claims from the purchaser	— Warranty and indemnity related liabilities and other losses could arise	— Use of professional advisers to achieve properly negotiated agreements in terms of scope, extent of financial liability and timeframe — Monitoring of ongoing exposure

Managing Risk continued

Viability statement

In accordance with the 2014 revision of the Code, the Directors have assessed the prospect of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board conducted this review for a three year period to December 2019. This was selected for the following reasons:

- the Group's annual budget and business planning process covers a three-year period;
- it incorporates the completion of the Group's original multi-year £65 million capital expenditure plan; and
- the substantial majority of the Group's debt financing is secured and fully available for the duration of the period.

The three year budget and business plan review considers the Group's cash flows, dividend cover and other key financial ratios over the period. It includes sensitivity analysis to consider adverse scenarios, that could be caused by the principal risks and uncertainties outlined on pages 29 to 31. This incorporated the impact on covenant compliance of a significant fall in property valuations or property income. The three-year review also makes certain assumptions about funding acquisitions, or additional capital expenditure initiatives through capital recycling or raising funding through other means. It also assumes that the Group's £30 million central revolving credit facility, which matures in May 2019, is renewed on similar terms although alternative scenarios are modelled to ensure that the plan is not solely reliant on this or other specific options or events.

Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2019.

Going Concern

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

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

The Group's risks and risk management processes are set out on pages 28 to 31.

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

Capital & Regional People

Kate Thursfield

National Compliance Facilities Manager

Kate joined Capital & Regional in 2005 and is responsible for our compliance and risk management, as well as ensuring that our soft services contract runs smoothly and delivers a clean and secure shopping experience for all of our customers. As a qualified Environmental Health Officer too, she also advises on issues such as pest control and food hygiene. Kate also chairs the IOSH UK Retail & Distribution Group, and is a member of the Revo Security & Safer Shopping ensuring that the Capital & Regional business benefits from networking and sharing best practice.

Responsible Business
Introduction

Our commitment to running our business responsibly is critical; it underpins the way we operate and is an integral part of who we are and what we do.

Our aim is to be socially responsible so that Capital & Regional is not only a great place to work but it has a positive impact on our customers, retailers and the wider community while minimising our environmental impact. Our Responsible Business strategy is supported by explicit targets and remains focused on four key areas:

The Marketplace

Our continuing commitment to behave ethically and contribute to economic development while improving the quality of our customers' shopping and leisure experience is at the very heart of how our business operates.

Highlights from 2016

- Retained the RoSPA Gold Award for 10th consecutive year
- Introduced a refreshed C&R Safe Compliance & Facilities Management Audit achieving an average score of 95%
- Our integrated Soft Service contract achieved an average Brand Standard Performance Management score of 96.2%
- Introduced a new Food and Beverage retail Joint Unit Inspection

Priorities for 2017

- Retain RoSPA Gold Award
- To ensure there are adequate provisions in place to enhance the wellbeing arrangements of our team
- Achieve an average score of at least 94% in the C&R Safe Audit
- Develop the existing Mall Maintain Audit to further encompass plant condition and performance

High Street of the year award – Blackburn

In 2016 Blackburn was voted as The Best High Street in Britain at the Great British High Street Awards.

Blackburn wowed the judges with the range of improvements put in place and the hard work to turn around the town is an inspiration to high streets across the country.

The Mall, Blackburn dominates the town accounting for approximately 75% of the retail offer. The efforts of the shopping centre management team, working together with the local Business Improvement District and Darwen Borough Council, were critical to the town receiving this prestigious accolade.

Strategic Report

Responsible Business continued

Carbon Trust Award

In October 2016 Capital & Regional were awarded "Best in Carbon Management" at the Carbon Trust Standard Bearer Awards. The awards recognise the top performers across all organisations certified by the Carbon Trust.

Capital & Regional achieved the highest overall carbon management score in a qualitative assessment, with the highest absolute reduction of emissions amongst those with equal carbon management scores. Previous winners include Kuehne+Nagel, Coca-Cola Enterprises and Aldi.

Stuart Laidlaw, National Technical Facilities Manager, said: "This is a great achievement reflecting our focus on continuously improving our sustainability credentials. Carbon management is increasingly important to retailers, as it makes shopping centres more cost-effective to occupy, and to shoppers, who are far more environmentally aware. We are pleased that the Carbon Trust has recognised our efforts which are helping us achieve our economic and environmental goals."

The Environment

Capital & Regional is committed to operating the business in a manner that accounts for the environmental impact created by our day to day operations. Our aim is to increase our team's awareness of environmental issues together with our customers and the community we serve in order to reduce energy usage, carbon emissions, and waste and water consumption. Minimising the environmental impact is at the forefront when planning a major refurbishment at one of our shopping centres.

Highlights from 2016

- Retained Global Real Estate Benchmark (GRESB) Green Star Status and achieved 4 star rating
- Reduced CO2 emissions by 4.9% (Centres 7.1%, Snozone 1.9%) and water consumption by 6%
- Awarded the Best in Carbon Management Award in October 2016
- Diverted 96% of waste from landfill and 85% recycled back to the supply chain
- Enviromall campaign focused on encouraging customers to use recycling/waste bins more frequently

Priorities for 2017

- Reduce CO_2 by 5%
- Reduce our water consumption by 1%
- Retain GRESB Green star rating
- Make use of the new environmental data platform to improve ongoing reporting and monitoring

Report on Greenhouse Gas Emissions

We have followed the Greenhouse Gas Protocol for reporting CO_2 emissions for the 2016 calendar year. The reporting boundary has been defined using the operational control approach, reporting emissions for operations in which Capital & Regional have control. It does not account for GHG emissions from operations in which it owns an interest but has no operational control. Energy use from metered sources identified as fully controlled by third parties (e.g. tenants) have also been excluded.

Capital & Regional People

Anna Steyn

Portfolio Marketing Manager

With over 15 years of marketing experience Anna's understanding of all aspects of marketing is invaluable. She is a conscientious marketeer with great attention to detail, very enthusiastic and result focused. She is responsible for formulating the marketing strategy and national marketing campaigns across the portfolio. Anna inspires, motivates and provides direction to the teams whilst always being open to new ideas. She also acts as a brand guardian and oversees consumer research across the portfolio.

Scope 1 emissions account for total gas consumption of Capital & Regional. Emissions from emergency equipment (e.g. standby generators) have been deemed deminimis and therefore are not included in the reported figures. Scope 2 emissions account for the total electricity purchased by Capital & Regional. Actual invoice data has been used for reporting wherever possible, however some estimates data has been used where required. It should be noted that the Scope 1 and Scope 2 reporting figures are absolute values.

Due to the sale of The Mall, Camberley and acquisition of The Marlowes, Hemel Hempstead during 2016 the 2015 and 2016 figures are not directly comparable. The information in this report represents the best information available at the time of issue.

The data presented below has been independently verified by Hurley Palmer Flatt who are satisfied, based on the information provided, that the reported figures are representative of performance.

Scope 1 & 2 Mandatory Reporting*	**2016**	2015**
Emissions		
Scope 1 tCO^{2}e	**1,329**	1,386
Scope 2 tCO^{2}e	**10,517**	11,720
Intensity		
Scope 1 and 2 kgCO^{2}e/sqft	**2.39**	3.05

* Scope 1: Direct GHG emissions from controlled operations (natural gas consumption) Scope 2: Indirect GHG emissions from the use of purchased electricity, heat or steam (electricity consumption).

** 2015 figures have been restated where material changes were subsequently identified.

The workplace

Achieving our responsible business objectives would not be possible without the commitment and enthusiasm of our employees. The business continues its commitment to achieving high standards and the professional development of its staff through new learning initiatives. We aspire that every person working at C&R should feel proud about the contribution they make, be able to work well together and have confidence in each other's skills and expertise.

Highlights from 2016

- Completed the iPerform Training Programme across the business
- Refreshed the C&R corporate values across the business:- Integrity, Collaboration, Creativity and Dynamism
- Completed training on Continuous Improvement (Lean) as part of the Worker Smarter initiative which has led to initiation of improvement projects to drive efficiency across the business
- Achieved World Host Recognition across all Shopping Centres in November 2016
- All centres participated in the Revo Achievement in Customer Excellence Awards (ACE) and achieved an average Mystery Shopper rating of 78%. +22% improvement on last year
- Launched C&R Connect, the bi-monthly e-newsletter across the business
- Launched C&R Pulse, our new quarterly staff engagement survey, across the business with over 80% response rate and results and trends being actively reviewed by senior management teams to help inform our C&R People Plan for 2017
- Introduced new branded uniforms across all centres

Priorities for 2017

- Full participation in the new management training modules launched with our training provider Insight
- Continue to focus on customer service training with our dedicated Customer Service Hosts
- All centres to enter the Revo Achievement in Customer Excellence Awards (ACE) and achieve an average rating of at least 75%
- To establish a Health & Wellbeing committee

Responsible Business continued

Enviromall
Case study

As a part of our Enviromall programme, designed to reduce environmental impact, we invited young shoppers to decorate our recycling and waste bins.

We were looking for creative designs that have a visual link to recycling and waste management, are fun and encourage customers to use the in-centre recycling bins more frequently. The objective of the campaign was to encourage customers to be more considerate about the environment and recycle more not just during shopping trips but at home too. Over 2,300 children from nearly 50 schools took part in the competition. The winning designs were unveiled to the public on 5 June 2016, World Environment Day.

The Community

C&R aims to conduct all its business relationships with integrity and courtesy and actively contribute to the wellbeing of the communities we serve. Our aim is to deal honestly with our customers and community partners, securing their loyalty and trust through our ongoing support.

Highlights from 2016

— Through Mall Cares we raised over £280,000 for our local charities across 6 centres, +6.5% on 2015

— Each of our centres are now Collect+ hubs and during 2016 we handled over 34,000 parcels

— Reviewed all site Security Response Plans and established Go to Critical Plans which resulted in completing detailed desktop scenario training across all sites

Priorities for 2017

— To continue to work with our local Mall Cares charities and at least match 2016 fund-raising

— To take the lead in local crime reduction partnerships to cement solid relationships in fighting crime

— We will continue to promote our Click & Collect and Collect+ (including introducing it to The Exchange Centre, Ilford) service to ensure our shopping centres are at the heart of multichannel retailing within their local communities

— To introduce a Kids Club for primary school children to help reinforce our links with local families and enhance the shopping experience for customers with young children

— To introduce a Grant Initiative for local communities to help improve regeneration of their local area

Capital & Regional People
Roy Greening
The General Manager Luton

Roy started at the Mall Luton 12 years ago, having previously worked 23 years in food retail. This has given him vast experience, not only in the retail sector, but also leading, managing and influencing people. Roy understands the pace at which retail is changing and constantly looks for new ways to enhance the customer experience, be it refurbishing customer facilities, reviewing the retail and ‘beyond retail’ mix or simply ensuring his team give great customer service every single day. Roy is a Board member of Luton Business Improvement District and Chairman of Shop mobility Luton.

C&R Cares

Case study – The Mall, Luton

As a dominant community shopping centre landlord we aim to operate in a socially responsible way within our communities.

In 2016 we supported the following local charities: Lancashire Mind, East Anglian Air Ambulance, Kids N Cancer, Walthamstow Toy Library & Play Centre, Haringey Shed, Primrose Hospice and Sunnyside Rural Trust and raised over £280,000 across the portfolio.

Over the past year The Mall, Luton has worked hard to support local charities and the community, raising over £60,000 including nearly £17,000 for our Charity of the Year, East Anglian Air Ambulance (EAAA).

Activities included:

— General Manager, Roy Greening, jumped into the saddle for his first charity bike ride and pedalled his way to France on a gruelling three-day ride covering 240 miles to commemorate a century since the Battle of the Somme, raising over £2,600 in the process.

— Not afraid to get their hands dirty, 12 team members took on the Only the Brave Mud Run in March 2016, battling the elements and 20 obstacles across five muddy miles to raise £3,700, whilst three of the team also ran the Love Luton Half Marathon.

— In June 2016 over 150 scouts, guides and fire cadets learned lifesaving skills when they spent the night at The Mall's Giant Sleepover, raising £2,000.

— The Mall, Luton regular portrait and caricaturist, Stan Hurr, helped to bring in £1,300 over the course of the year, whilst the Christmas gift wrapping service raised nearly £2,900.

The Mall, Luton also worked closely with the Royal British Legion, with the team volunteering daily to collect throughout the poppy appeal. With a backdrop of our poppy sculpture and cascades of falling poppies, they collected over £18,500.

Board of Directors

Executive Directors

Hugh Scott-Barrett

Chief Executive appointed 2008

Member of Disclosure and member of Responsible Business Committees

Hugh has been Chief Executive since 2008. He was previously a member of ABN AMRO's managing board serving as Chief Operating Officer and Chief Financial Officer. 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. As announced on 8 February 2017 Hugh will step down as Chief Executive and take up the role of non-executive Chairman on 13 June 2017

Kenneth Ford

Executive Director appointed 1997

Ken has been involved in commercial real estate for over 35 years. He has responsibility for the development of new business initiatives and has oversight of the Group's joint ventures. Ken has a BSc in Land Economics and is a Fellow of the Royal Institution of Chartered Surveyors

Charles Staveley

Group Finance Director appointed 2008

Member of Disclosure Committee

Charles joined the Group in 2007 and was appointed Group Finance Director in 2008. He qualified as a Chartered Accountant with Arthur Andersen and previously held senior finance roles with Colt Telecommunications, Novar plc, and Textron Inc. He also has Board responsibility for the Snozone business.

Non-executive Directors

John Clare CBE

Chairman appointed 2010

Chairman of Nomination Committee, member of Disclosure Committee John was Group Chief Executive of Dixons Group plc between 1993 and 2007 and a non-executive Director of Hammerson plc between 1999 and 2009. He was also previously the Chairman of JobCentrePlus and Dreams Plc and the Senior Independent Director at Dyson Group. As announced on 8 February 2017 John will retire as Chairman on 13 June 2017.

Tony Hales CBE

Non-executive* appointed 2011

Senior Independent Director, Chairman of Remuneration Committee, member of Nomination and Remuneration Committees

Tony is currently Chairman of the Greenwich Foundation, Senior Independent Director of International Personal Finance plc and chairs NAAFI Pension Fund Trustees. Tony was previously Chief Executive of Allied Domecq plc, a Non-Executive Director of HSBC Bank plc and Chairman of Workspace Group plc and British Waterways.

Wessel Hamman

Non-executive appointed 2015

Wessel is Chief Executive of Clearance Capital Limited, a Real Estate investment management firm which he co-founded in 2008. Wessel also serves as a Non-Executive Director of various listed European real estate companies and funds including Karoo Investment Fund, Sirius Real Estate Limited and European Real Estate Investment Trust Limited. Wessel qualified as a Chartered Accountant at KPMG in South Africa.

Ian Krieger

Non-executive* appointed 2014

Chairman of Audit Committee, member of Nomination and Remuneration Committees

Ian is the Audit Committee Chairman and Senior Independent Director at both Premier Foods plc and Safestore Holdings plc. He is also a Trustee and Chairman of the Finance Committee at Nuffield Trust and Vice-Chairman of Anthony Nolan, where he also chairs the Audit Committee. Ian was previously a senior partner and vice-chairman at Deloitte.

Louis Norval

Non-executive appointed 2009

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 sold to Hyprop Investments Limited (a REIT listed on the Johannesburg Stock Exchange) in 2011. Louis is also Managing Director of the Parkdev Group of Companies, Executive Chairman of Homestead Group Holdings Limited and serves on the board of a number of other companies including Hyprop Investments Limited. He graduated in BSc (QS) (with distinction) from the University of Pretoria.

Guillaume Poitrinal

Non-executive appointed 2016

Guillaume served as a Chief Executive of Unibail-Rodamco, one of Europe's largest commercial property companies, from 2005 until 2013 having joined in 1995. Guillaume is the founder and Chairman of ICAMAP Investments S.àr.l, a specialised investment fund focusing on property stocks.

Laura Whyte

Non-executive* appointed 2015

Chairman of Responsible Business Committee, member of Audit, Nomination and Remuneration Committees

Laura had a long and successful career with John Lewis Partnership where she served on the Management Board for over ten years, firstly as Registrar and latterly as HR Director. Laura is also a Non-Executive Director of the Defence People and Training Board of the Ministry of Defence, where she is also a member of the People Committee, a Non-Executive Director of the British Horseracing Authority and an Executive Trustee of Women in Retail.

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

Governance

Corporate Governance Report

Chairman's introduction

John Clare CBE
Chairman

I am pleased to present Capital & Regional's corporate governance report for 2016.

The primary focus of C&R in 2016 has continued to be operational performance and the delivery of the capital investment plan across our portfolio of assets. The Board's activities in 2016 have reflected this with a number of visits to sites and review of investment initiatives and strategic master plans for all our centres. The Board also considered the Company's governance controls in light of the Market Abuse Regulation becoming effective on 3 July 2016. In response to this and following a briefing from the Company's legal advisors Olswang LLP, the Board updated its share dealing code and introduced a Disclosure Committee to which it has delegated responsibility for monitoring the Company's requirements for disclosure of Inside Information.

There have also been changes of personnel on the Board with Mark Bourgeois resigning and Guillaume Poitrinal joining in 2016 following Laura Whyte's appointment in December 2015. I would like to thank Mark for his hugely significant contribution to the Company over 18 years of service and wish him well with his future endeavours.

Also as announced on 8 February 2017 and effective from 13 June 2017 Lawrence Hutchings will take up the role of Chief Executive with Hugh Scott-Barrett becoming non-executive Chairman as I will be retiring from the Board. While the Board are fully cognisant of the UK Code of Corporate Governance recommendations, the Nominations Committee and the Board believe that, in this case, Hugh is the most appropriate candidate for the role of Chairman. The need for experience and continuity at this stage of the Company's development, combined with his important relationships and excellent attributes for the position led the Board to unanimously conclude his appointment would be strongly in the interests of the Company and its shareholders. In coming to this conclusion the Board engaged with a number of major shareholders. This process has continued subsequent to the announcement and in response to governance points raised the Board will take action, as further detailed in the Nominations Committee section, to ensure the relationship between Hugh as Chairman and Lawrence as CEO will operate in a constructive and appropriate manner.

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

John Clare CBE
Chairman

Compliance statement

Compliance with the UK Corporate Governance Code

The Company has throughout the year ended 30 December 2016, complied with the provisions of the 2014 UK Corporate Governance Code ("the Code") as they apply to smaller (i.e. non FTSE 350) companies. Further detail is set out below and in the Directors' Remuneration Report.

Compliance with the Disclosure and Transparency Rules

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

Role of the Board

The Board has a collective responsibility to promote the long-term success of the Company for its shareholders. Its role includes reviewing and approving key policies and decisions, particularly in relation to strategy and operating plans, governance and compliance with laws and regulations, business development including major investments and disposals and, through its Committees, financial reporting and risk management.

The Board's agenda is managed to ensure that shareholder value and governance issues play a key part in its decision making and there is a schedule of key matters that are not delegated.

The responsibilities, which the Board does delegate, are given to committees that operate within specified terms of reference. The executive directors take operational decisions and also approve certain transactions within defined parameters. An Executive Committee meets on a weekly basis and deals with all major decisions not requiring full Board approval or authorisation by other Board committees. Minutes of these meetings are circulated to the Board. The Executive Committee is quorate with three members present; if decisions are not unanimous the matter is referred to the Board for approval.

During the year the Company introduced a Disclosure Committee, formed of the Chairman, Chief Executive and Group Finance Director, to which it has delegated responsibility for monitoring the Company's requirements for disclosure of Inside Information. The Committee meets as and when required by specific events. The Committee is quorate with two members. Where the Committee concludes that specific restrictions on share dealings need to be enforced this is immediately communicated to the Board and other relevant individuals. Minutes of all Disclosure Committee meetings are also circulated to the Board.

Board meetings are scheduled to coincide with key events in the Company's financial calendar, including interim and final results and the AGM. Other meetings during the year will review the Company's strategy and budgets for the next financial year and the Company's key risks and financial and operating performance.

Board Committees

Audit Committee Meets at least three times per year Further Information on pages 45 to 47	**Chairman** – Ian Krieger **Members** – Tony Hales, Laura Whyte
Executive Committee Meets weekly	**Chairman** – Hugh Scott-Barrett **Members** – Ken Ford, James Ryman, Charles Staveley
Disclosure Committee Meets as required	**Chairman** – Hugh Scott-Barrett **Members** – John Clare, Charles Staveley
Nomination Committee Meets at least once a year Further information on page 44	**Chairman** – John Clare **Members** – Tony Hales, Ian Krieger, Laura Whyte
Remuneration Committee Meets at least twice per year Further information on pages 48 to 63	**Chairman** – Tony Hales **Members** – Ian Krieger, Laura Whyte
Responsible Business Committee Meets at least twice per year Further information on pages 33 to 37	**Chairman** – Laura Whyte **Members** – Hugh Scott-Barrett

Terms of reference for all Committees are available on the Company's website.

Governance

Corporate Governance Report continued

Board balance and independence

Details of the directors including their qualifications, experience and other commitments are set out on pages 38 to 39. The Board currently comprises of the Chairman, three executive directors and six non-executive directors.

The Board reviews the independence of its non-executive directors on an annual basis. Louis Norval and Wessel Hamman are not considered independent as they act as representatives of the Parkdev Group of companies, a significant shareholder of the Company. Guillaume Poitrinal is not considered independent as while his appointment is in a personal capacity he is the Chairman of ICAMAP Investments S.àr.l, a significant shareholder in the Company. The Board has concluded that all other non-executive directors continue to demonstrate their independence.

The Company has well established differentiation between the roles of Chairman and Chief Executive. As further detailed in the Nominations Committee section, on Hugh Scott-Barrett's move to Chairman, Tony Hales, as Senior Independent Director, will be asked by the Board to undertake regular reviews to ensure the distinction of roles and responsibilities remains appropriate. Written terms of reference are available on the Group's website.

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

Information and professional development

The Board schedules five meetings each year as a minimum, and arranges further meetings as the business requires. Prior to Board meetings, each member receives, as appropriate to the agenda, up-to-date financial and commercial information, management accounts, budgets and forecasts, details of potential or proposed acquisitions and disposals, cash flow forecasts and details of funding availability.

Induction training is given to new directors and consists of an introduction to the Board and senior management, visits to our shopping centres, an induction pack, a briefing on governance requirements and access to independent advisers. Ongoing training requirements are reviewed on a regular basis and undertaken individually, as necessary.

Board and committee meetings

The number of meetings of the Board and its Committees during 2016, and individual attendance by directors, is set out below. Ad hoc meetings are typically related to transactional activity and are often called at short notice. As such full attendance is not always practical.

Board meeting attendance in 2016

	Scheduled	Ad hoc	Total
Number of meetings	6	1	7
J Clare	6/6	1/1	7/7
H Scott-Barrett	6/6	1/1	7/7
M Bourgeois (resigned 1 November 2016)	5/5	1/1	6/6
K Ford	6/6	1/1	7/7
C Staveley	6/6	0/1[2]	6/7
T Hales	6/6	1/1	7/7
W Hamman	6/6	1/1	7/7
I Krieger	6/6	1/1	7/7
L Norval	6/6	1/1	7/7
P Newton (resigned 10 May 2016)	1/2[1]	–	1/2
G Poitrinal (appointed 1 November 2016)	1/1	–	1/1
L Whyte	6/6	1/1	7/7

[1] Philip Newton was unable to attend a scheduled meeting due to being unwell.
[2] Charles Staveley was out of the country when a meeting was called at short notice for final approval of the disposal of The Mall, Camberley.

Other committee meeting attendance

	Audit Committee	Remuneration Committee	Nomination Committee	Responsible Business Committee
Number of meetings	4	6	3	4
M Bourgeois				4
J Clare		1/1	3	
I Krieger	4	6	3	
T Hales	4	6	3	
P Newton	0/1	0/1	–	1/1
L Whyte	4	6	3	4

John Clare was a member of the Audit and Remuneration Committees until 25 January 2016. Mark Bourgeois was a member of the Responsible Business Committee until 1 November 2016 when he was replaced by Hugh Scott-Barrett. Philip Newton was a member of all of the four above Committees until he resigned on 10 May 2016.

Board evaluation

A formal process is undertaken for the annual evaluation of the performance of the Board, its Committees and each director. This process is led by the Chairman and each director completes a detailed questionnaire covering:

— performance of individuals and of the Board together as a unit;

— processes which underpin the Board's effectiveness (including consideration of the balance of skills, experience, independence and knowledge of the persons on the Board);

— strategy; and

— performance of the Board's sub-committees.

The completed questionnaires are collated by the Company Secretary and considered by the Board, typically at the November meeting. This year's review found that the performance of the Board and its Committees continued to be effective in dealing with both day-to-day and ongoing strategic issues; and that the Board and Committee structure ensured that the governance requirements of the business were met.

The Chairman also meets as necessary, but at least once each year, with the non-executive directors without the executive directors present. The non-executive directors meet without the Chairman in order to appraise his performance on an annual basis. This meeting is chaired by the Senior Independent Director. The Chairman evaluates the performance of the Chief Executive having received input from the other directors. The Chief Executive evaluates the performance of the other Executive directors. Subsequently, the results are discussed by the Remuneration Committee and relevant consequential changes are made if required.

Shareholder relations

The Company encourages regular dialogue with its shareholders at the AGM, corporate functions and property visits. The Company also attends road shows, participates in sector conferences and, following the announcement of final and interim results, and throughout the year, as requested, holds update meetings with institutional investors. All the directors are accessible to all shareholders, and queries received verbally or in writing are addressed as soon as possible.

Announcements are made to the London Stock Exchange, the Johannesburg Stock Exchange and the business media concerning business developments to provide wider dissemination of information. Registered shareholders are sent copies of the annual report and relevant circulars.

The Group's website (**capreg.com**) is kept up to date with all announcements, reports and shareholder circulars.

Financial and Business reporting

Please refer to:

— page 68 for the Board's statement on the Annual report and accounts being fair, balanced and understandable;

— page 32 for the statement on the status of the Company and the Group as a going concern; and

— the Strategic report on pages 4 to 37 for an explanation of the Company's business model and the strategy for delivering the objectives of the Company.

Risk management and internal control

The Board is responsible for maintaining a sound system of internal control and risk management. 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.

An ongoing process is in place for identifying, evaluating and managing risk and the Board is satisfied that this accords with relevant corporate governance guidance. Key features of the Group's system of internal control are as follows:

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

— Financial and operating reporting to the Board including the preparation of budgets and forecasts, cash management, variance analysis, property, taxation and treasury reports and a report on financing. Year end and Interim financial statements are reviewed by the Audit Committee and discussed with the Group's auditor, Deloitte before being submitted to the Board for approval;

— Review and approval of the Group's risk matrix twice a year by senior management, the Audit Committee and the Board as detailed in the Managing Risk section of the Strategic Report; and

— The Group's whistleblowing policy – see the Audit Committee report for further details.

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

Corporate Governance Report continued

During the year the Board through the Audit Committee reviewed the effectiveness of the material financial, operational and compliance controls that mitigate the key risks (as disclosed in the Managing Risk section). This review concluded that all such material controls were operating effectively. A statement of the Directors' responsibilities regarding the financial statements is on page 68.

Nomination Committee

The Nomination Committee meets as required to select and recommend to the Board suitable candidates for both executive and non-executive appointments. On an at least annual basis, the Nomination Committee also considers succession planning for the Board.

During the year the Nomination Committee conducted the appointment of Guillaume Poitrinal as a new non-executive director, effective from 1 November 2016. The Committee had become aware that Guillaume was willing to be considered for the appointment in a personal capacity and, following a process whereby each member of the Committee met with Guillaume, considered that the depth and relevance of his experience and expertise in real estate and particularly the shopping centre sector would make him a very valuable addition to the Board.

In the second half of 2016 the Committee, arising from its annual review of succession planning, commenced the search for a new Chief Executive and Chairman. This process culminated in the announcement on 8 February 2017 that effective from 13 June 2017 Lawrence Hutchings would be appointed as Chief Executive with Hugh Scott-Barrett taking over as non-executive Chairman from John Clare who would retire from the Board. Hugh's appointment as non-executive Chairman will be subject to a six month notice period. The appointment of Lawrence Hutchings followed an extensive and competitive process, which was supported by an independent executive search firm which is not connected with the Company in any other way.

While fully cognisant of the UK Code of Corporate Governance recommendations, it was the unanimous conclusion of the Committee that in the specific circumstances, Hugh Scott-Barrett was the most appropriate candidate for the role of non-executive Chairman. The Committee and wider Board considered that the need for experience and continuity at the current stage of the Company's development combined with Hugh's important relationships and excellent attributes for the position mean his appointment will be strongly in the interests of the Company and its shareholders. Tony Hales, who led the process as Senior Independent Director (SID), also conducted a consultation with major shareholders prior to the Board approving the appointments and this continued subsequent to the announcement. From this process the Board noted the governance points raised by some shareholders and the requirement for the SID to ensure, on behalf of the Board, the constructive and appropriate relationship between Chairman and CEO. Reflecting this during the first year of the new arrangements the SID will meet at least quarterly with both individuals and report back to the Board as appropriate. Thereafter such meetings will be as required but at least twice per annum. The Board will keep succession planning for the Chairman role under regular review and will consult with key shareholders annually.

The Committee also approved the appointment of James Ryman, the Group's Investment Director, to the Executive Committee, following the resignation of Mark Bourgeois. James has been with Capital & Regional for almost 10 years and his progression demonstrates the strength of the team that Mark helped develop.

The following changes in roles were also recommended by the Committee and approved by the Board during the year, all were effective from 25 January 2016:

- Senior Independent Director – Tony Hales replaced Philip Newton
- Audit Committee Chair – Ian Krieger replaced Tony Hales;
- Remuneration Committee Chair – Tony Hales replaced Philip Newton; and
- Responsible Business Committee Chair – Laura Whyte replaced Philip Newton.

Diversity

The Nomination Committee, and the Board, recognises the importance of diversity, is supportive of the Davies Report recommendations and seeks to ensure that all available suitable candidates are taken into account when drawing up shortlists of candidates for possible appointments. The priority of the Committee and the Board is to ensure that the Group continues to have the strongest and most effective Board possible, and therefore all appointments to the Board are made on merit against objective criteria.

John Clare CBE
Chairman

Audit Committee Report
Ian Krieger, Chairman of the Audit Committee

Ian Krieger
Chairman of the Audit Committee

The Audit Committee is chaired by Ian Krieger, a chartered accountant who has recent and relevant financial experience as required by the Code. The other members of the Committee are Tony Hales and Laura Whyte. Charles Staveley, the Group Finance Director, attended each of the four Audit Committee meetings by invitation as did other senior members of Finance and representatives from Deloitte LLP, the Company's external auditor. The Company's Chairman and Chief Executive also attended meetings during the year by invitation.

Responsibilities

The Committee's role is to assist the Board in discharging its duties and responsibilities for financial reporting, internal control and the appointment and remuneration of an independent external auditor. The Committee is responsible for reviewing the scope and results of audit work and its cost effectiveness, the independence and objectivity of the auditor and the Group's arrangements on whistleblowing.

Report on the Committee's activities during the year

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

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

a. reviewing the Group's draft annual report and financial statements and its interim results statement prior to discussion and approval by the Board;

b. reviewing the continuing appropriateness of the Group's accounting policies;

c. reviewing Deloitte LLP's plan for the 2016 Group audit and approving their terms of engagement and proposed fees;

d. reviewing reports on internal control matters prepared by management;

e. considering the effectiveness and independence of Deloitte LLP as external auditor and recommending to the Board their reappointment;

f. reviewing management's biannual Risk Review report and the effectiveness of the material financial, operational and compliance controls that help mitigate the key risks;

g. reviewing the effectiveness of the Group's whistleblowing policy;

h. reviewing and updating the Group's policy for the award of non-audit work to its external auditor;

Audit Committee Report continued

i. reviewing and recommending for the Board's approval updates to the Group's delegation of authority;

j. considering management's approach to the viability statement in the 2016 Annual Report;

k. meeting with the responsible individuals from the Group's independent valuers, Cushman & Wakefield LLP, CBRE Limited and Knight Frank LLP to review and challenge their valuations of the Group's investment properties; and

l. carrying out an annual performance evaluation exercise and noting the satisfactory operation of the Committee.

The Audit Committee has reviewed the contents of this year's annual report and accounts and advised the Board that, in its view, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Significant issues considered in relation to the financial statements

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

— *Investment property valuation* – At 30 December 2016 the value of the Group's investment property assets was £824.9 million including its 20% share of the Kingfisher Centre, Redditch (see Note 10b of the financial statements for further details). The valuation of investment property is inherently judgmental and involves a reliance on the work of independent professional qualified valuers. During 2016 the Audit Committee met with the valuers, considered their independence and qualifications and reviewed and challenged the valuations for both the year end and interim results dates to understand the basis for them and the rationale for movements in the context of both the individual properties and the general property investment market.

— *Revenue recognition* – The Committee considered the Group's policies in respect of, and the key judgements made in determining, revenue recognition. This included a review of lease incentive adjustments in respect of income from the Group's property portfolio.

— *Going concern and covenant compliance* – The Committee reviewed, challenged and concluded upon the Group's going concern review and consideration of its viability statement including giving due consideration to the appropriateness of key judgements, assumptions and estimates underlying the budgets and projections that underpin the review and a review of compliance with key financial covenants.

— *REIT regime compliance* – The Committee noted that, should the Group not comply with the REIT regulations, it could incur tax penalties or ultimately be expelled from the REIT regime which would have a significant effect on the financial statements. The Committee reviewed, and were satisfied with, management's assessment of compliance for the year and forecast compliance for the foreseeable future.

— *Impairment of inter-company investments and receivables* – Management perform an annual review of inter-company investments and receivables to determine the values to be maintained in the Plc Company only and individual subsidiary balance sheets. The Committee considered the movement over the year and the key assumptions, particularly where balances were held with reference to value in use as opposed to net assets of the underlying entity.

Oversight of the external auditor

The Committee carried out a review of the effectiveness of the external audit process and considered the reappointment of Deloitte LLP. The review covered amongst other factors, the quality of the staff, the expertise, the resources, and the independence of Deloitte LLP. The Committee reviews the audit plan for the year and subsequently considers how the auditor performed to the plan. They consider the quality of written and oral presentations and the overall performance of the lead audit partner.

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 auditor. The Group does not impose an automatic ban on the Group's external auditor undertaking non-audit work, other than for those services that are prohibited by regulatory guidance. Instead the Group's aim is always to have any non-audit work involving the Group's external auditor carried out in a manner that affords value for money and ensures independence is maintained by monitoring this on a case by case basis.

The Group's policy on the use of its external auditor for non-audit services, which was reviewed during the year, precludes the external auditor from being engaged to perform valuation work, accounting services or any recruitment services or secondments. The policy also stipulates that for any piece of work likely to exceed £20,000 at least one other alternative firm provide a proposal for consideration.

The only fees paid to Deloitte LLP during 2016, other than for their year-end audit, was £40,000 for their review of the Group's interim statements for the six months to June 2016 and £2,000 for an agreed upon procedures report to verify information relating to the Company's LTIP scheme.

The Committee agreed that it was appropriate to recommend to the Board that Deloitte LLP be reappointed as auditor for a further year and, accordingly, a resolution will be put to shareholders at the 2017 Annual General Meeting.

Independence safeguards

In accordance with best practice and professional standards, the external auditor is required to adhere to a rotation policy whereby the audit engagement partner is rotated at least every five years. 2016 is the fourth year that Georgina Robb has acted as lead audit engagement partner.

Deloitte LLP have been auditor of Capital & Regional plc since 1998. The audit was last put out to tender in 2009 where Deloitte were reappointed. The Group intends to put the audit out to tender at least every 10 years as recommended by the UK Corporate Governance Code. The Group has no contractual obligations which would restrict the choice of an alternative auditor.

Internal Audit

The Group does not have a dedicated stand-alone internal audit function but manages an ongoing process of control reviews performed either by staff, independent of the specific area being reviewed, or by external consultants when deemed appropriate. During the year the Committee reviewed reports on the Group's treasury controls, the property valuation process, controls over car park income and compliance with the Bribery & Corruption Act. The Committee also considered the Group's tax policy. The Committee also reviewed and agreed a plan and schedule for reviews for 2017.

While the Committee will continue to review the position at present it continues to believe that the current size and complexity of the Group does not justify establishing a stand-alone internal audit function.

Whistleblowing

The Group has in place a whistleblowing policy which encourages employees to report any malpractice or illegal acts or omissions or matters of similar concern by other employees or former employees, contractors, suppliers or advisers. The policy provides a mechanism to report any ethical wrongdoing or malpractice or suspicion thereof.

Ian Krieger
Chairman of Audit Committee

Directors' Remuneration Report
Introduction

Tony Hales CBE
Chairman of Remuneration Committee

Information not subject to audit: Annual Statement

Dear Shareholder

On behalf of the Board I am pleased to present the Directors' Remuneration Report for the year ended 30 December 2016.

Last year, having taken on board feedback from shareholders and to align with best governance standards, we presented a new remuneration policy. This received strong support with a vote in favour of 89.5% and will therefore apply for the three year period until the AGM of 2019.

2016 was a year of considerable achievement for the Company with a notable 11.7% increase in Adjusted Earnings per share. As I said last year, strong earnings driving a sustainable and growing dividend for shareholders is at the heart of the Company's strategy and therefore its remuneration policy. For the full year for 2016 shareholders will benefit from an increase in dividend of 8.7%, subject to approval at the AGM.

In setting annual bonus targets the Committee puts a weighting of 80% on Company financial and operating targets with the emphasis on Adjusted Profit, Net Rental Income and cost control. 20% of bonus reflects personal objectives and for 2016 these covered the successful refinancing of Group debt, progress in recycling capital from mature assets to new opportunities and the smooth transition of the senior management team. Further detail is provided in the report.

During the year the performance period for the 2013 LTIP award ended and 91.85% of the awards have qualified for vesting and will be able to be exercised at the end of the further one year holding period. This is the first LTIP award to have qualified since the scheme was introduced in 2008 and the result reflects a very strong period of performance where Total Shareholder Return was 66%, significantly outperforming the FTSE 350 Real Estate and FTSE All Share Indices.

Executive Director salary increases, applied from 1 January 2017, were 2%, in line with the increase awarded to all employees. During the year one Executive Director, Mark Bourgeois, left the Company and was not directly replaced reflecting the strength of the team developed below Mark and a desire to streamline the management structure resulting in a more efficient cost base. No exit payments were made.

Reflecting shareholder concern the Committee has reconsidered its position with regard to the 2014 and 2015 LTIP awards and if a liquidity event occurs prior to the end of the performance period the Committee will pro-rate awards for both time and performance other than in exceptional circumstances.

Committee members were fully engaged in the succession process for the Chairman and Chief Executive positions which led to the announcement made in February 2017 that Lawrence Hutchings will join in June 2017 as Chief Executive with Hugh Scott-Barrett replacing John Clare as Chairman. For the purposes of the LTIP Hugh will be treated as a good leaver on his accession to Chairman, where he will be paid a fixed fee of £135k. Hugh will not receive any exit payment on the change nor will he receive a bonus or LTIP award for 2017, for the period he is Chief Executive. The committee welcomes Lawrence as Chief Executive, his remuneration terms are in line with our policy and are fully disclosed in the report.

Our aim as a Committee is to ensure we recruit and retain talented individuals who are motivated to deliver outperformance for shareholders. Our executives receive a fair base pay with potential for significant rewards on delivering strong shareholder returns as they have this time, reflecting a very active and successful year for the business.

Tony Hales CBE
Chairman of Remuneration Committee

Directors' Remuneration Report
Policy

Directors' Remuneration Policy
This part of the report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ("the Act").

The Remuneration Committee
The Committee met six times during 2016 as well as holding informal meetings to discuss wider remuneration issues. In addition to the Committee members (see page 41), the Chief Executive and other Non-Executive directors are invited to attend meetings as required, except in circumstances where their own remuneration is being discussed.

The Remuneration Committee agrees the framework for the remuneration of the Chairman and the Executive Directors. The Committee approves salaries and sets the levels, conditions and performance objectives for the annual bonus and share awards for Executive Directors. It also makes recommendations to the Board on matters which require shareholder approval.

The committee engaged independent remuneration consultants PwC to provide advice on an ad hoc basis throughout the year, the total fees charged for 2016 were £4,500 on a fixed fee/time spent basis.

The terms of reference of the Committee are available at **www.capreg.com/about-us/people/board-committees**

Summary of performance and remuneration year ended 30 December 2016

	2016	2015
See-through Net Rental Income	**£52.6m**	£49.3m
Adjusted Profit[1]	**£26.8m**	£24.0m
Adjusted Earnings per share	**3.8p**	3.4p
IFRS (Loss)/Profit for the period	**£(4.4)m**	£100.0m
Total dividend per share	**3.39p**	3.12p
Net Asset Value (NAV) per share	**68p**	72p
EPRA NAV per share	**68p**	71p
Proforma Group net debt[2]	**£328.6m**	£338.1m
Proforma see-through net debt to property value[2,3]	**42%**	41%
See-through net debt to property value at date of results[3,4]	**46%**	45%

[1] Adjusted Profit is as defined in the Glossary and Note 1 to the Financial Statements.
[2] Adjusted for refinancing of the Mall assets completed on 4 January 2017.
[3] See-through net debt divided by property valuation.
[4] Further adjusted for the Ipswich disposal completed on 17 February 2017 and Ilford acquisition completed on 8 March 2017. 2015 reflects the Hemel Hempstead acquisitions completed in February/March 2016.

Remuneration philosophy and principles

Our principles are to maintain a competitive remuneration package that will attract, retain and motivate a high quality team, avoid excessive or inappropriate risk taking and align their interests with those of shareholders. These principles are designed to:

— Drive accountability and responsibility

— Provide a balanced range of incentives which align both short-term and long-term performance with the value / returns delivered to shareholders

— Apply demanding performance conditions to deliver sustainable high performance; setting these conditions with due regard to actual and expected market conditions and business context

— Ensure a large part of potential remuneration is delivered in shares in order that executives are expected to build up a shareholding themselves and therefore they are directly exposed to the same gains or losses as all other shareholders

— Take account of the remuneration of other comparator companies of similar size, scope and complexity within our industry sector

— Keep under review the relationship of remuneration to risk, the members of the Remuneration Committee are also that of the Audit Committee

— Ensure that the incentive structure does not raise any environmental, social or governance risks through compliance with our Responsible Business ethics and standards of operating

How the Committee sets remuneration

Salary	Fixed compensation	Median	Total = Median or above for above Median performance
Pension			
Benefits			
Bonus	Performance based compensation	Median or above for above Median performance	
Share Awards			

The Committee benchmarks remuneration against our selected comparator group companies (see page 54) and seeks to ensure that directors fixed compensation is around the median in the comparator group.

The Committee views that by putting an emphasis on performance related compensation, executives are encouraged to perform to the highest of their abilities. The performance based compensation is targeted to be at median or above, for above median performance, within the comparator group to ensure that outstanding relative performance is appropriately rewarded. The overall effect is that our total compensation is at median or above, for above median performance.

Directors' Remuneration Report

Policy continued

Purpose & link to strategy	Operation	Opportunity	Performance metrics
Base salary **Median** — To aid recruitment, retention and motivation of high quality people — To reflect experience and importance of role	Reviewed annually effective 1 January to reflect: — general increases throughout the Company or changes in responsibility or role; and — benchmarking against comparator group to ensure salaries are about the median level and market competitive	n/a	n/a
Pension **Median** — To help recruit and retain high quality people — To provide an appropriate market competitive retirement benefit	The Company does not operate a pension scheme, all pension benefits are paid either to defined contribution pensions schemes of each executive director's choice or as a cash supplement. Hugh Scott-Barrett receives a pension allowance of 20% of basic salary. Lawrence Hutchings from appointment in June 2017 will receive an allowance of 15% of basic salary, in line with other Executive Directors.	n/a	n/a
Benefits **Median** — To aid recruitment and retention — To provide market competitive benefits	The Company offers a package to executive directors including: — private medical insurance; — critical illness cover; — life insurance; — permanent health insurance; and — holiday and sick pay. Benefits are brokered and reviewed annually.	n/a	n/a
Annual bonus **Median or above** — To incentivise delivery of short-term business targets and individual objectives based on annual KPIs — To recognise performance whilst controlling costs in reaction to the market context or company events	The bonus plan is reviewed annually to ensure bonus opportunity, performance measures and weightings are appropriate and support the stated company strategy. Deferral applies such that bonus in excess of 60% of maximum for Executive Directors (50% for the Chief Executive) will be deferred for two years and then converted into shares. At the end of the deferral period an additional payment equivalent to the dividends that would have been earned on the shares will be made. Malus applies to any bonus award up to the date of determination. Clawback provisions apply to the element of any bonus that is deferred into shares for two years from the date of award.	Maximum bonus is 125% of basic salary for Executive Directors/150% for Chief Executive Targets calibrated so maximum payout would represent exceptional performance	Measures and weightings may vary from year to year depending on strategic priorities. 2016 objectives were weighted at 80% on Group Objectives and 20% on Individual objectives. 2017 objectives will have the same split (see pages 59 for further details).

Purpose & link to strategy	Operation	Opportunity	Performance metrics
LTIP **Median or above** — To reinforce delivery of long-term business strategy and targets — To align participants with shareholders' interests — To retain directors and senior team over the longer term	Awards are based on achieving specified targets over a three year performance period. An adjustment of the awards may be made in the event of a capital raising or any other event that would have a dilutory impact. In the event of a liquidity event the Committee will pro-rate awards for performance and will normally pro-rate for time although it has the discretion not to. A holding period applies after the end of the performance period. On exercise individuals will receive an additional payment equivalent to dividends paid on shares that have qualified for vesting during the holding period. Malus and Clawback provisions apply such that the Committee have the discretion to reduce or cancel any awards that have not been exercised, in any of the following situations: — C&R's financial statements or results being negatively restated due to the Executive's behaviour; — A participant having deliberately misled management or the market regarding Company performance; — A participant causing significant damage to the Company; or — A participant's actions amounting to serious / gross misconduct.	The plan provides annual awards of shares of up to 150% of salary for Executive Directors/200% for the Chief Executive	Performance measures apply over a three year period from the date of grant. *Details of the performance conditions on existing awards and those proposed for an issue in 2017 are on page 60.*
Executive shareholding — To support alignment of Executive Directors with shareholders	All executive directors are expected to build a shareholding to at least 1 x basic annual salary value (2 x for Chief Executive) based on current market value or the aggregate purchase price of the shares. Deferred or other unvested share awards not subject to performance conditions can count towards the guideline.	n/a	n/a
Non-Executive Director fees **Median** — To reflect experience and importance of role	The Chairman and Non-Executive Directors fees are set by the Board taking into account the time commitment, responsibilities, skills and experience and roles on Board Committees. Details of the fees can be found on page 57. Individuals who are members of both the Audit and Remuneration Committees receive an additional fee of £5,000 per annum. The Senior Independent Director will receive an additional fee of £5,000 per annum from 1 January 2017.	n/a	n/a

Governance

Directors' Remuneration Report

Policy continued

Employee Context

The Committee ensures that employees' remuneration across the Company is taken into consideration when reviewing executive remuneration policy although no direct consultation is performed. The Committee reviews internal data in relation to staff remuneration and is satisfied that the level is appropriate.

Comparator group

In the review of Remuneration Policy that the Company undertook with assistance from PwC in the prior year the below comparator group was used. The relative size of Capital & Regional in comparison to the constituents was factored into the benchmarking exercise performed. In addition to the Companies listed below consideration was also given to the upper quartile benchmarks for the FTSE Small Cap.

The comparator group is used as a guide to set parameters and in this context is only one of a number of factors taken into account when determining the level and elements of remuneration policy.

- A & J Mucklow Group Plc
- Assura plc
- Big Yellow Group Plc
- Capital & Counties Properties Plc
- Countrywide Plc
- Derwent London Plc
- Foxtons Group Plc
- Grainger Plc
- Great Portland Estates Plc
- Hammerson Plc
- Hansteen Holdings Plc
- Helical Bar Plc
- Intu Properties Plc
- Land Securities Group Plc
- London & Associated Properties Plc
- LondonMetric Property Plc
- LSL Property Services Plc
- McKay Securities Plc
- Safestore Holdings Plc
- Savills Plc
- Segro Plc
- Shaftesbury Plc
- St. Modwen Properties Plc
- The British Land Company Plc
- U and I Group PLC
- Unite Group Plc
- Workspace Group Plc

Directors' service agreements and letters of appointment

Name	Unexpired term of appointment	Date of service agreement	Notice period	Potential termination payment
Executive Directors				
H Scott-Barrett	Rolling contract	9 March 2008	12 months[1]	12 months' salary and benefits value
K Ford	Rolling contract	17 May 1996	12 months	12 months' salary and benefits value
C Staveley	Rolling contract	1 October 2008	12 months	12 months' salary and benefits value
Non-Executive Directors		**Date of initial appointment**		
L Norval	Rolling contract	15 September 2009	No notice	None
J Clare	Rolling contract	29 June 2010	No notice	None
T Hales	Rolling contract	1 August 2011	No notice	None
I Krieger	Rolling contract	1 December 2014	No notice	None
W Hamman	Rolling contract	2 June 2015	No notice	None
L Whyte	Rolling contract	1 December 2015	No notice	None
G Poitrinal	Rolling contract	1 November 2016	No notice	None

[1] On Hugh Scott-Barrett's proposed move to Chairman his notice period will revert to six months.

Non-Executive Directors are all appointed on rolling contracts with no notice period. All Directors stand for re-election annually and Board appointments automatically terminate in the event of a director not being re-elected by shareholders. Copies of the Directors' service agreements are available to view, upon appointment, at the Company's registered office.

Recruitment of Executives

New Executive Directors will receive a remuneration package that will reflect the Company's remuneration policy within the parameters outlined. In certain circumstances, such as an internal promotion, an appointment may be at a salary level discount to reflect experience at that point; the Committee may increase it over time on the evidence of performance achievement and market conditions. All new Executive Directors service agreements will include mitigation of the payment of notice as standard.

The maximum level of sign on awards paid to new joiners will be 100% of salary. This excludes amounts paid to buy out individuals from existing performance awards. In the event that the Committee proposes to make a significant payment to buy out an individual from their existing awards they will first consult with major shareholders. In addition new directors may receive share awards on joining although these will not vest in the first year of joining.

Exit payment policy

When considering termination payments the Committee takes into account the best interests of the Company and the individuals' circumstances including the reasons for termination, contractual obligations, bonus and LTIP scheme rules. The Remuneration Committee will ensure that there are no unjustified payments for failure on an Executive Director's termination of employment. The policy in relation to leavers is summarised as follows:

- In normal circumstances the Executive Director will work their notice period and receive usual remuneration payments and benefits during this time. The Remuneration Committee can exercise discretion on the leaver being treated as a good leaver for the purposes of the LTIP scheme.
- In the event of the termination of an Executive Director's contract and the Company requesting the executive cease working immediately, either a compensation for loss of office payment will be made or a payment in lieu of notice plus benefits may be made. The value of the compensation for loss of office will be equivalent to the contractual notice period, pension and benefits value.
- The Executive Director may also be considered for a performance related pay award upon termination. The financial performance of the Company and meeting of KPIs and targets is the prime driver for determining whether to make an award and the quantum. The Remuneration Committee can exercise discretion on the leaver being treated as a good leaver for the purposes of a pro rata cash bonus award.
- In the event of termination for gross misconduct neither notice nor payment in lieu of notice will be given and the Executive will cease to perform their services with immediate effect.

The Committee will seek to mitigate the cost to the Company. In the event that the Committee exercises the discretion detailed above to treat an individual as a Good Leaver and/or to make a performance related bonus payment, the Committee will provide an explanation in the next remuneration report.

External Appointments

The Company allows Executive Directors to take up external positions outside the Group, providing they do not involve a significant commitment and do not cause conflict with their duties to the Company. These appointments can broaden the experience and knowledge of the Director, from which the Company can benefit. Executives are allowed to retain all remuneration arising from any external position. During the year under review the following external positions were held:

Executive	Appointment
H Scott- Barrett	Non-Executive Director GAM Holding AG[1] Non-Executive Director The Goodwood Estate Company Ltd
K Ford	–
C Staveley	–

[1] Hugh Scott-Barrett has been proposed as Chairman of GAM Holding AG subject to a shareholder vote on 27 April 2017.

Directors' Remuneration Report

Policy continued

Senior Management

The policy for senior management remuneration is set in line with the policy for the executive directors, with a degree of discretion for the Committee to take into account specific issues identified by the Chief Executive, such as the performance of a specific individual or division.

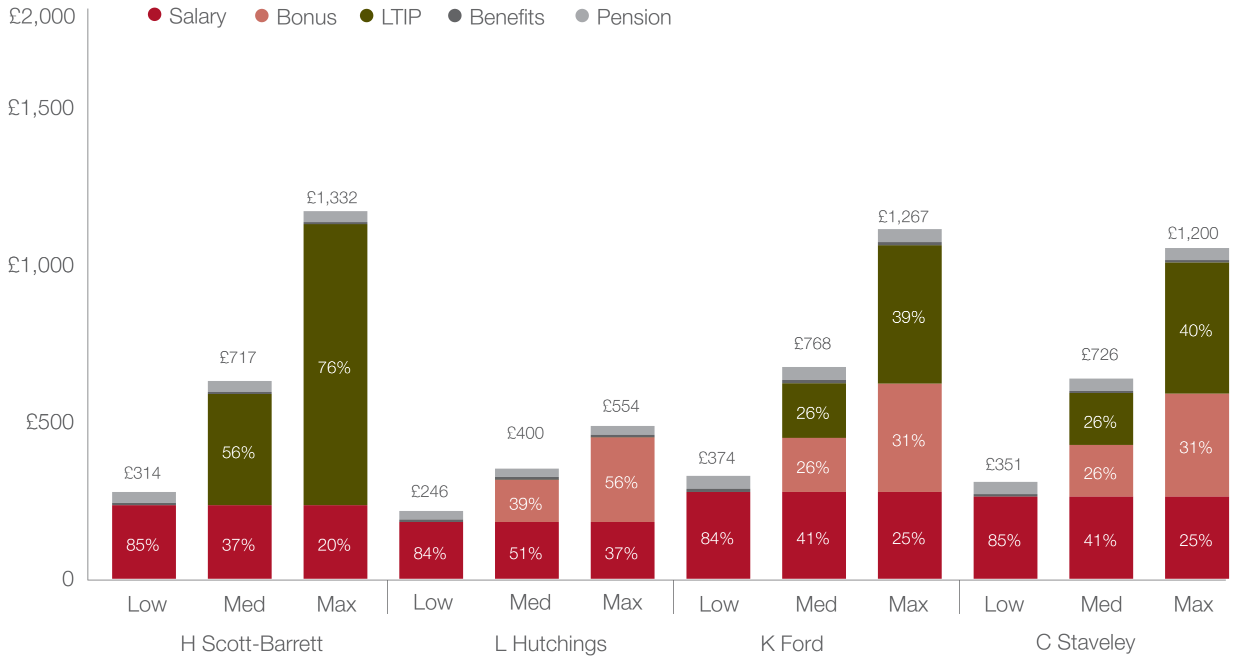
Total Compensation

The following chart shows the value of each of the main elements of the remuneration package for each of the executive directors potentially available in 2017 dependent on performance scenarios:

- The low scenario is based on nil bonus and no payout on the August 2014 LTIP issue (for which the performance period ends in August 2017);
- The mid scenario is based on bonus at 50% of maximum and the August 2014 LTIP issue at 50% vesting; and
- The max scenario is based on bonus at 125% salary for Executive Directors/150% for Chief Executive and the August 2014 LTIP at 100% vesting.

The figures for Hugh Scott-Barrett reflect his proposed change of role from Chief Executive to Chairman on 13 June 2017 and that he will not be paid a bonus for 2017. The figures for LTIP relate to the August 2014 award for which the performance period ends in August 2017. Hugh Scott-Barrett will not be issued with new LTIP awards in 2017. The figures for Lawrence Hutchings reflect him joining the Company on 13 June 2017 and his bonus being pro-rated for 2017.

All figures in £'000



Consultation and shareholders' views

Shareholder voting at the 10 May 2016 AGM was as follows:

Resolution	For	Against	Discretionary	Total Shares Voted	For/Discretionary as % of Total Shares Voted
To approve the directors remuneration policy	415,895,797	48,741,878	28,702	464,666,377	89.51%
To approve the directors remuneration report for 2016	377,840,016	75,998,979	28,702	453,867,697	83.26%

Where requested, further clarification and discussion can be provided to all shareholders to assist them in making an informed voting decision. If any major concerns are raised by shareholders these can be discussed with the Committee Chairman in the first instance and the rest of the Committee as appropriate.

Committee evaluation

The Committee reviews its performance with Board members and other participants, including through the annual Board evaluation.

Directors’ Remuneration Report

2016 Remuneration Report

Audited information:
Single total figure of remuneration for Directors:

The table below sets out the remuneration received/receivable in relation to the year ended 30 December 2016.

£’000	Salary/Fees		Taxable benefits[1]		Other benefits		Total Bonus[v]		Pension		Total emoluments		LTIP vesting[vi]		Total	
Executive Director	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
H Scott-Barrett	**418**	410	**4**	4	**14**	13	**439**	287	**84**	82	**959**	796	**1,153**	–	**2,112**	796
K Ford	**308**	302	**4**	4	**8**	7	**241**	212	**46**	45	**607**	570	**638**	–	**1,245**	570
C Staveley	**292**	287	**2**	2	**6**	5	**238**	201	**44**	43	**582**	538	**606**	–	**1,188**	538
M Bourgeois[i]	**201**	231	**2**	2	**4**	4	**–**	162	**30**	35	**237**	434	**–**	–	**237**	434
TOTAL	**1,219**	1,230	**12**	12	**32**	29	**918**	862	**204**	205	**2,385**	2,338	**2,397**	–	**4,782**	2,338
Chairman and Non-executive Directors																
J Clare (Chairman)	**125**	125	**–**	–	**–**	–	**–**	–	**–**	–	**125**	125	**–**	–	**125**	125
L Norval	**40**	40	**–**	–	**–**	–	**–**	–	**–**	–	**40**	40	**–**	–	**40**	40
P Newton[ii]	**16**	45	**–**	–	**–**	–	**–**	–	**–**	–	**16**	45	**–**	–	**16**	45
T Hales[iii]	**45**	45	**–**	–	**–**	–	**–**	–	**–**	–	**45**	45	**–**	–	**45**	45
I Krieger[iii]	**45**	45	**–**	–	**–**	–	**–**	–	**–**	–	**45**	45	**–**	–	**45**	45
W Hamman	**40**	23	**–**	–	**–**	–	**–**	–	**–**	–	**40**	23	**–**	–	**40**	23
L Whyte[iii]	**45**	4	**–**	–	**–**	–	**–**	–	**–**	–	**45**	4	**–**	–	**45**	4
G Poitrinal[iv]	**7**	–	**–**	–	**–**	–	**–**	–	**–**	–	**7**	–			**7**	–
TOTAL	**363**	344	**–**	–	**–**	–	**–**	–	**–**	–	**363**	344	**–**	–	**363**	344
TOTAL ALL	**1,582**	1,574	**12**	12	**32**	29	**918**	862	**204**	205	**2,748**	2,682	**2,397**	–	**5,145**	2,682

[1] Private medical care and critical illness cover.
[i] Resigned from the Board on 1 November 2016, all remuneration figures shown up to that date.
[ii] Resigned on 10 May 2016.
[iii] Receives an additional fee of £5,000 per annum as a member of the Audit and Remuneration Committees.
[iv] Appointed 1 November 2016. The fees shown for Guillaume Poitrinal represent a consent fee of £40,000 per annum paid to ICAMAP Investments S.àr.l to allow him to act in a personal capacity.
[v] In line with policy, bonus payments above 60% of maximum (50% for the Chief Executive) are deferred into shares for two years. The split of the 2016 bonus was as follows:

£’000	Cash	Deferred into shares	Total
H Scott-Barrett	314	125	439
K Ford	231	10	241
C Staveley	220	18	238

[vi] The LTIP award is calculated with reference to the value of the August 2013 issue at the end of the performance period, at which point it was confirmed how many options would qualify for vesting. The awards will be available for individuals to exercise from 16 August 2017 and are conditional on them remaining in employment (or being deemed a good leaver).

Governance

Directors' Remuneration Report

2016 Remuneration Report continued

Basic salary increases for Executive Directors:

	2017		2016		2015		2014		2013	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
H Scott-Barrett	**427**	2.0	**418**	2.0	**410**	2.5	**400**	–	**400**	–
K Ford	**315**	2.0	**308**	2.0	**302**	2.5	**295**	–	**295**	–
C Staveley	**299**	2.0	**293**	2.0	**287**	2.5	**280**	–	**280**	–
M Bourgeois	**n/a**	n/a	**241**	4.3	**231**	2.5	**225**	–	**225**	n/a

With effect from his start date of 13 June 2017, Lawrence Hutchings' salary will be £375,000 per annum. All other benefits are as per the Remuneration Policy with the exception of the pension contribution which will be 15% in line with the other directors. In addition he will be reimbursed for relocation costs of up to £10,000. Lawrence's bonus for 2017 will be pro-rated reflecting his start date part way through the year.

Non-executive Director fees

During 2016 Non-executive fees were reviewed resulting in a 2% increase on the base salary of £40,000 per annum with effect from 1 January 2017. No increase will be applied to the additional £5,000 per annum for being a member of the Audit and Remuneration Committees. In addition it was agreed that effective from 1 January 2017 the Senior Independent Director would receive an additional fee of £5,000 per annum.

2016 bonuses and achievement of objectives:

	Total % of maximum bonus awarded for 2016	Bonus paid 2016 £'000	Maximum achievable £'000
H Scott-Barrett	70%	439	627
K Ford	62.5%	241	385
C Staveley	65%	238	366

The annual bonus criteria for 2016 was determined with a weighting of 80% for Group Objectives (of which 55% related to financial targets and 25% on business development) and 20% on personal objectives.

Group Objectives: Financial Targets (55%)

	Threshold		Maximum			
Performance measure	% of bonus	Required performance (£m)	% of bonus	Required performance (£m)	Actual achieved (£m)	Pay out as % of max.
Group Adjusted Profit[1]	25	27.4	30	28.8	28.0	25
Property Level Net Rental Income[2]	15	53.2	20	54.5	53.2	15
Property and Admin costs[3]	5	< 18.5	5	< 18.5	19.7	–

Notes:

[1] The Adjusted Profit target is adjusted for one-off restructuring/redundancy costs and directors' bonuses (including NIC).
[2] Property Level NRI is before management fees and on a see-through basis including the Group's proportional share of joint venture assets.
[3] While targets for central administrative costs were met the Committee concluded to award nil as the combined property and administrative costs did not meet the target level.

Group Objectives: Business development (25%)

The Remuneration Committee determined that management's objectives should also include a focus on the delivery of accretive property acquisitions or investments with the aim of growing the business. In considering performance for the year the Committee took into account the strategic acquisitions of Edmonds Parade and Fareham House in Hemel Hempstead (the acquisition of The Marlowes, Hemel Hempstead having been factored into the 2015 assessment) and the disposal of The Mall, Camberley. The Committee also considered the sale of the Buttermarket Ipswich joint venture and the acquisition of the Exchange Centre, Ilford given that those transactions were agreed prior to the year end and completed shortly after the year end.

The Committee concluded that while the transactions had not grown the portfolio, largely as a result of market conditions not being conductive to the efficient raising of new equity, they had been successful in crystallising returns and investment of capital into high yielding assets and therefore an award of 10% of bonus was appropriate.

Personal Objectives (20%)

Each of the Executive Directors is given a number of personal objectives which account for a maximum of 20% of the overall target set. These objectives are specific to the individual responsibilities and in 2016 covered succession planning, development of the management team, the successful refinancing of the Group's core debt facilities, the integration of the Hemel Hempstead acquisitions, the exit plan for the Buttermarket Ipswich joint venture and advancing strategic plans for the Group's major assets. The Committee determined that against these objectives the following awards, relative to maximum payout, be made: 20% to Hugh Scott-Barrett, 15% to Charles Staveley and 12.5% to Ken Ford.

2017 bonus objectives:

Consistent with 2016 Group objectives will account for 80% of the maximum payout, with the primary focus on measures that support delivery of dividend growth given its critical importance to the Group's strategy. A full split of the relative weighting is provided below. Given their commercial sensitivity, we do not publish specific targets but will report on achievements in the 2017 Annual Report.

	% of max.
Adjusted Profit	30%
Property Net Rental Income	20%
Underlying growth in Net Rental Income	10%
Cost Management	5%
Business Growth	15%
Personal Objectives	20%

Share Awards (LTIP):

The remuneration Committee granted LTIP awards to Executive Directors on 23 August 2016 at 150% of salary to the Chief Executive and 125% to the other Executive Directors. Approximately 50 members of staff also received an award. The number of awards and the performance periods for all outstanding awards are summarised in the table below. Mark Bourgeois forfeited all his LTIP awards on his resignation from the Company during the year. The Company's Clawback provisions apply during the holding period where the level of vesting may be reduced, including to nil.

Name	Date of Award	No. of awards	% of salary	Threshold/Maximum vesting share price[3,4]	Qualified for vesting in the year	End of Performance Period	Holding period
H Scott-Barrett	16.08.13	2,078,980	200	40p/70p	1,909,543	29.09.16[1]	1 year
	14.08.14	1,283,422	150	60p/85p	–	14.08.17	50% 1 yr/50% 2 yrs
	06.03.15	1,064,935	150	65p/90p	–	06.03.18	50% 1 yr/50% 2 yrs
	23.08.16	1,054,285	150	see note 2 below	–	23.08.19	2 years
K Ford	16.08.13	1,149,935	150	40p/70p	1,056,215	29.09.16[1]	1 year
	14.08.14	631,016	100	60p/85p	–	14.08.17	50% 1 yr/50% 2 yrs
	06.03.15	523,593	100	65p/90p	–	06.03.18	50% 1 yr/50% 2 yrs
	23.08.16	647,945	125	see note 2 below		23.08.19	2 years
C Staveley	16.08.13	1,091,464	150	40p/70p	1,002,509	29.09.16[1]	1 year
	14.08.14	598,930	100	60p/85p	–	14.08.17	50% 1 yr/50% 2 yrs
	06.03.15	496,969	100	65p/90p	–	06.03.18	50% 1 yr/50% 2 yrs
	23.08.16	615,000	125	see note 2 below	–	23.08.19	2 years

Notes:

[1] On 2 August 2017 the Committee determined that the Performance Period for the August 2013 award be set as the 30 trading days from announcement of the Group's Interim Results on 18 August 2016 to avoid the result being based on a period in which the Company was exclusively in Closed Period, given the potential sale of The Mall, Camberley. This resulted in a performance period end date of 29 September 2016.

Directors' Remuneration Report

2016 Remuneration Report continued

[2] The performance conditions for the August 2016 issue are:

Performance condition	Weighting	Time frame	Nil	Threshold (25%)	Maximum (100%)
Total Shareholder Return relative to the FTSE 350 Real Estate Index	1/3	3 years from date of grant	Below index	Equal to index	Index + 12%
Average Annual Growth in Adjusted Profit Per Share	1/3	3 financial years from start of year of grant	Below 5%	5%	9%
Total Property Return relative to the IPD UK Retail Quarterly Property Index	1/3	3 years from year end or half year end immediately preceding grant	Below index	Equal to index	Index + 1.5% p.a.

[3] Straight-line vesting applies for all LTIP issues in between threshold and maximum vesting.
[4] For the August 2013 to March 2015 issues inclusive the awards trigger if the share price at the end of the vesting period (adjusted for cumulative dividends and distributions paid in the performance period) is within the specified range based on the average price for the 30 day period preceding the date of vesting.

The performance period for the August 2013 LTIP issue ended during the year as noted above. 91.85% of the awards qualified for vesting. This is the first LTIP award to qualify for vesting since the scheme was introduced in 2008. In approving the final result the Committee engaged Deloitte LLP, the Company's auditor, to confirm the relevant inputs and mechanics of the calculation. The Committee also reviewed the relative TSR performance of the Company against three industry peers and the FTSE All Share, FTSE 350 Real Estate and FTSE All Share Real Estate Investment Services. Noting that the Company had significantly outperformed all comparatives, other than one peer with which performance was in line, the Committee concluded that the result was a fair reflection of the performance of management and therefore there was no need to utilise its discretionary override. The awards are available for individuals to exercise from 16 August 2017 and are conditional on them remaining in employment (or being deemed a good leaver).

Where a liquidity event triggers early vesting the Committee will pro rate awards for performance and normally pro rate awards for time. In the event of a capital raising or any other such event that would have a dilutive impact upon the awards the Remuneration Committee may, in line with the scheme rules, adjust the awards granted to take account of this.

LTIP issue in 2017

The Committee intends to make a new LTIP issue in 2017. The award will be made to Executive Directors at a level equivalent to 125% of salary. An award will be made to Lawrence Hutchings equivalent to 200% of salary as soon as is practical following commencement of his role as Chief Executive.

The Committee intend to use the same weighting and structure of award as for the 2016 issue but have increased the maximum payout for the Adjusted Profit element from 9% average annual growth to 10%.

Performance condition	Weighting	Time frame	Nil	Threshold (25%)	Maximum (100%)
Total Shareholder Return relative to the FTSE 350 Real Estate Index	1/3	3 years from effective date of grant	Below index	Above index	Index + 12%
Average Annual Growth in Adjusted Profit Per Share	1/3	3 financial years from start of year of grant	Below 5%	5%	10%
Total Property Return relative to the IPD UK Retail Quarterly Property Index	1/3	3 years from year end or half year end preceding effective date of grant	Below index	Above index	Index + 1.5% p.a.

In the case of each measure if performance is between the Threshold (25%) and Maximum (100%) levels vesting will be calculated on a straight-line basis.

In line with all LTIP awards the Remuneration Committee retains discretion to adjust payout if it concludes that performance measures have only been achieved due to actions that deliver short-term benefit at the cost of longer term performance and financial stability.

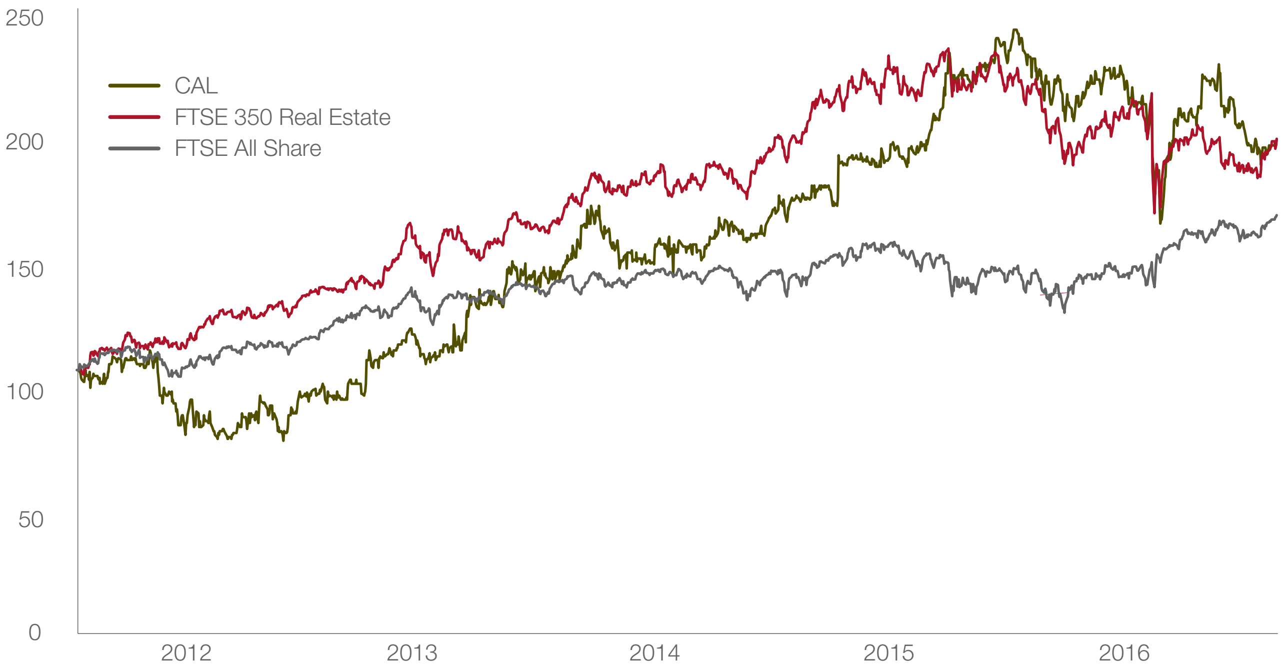
Exit payments

Mark Bourgeois resigned from the Board on 1 November 2016. Mark forfeited his LTIP awards on exit and was not paid any discretionary amount or an annual bonus.

No discretionary payment will be made to Hugh Scott-Barrett on his change of role from Chief Executive to Chairman due to be effective on 13 June 2017. Hugh will also not receive a bonus or LTIP award for 2017 in light of his impending move. For the purposes of the LTIP Hugh will be regarded as a good leaver. Pro rating for time will be applied to the March 2015 and August 2016 awards such that the proportion of his awards that will be available for potential vesting will only relate to the proportion of the performance period for which he was Chief Executive.

Performance graph

The graph below illustrates the Company's Total Shareholder Return (i.e. share price growth plus dividends paid) performance compared to the FTSE All Share and FTSE 350 Real Estate indices.



Source: Thomson Reuters Datastream

The five year single figure remuneration for the Chief Executive is provided as below. The LTIP figures relate to the amount of the August 2013 LTIP award that qualified for vesting during 2016.

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Total CEO remuneration	**2,112**	796	833	651	765
Annual bonus (% of max)	**70%**	70%	85%	40%	69%
LTIP vesting (% of max)	**91.85%**	–	–	–	–

Directors’ Remuneration Report

2016 Remuneration Report continued

Percentage increase in Chief Executive remuneration versus the wider workforce

	CEO	Employee group[1]
Salary	2.0%	2.0%
All taxable benefits	No change	No change
Annual bonuses	53%	32%

The ratio of the salary of the Chief Executive to the average employee salary[1] (excluding Directors) was 6:1 (£418,000:£68,000).

[1] Calculated on a like-for-like with reference to employees of Capital & Regional plc and Capital & Regional Property Management.

Relative importance of spend on pay compared to distributions to shareholders

	2016 £m	2015 £m	%
Employee costs (per Note 7 of the financial statements)	13.7	13.5	+1.5%
Dividends paid (Total of Interim and Final Dividend for the respective year)	23.7	21.8	+8.7%

Executive share ownership

Executive directors are expected to build up and maintain a minimum shareholding equivalent to one year’s basic salary (two years for the Chief Executive) based on current market value or aggregate purchase price.

Executive Directors	Time from appointment	Target % of salary	Target currently met?
H Scott-Barrett	9 years 9 months	200	Yes
C Staveley	9 years 2 months	100	Yes
K Ford	21 years 7 months	100	Yes

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. This excludes unvested LTIP share awards, these are disclosed separately on page 59.

	30 December 2016 Shares	30 December 2015 Shares
H Scott-Barrett	2,206,826	2,085,000
K Ford	1,897,842	1,897,842
C Staveley	540,475	540,475
J Clare	707,175	692,599
T Hales	500,000	500,000
W Hamman	–	–
I Krieger	100,000	100,000
L Norval	137,102,157	129,102,511
G Poitrinal	51,532,964	n/a
L Whyte	57,000	37,000

Louis Norval is beneficially interested in the shares registered in the name of MStead Limited and PDI Investment Holdings Limited. Wessell Hamman, by virtue of being the other nominated representative Director of the Parkdev Group of companies, is connected to the MStead Limited, PDI Investment Holdings Limited and other related shareholdings but does not personally have a beneficial interest in any of these holdings.

The 51,532,964 shares in which Guillaume Poitrinal is noted as having a beneficial interest in at 30 December 2016 were held by ICAMAP Investments S.àr.l, of whom he is the Chairman.

The following were the only transactions impacting the above shareholdings from 30 December 2016 to 31 March 2017, being the latest practicable date prior to the issue of this report:

— On 9 March 2017 Hugh Scott-Barrett increased his shareholding by 33,174 shares to 2,240,000.

— On 10 March 2017 Tony Hales acquired 100,000 shares increasing his shareholding to 600,000.

Tony Hales CBE
Chairman of Remuneration Committee

Directors' Report

Business review

Information on the Group's business, which is required by section 417 of the Companies Act 2006, can be found in the Strategic Report on pages 4 to 37 which is incorporated into this report by reference. This includes our statutory reporting on greenhouse gas emissions. A report on corporate governance and compliance with the provisions of the UK Corporate Governance Code and Disclosure and Transparency Rules, which forms part of this Directors' Report, is set out on pages 40 to 44.

The results for the year are shown in the Group income statement on page 77. Events after the balance sheet date are detailed in Note 29 of the financial statements. The use of financial derivatives is set out in Note 18 to the financial statements.

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

Dividends

An interim dividend of 1.62 pence per share (2015: 1.50 pence per share) was paid on 27 October 2016, all as a Property Income Distribution (PID). The directors recommend a final dividend of 1.77 pence per share, making a total distribution for the year ended 30 December 2016 of 3.39 pence per share (2015: 3.12 pence per share).

Subject to approval of shareholders at the Annual General Meeting ("AGM") on 9 May 2017, the final dividend will be paid on 16 May 2017. The key dates are set out as below:

— Confirmation of ZAR equivalent dividend	— 13 April 2017
— Last day to trade on Johannesburg Stock Exchange (JSE)	— 24 April 2017
— Shares trade ex-dividend on the JSE	— 25 April 2017
— Shares trade ex-dividend on the London Stock Exchange (LSE)	— 27 April 2017
— Record date for LSE and JSE	— 28 April 2017
— AGM	— 9 May 2017
— Dividend payment date	— 16 May 2017

The amount to be paid as a PID will be confirmed in the announcement on 13 April 2017. If a Scrip dividend alternative is offered the deadline for submission of valid election forms will be 28 April 2017. South African shareholders are advised that the final dividend will be regarded as a foreign dividend. Further details relating to Withholding Tax for shareholders on the South African register will be provided within the announcement detailing the currency conversion rate on 13 April 2017. Share certificates on the South African register may not be dematerialised or rematerialised between 25 April 2017 and 28 April 2017, both dates inclusive. Transfers between the UK and South African registers may not take place between 13 April 2017 and 28 April 2017, both dates inclusive.

Property Income Distributions (PID's)

As a UK REIT, Capital & Regional plc is exempt from corporation tax on rental income and gains on UK investment properties but is required to pay Property Income Distributions (PIDs). UK shareholders will be taxed on PIDs received at their full marginal tax rates. A REIT may in addition pay normal dividends.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of UK shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. Further information on UK REITs is available on the Company's website, including a form to be used by shareholders to certify if they qualify to receive PIDs without withholding tax.

PIDs paid to Johannesburg Stock Exchange (JSE) shareholders are subject to UK withholding tax at 20%. JSE shareholders may apply to Her Majesty's Revenue and Customs after payment of the PID for a refund of the difference between the 20% withholding tax and the prevailing UK/South African double tax treaty rate. Other overseas shareholders may be eligible to apply for similar refunds of UK withholding tax under the terms of the relevant tax treaties.

Directors

The names and biographical details of the present directors of the Company are given on pages 38 and 39. Guillaume Poitrinal was appointed on 1 November 2016. Philip Newton and Mark Bourgeois' resignations were effective from 10 May 2016 and 1 November 2016, respectively. All other Directors served for the full year.

All current directors will retire and, being eligible, offer themselves for re-election at the 2017 Annual General Meeting. John Clare's re-election will be until 13 June 2017 being the date it is planned that he will retire from the Board. A resolution to elect Lawrence Hutchings as a director, effective from 13 June 2017, will also be proposed.

Directors' interests in the share capital and equity of the Company at the year-end are contained in the Directors' Remuneration Report on page 62. 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.

In connection with the Parkdev Group of Investors ('Parkdev')' acquisition of shares in the Company in 2009 and pursuant to the Relationship Agreement that Parkdev 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 they own 20% or more of the issued ordinary share capital in the Company and one non-executive director to the Board if they own less than 20%, but not less than 15%. Louis Norval and Wessel Hamman are the Parkdev nominated non-executive directors. All other Directors are appointed in a personal capacity.

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

Listing Rule 9.8.4R disclosures

The following table sets out where disclosures required in compliance with Listing Rule 9.8.4R are located.

Interest capitalised and tax relief	Page 101
Details of long-term incentive schemes	Pages 59 to 60
Waiver of emoluments by a director	n/a
Waiver of future emoluments by a director	n/a
Non pre-emptive issues of equity for cash	n/a
Non pre-emptive issues of equity for cash by major subsidiary undertakings	n/a
Parent company participation in a placing by a listed subsidiary	n/a
Contracts of significance	n/a
Provision of services by a controlling shareholder	n/a
Shareholder waivers of dividends	Shares held by Employee Share Ownership Trust section below
Shareholder waivers of future dividends	Shares held by Employee Share Ownership Trust section below
Agreements with controlling shareholders	n/a

Substantial shareholdings

As at 27 March 2017 (the latest practicable date prior to the issue of this report) the Company has been notified of the following interests in its issued ordinary share capital:

	No. of shares	%
MStead Limited	69,978,847	9.96
PDI Investment Holdings	65,462,806	9.32
ICAMAP Investments	51,532,964	7.34
BlackRock	32,457,128	4.62
Peens Family Holdings	32,040,000	4.56
Hargreave Hale	28,836,127	4.11
Premier Asset Management	27,991,168	3.99
Henderson Global Investors	23,150,515	3.30
Cohen & Steers	22,926,631	3.26

MStead Limited and PDI Investment Holdings are part of the Parkdev Group of Investors.

Directors' Report continued

Share capital

As at 30 December 2016 the Company's total issued share capital was 702,342,500 ordinary shares of one pence each, all with equal voting rights. The only change in the Company's Issued share capital during 2016 arose from the issue of 1,589,874 new shares on 28 October 2016 in respect of the Company's Scrip dividend scheme.

The Company has a Secondary Listing of shares on the Johannesburg Stock Exchange (JSE). At 30 December 2016, 58,253,524 of the Company's shares were held on the JSE register representing 8.29% of the total shares in issue.

Change in control

The Group's core £30 million revolving credit facility can be called in if there is a change in direct control of the borrower, Capital & Regional Holdings of 50% or more of its issued share capital. The Group's £39 million debt facility in respect of The Exchange Centre, Ilford allows the lender to demand repayment of the facility with 120 days' notice following an individual or entity taking control of 50% or more of Capital & Regional Plc's shares.

In addition certain potential tax liabilities could be crystallised in some circumstances where there are varying degrees of change of ownership of the Group's shares.

Furthermore the Group could lose its status as a REIT as a result of the actions of third parties (for example, in the event of a successful takeover by a company that is not a REIT and which does not qualify as an 'institutional investor' for REIT purposes) or due to a breach of the close company condition if it is unable to remedy the breach within a specified period.

Purchase of own shares

The Company did not make any purchases of its own shares during 2016 or in 2017 up to 31 March 2017 being the latest practicable date prior to the issue of this report.

The Company was authorised by shareholders at the 2016 AGM held on 10 May 2016 to purchase up to a maximum of 10.0% of its ordinary shares in the market. This authority will expire at the 2017 AGM and the directors will be seeking a new authority for the Company to purchase its ordinary shares. This will only be exercised if market and financial conditions make it advantageous to do so.

Articles of Association

The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by shareholders in accordance with the legislation in force from time to time.

Shares held by Employee Share Ownership Trust

The Capital & Regional Employee Share Ownership Trust did not acquire any shares in 2016. At 30 December 2016 the Trust held 642,387 shares in the Company. The shares held by the Trust are registered in the nominee name, Forest Nominees Limited, and a dividend waiver is in place to cover the entire holding.

Human rights

The Group operates in the UK and Jersey and, as such, is subject to the European Convention on Human Rights and the UK Human Rights Act 1998.

The Group respects all human rights and in conducting its business the Group regards those rights relating to non-discrimination, fair treatment and respect for privacy to be the most relevant and to have the greatest potential impact on its key stakeholder groups of customers, employees and suppliers.

The Board has overall responsibility for ensuring the Group upholds and promotes respect for human rights. The Group seeks to anticipate, prevent and mitigate any potential negative human rights impacts as well as enhance positive impacts through its policies and procedures and, in particular, through its policies regarding employment, equality and diversity, treating its stakeholders and customers fairly and information security. Group policies seek to ensure that employees comply with the relevant legislation and regulations in place to promote good practice. The Group's policies are formulated and kept up to date and communicated to all employees through the Staff Policy Manual. The Group has not been made aware of any incident in which the organisation's activities have resulted in an abuse of human rights.

Employees

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

We give full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by people with disabilities. We endeavour to retain the employment of, and arrange suitable retraining for, any employee who becomes disabled during their employment as well as providing training, career development and promotion to disabled employees wherever appropriate.

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

At 30 December 2016 the total number of employees was as follows:

Employees	Male	Female	Total
Directors[1]	9	1	10
Employees – Group	28	24	52
Employees – Wholly-owned assets	21	56	77
Employees – Snozone	166	91	257

[1] The Group defines its senior management as the members of the Executive Committee which currently consists of the three executive directors and the Group's Investment Director, James Ryman.

Political donations

The Group has not made any political donations during the year and intends to continue its policy of not doing so for the foreseeable future.

Auditor's information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming AGM.

Annual General Meeting

A separate document, the Notice of Annual General Meeting 2017, accompanies this report and accounts and explains the business to be covered at the Annual General Meeting of the Company to be held on 9 May 2017.

By order of the Board

Stuart Wetherly
Company Secretary
3 April 2017

Registered Company name: Capital & Regional plc

Registered Company number: 01399411

Registered office: 52 Grosvenor Gardens, London SW1W 0AU

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with 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 FRS 101, as published by the Financial Reporting Council, and applicable law in the United Kingdom. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make 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 Company's ability to continue as a going concern.

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

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

Directors' responsibilities statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of directors on 3 April 2017 and is signed on its behalf by:

Hugh Scott-Barrett
Chief Executive

Charles Staveley
Group Finance Director

Independent Auditor's Report

to the members of Capital & Regional plc

Independent auditor's report to the members of Capital & Regional plc

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 2016 and of the Group's profit for the year then ended;

— the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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, including FRS 101 "Reduced Disclosure Framework"; 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.

The financial statements comprise the:

— Consolidated Income Statement;

— Consolidated Statement of Comprehensive Income;

— Consolidated Balance Sheet;

— Consolidated Statement of Changes in Equity;

— Consolidated Cash Flow Statement;

— related notes 1 to 31; and

— Company Balance Sheet, the Company Statement of Changes in Equity and the related notes A to F.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and 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), including FRS 101 "Reduced Disclosure Framework".

Summary of our audit approach

Key risks	The key risks that we identified in the current year were: — Property valuations — Going concern and covenant compliance — Revenue recognition — Impairment of company only investments
Materiality	The materiality that we used in the current year was £7m which was determined on the basis of 1.5% of net assets.
Scoping	Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component levels.
Significant changes in our approach	There were no significant changes in our audit approach from the prior year.

Independent Auditor's Report continued

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial statements, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, the Group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 68 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 28 to 31 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation on page 32 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Property valuations	
Risk description	Investment property has a carrying value of £838.5 million at 30 December 2016 (30 December 2015: £870.0 million), comprising 89% (30 December 2015: 89%) of the Group's assets. The portfolio consists of six shopping centres within the Group. The Group has a further interest in investment properties held by an associate entity, valued at £150.0 million (30 December 2015: £160.3 million) within the associate. These are disclosed in note 10b to the Group financial statements. The valuation of investment property is dependent upon a number of assumptions and judgements, such as occupancy rates, lease incentives, break clauses and yields. Changes in these assumptions and judgements could lead to significant movements in property values and consequently unrealised gains or losses in the consolidated income statement. The accounting policy for investment property is set out in note 1 to the Group financial statements including management's assessment of this as a critical accounting judgement.
How the scope of our audit responded to the risk	— We critically assessed the appropriateness of the design and implementation of the Group's key controls to address the risk over property valuations. — We met with the third party valuers appointed by management to value the property portfolio and challenged the significant judgements and assumptions applied in their valuation model. We verified movements in the key judgements and assumptions and benchmarked the inputs against market data with the assistance of our internal valuation specialists. — We assessed each individual property valuation within the property portfolios. — We assessed the integrity of the information provided to the valuers by management pertaining to rental income, purchasers' costs and occupancy. — We considered the competence and independence of the external valuers.
Key observations	We found that management's judgements and assumptions fell within the reasonable range which is based on third party market commentator reports on market movements, and are satisfied that the value of investment properties is reasonably stated.

Going concern and covenant compliance	
Risk description	Following the acquisition of control of The Mall fund in 2014, the Group's external loan facilities have maintained a high overall level of utilisation to 30 December 2016. External borrowings had a carrying value of £360.8 million at 30 December 2016 (30 December 2015: £374.9 million). This includes the Group's £30 million central revolving credit facility, which matures in May 2019. Subsequent to the year end the Group have repaid the Mall debt (£334.6m at 30 December 2016) and replaced this with three new facilities totalling £372.5m with a weighted average maturity of 7.8 years. The existence of covenants on external loans held by the Group and the ability of the Group to meet the covenant requirements both during the year and for a period of one year from the date of this Auditor's Report is identified as a key risk. Management's consideration of the going concern basis of preparation is set out in note 1 to the Group financial statements.

Independent Auditor's Report continued

How the scope of our audit responded to the risk	— We critically assessed the appropriateness of the design and implementation of the Group's key controls to address the risk of non-compliance with covenants and the going concern status of the Group. — We challenged the judgements and assumptions applied by management in their going concern assessment and associated forecasts of financial performance and financial position. These included modelling alternative scenarios taking consideration of projected capital expenditure, assumptions around asset sales and purchases, discount rates applied to future cash flows, current business and economic trends and significant developments during and subsequent to the year ended 30 December 2016.
Key observations	From the results of our work we concur with management's conclusions on going concern.
Revenue recognition	
Risk Description	Revenue recognition in respect of lease incentives is identified as a significant risk due to the fact that the Group has a large number of tenant lease incentives taking the form of rent free periods and capital contributions which are accounted for under IAS 17 Leases. Lease incentives had a carrying value of £16.9 million at 30 December 2016 (30 December 2015: £18.1 million), as disclosed in note 10b to the Group financial statements. The accounting policies for lease incentives are set out in note 1 to the Group financial statements.
How the scope of our audit responded to the risk	— We critically assessed the appropriateness of the design and implementation of the Group's key controls to address the risk identified over accounting for lease incentives. — We performed our audit testing by verifying the mechanical accuracy of calculations and agreeing inputs to the lease contacts. Our work was focused upon confirming that the leases sampled were correctly accounted for under IAS 17: 'Leases', including new contracts entered into during the year to assess the completeness of the lease incentive calculations.
Key observations	From our work completed we concur that the overall accounting for lease incentives by the Group is appropriate.
Impairment of Company only investments	
Risk Description	There is a risk of impairment of the investments and intercompany debtors in the parent company balance sheet. In particular, this relates to the reasonableness of cash flow forecasts, long-term growth rates and the discount rates applied in the discounted cash flow calculations used to support investments held at above net asset value of the subsidiaries. Investments had a carrying value of £330.0 million at 30 December 2016 (30 December 2015: £339.8 million), comprising 72% (30 December 2015: 74%) of the parent company's assets. Intercompany debtors had a carrying value of £125.2 million at 30 December 2016 (30 December 2015: £122.0 million), comprising 28% (30 December 2015: 26%) of the parent company's assets. The accounting policies for both investments and intercompany debtors are set out in note A to the parent company financial statements.

How the scope of our audit responded to the risk	— We critically assessed the appropriateness of the design and implementation of the Company's key controls to address the risk of impairment of investments and debtor balances. — We challenged management's investment impairment model and the cash flow forecasts employed therein, including comparison of the input assumptions to externally and internally derived data with the assistance of our internal valuations specialists. The inputs considered included the cash flow projections and discount rates. — We also assessed whether the forecasts employed are consistent with those used to support other judgements in the financial statements.
Key observations	We concur with the level of impairment recognised by management for all investments. We consider that the carrying value of investment and intercompany debtor balances is appropriate.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£7.0m (2015: £6.7m)
Basis for determining materiality	We determined materiality to be 1.5% of net assets (2015: below 1.5% of net assets). We applied a lower threshold of £1.2 million (2015: £1.0 million) for testing of all balances impacting Adjusted Profit (as defined in Note 1 to the Group financial statements), which is less than 5% of Adjusted Profit (2015: less than 5% of Adjusted Profit).
Rationale for the benchmark applied	We used net assets as benchmark when determining materiality as it is considered to be the most critical financial performance measure for the Group. We applied a lower threshold of £1.2 million (2015: £1.0 million) for testing of all balances impacting Adjusted Profit on the basis that it is a key metric used by management, is the basis of the discussion of the financial performance in the strategic report and is a metric used by analysts.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £140,000 (2015: £134,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent Auditor's Report continued

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component levels.

Our Group audit scope focused primarily on the audit work on the major lines of business. These major lines of business are Wholly-owned assets, Other UK Shopping Centres, Snozone and Group/Central. These are included within individual IFRS 8 segments as disclosed in note 2 to the Group financial statements. Other major lines of business for scoping purposes include the Kingfisher Limited Partnership, incorporated into the Other Shopping Centre segment and Capital & Regional Property Management Limited, which is incorporated into the Group / Central segment in note 2 to the Group financial statements. The Buttermarket Ipswich joint venture was disposed of on 17 February 2017 and we have considered the impact of that transaction in our audit. All of the above were subject to a full scope audit with the exception of the Kingfisher Limited Partnership and the Buttermarket Ipswich joint venture, which were subject to specific audit procedures around significant audit risks and key balances including investment property and loans payable. This is consistent with the prior year.

The businesses subject to a full scope audit or specific audit procedures account for 95% (2015: 95%) of the Group's net assets, 100% (2015: 100%) of the Group's revenue and 99% (2015: 99%) of the Group's Adjusted Profit. All investment properties have been included within the scope of our work. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. All components are audited directly by the Group audit team. Our audit work at each component was executed at levels of materiality applicable to each individual entity which were between 2% and 90% (2015: 2% and 90%) of Group materiality.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to full scope audit or specific audit procedures.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

— the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;

— the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

— the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

— we have not received all the information and explanations we require for our audit; or

— adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

— materially inconsistent with the information in the audited financial statements; or

— apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or

— otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Independent Auditor's Report continued

Respective responsibilities of directors and auditor

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). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Georgina Robb FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
3 April 2017

Consolidated Income Statement

For the year to 30 December 2016

	Notes	2016 £m	2015 £m
Continuing operations			
Revenue	3	**87.2**	80.7
Cost of sales	4	**(32.5)**	(29.1)
Gross profit		**54.7**	51.6
Administrative costs		**(10.9)**	(10.8)
Share of profit in associates and joint ventures	14a	**0.3**	7.8
(Loss)/profit on revaluation of investment properties	10a	**(14.2)**	68.0
Other gains and losses	6	**(1.8)**	0.2
Profit on ordinary activities before financing		**28.1**	116.8
Finance income	5	**0.4**	0.7
Finance costs	5	**(33.0)**	(19.9)
(Loss)/profit before tax	6	**(4.5)**	97.6
Tax credit	8a	**0.1**	–
(Loss)/profit for the year from continuing operations		**(4.4)**	97.6
Discontinued operations			
Profit for the year from discontinued operations	25	**–**	2.4
(Loss)/profit for the year		**(4.4)**	100.0
Continuing operations			
Basic earnings per share	9a	**(0.6)p**	13.9p
Diluted earnings per share	9a	**(0.6)p**	13.7p
Continuing and discontinued operations			
Basic earnings per share	9a	**(0.6)p**	14.3p
Diluted earnings per share	9a	**(0.6)p**	14.0p
EPRA earnings per share			
EPRA basic earnings per share	9a	**3.7p**	3.4p
EPRA diluted earnings per share	9a	**3.7p**	3.3p

Consolidated Statement of Comprehensive Income

For the year to 30 December 2016

	Notes	2016 £m	2015 £m
(Loss)/profit for the year		**(4.4)**	100.0
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**–**	(1.6)
Gain on a hedge of a net investment taken to equity		**–**	–
Total items that may be reclassified subsequently to profit or loss:		**–**	(1.6)
Total comprehensive income for the year		**(4.4)**	98.4

There are no items in other comprehensive income that may not be reclassified to income statement.

Profit for the year and total comprehensive income is all attributable to equity holders of the parent.

The EPRA measures used throughout this report are industry best practice performance measures established by the European Public Real Estate Association. They are defined in the Glossary to the Financial Statements. EPRA Earnings and EPRA EPS are shown in Note 9 to the Financial Statements. EPRA net assets and EPRA triple net assets are shown in Note 23 to the Financial Statements.

Consolidated Balance Sheet

at 30 December 2016

	Note	2016 £m	2015 £m
Non-current assets			
Investment properties	10	**838.5**	870.0
Plant and equipment	11	**0.9**	0.6
Fixed asset investments	25	**1.9**	1.6
Receivables	13	**14.3**	15.9
Investment in associates	14b	**13.9**	15.9
Investment in joint ventures	14c	**–**	11.7
Total non-current assets		**869.5**	915.7
Current assets			
Receivables	13	**13.4**	13.7
Cash and cash equivalents	15	**49.1**	49.9
Assets classified as held for sale	14c	**13.9**	–
Total current assets		**76.4**	63.6
Total assets	2b	**945.9**	979.3
Current liabilities			
Bank loans	17a	**(334.6)**	–
Trade and other payables	16	**(41.3)**	(33.7)
Liabilities directly associated with assets held for sale	14c	**(0.4)**	–
		(376.3)	(33.7)
Net current (liabilities)/assets		**(299.9)**	29.9
Non-current liabilities			
Bank loans	17a	**(26.2)**	(374.9)
Other payables	16	**(4.4)**	(2.1)
Obligations under finance leases	26	**(61.4)**	(65.4)
Total non-current liabilities		**(92.0)**	(442.4)
Total liabilities	2b	**(468.3)**	(476.1)
Net assets		**477.6**	503.2
Equity			
Share capital	19	**7.0**	7.0
Share premium		**158.2**	157.2
Other reserves		**60.3**	60.3
Capital redemption reserve		**4.4**	4.4
Own shares held	21	**(0.4)**	(0.6)
Retained earnings		**248.1**	274.9
Equity shareholders' funds		**477.6**	503.2
Basic net assets per share	23	**£0.68**	£0.72
EPRA triple net assets per share	23	**£0.67**	£0.70
EPRA net assets per share	23	**£0.68**	£0.71

These financial statements were approved by the Board of directors, authorised for issue and signed on their behalf on 3 April 2017 by:

Charles Staveley
Group Finance Director

Financial Statements

Consolidated Statement of Changes in Equity

For the year to 30 December 2016

	Share capital £m	Share premium[1] £m	Other reserves: Merger reserve[2] £m	Other reserves: Foreign currency reserve[1] £m	Other reserves: Net investment hedging reserve[1] £m	Capital redemption reserve[1] £m	Own shares reserve[3] £m	Retained earnings[4] £m	Total equity £m
Balance at 30 December 2014	**7.0**	**157.2**	**60.3**	**1.6**	**(0.4)**	**4.4**	**(0.6)**	**189.5**	**419.0**
Profit for the year	–	–	–	–	–	–	–	100.0	100.0
Other comprehensive loss for the year	–	–	–	(1.6)	–	–	–	–	(1.6)
Total comprehensive income for the year	**–**	**–**	**–**	**(1.6)**	**–**	**–**	**–**	**100.0**	**98.4**
Credit to equity for equity-settled share-based payments (Note 20)	–	–	–	–	–	–	–	0.6	0.6
Dividends paid (Note 32)	–	–	–	–	–	–	–	(14.7)	(14.7)
Other movements	–	–	–	–	0.4	–	–	(0.5)	(0.1)
Balance at 30 December 2015	**7.0**	**157.2**	**60.3**	**–**	**–**	**4.4**	**(0.6)**	**274.9**	**503.2**
Loss for the year	–	–	–	–	–	–	–	(4.4)	(4.4)
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4.4)**	**(4.4)**
Credit to equity for equity-settled share-based payments (Note 20)	–	–	–	–	–	–	–	0.5	0.5
Dividends paid (Note 31)	–	–	–	–	–	–	–	(21.7)	(21.7)
Shares issued, net of costs (Note 19)	–	1.0	–	–	–	–	–	(1.0)	–
Other movements	–	–	–	–	–	–	0.2	(0.2)	–
Balance at 30 December 2016	**7.0**	**158.2**	**60.3**	**–**	**–**	**4.4**	**(0.4)**	**248.1**	**477.6**

Notes:

1. These reserves are not distributable.
2. The merger reserve of £60.3 million arose on the Group's capital raising in 2009 which was structured so as to allow the Company to claim merger relief under section 612 of the Companies Act 2006 on the issue of Ordinary shares. The merger reserve is available for distribution to shareholders.
3. Own shares relate to shares purchased out of distributable profits and therefore reduce reserves available for distribution.
4. The Company has determined what is realised and unrealised in accordance with the guidance provided by ICAEW TECH 2/10 and the requirements of UK law. In accordance with UK Companies Act 2006 s831(2), a public company may make a distribution only if, after giving effect to such distribution, the amount of its net assets is not less than the aggregate of its called up share capital and non-distributable reserves as shown in the relevant accounts.

Consolidated Cash Flow Statement

For the year to 30 December 2016

	Notes	2016 £m	2015 £m
Operating activities			
Net cash from operations	22	**41.1**	29.9
Distributions received from associates	14b	**0.5**	0.2
Distributions received from fixed asset investments Including German B-note		**4.2**	–
Interest paid		**(14.6)**	(13.4)
Interest received		**0.1**	0.4
Income taxes received		**–**	0.9
Cash flows from operating activities		**31.3**	18.0
Investing activities			
Disposal of German joint venture	25	**–**	42.3
Disposal of The Mall, Camberley		**85.7**	–
Other disposals		**0.7**	–
Acquisitions in Hemel Hempstead		**(56.6)**	–
Purchase of plant and equipment	11	**(0.5)**	(0.2)
Capital expenditure on investment properties		**(20.6)**	(11.4)
Investment in joint ventures		**–**	(6.4)
Settlement of forward foreign exchange contract		**–**	2.0
Cash flows from investing activities		**8.7**	26.3
Financing activities			
Dividends paid net of Scrip		**(21.7)**	(13.2)
Bank loans drawn down		**26.9**	–
Bank loans repaid		**(45.4)**	(23.4)
Loan arrangement costs		**(0.6)**	(0.4)
Cash flows from financing activities		**(40.8)**	(37.0)
Net (decrease)/increase in cash and cash equivalents		**(0.8)**	7.3
Cash and cash equivalents at the beginning of the year		**49.9**	42.6
Cash and cash equivalents at the end of the year	15	**49.1**	49.9

Notes to the Financial Statements

For the year to 30 December 2016

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 31. They are prepared on the historical cost basis except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of the reporting year, as explained in the accounting policies below. Other than as noted in the 'Accounting developments and changes' section below, the accounting policies have been applied consistently to the results, other gains and losses, assets, liabilities, income and expenses.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for share-based payments that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities

— Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

— Level 3 inputs are unobservable inputs for the asset or liability.

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with International 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

The following accounting standards or interpretations were effective for the current financial year and have been applied in preparing these financial statements to the extent they are relevant to the preparation of financial information:

— Annual Improvements to the IFRSs 2010-2012 Cycle (various standards)

None of the standards above have impacted the Group's reporting.

1 Significant Accounting Policies continued

The following accounting standards and interpretations which are relevant to the Group have been issued, but are not yet effective:

— IFRS 9 'Financial Instruments'

— IFRS 11 (amendment) 'Accounting for Acquisitions of Interest in Joint Operations'

— IFRS 15 'Revenue from Contracts with Customers'

— IFRS 16 'Leases'

— IAS 1 (amendment) 'Disclosure Initiative'

— IAS 27 (amendment) 'Equity Method in Separate Financial Statements'

— IFRS 10, IFRS 12 and IAS 28 (amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'

— IAS 16 and IAS 38 (amendments) 'Clarification of Acceptable Methods of Depreciation and Amortisation'

— Annual Improvements to the IFRSs 2012-2014 Cycle (various standards)

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods except as follows:

— IFRS 9 will impact both the measurement and disclosures of financial instruments and is effective for the Group's year ending 30 December 2019.

— IFRS 15 does not apply to gross rental income, but does apply to service charge income, other fees and trading property disposals and is effective for the Group's year ending 30 December 2019. The Group does not expect adoption of IFRS 15 to have a material impact on the measurement of revenue recognition, but additional disclosures will be required with regards to the above sources of income.

— IFRS 16 will result in the Group recognising on balance sheet assets it leases along with a corresponding liability. The primary lease contracts that this will impact are the lease on the Group's head offices and the leases of the Snozone business on its Castleford and Milton Keynes sites. In addition, IFRS 16 could have an indirect impact on the Group's business if it leads to a change in occupier behaviour. Examples of this would be if its adoption results in tenants or potential tenants typically seeking shorter lease terms and/or more prevalent use of turnover-related, as opposed to fixed, rents.

Going concern

The financial statements have been prepared on a going concern basis. Details on going concern and the viability statement are provided on page 32.

Critical accounting judgements and key sources of estimation uncertainty

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 key sources of estimation uncertainty 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:

Property valuation

Reliance upon the work undertaken at 30 December 2016 by independent professional qualified valuers, as disclosed in Note 10c, in assessing the fair value of the Group's investment properties.

Derivative financial instruments

Reliance upon the work undertaken at 30 December 2016 by independent third party experts in assessing the fair values of the Group's derivative financial instruments, which are disclosed in Notes 13 and 18e.

Notes to the Financial Statements continued

1 Significant Accounting Policies continued

Taxation

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 8.

Compliance with Real Estate Investment Trust (REIT) taxation regime

The Group converted to a group REIT on 31 December 2014. As a result, the Group no longer pays UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions (these are summarised in Note 8). A judgement is therefore required that the Group will continue to meet the qualifying conditions.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company at 30 December. 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 year for all material subsidiaries and affiliates ends on 31 December and their financial statements are consolidated from this date. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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 acquired, 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 year 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 realisable value with associated costs of sale shown separately as liabilities. 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. The Group considered that its assets held for sale at 30 December 2016 fell within 'Level 2', as defined in Note 1.

Subsidiaries, joint ventures and associates

The consolidated financial statements include the financial statements of Capital & Regional plc and all subsidiaries (entities controlled by Capital & Regional plc). Control is assumed where the Group has the power and the ability to affect the financial and operating policies of an investee entity so as to gain benefits from its activities.

The results of subsidiaries, joint ventures or associates acquired or disposed of during the year are included from the effective date of acquisition or up to the effective date of disposal. Accounting practices of subsidiaries, joint ventures or associates which differ from Group accounting policies are adjusted on consolidation.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill. Any discount received is credited to the income statement in the period of acquisition.

1 Significant Accounting Policies continued

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. The Group has assessed the nature of its joint arrangements under IFRS 11 'Joint arrangements' and determined them to be joint ventures. This assessment required the exercise of judgement as set out in Note 14c.

Joint ventures and associates are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Group's share (investor's share) of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Group's share of joint venture and associate profits after tax, upon elimination of upstream and downstream transactions. Their profits include revaluation movements on investment properties. Interest income, management fees and performance fees are proportionately eliminated.

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 year. Significant transactions, such as property sales, are translated at the foreign exchange rate ruling at the date of each transaction. The principal exchange rate used to translate foreign currency denominated amounts in the balance sheet is the rate at the end of the year: £1 = €1.168 (2015: £1 = €1.355). The principal exchange rate used for the income statement is the average rate for the year: £1 = €1.224 (2015: £1 = €1.377).

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

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.

Notes to the Financial Statements continued

1 Significant Accounting Policies continued

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.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Incentives and costs associated with entering into tenant leases are amortised on a straight-line basis over the term of the lease.

The Group as lessee
Assets held under finance leases are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the years in which they are incurred.

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.

Fixed asset investments
Fixed asset investments are stated at cost, together with subsequent capital contributions, less provisions for any impairment in value.

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

Financial assets
Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), '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.

1 Significant Accounting Policies continued

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.

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.

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.

Notes to the Financial Statements continued

1 Significant Accounting Policies continued

Taxation

Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for timing differences (i) arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Employee benefits

Pension costs

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

Share-based payments

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

Own shares

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

Revenue

The Group recognises revenue on an accruals basis, when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group.

Gross rental income – Gross rental income is rental income adjusted for tenant incentives, recognised on a straight-line basis over the term of the underlying lease. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are recorded as income in the periods in which they are earned.

Ancillary income – Ancillary income comprises rent and other income from short-term tenancies of mobile units, car park income and other sundry income and is recognised over the period of the lettings and contracts.

Service charge – Service charge income represents recharges of the running costs of the shopping centres made to tenants.

Management fees – Management fees are recognised, in line with the property management contracts, in the year to which they relate. They include income in relation to services provided by CRPM to associates and joint ventures for asset and property management, project co-ordination, procurement, and management of service charges and directly recoverable expenses.

1 Significant Accounting Policies continued

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

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.

Provisions for performance fees payable by the underlying subsidiary, 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 30.

Finance costs

All borrowing costs are recognised under Finance costs in the income statement in the year in which they are incurred. Finance costs also include the amortisation of loan issue costs, 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 reportable segments under IFRS 8 are Wholly-owned assets, Other UK Shopping Centres, Snozone and Group/Central. Other UK Shopping Centres consists of the Group's share in the Kingfisher Limited Partnership (Redditch) and, until its reclassification as held for sale on 30 December 2016, Buttermarket Ipswich Limited. Group/Central includes external management fee income, Group overheads incurred by Capital & Regional Property Management, Capital & Regional plc and other subsidiaries and the interest expense on the Group's central borrowing facility.

Wholly-owned assets and Other UK Shopping Centres derive their revenue from the rental of investment and trading properties. The Snozone and Group/Central segments derive their revenue from the operation of indoor ski slopes and the management of property respectively. The split of revenue between these classifications satisfies the requirement of IFRS 8 to report revenues from different products and services. Depreciation and charges in respect of share-based payments represent the only significant non-cash expenses.

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

Adjusted Profit

Adjusted Profit is the total of Contribution from Wholly-owned assets and the Group's joint ventures and associates, the profit from Snozone and property management fees less central costs (including interest, excluding non-cash charges in respect of share-based payments) after tax. Adjusted Profit excludes revaluation of properties, profit or loss on disposal of properties or investments, gains or losses on financial instruments and exceptional one-off items. Results from Discontinued Operations are included up until the point of disposal or reclassification as held for sale.

A reconciliation of Adjusted Profit to the statutory result is provided in Note 2a and, on a per share basis, in Note 9, where EPRA earnings figures are also provided.

Notes to the Financial Statements continued

2a Operating segments

Year to 30 December 2016	Note	UK Shopping Centres: Wholly-owned assets £m	UK Shopping Centres: Other UK Shopping Centres[1] £m	Snozone £m	Group/ Central £m	**Total Continuing Operations £m**
Rental income from external sources	2b	62.0	3.4	–	–	**65.4**
Property and void costs		(11.6)	(1.2)	–	–	**(12.8)**
Net rental income		50.4	2.2	–	–	**52.6**
Net interest expense		(19.0)	(0.9)	–	(0.4)	**(20.3)**
Snozone income/ Management fees[2]	2b	–	–	10.2	2.4	**12.6**
Management expenses		–	–	(8.7)	(7.8)	**(16.5)**
Investment income		–	–	–	0.3	**0.3**
Depreciation		–	–	(0.1)	–	**(0.1)**
Variable overhead (excluding non-cash items)		–	–	–	(1.8)	**(1.8)**
Tax (charge)/credit		–	(0.1)	–	0.1	**–**
Adjusted Profit		31.4	1.2	1.4	(7.2)	**26.8**
Revaluation of properties		(14.2)	1.2	–	–	**(13.0)**
Deferred tax on revaluation of properties		–	(1.5)	–	–	**(1.5)**
Loss on disposal[3]		(5.9)	(0.6)	–	–	**(6.5)**
Income from Euro B Note[4]		–	–	–	3.9	**3.9**
Loss on financial instruments		(2.5)	–	–	–	**(2.5)**
Refinancing costs[5]		(11.0)	–	–	–	**(11.0)**
Share-based payments		–	–	–	(0.5)	**(0.5)**
Other items		–	–	–	(0.1)	**(0.1)**
(Loss)/profit		(2.2)	0.3	1.4	(3.9)	**(4.4)**
Total assets	2b	885.9	32.1	4.0	42.1	**964.1**
Total liabilities	2b	(460.9)	(18.2)	(2.1)	(5.3)	**(486.5)**
Net assets		425.0	13.9[6]	1.9	36.8[6]	**477.6**

1. Includes Buttermarket Ipswich and Kingfisher Redditch. For further information see Note 14.
2. Asset management fees of £3.6 million charged from the Group's Capital & Regional Property Management entity to Wholly-owned assets have been excluded from the table above.
3. Includes £0.6 million impairment of Ipswich trading property recognised on reclassification as held for sale.
4. £3.9 million of monies were received in the year through the holding of a share in the German Euro B-Note junior loan instrument which had previously been fully impaired. The monies were distributed following the sale of properties by the liquidator of the underlying German entities.
5. Refinancing costs consist of those triggered by serving notice on the existing debt facility on five Mall assets on 28 December 2016 (see Note 17 for further details). They comprise £7.6 million of fixed rate loan redemption costs and the write off of the £3.4 million of financing costs that were unamortised at 30 December 2016.
6. Net assets of the Buttermarket Ipswich joint venture have been included within Group following its reclassification as held for sale on 30 December 2016. The results for the year are reflected in the Other UK Shopping Centres column.

2a Operating segments continued

Year to 30 December 2015	Note	UK Shopping Centres: Wholly-owned assets[1] £m	UK Shopping Centres: Other UK Shopping Centres £m	Snozone £m	Group/ Central[1] £m	Total Continuing Operations £m	Discontinued Operations £m	Total £m
Rental income from external sources	2b	57.5	3.1	–	–	**60.6**	–	**60.6**
Property and void costs		(10.2)	(1.1)	–	–	**(11.3)**	–	**(11.3)**
Net rental income		47.3	2.0	–	–	**49.3**	–	**49.3**
Interest income		0.3	–	–	0.2	**0.5**	–	**0.5**
Interest expense		(18.2)	(0.8)	–	(1.0)	**(20.0)**	–	**(20.0)**
Snozone income/Management fees[1]	2b	–	–	10.3	2.3	**12.6**	–	**12.6**
Management expenses		–	–	(8.8)	(7.7)	**(16.5)**	–	**(16.5)**
Depreciation		–	–	(0.1)	(0.1)	**(0.2)**	–	**(0.2)**
Variable overhead (excluding non-cash items)		–	–	–	(1.7)	**(1.7)**	–	**(1.7)**
Tax charge		–	–	–	–	**–**	–	**–**
Adjusted Profit		29.4	1.2	1.4	(8.0)	**24.0**	–	**24.0**
Revaluation of properties		68.0	6.8	–	–	**74.8**	–	**74.8**
Profit on disposal		0.1	–	–	–	**0.1**	2.4	**2.5**
Loss on financial instruments		(0.8)	–	–	–	**(0.8)**	–	**(0.8)**
Share-based payments		–	–	–	(0.6)	**(0.6)**	–	**(0.6)**
Other items		–	(0.2)	–	0.3	**0.1**	–	**0.1**
Profit/(loss)		96.7	7.8	1.4	(8.3)	**97.6**	2.4	**100.0**
Total assets	2b	923.6	49.0	3.0	25.1	**1,000.7**	–	**1,000.7**
Total liabilities	2b	(471.4)	(21.4)	(1.7)	(3.0)	**(497.5)**	–	**(497.5)**
Net assets		452.2	27.6	1.3	22.1	**503.2**	–	**503.2**

1. Asset management fees of £3.8 million charged internally from the Group's Capital & Regional Property Management entity to wholly-owned assets have been excluded from the table above which has also been restated to exclude other internal cost recharges.

Notes to the Financial Statements continued

2b Reconciliations of reportable revenue, assets and liabilities

Revenue	Notes	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Rental income from external sources	2a	**65.4**	60.6
Service charge income		**14.0**	11.9
Management fees	2a	**2.4**	2.3
Snozone income	2a	**10.2**	10.3
Revenue for reportable segments – continuing operations		**92.0**	85.1
Elimination of inter-segment revenue		**(1.4)**	(1.3)
Rental income earned by associates and joint ventures	2a	**(3.4)**	(3.1)
Revenue per consolidated income statement – continuing operations	3	**87.2**	80.7

All revenue in the current and prior years was attributed to activities within the UK.

Assets	Notes	2016 £m	2015 £m
Total assets of reportable segments	2a	**964.1**	1,000.7
Adjustment for associates and joint ventures		**(18.2)**	(21.4)
Group assets		**945.9**	979.3
Liabilities			
Total liabilities of reportable segments	2a	**(486.5)**	(497.5)
Adjustment for associates and joint ventures		**18.2**	21.4
Group liabilities		**(468.3)**	(476.1)
Net assets by country			
UK		**477.5**	503.1
Germany		**0.1**	0.1
Group net assets		**477.6**	503.2

3 Revenue

Statutory	Notes	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Gross rental income		**51.0**	47.7
Ancillary income		**11.0**	9.8
	2a	**62.0**	57.5
Service charge income	2b	**14.0**	11.9
External management fees		**1.0**	1.0
Snozone income	2a	**10.2**	10.3
Revenue per consolidated income statement – continuing operations	2b	**87.2**	80.7

External management fees represent revenue earned by the Group's wholly-owned Capital Regional Property Management Limited subsidiary.

4 Cost of sales

	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Property and void costs	**(11.2)**	(9.6)
Service charge costs	**(12.5)**	(10.6)
Snozone expenses	**(8.8)**	(8.9)
Total cost of sales	**(32.5)**	(29.1)

5 Finance income and costs

	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Finance income		
Interest receivable	**0.1**	0.5
Income from investments	**0.3**	0.2
Total finance income	**0.4**	0.7
Finance costs		
Amortisation of deferred loan arrangement fees	**(1.6)**	(1.9)
Interest payable on bank loans and overdrafts	**(14.0)**	(13.2)
Other interest payable	**(0.2)**	(0.4)
Finance lease costs (head lease)	**(3.6)**	(3.6)
Loss in fair value of financial instruments:		
— Interest rate swaps	**(2.1)**	–
— Interest rate caps	**(0.5)**	(0.8)
Refinancing costs[1]	**(11.0)**	–
Total finance costs	**(33.0)**	(19.9)

1. Refinancing costs consist of those triggered by serving notice on the existing debt facility on five Mall assets on 28 December 2016 (see Note 17a for further details). They comprise £7.6 million of fixed rate loan redemption costs and the write off of the £3.4 million of financing costs that were unamortised at 30 December 2016.

6 Profit before tax

The profit/loss before tax has been arrived at after charging/(crediting) the following items:

	Notes	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Operating lease charge		**1.9**	1.8
Other gains and losses		**1.8**	(0.2)
Depreciation of plant and equipment	11	**0.1**	0.2
Staff costs	7	**13.7**	13.5
Auditor's remuneration for audit services (see below)		**0.2**	0.2

In the current year other gains and losses relate primarily to losses on the sale of The Mall, Camberley of £6.3 million, partially offset by £3.9 million recovered through the holding of a share in the German Euro B-Note junior loan instrument which had previously been fully impaired, a £0.4 million profit on the sale of a unit in Maidstone and a £0.2 million receipt related to a property disposed of in a prior year.

Auditor's remuneration

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

	Year to 30 December 2016 £'000	Year to 30 December 2015 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**80**	80
Fees payable to the Company's auditor and its associates for other services to the Group – the audit of the Company's subsidiaries	**60**	66
Total audit fees for the Company and its subsidiaries	**140**	146
Audit related assurance services - Review of Interim Report	**40**	40
Audit related assurance services - Agreed upon procedures review	**2**	–
Total non-audit fees	**42**	40
Total fees paid to auditor and their associates	**182**	186

Notes to the Financial Statements continued

7 Staff costs

	Notes	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Salaries		**10.1**	10.2
Discretionary bonuses		**1.7**	1.6
Share-based payments	20	**0.5**	0.6
		12.3	12.4
Social security		**1.3**	1.0
Other pension costs		**0.1**	0.1
		13.7	13.5

Staff numbers

The monthly average number of employees (including executive directors), being full-time equivalents, employed by the Group during the year was as follows:

	Year to 30 December 2016 Number	Year to 30 December 2015 Number
CRPM/PLC	**51**	52
Wholly-owned assets	**67**	64
Snozone	**142**	146
Total staff numbers	**260**	262

The monthly average number of total employees (including executive directors) employed within the Group during the year was 367 (CRPM – 52, Wholly-owned assets – 86, Snozone – 229) compared to 371 in 2015 (CRPM – 54, Wholly-owned assets – 86, Snozone – 231).

8 Tax

8a Tax credit

	Notes	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Current tax			
UK corporation tax		**–**	–
Adjustments in respect of prior years		**(0.1)**	–
Total current tax credit		**(0.1)**	–
Deferred tax			
Origination and reversal of temporary timing differences		**–**	–
Total deferred tax		**–**	–
Total tax credit		**(0.1)**	–

£nil (2015: £nil) of the tax charge relates to items included in other comprehensive income.

8 Tax continued

8b Tax charge reconciliation

	Notes	Year to 30 December 2016 £m	Year to 30 December 2015 £m
(Loss)/profit before tax on continuing operations		**(4.5)**	97.6
(Loss)/profit multiplied by the UK corporation tax rate of 20% (2015: 20.25%)		**(0.9)**	19.8
REIT exempt income and gains		**(1.5)**	(18.5)
Non-allowable expenses and non-taxable items		**(0.5)**	–
Excess tax losses/(utilisation of tax losses)		**0.4**	0.3
Unrealised losses/(gains) on investment properties not taxable		**2.6**	(1.5)
Temporary timing and controlled foreign companies income		**(0.1)**	(0.1)
Adjustments in respect of prior years		**(0.1)**	–
Total tax credit	8a	**(0.1)**	–

8c Deferred tax

The UK corporation tax main rate was reduced to 20% with effect from 1 April 2015. The budget on 16 March 2016 announced a further phased reduction in the UK corporation tax main rate whereby the rate is proposed to reduce to 17% by 1 April 2020. This proposal was substantively enacted on 6 September 2016. Consequently the UK corporation tax rate at which deferred tax is booked in the financial statements is 17% (2015: 18%).

The Group has recognised a deferred tax asset of £0.1 million (2015: £0.1 million). No deferred tax asset has been recognised in respect of temporary differences arising from investments or investments in associates or in joint ventures in the current or prior years as it is not certain that a deduction will be available when the asset crystallises.

The Group has £13.9 million (2015: £9.2 million) of unused revenue tax losses, all of which are in the UK. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams and other reasons which may restrict the utilisation of the losses (2015: £nil). The Group has unused capital losses of £30.5 million (2015: £30.4 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.

8d REIT compliance

The Group converted to a group REIT on 31 December 2014. As a result, the Group no longer pays UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. In order to achieve and retain group REIT status, several entrance tests had to be met and certain ongoing criteria must be maintained. The main criteria are as follows:

— at the start of each accounting year, the value of the assets of the property rental business plus cash must be at least 75% of the total value of the Group's assets;

— at least 75% of the Group's total profits must arise from the property rental business; and

— at least 90% of the Group's UK property rental profits as calculated under tax rules must be distributed.

The directors intend that the Group should continue as a group REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business.

Notes to the Financial Statements continued

9 Earnings per share

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

9a Earnings per share calculation

		Year to 30 December 2016			Year to 30 December 2015		
	Notes	Profit	EPRA	Adjusted Profit	Profit	EPRA	Adjusted Profit
Profit (£m)							
(Loss)/profit for the year (continuing operations)		**(4.4)**	**(4.4)**	**(4.4)**	97.6	97.6	97.6
Revaluation loss/(gain) on investment properties (net of tax)	9b	**–**	**14.5**	**14.5**	–	(74.8)	(74.8)
Loss/(profit) on disposal of properties (net of tax)	9b	**–**	**6.5**	**6.5**	–	(0.1)	(0.1)
Income from German B Note	2a	**–**	**(3.9)**	**(3.9)**	–	–	–
Changes in fair value of financial instruments	9b	**–**	**2.5**	**2.5**	–	0.8	0.8
Refinancing costs	5	**–**	**11.0**	**11.0**	–	–	–
Deferred tax credit on capital allowances	8c	**–**	**–**	**–**	–	0.1	0.1
Share-based payments	2a	**–**	**–**	**0.5**	–	–	0.6
Other items	2a	**–**	**–**	**0.1**	–	–	(0.2)
Profit from continuing operations		**(4.4)**	**26.2**	**26.8**	97.6	23.6	24.0
Discontinued operations		**–**	**–**	**–**	2.4	–	–
Profit		**(4.4)**	**26.2**	**26.8**	100.0	23.6	24.0
Earnings per share (pence)		**(0.6)p**	**3.7p**	**3.8p**	14.3p	3.4p	3.4p
Diluted earnings per share (pence)		**(0.6)p**	**3.7p**	**3.8p**	14.0p	3.3p	3.4p
Earnings per share (pence) (continuing operations)		**(0.6)p**	**3.7p**	**3.8p**	13.9p	3.4p	3.4p
Earnings per share (pence) (discontinued operations)		**–**	**–**	**–**	0.4p	–	–

None of the current year earnings related to discontinued operations (2015: 0.4p basic earnings per share and 0.3p diluted earnings per share).

Weighted average number of shares (m)	Notes	**Year to 30 December 2016 £m**	Year to 30 December 2015 £m
Ordinary shares in issue	19	**701.0**	700.8
Own shares held	21	**(0.6)**	(1.0)
Basic		**700.4**	699.8
Dilutive contingently issuable shares and share options		**10.0**	12.6
Diluted		**710.4**	712.4

At the end of the year, the Group had 11,929,797 (2015: 6,253,547) share options and contingently issuable shares granted under share-based payment schemes that could potentially dilute 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.

9 Earnings per share continued

9b Reconciliation of earnings figures included in earnings per share calculations

		Year to 30 December 2016			Year to 30 December 2015		
	Note	**Revaluation movements £m**	**Profit on disposal of investment properties £m**	**Movement in fair value of financial instruments £m**	Revaluation movements £m	Profit on disposal of investment properties £m	Movement in fair value of financial instruments £m
Wholly-owned		**(14.2)**	**(5.9)**	**(2.5)**	68.0	0.1	(0.8)
Associates	14d	**(2.3)**	**–**	**–**	1.7	–	–
Joint ventures	14e	**3.5**	**(0.6)**	**–**	5.1	–	–
Tax effect		**(1.5)**	**–**	**–**	–	–	–
Total	9a	**(14.5)**	**(6.5)**	**(2.5)**	74.8	0.1	(0.8)

9c Headline earnings per share

	Year to 30 December 2016		Year to 30 December 2015	
	Basic	**Diluted**	Basic	Diluted
Profit (£m)				
(Loss)/profit for the year	**(4.4)**	**(4.4)**	100.0	100.0
Revaluation loss/(gain) on investment properties (including tax)	**14.5**	**14.5**	(74.8)	(74.8)
Loss/(profit) on disposal of properties (net of tax)	**6.5**	**6.5**	(2.5)	(2.5)
Income from Euro B-Note (Note 6)	**(3.9)**	**(3.9)**	–	–
Headline earnings	**12.7**	**12.7**	22.7	22.7
Weighted average number of shares (m)				
Ordinary shares in issue	**701.0**	**701.0**	700.8	700.8
Own shares held	**(0.6)**	**(0.6)**	(1.0)	(1.0)
Dilutive contingently issuable shares and share options	**–**	**10.0**	–	12.6
	700.4	**710.4**	699.8	712.4
Headline Earnings per share (pence)	**1.8p**	**1.8p**	3.2p	3.2p

10 Investment properties

10a Wholly-owned properties

	Freehold investment properties £m	Leasehold investment properties £m	**Total property assets £m**
Cost or valuation			
At 30 December 2014	256.7	534.1	**790.8**
Capital expenditure (excluding capital contributions)	3.6	7.6	**11.2**
Valuation surplus	32.4	35.6	**68.0**
At 30 December 2015	292.7	577.3	**870.0**
Acquired (The Marlowes, Hemel Hempstead)	56.6	–	**56.6**
Disposals (The Mall, Camberley)	–	(93.9)	**(93.9)**
Capital expenditure (excluding capital contributions)	13.5	5.9	**19.4**
Valuation deficit[1]	(4.9)	(8.7)	**(13.6)**
At 30 December 2016	357.9	480.6	**838.5**

1. £14.2 million per Note 2a includes letting fee amortisation adjustment of £0.6 million.

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Notes to the Financial Statements continued

10 Investment properties continued

10b Property assets summary

	30 December 2016 100% £m	30 December 2016 Group share £m	30 December 2015 100% £m	30 December 2015 Group share £m
Wholly-owned				
Investment properties at fair value	**794.1**	**794.1**	822.7	822.7
Head leases treated as finance leases on investment properties	**61.3**	**61.3**	65.4	65.4
Unamortised tenant incentives on investment properties	**(16.9)**	**(16.9)**	(18.1)	(18.1)
IFRS Property Value	**838.5**	**838.5**	870.0	870.0
Associates				
Investment properties at fair value	**154.1**	**30.8**	164.4	32.9
Unamortised tenant incentives on investment properties	**(4.1)**	**(0.8)**	(4.1)	(0.8)
IFRS Property Value	**150.0**	**30.0**	160.3	32.1
Joint Ventures[1]				
Investment properties at fair value	**–**	**–**	27.9	14.0
Unamortised tenant incentives on investment properties	**–**	**–**	(0.7)	(0.4)
IFRS Property Value	**–**	**–**	27.2	13.6
Total at property valuation	**948.2**	**824.9**	1,015.0	869.6
Total IFRS Property Value	**988.5**	**868.5**	1,057.5	915.7

1. Buttermarket Ipswich Limited has been excluded from this note following its reclassification as held for sale on 30 December 2016.

10c Valuations

External valuations at 30 December 2016 were carried out on all of the gross property assets detailed in the table above. The Group's share of the total investment properties at fair value was £824.9 million of £948.2 million (2015: £869.6 million of £1,015.0 million).

The valuations were carried out by independent qualified professional valuers from CBRE Limited, Cushman & Wakefield LLP and Knight Frank LLP in accordance with RICS standards. These valuers are not connected with the Group and their fees are charged on a fixed basis that is not dependent on the outcome of the valuations.

The Group considers all of its investment properties to fall within 'Level 3', as defined in Note 1. The table below summarises the key unobservable inputs used in the valuation of the Group's wholly-owned investment properties at 30 December 2016:

	Market Value £m	Estimated rental value £ per sq ft Low	Estimated rental value £ per sq ft Portfolio	Estimated rental value £ per sq ft High	Equivalent yield % Low	Equivalent yield % Portfolio	Equivalent yield % High
Wholly-owned assets	794.1	13.75	18.97	24.23	5.02	6.25	7.90

Sensitivities

The following table illustrates the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's properties:

	Impact on valuations of 5% change in estimated rental value Increase £m	Impact on valuations of 5% change in estimated rental value Decrease £m	Impact on valuations of 25bps change in equivalent yield Increase £m	Impact on valuations of 25bps change in equivalent yield Decrease £m
Wholly-owned assets	34.8	(34.7)	(34.4)	35.7

11 Plant and equipment

	30 December 2016 £m	30 December 2015 £m
Cost or valuation		
At the start of the year	**3.3**	3.2
Additions	**0.5**	0.2
Disposals	**(0.1)**	(0.1)
At the end of the year	**3.7**	3.3
Accumulated depreciation		
At the start of the year	**(2.7)**	(2.5)
Charge for the year	**(0.1)**	(0.2)
At the end of the year	**(2.8)**	(2.7)
Carrying amount		
At the end of the year	**0.9**	0.6

12 Subsidiaries

A list of the subsidiaries of the Group, including the name, country of incorporation, and proportion of ownership interest is given in Note F to the Company financial statements.

13 Receivables

	30 December 2016 £m	30 December 2015 £m
Amounts falling due after one year:		
Financial assets		
Deferred tax asset	**0.1**	–
Interest rate caps	**–**	0.5
	0.1	0.5
Non-financial assets		
Unamortised tenant incentives	**5.3**	5.2
Unamortised rent free periods	**8.9**	10.2
	14.3	15.9
Amounts falling due within one year:		
Financial assets		
Trade receivables (net of allowances)	**5.2**	5.2
Amounts owed by associates	**0.1**	0.2
Deferred tax asset	**–**	0.1
Other receivables	**2.1**	2.0
Accrued income	**0.5**	0.4
Non-derivative financial assets	**7.9**	7.9
Financial assets carried at fair value through the profit or loss:		
Interest rate caps	**0.1**	–
	8.0	7.9
Non-financial assets		
Prepayments	**2.7**	3.1
Unamortised tenant incentives	**1.1**	1.1
Unamortised rent free periods	**1.6**	1.6
	13.4	13.7

Included in the non-derivative financial assets balance are trade receivables with a carrying amount of £1.9 million (2015: £2.4 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 £0.7 million (2015: £0.6 million) over trade receivables as security deposits held in rent accounts. The average age of trade receivables is 26 days (2015: 25 days).

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Notes to the Financial Statements continued

13 Receivables continued

	30 December 2016 £m	30 December 2015 £m
Analysis of non-derivative current financial assets		
Not past due	**6.0**	5.5
Past due but not individually impaired:		
Less than 1 month	**1.2**	2.3
1 to 3 months	**0.1**	0.1
3 to 6 months	**0.3**	–
Over 6 months	**0.3**	–
	7.9	7.9

	30 December 2016 £m	30 December 2015 £m
Allowances for doubtful receivables		
At the start of the year	**0.6**	0.9
Additional allowances created	**0.9**	1.0
Utilised during the year	**(0.2)**	(0.8)
Unused amounts reversed	**(0.6)**	(0.5)
At the end of the year	**0.7**	0.6

14 Investment in associates and joint ventures

14a Share of results

	Notes	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Share of results of associates	14d	**(1.5)**	2.5
Share of results of joint ventures	14e	**1.8**	5.3
		0.3	7.8

See Note F of the Company's separate financial statements for further detail on our associate and joint venture entities.

14b Investment in associates

	Notes	30 December 2016 £m	30 December 2015 £m
At the start of the year		**15.9**	13.6
Share of results of associates	14d	**(1.5)**	2.5
Dividends and capital distributions received		**(0.5)**	(0.2)
At the end of the year	14d	**13.9**	15.9

The Group's only significant associate during 2016 was the Kingfisher Limited Partnership in which the Group is in partnership with funds under the management of Oaktree Capital Management LP. The Kingfisher Limited Partnership owns The Kingfisher Shopping Centre in Redditch. The Group has a 20% share and exercises significant influence through its representation on the General Partner board and through acting as the property and asset manager.

14 Investment in associates and joint ventures continued

14c Investment in joint ventures

	Note	**30 December 2016 £m**	30 December 2015 £m
At the start of the year		**11.7**	–
Investment in joint ventures		**–**	6.4
Share of results of joint ventures	14e	**1.8**	5.3
Dividends and capital distributions received	31	**–**	–
Reclassification of Buttermarket Centre, Ipswich as held for sale		**(13.5)**	–
At the end of the year	14e	**–**	11.7

The Group's only significant joint venture during 2016 was the Buttermarket Centre, Ipswich. The joint venture's property investment activity is carried out in a separate limited company, Buttermarket Ipswich Limited. The Buttermarket Centre was acquired on 3 March 2015 in a 50:50 joint venture with Drum Property Group.

The Group has assessed its ability to direct the relevant activities of Buttermarket Ipswich Limited and impact Group returns and concluded that the company qualifies as a joint venture as decisions regarding it require the unanimous consent of both equity holders. This assessment included not only rights within the joint venture agreements, but also any rights within the other contractual arrangements between the Group and Buttermarket Ipswich Limited.

Reclassification as held for sale

Buttermarket Ipswich Limited was reclassified as held for sale on 30 December 2016 as Management, and its joint venture partner, were committed to a plan to sell and considered a disposal to be highly probable within the following 12 months. On reclassification Management assessed the fair value of its share of the investment to be £13.9 million with the associated costs to sell the entity expected to be £0.4 million. Reflecting these amounts in the 30 December 2016 balance sheet resulted in an impairment £0.6 million being within the Group's share of Joint Venture results. This is shown within the Group's Other UK Shopping Centres operating segment (see Note 2a). The Group's share of interest capitalised within the joint venture was £0.2 million.

On 17 February 2017 the Group and its joint venture partner completed the disposal of Buttermarket Ipswich Limited to National Grid Pension Fund. The Group's share of the initial proceeds was £9.8 million with Management estimating the value of deferred contingent consideration to be a further £3.7 million, net of the Group's share of expected disposal costs of £0.4 million.

Notes to the Financial Statements continued

14 Investment in associates and joint ventures continued

14d Analysis of investment in associates

	Other UK Shopping Centres – Kingfisher Redditch £m	**Year to 30 December 2016 Total £m**	Year to 30 December 2015 Total £m
Income statement (100%)			
Revenue – gross rent	11.5	**11.5**	11.9
Property and management expenses	(2.0)	**(2.0)**	(1.9)
Void costs	(1.0)	**(1.0)**	(1.1)
Net rent	8.5	**8.5**	8.9
Net interest payable	(3.8)	**(3.8)**	(4.1)
Contribution	4.7	**4.7**	4.8
Revaluation of investment properties	(11.8)	**(11.8)**	8.6
Fair value of interest rate swaps	(0.2)	**(0.2)**	0.2
Profit before tax	(7.3)	**(7.3)**	13.6
Tax	(0.7)	**(0.7)**	(1.0)
Profit after tax	(8.0)	**(8.0)**	12.6
Balance sheet (100%)			
Investment properties	150.0	**150.0**	160.3
Other assets	10.4	**10.4**	12.2
Current liabilities	(6.5)	**(6.5)**	(7.6)
Non-current liabilities	(84.0)	**(84.0)**	(85.1)
Net assets (100%)	69.9	**69.9**	79.8
Income statement (Group share)			
Revenue – gross rent	2.3	**2.3**	2.4
Property and management expenses	(0.4)	**(0.4)**	(0.4)
Void costs	(0.2)	**(0.2)**	(0.2)
Net rent	1.7	**1.7**	1.8
Net interest payable	(0.8)	**(0.8)**	(0.8)
Contribution	0.9	**0.9**	1.0
Revaluation of investment properties	(2.3)	**(2.3)**	1.7
Fair value of interest rate swaps	–	**–**	–
Profit before tax	(1.4)	**(1.4)**	2.7
Tax	(0.1)	**(0.1)**	(0.2)
Profit after tax	(1.5)	**(1.5)**	2.5
Balance sheet (Group share)			
Investment properties	30.0	**30.0**	32.1
Other assets	2.1	**2.1**	2.4
Current liabilities	(1.4)	**(1.4)**	(1.5)
Non-current liabilities	(16.8)	**(16.8)**	(17.1)
Net assets (Group share)	13.9	**13.9**	15.9

14 Investment in associates and joint ventures continued

14e Analysis of investment in joint ventures

	Shopping Centres – Buttermarket Ipswich[1] £m	**Year to 30 December 2016 Total £m**	Year to 30 December 2015 Total £m
Income statement (100%)			
Revenue – gross rent	2.2	**2.2**	1.5
Property and management expenses	(0.7)	**(0.7)**	(0.5)
Void costs	(0.6)	**(0.6)**	(0.6)
Net rent	0.9	**0.9**	0.4
Net interest payable	(0.3)	**(0.3)**	–
Contribution	0.6	**0.6**	0.4
Revaluation of investment properties	7.2	**7.2**	10.1
Deferred tax on revaluation	(2.9)	**(2.9)**	–
Impairment	(1.2)	**(1.2)**	–
Profit before tax	3.7	**3.7**	10.5
Tax	–	**–**	–
Profit after tax	3.7	**3.7**	10.5
Balance sheet (100%)			
Investment properties	–	**–**	27.2
Other assets	–	**–**	1.7
Current liabilities	–	**–**	(1.8)
Non-current liabilities	–	**–**	(4.0)
Net assets (100%)	–	**–**	23.1
Income statement (Group share)			
Revenue – gross rent	1.1	**1.1**	0.7
Property and management expenses	(0.3)	**(0.3)**	(0.2)
Void costs	(0.3)	**(0.3)**	(0.3)
Net rent	0.5	**0.5**	0.2
Net interest payable	(0.1)	**(0.1)**	–
Contribution	0.4	**0.4**	0.2
Revaluation of investment properties	3.5	**3.5**	5.1
Deferred tax on revaluation	(1.5)	**(1.5)**	–
Impairment	(0.6)	**(0.6)**	–
Profit before tax	1.8	**1.8**	5.3
Tax	–	**–**	–
Profit after tax	1.8	**1.8**	5.3
Balance sheet (Group share)			
Investment properties	–	**–**	13.6
Other assets	–	**–**	0.9
Current liabilities	–	**–**	(0.8)
Non-current liabilities	–	**–**	(2.0)
Net assets (Group share)	–	**–**	11.7

1. The Group's investment in Buttermarket Ipswich Limited was reclassified as held for sale at 30 December 2016. On reclassification Management assessed the fair value of its share of the investment to be £13.9 million with the associated costs to sell the entity expected to be £0.4 million, and these amounts are shown on the balance sheet at year end (see Note 14c for further details).

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Notes to the Financial Statements continued

15 Cash and cash equivalents

	30 December 2016 £m	30 December 2015 £m
Cash at bank and in hand	**45.8**	41.9
Security deposits held in rent accounts	**0.7**	0.6
Other restricted balances	**2.6**	7.4
	49.1	49.9

Other restricted balances include amounts subject to a charge against various borrowings and may therefore not be available for general use by the Group. All of the above amounts at 30 December 2016 were held in Sterling other than £0.3 million which was held in Euros (30 December 2015: £0.3 million).

16 Trade and other payables

	30 December 2016 £m	30 December 2015 £m
Amounts falling due after one year:		
Financial liabilities		
Accruals	**0.5**	0.6
Other creditors	**1.8**	1.5
Non-derivative financial liabilities	**2.3**	2.1
Financial liabilities carried as fair value through profit or loss		
Interest rate swaps	**2.1**	–
	4.4	2.1
Amounts falling due within one year:		
Financial liabilities		
Trade payables	**0.8**	1.0
Accruals	**23.2**	20.5
Other creditors	**8.0**[1]	0.3
Non-derivative financial liabilities	**32.0**	21.8
Non-financial liabilities		
Deferred income	**8.3**	11.3
Other taxation and social security	**1.0**	0.6
	41.3	33.7

1. Includes accrual for £7.6 million fixed rate loan redemption charge (see Note 17a for further details).

The average age of trade payables is 14 days (2015: 20 days), no amounts incur interest (2015: £nil).

17 Bank loans

17a Summary of borrowings

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

Borrowings at amortised cost	Notes	30 December 2016 £m	30 December 2015 £m
Secured			
Fixed and swapped bank loans		**260.2**	233.3
Variable rate bank loans		**101.3**	146.7
Total borrowings before costs		**361.5**	380.0
Unamortised issue costs		**(0.7)**	(5.1)
Total borrowings after costs		**360.8**	374.9
Analysis of total borrowings after costs			
Current		**334.6**	–
Non-current		**26.2**	374.9
Total borrowings after costs		**360.8**	374.9

The Group considers all of its borrowings to fall within 'Level 2', as defined in Note 1.

Mall assets debt facility

At 30 December 2016 the £334.6 million loan on the five Mall assets comprised a fixed rate tranche of £233.3 million with interest fixed at 1.86% plus applicable margin and a floating rate tranche based on 3 month LIBOR of £101.3 million. The latter tranche was hedged using interest rate caps with a weighted average strike rate of 2.65%. The loan was fully drawn down at 30 December 2016 and 30 December 2015.

Irrevocable notice to repay the existing debt was served on 28 December 2016 and hence the total value of the debt, along with redemption costs of £7.6 million on the fixed rate tranche, are shown as current liabilities at 30 December 2016. The debt was repaid on 4 January 2017 and replaced with three new facilities totalling £372.5 million (of which £362.5 million was drawn on refinancing) as follows:

— a £165 million 10 year loan with Teachers Insurance and Annuity Association of America with a one year extension option;

— a £107.5 million seven year loan with Wells Fargo Bank International Unlimited Company; and

— a £100 million bank facility of five years with two one year extension options with The Royal Bank of Scotland plc. £90 million of this facility has been drawn down with a further £10 million available to fund capital expenditure.

The £107.5 million facility is secured on The Mall, Luton, while the other two facilities are secured on the four assets at Blackburn, Maidstone, Walthamstow and Wood Green. The weighted average maturity of the new facilities is 7.8 years, rising to 8.8 years if the extension options are assumed to be exercised. Interest on the new facilities has been fixed resulting in an overall blended rate of 3.27%.

The Hemel Hempstead debt facility

The £26.9 million Hemel Hempstead loan comprises two fixed rate tranches with interest fixed at a weighted average of 1.32% plus applicable margin. The loan was fully drawn down at 30 December 2016. The loans, which were drawn in February and March 2016 are for a five year term but have two one year extension options available at the end of each of the first two years, the first of which was agreed subsequent to 30 December 2016.

Group revolving credit facility

In November 2015 the Group completed a new core revolving credit facility (RCF) of £30 million to 30 May 2019. Interest on the facility is charged at a margin of 3.0% per annum above LIBOR. A non-utilisation fee of 1.5% is payable. The facility was undrawn at 30 December 2016 and 30 December 2015.

Notes to the Financial Statements continued

17 Bank loans continued

17b Maturity of borrowings

	Notes	30 December 2016 £m	30 December 2015 £m
From one to two years		**–**	–
From two to five years		**26.9**	380.0
Due after more than one year		**26.9**	380.0
Current		**334.6**	–
	17a	**361.5**	380.0

As detailed in note 17a the debt facility on the five Mall assets has been classified as a current liability as notice to repay had been served on 28 December 2016 ahead of the debt being refinanced on 4 January 2017.

17c Undrawn committed facilities

	30 December 2016 £m	30 December 2015 £m
Expiring between one and two years	**–**	–
Expiring between two and five years	**30.0**	30.0

The Articles of the Company include some restrictions on borrowing but this did not limit the amount available for drawdown on the above facility during the current year or the preceding year.

17d Interest rate and currency profile of borrowings

	Notes	30 December 2016 £m	30 December 2015 £m
Fixed and swapped rate borrowings			
Between 3% and 4%		**260.2**	233.3
	17a	**260.2**	233.3
Variable rate borrowings	17a	**101.3**	146.7
		361.5	380.0

Variable rate borrowings bear interest based on three month LIBOR.

18 Financial instruments and risk management

18a 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 capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 17a; cash and cash equivalents as disclosed in Note 15; and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Statement of changes in equity. For the purpose of calculating gearing ratios, debt is defined as long and short term borrowings (excluding derivatives) excluding unamortised issue costs. Equity includes all capital and reserves of the Group attributable to equity holders of the Company.

The Group is not subject to externally imposed capital requirements. The 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.

18 Financial instruments and risk management continued

Gearing ratios

Statutory	Notes	30 December 2016 £m	30 December[1] 2015 £m
Debt before unamortised issue costs	17a	**361.5**	380.0
Cash and cash equivalents	15	**(45.8)**	(41.9)
Group net debt		**315.7**	338.1
Equity		**477.6**	503.2
Debt to equity ratio		**76%**	76%
Net debt to equity ratio		**66%**	67%

See-through	Notes	30 December 2016 £m	30 December[1] 2015 £m
Debt before unamortised issue costs	18c	**378.3**	399.0
Cash and cash equivalents		**(46.6)**	(43.3)
See-through net debt[1]		**331.7**	355.7
Equity		**477.6**	503.2
Debt to equity ratio		**79%**	79%
Net debt to equity ratio		**69%**	71%
Properties at valuation			
Wholly owned	10b	**794.1**	822.7
Associates (Group share)	10b	**30.8**	32.9
Joint ventures[1] (Group share)	10b	**–**	14.0
Total Group Property at valuation		**824.9**	869.6
Debt to property value ratio		**46%**	46%
Net debt to property value ratio		**40%**	41%

1. Balances within the Ipswich joint venture have been excluded from this note following its reclassification as held for sale on 30 December 2016.

Financial Statements

Notes to the Financial Statements continued

18 Financial instruments and risk management continued

Categories of financial assets/(liabilities)

		2016			2015		
	Notes	Carrying value £m	Gain/(loss) to income £m	Gain to equity £m	Carrying value £m	Gain/(loss) to income £m	Gain to equity £m
Financial assets							
Current receivables	13	**7.9**	**–**	**–**	7.9	–	–
Cash and cash equivalents	15	**49.1**	**–**	**–**	49.9	–	–
Non-current receivables	13	**0.1**	**–**	**–**	–	–	–
Loans and receivables		**57.1**	**–**	**–**	57.8	–	–
Foreign exchange forward contracts	13	**–**	**–**	**–**	–	2.2	–
Derivatives in effective hedges		**–**	**–**	**–**	–	2.2	–
Interest rate caps	13	**0.1**	**(0.4)**	**–**	0.5	(0.8)	–
Assets at fair value held for trading		**0.1**	**(0.4)**	**–**	0.5	(0.8)	–
Financial liabilities							
Current payables	16	**(32.0)**	**–**	**–**	(21.8)	–	–
Current borrowings	17a	**(334.6)**[1]	**(4.8)**	**–**	–	–	–
Non-current payables	16	**(2.3)**	**–**	**–**	(2.1)	–	–
Non-current borrowings	17a	**(26.2)**	**(0.1)**	**–**	(374.9)	(1.9)	–
Liabilities at amortised cost		**(395.1)**	**(4.9)**	**–**	(398.8)	(1.9)	–
Interest rate swaps		**(2.1)**	**(2.1)**	**–**	–	–	–
Liabilities at fair value held for trading		**(2.1)**	**(2.1)**	**–**	–	–	–
Total financial (liabilities)/assets		**(340.0)**	**(7.4)**	**–**	(340.5)	(0.5)	–

1. As detailed in note 17a the debt facility on the five Mall assets has been classified as a current liability as notice to repay had been served on 28 December 2016 ahead of the debt being refinanced on 4 January 2017.

Significant accounting policies

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

Financial risk management objectives

Exposure to credit, interest rate and currency risks arise in the normal course of the Group's business. The Group seeks to minimise the effect of these risks by using derivative financial instruments to manage exposure to fluctuations in interest rates 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.

18b Interest rate risk

The Group manages its interest rate risk through a combination of fixed rate loans and interest rate derivatives, typically interest rate swaps or caps. The Group's objective in managing its interest rate risk is to ensure that it always maintains sufficient headroom to cover interest payments from anticipated cash flows and the directors regularly review the ratio of fixed to floating rate debt to assist this process. The Group does not hedge account its interest rate derivatives and states them at fair value with changes in fair value included in the income statement.

18 Financial instruments and risk management continued

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

	Loan facility	Maturity date	Notional principal	Contract fixed rate	30 December 2016 fair value £m
Interest rate cap	Five Mall assets	30 May 2019	£30,000,000	2.25%	–
Interest rate cap	Five Mall assets	30 May 2019	£116,666,667	2.75%	0.1
Interest rate swap	Hemel Hempstead	6 February 2023	£18,650,000	1.33%	(0.5)
Interest rate swap	Hemel Hempstead	6 February 2023	£8,237,000	1.30%	(0.2)
Interest rate swap[1]	The Mall, Luton	30 December 2023	£107,500,000	1.14%	(1.4)

1. As part of the refinancing of the five Mall assets that completed on 4 January 2017 (see Note 17a for further details) a swap was entered into with Wells Fargo Bank Unlimited on 28 December 2016 to fix the interest rate on the seven year loan of £107.5 million that was taken out on 4 January 2017.

Sensitivity analysis

The following table shows the Group's sensitivity to a 100bps increase or decrease in interest rates. To calculate the impact on the income statement for the year the interest rates on all external floating rate interest bearing loans and borrowings and interest earning cash, including loans and cash within associates and joint ventures, have been increased or decreased by 100bps. The income statement impact includes the estimated effect of a 100bps decrease or increase in interest rates on the market values of interest rate derivatives.

	100bps increase in interest rates		100bps decrease in interest rates	
	Year to 30 December 2016 £m	Year to 30 December 2015 £m	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Floating rate loans and cash – (loss)/gain	(1.1)	(1.1)	1.1	1.1
Interest rate derivatives - gain/(loss)	9.3	0.6	(9.3)	(0.6)
Impact on the income statement - (loss)/gain	8.2	(0.5)	(8.2)	0.5
Impact on equity - (loss)/gain	8.2	(0.5)	(8.2)	0.5

18c Credit risk

The Group's principal financial assets are bank and cash balances, short-term deposits, trade and other receivables and investments. Credit risk, being the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group, is primarily attributable to loans and trade and other receivables, which are principally amounts due from tenants. Credit risk arising from tenants is mitigated as the Group receives most rents in advance, monitors credit ratings for significant tenants and makes an allowance for doubtful receivables that represents the estimate of potential losses in respect of trade receivables. The Group's allowance for doubtful receivables disclosed in Note 13 to the financial statements is considered to represent the Group's best estimate of the exposure to credit risk associated to 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.

Notes to the Financial Statements continued

18 Financial instruments and risk management continued

18d Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The day-to-day operations of the Group are largely funded through the items included in the breakdown of Adjusted Profit included in Note 2a. The majority of income within Adjusted Profit is received quarterly, since the inflows and outflows from net rental income and net interest payable generally coincide with English quarter days, and property management fees are billed quarterly. As a result, the Group normally has sufficient funds to cover recurring administrative expenses which occur throughout the year. Liquidity risk therefore arises principally from the need to make payments for non-recurring items, such as tax payments and the close out of derivative financial instruments.

The Group's objective in managing liquidity risk is to ensure that it has sufficient funds to meet all its potential liabilities as they fall due, both in normal market conditions and when considering negative projections against expected outcomes, so as to avoid the risk of incurring contractual penalties or damaging the Group's reputation. The Group'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 are its long-term debt facilities and its core revolving credit facility, expiring in May 2019, which had £30.0 million fully available at 30 December 2016 as disclosed in Note 17c.

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[1].

2016	Notes	Effective interest rate %	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Financial assets							
Current receivables	13		**7.9**	**–**	**–**	**–**	**7.9**
Cash and cash equivalents	15	**0.3%**	**49.1**	**–**	**–**	**–**	**49.1**
Non-current receivables	13		**–**	**–**	**–**	**0.1**	**0.1**
			57.0	**–**	**–**	**0.1**	**57.1**
Financial liabilities							
Borrowings – bank loans	17a	**3.5%**	**(334.6)**[1]	**–**	**(26.2)**	**–**	**(360.8)**
Borrowings – other loans	16	**2.3%**	**–**	**–**	**(1.8)**	**–**	**(1.8)**
Current payables	16		**(32.0)**	**–**	**–**	**–**	**(32.0)**
Non-current payables	16		**–**	**(0.5)**	**–**	**–**	**(0.5)**
			(366.6)	**(0.5)**	**(28.0)**	**–**	**(395.1)**

1. As detailed in note 17a the debt facility on the five Mall assets has been classified as a current liability as notice to repay had been served on 28 December 2016 ahead of the debt being refinanced on 4 January 2017.

2015	Notes	Effective interest rate %	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Financial assets							
Current receivables	13		7.9	–	–	–	7.9
Cash and cash equivalents	15	0.5%	49.9	–	–	–	49.9
			57.8	–	–	–	57.8
Financial liabilities							
Borrowings – bank loans	17a	3.5%	–	–	(374.9)	–	(374.9)
Borrowings – other loans	16	2.3%	–	–	(1.5)	–	(1.5)
Current payables	16		(21.8)	–	–	–	(21.8)
Non-current payables	16		–	(0.6)	–	–	(0.6)
			(21.8)	(0.6)	(376.4)	–	(398.8)

18 Financial instruments and risk management continued

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

2016	**Less than 1 year £m**	**1-2 years £m**	**2-3 years £m**	**3-4 years £m**	**4-5 years £m**	**More than 5 years £m**	**Total £m**
Borrowings – fixed bank loans	**(233.3)**	**–**	**–**	**–**	**(26.2)**	**–**	**(259.5)**
Borrowings – other fixed loans	**–**	**–**	**–**	**(1.8)**	**–**	**–**	**(1.8)**
Borrowings – floating bank loans	**(101.3)**	**–**	**–**	**–**	**–**	**–**	**(101.3)**
Non-interest bearing	**(32.0)**	**(0.5)**	**–**	**–**	**–**	**–**	**(32.5)**
	(366.6)	**(0.5)**	**–**	**(1.8)**	**(26.2)**	**–**	**(395.1)**

2015	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Borrowings – fixed bank loans	–	–	–	(230.2)	–	–	(230.2)
Borrowings – other fixed loans	–	–	–	–	(1.5)	–	(1.5)
Borrowings – floating bank loans	–	–	–	(144.7)	–	–	(144.7)
Non-interest bearing	(21.8)	(0.6)	–	–	–	–	(22.4)
	(21.8)	(0.6)	–	(374.9)	(1.5)	–	(398.8)

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

2016	**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 caps	**0.1**	**–**	**–**	**–**	**–**	**–**	**0.1**
Interest rate swaps	**–**	**–**	**–**	**–**	**–**	**(2.1)**	**(2.1)**
	0.1	**–**	**–**	**–**	**–**	**(2.1)**	**(2.0)**

2015	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 caps	–	–	–	0.5	–	–	0.5
	–	–	–	0.5	–	–	0.5

Notes to the Financial Statements continued

18 Financial instruments and risk management continued

18e Fair values of financial instruments

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

	Notes	Notional principal £m	**2016 Book value £m**	**2016 Fair value £m**	2015 Book value £m	2015 Fair value £m
Financial liabilities not at fair value through income statement						
Sterling denominated loans	18a		**(361.5)**	**(363.9)**	(380.0)	(384.6)
Total on balance sheet borrowings			**(361.5)**	**(363.9)**	(380.0)	(384.6)
Group share of associate borrowings			**(16.8)**	**(16.8)**	(16.8)	(16.8)
Group share of joint venture borrowings			**–**	**–**	(2.2)	(2.2)
Total see-through borrowings	18a		**(378.3)**	**(380.7)**	(399.0)	(403.6)
Derivative assets/(liabilities) at fair value through income statement						
Interest rate caps	13	146.7	**0.1**	**0.1**	0.5	0.5
Interest rate swaps	16	134.4	**(2.1)**	**(2.1)**	–	–
Total on balance sheet derivatives			**(2.0)**	**(2.0)**	0.5	0.5
Group share of Sterling interest rate swaps in associates and joint ventures		16.7	**(0.5)**	**(0.5)**	(0.4)	(0.4)
Total see-through derivatives			**(2.5)**	**(2.5)**	0.1	0.1

The fair value of borrowings has been estimated on the basis of quoted market prices. Details of the Group's cash and deposits are disclosed in Note 15 and their fair values are equal to their book values.

All of the above financial instruments are measured, subsequent to initial recognition, at fair value. All instruments were considered to be Level 2, as defined in Note 1. There were no transfers between Levels in the year.

19 Share capital

	Number of shares issued and fully paid		**Nominal value of shares issued and fully paid**	
	2016 Number	2015 Number	**2016 £m**	2015 £m
Ordinary shares of 1p each				
At the start of the year	**700,752,626**	700,752,626	**7.0**	7.0
Shares issued	**1,589,874**	–	**–**	–
Total called-up share capital	**702,342,500**	700,752,626	**7.0**	7.0

The Company has one class of Ordinary shares which carry voting rights but no right to fixed income. On 7 October 2015 the Company commenced a Secondary Listing on the Johannesburg Stock Exchange (JSE) in South Africa. At 30 December 2016 58,253,524 (2015: 74,329,337) of the Company's shares were held on the JSE register.

The Company issued 1,589,874 new ordinary shares on 27 October 2016 to shareholders who elected to receive their 2016 interim dividend in shares under the Company's Scrip dividend scheme. The value of the Scrip shares was calculated in accordance with the scheme rules at 61.58 pence. As a result the Company's share capital increased by £15,899 and share premium by £963,146.

20 Share-based payments

The Group's share-based payments comprise the 2008 LTIP. Further details are disclosed in the Directors' Remuneration Report. The Company previously ran a Save As You Earn scheme (SAYE) that matured on 1 November 2014 with participants able to exercise their options for up to six months after.

In accordance with IFRS 2, the fair value of equity-settled share-based payments to employees is determined at the date of grant. For options with market based conditions these are calculated using either a Black-Scholes option pricing model or a Monte Carlo simulation. For the elements of options that include non-market based conditions (relevant to the August 2016 LTIP issue only) an initial estimate is made of the likely qualifying percentage, this is subsequently updated at each reporting date.

Income statement charge

	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Equity-settled share-based payments – 2008 LTIP	**0.5**	0.6

Movements during the year

	Number of Options			**Weighted average exercise price pence**
	SAYE	**2008 LTIP**	**Total**	
Outstanding at 30 December 2014	56,986	13,320,334	**13,377,320**	0.15
Granted during the year	–	5,717,496	**5,717,496**	–
Exercised during the year	(52,031)	–	**(52,031)**	36.31
Forfeited during the year	(4,955)	(212,604)	**(217,559)**	0.83
Outstanding at 30 December 2015	–	18,825,226	**18,825,226**	0.15
Granted during the year	–	6,159,764	**6,159,764**	–
Exercised during the year	–	(376,165)	**(376,165)**	–
Forfeited during the year	–	(2,870,109)	**(2,870,109)**	–
Outstanding at 30 December 2016	–	21,738,716	**21,738,716**	–
Exercisable at the end of the year	–	–	**–**	–

Assumptions

		2008 LTIP			
	SAYE	**August 2013**	**August 2014**	**March 2015**	**August 2016**
Share price at grant date	34.0p	39.0p	46.8p	57.8p	59.5p
Exercise price	36.31p	0.0p	0.0p	0.0p	0.0p
Expected volatility	56%	35%	36%	34%	27%
Expected life including holding period (years)	3.00	4.00	4.50	4.50	5.00
Average life remaining including holding period (years)	–	0.63	2.12	2.68	4.65
Risk free rate	3.51%	0.86%	0.96%	0.96%	0.56%
Expected dividend yield	14.7%	2.44%	4.53%	5.00%	5.00%
Lapse rate	2%	0%	0%	0%	0%
Fair value of award at grant date per share	5p	15p	13p	23p	26p

Expected volatility is based on the historical volatility of the Group's share price over the three years to the date of grant. The 10 year UK Gilt rate at time of grant is used for estimating the risk free rate. Options are assumed to be exercised at the earliest possible date.

Notes to the Financial Statements continued

21 Own shares held

	Own shares held £m
At the start of the year	0.6
Disposed of	(0.2)
At the end of the year	**0.4**

The own shares reserve represents the cost of shares in the Company purchased in the market. At 30 December 2016, the Capital & Regional plc 2002 Employee Share Trust (the "ESOT") held 642,387 (2015: 1,018,552) 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 2016 was £0.4 million (2015: £0.6 million).

22 Reconciliation of net cash from operations

	Notes	Year to 30 December 2016 £m	Year to 30 December 2015 £m
(Loss)/profit for the year		(4.4)	100.0
Adjusted for:			
Profit on disposal of associates and joint ventures		–	(2.4)
Income tax credit	8a	(0.1)	–
Finance income		(0.4)	(0.7)
Finance expense		33.0	19.9
Loss/(profit) on revaluation of wholly-owned properties		14.2	(68.0)
Share of profit in associates and joint ventures	14a	(0.3)	(7.8)
Depreciation of other fixed assets	11	0.1	0.2
Other gains and losses		1.8	(0.1)
Increase in receivables		(0.1)	(0.8)
Decrease in payables		(3.2)	(11.0)
Non-cash movement relating to share-based payments		0.5	0.6
Net cash from operations		**41.1**	29.9

23 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:

	Notes	30 December 2016 Net assets £m	30 December 2016 Number of shares (m)	30 December 2016 Net assets per share (£)	30 December 2015 Net assets per share (£)
Basic net assets		477.6	702.3	0.68	0.72
Own shares held	21		(0.6)		
Dilutive contingently issuable shares and share options			10.0		
Fair value of fixed rate loans (net of tax)		(2.4)			
EPRA triple net assets		475.2	711.7	0.67	0.70
Exclude fair value of fixed rate loans (net of tax)		2.4			
Exclude fair value of see-through interest rate derivatives	18e	2.5			
Exclude deferred tax on unrealised gains and capital allowances		1.4			
EPRA net assets		481.5	711.7	0.68	0.71

24 Return on equity

	30 December 2016 £m	30 December 2015 £m
Total comprehensive income attributable to equity shareholders	**(4.4)**	98.4
Opening equity shareholders' funds plus time weighted additions	**503.4**	419.0
Return on equity	**(0.9)%**	23.5%

25 Discontinued Operations

German joint venture

On 10 February 2015, the Group completed the sale of its 50:50 German joint venture with a real estate fund managed by Ares Management, LP to clients and funds under management of Rockspring Property Investment Managers. Under the terms of the transaction the Group will retain for approximately five years a 5.1% minority stake in each of the five German portfolios. The total profit on disposal was £2.4 million including £1.6 million of realised foreign currency gain reclassified from reserves. During the year, discontinued operations contributed £nil (2015: £nil) in respect of the Group's net operating cash flows, contributed £nil (2015: £42.3 million) in respect of investing activities (disposal proceeds) and received £nil (2015 £nil) in respect of financing activities.

On completion, and included within the proceeds, the Group entered into a long-term loan payable of €3.5 million repayable after five years. After completion a distribution of €1.5 million was made in respect of the retained minority stakes, this was used to reduce the outstanding amount of the loan to €2.0 million.

The carrying value of the retained minority stake, treated as a fixed asset investment, was €2.2 million at 30 December 2016 or £1.9 million at 30 December 2016 exchange rate (2015: €2.2 million or £1.6 million at 30 December 2015 exchange rate). The carrying value of the loan payable at 30 December 2016 was a liability of €2.1 million or £1.8 million at 30 December 2016 exchange rate (2015: €2.0 million or £1.5 million at 30 December 2015 exchange rate).

26 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:

	2016 £m	2015 £m
Lease payments		
Within one year	**(1.9)**	(1.9)
Between one and five years	**(7.9)**	(7.6)
After five years	**(11.8)**	(14.0)
	(21.6)	(23.5)

Operating lease payments are denominated in Sterling and have an average remaining lease length of 10 years (2015: 11 years) and rentals are fixed for an average of 2 years (2015: 3 years). During the year there were no contingent rents (2015: £nil) and the Group incurred lease payments recognised as an expense of £1.9 million (2015: £1.8 million).

The Group as lessee – finance leases

At the balance sheet date, the Group's future minimum lease payments under finance leases were as follows:

	2016 £m	2015 £m
Lease payments		
Within one year	**3.4**	3.6
Between one and five years	**13.6**	14.4
After five years	**365.1**	394.8
	382.1	412.8
Future finance charges on finance leases	**(320.7)**	(347.4)
Present value of finance lease liabilities	**61.4**	65.4

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

Notes to the Financial Statements continued

26 Lease arrangements continued

The Group as lessor

The Group leases out all of its investment properties under operating leases for average lease terms of 7 years (2015: 7 years) to expiry. The leasing arrangements are summarised in the portfolio information on page 127. 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 2016 Total £m**	30 December 2015 Total £m
Wholly-owned	6.7	39.4	110.1	56.4	23.7	15.4	82.6	**327.6**	374.0
Redditch	4.6	8.7	21.3	8.5	2.8	0.4	–	**41.7**	70.2
Ipswich	13.9	1.9	8.6	9.0	6.2	3.2	2.1	**31.0**	7.8
Total		50.0	140.0	73.9	32.7	19.0	84.7	**400.3**	452.0

27 Capital commitments

At 30 December 2016, the Group's share of the capital commitments of its associates, joint ventures and wholly-owned properties was £7.7 million (2015: £13.9 million) relating to capital expenditure projects.

28 Contingent liabilities

German joint venture

Under the terms of the German joint venture disposal, completed on 10 February 2015, Capital & Regional plc gave certain customary warranties as to their title to the relevant shares and certain warranties in relation to the German joint venture generally. In addition Capital & Regional plc have provided an indemnity to the purchaser for potential German Real Estate Transfer Tax (RETT) liabilities if they arise out of actions undertaken by the Group post completion. All such actions covered by the indemnity are within the Group's control, the maximum RETT liability based on the property valuation at the time of sale was approximately €20 million.

X-Leisure

Under the terms of the X-Leisure disposal agreements, the Group gave certain customary warranties as to capacity, title to the disposed assets, solvency, accounting and financial matters, litigation, compliance with laws and regulatory consents and taxation.

The aggregate liability of the sellers in respect of breaches of certain warranties including those relating to title and capacity and authority shall not exceed an amount equal to the consideration received by that seller. Other than in the case of fraud, the aggregate liability of the Sellers and the Manager in respect of claims under the disposal agreements shall not exceed £30 million. Any claims in respect of the warranties must be brought within 21 months of completion, being 16 January 2013, or five years in respect of the tax warranties.

The Junction Fund

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. Any claims in respect of the warranties must be brought 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 brought within either 24 months or six years from the date of agreement. The relevant warranties were given on a several basis and the maximum liability of Capital & Regional Units LLP in respect of the outstanding warranties is £3.5 million and the maximum liability of Capital & Regional (Junction GP) Limited in respect of the outstanding warranties is £3.5 million. The obligations of Capital & Regional Units LLP under the agreement were guaranteed by Capital & Regional Holdings Limited.

28 Contingent liabilities continued

The Mall, Camberley

Under the terms of the disposal agreement for the sale of The Mall, Camberley, the Group gave certain customary warranties as to capacity, title to the disposed asset, solvency, accounting and financial matters, litigation, compliance with laws and regulatory consents and taxation for 9 months from 28 October 2016.

The aggregate liability in respect of breaches of certain warranties including those relating to title and capacity and authority shall not exceed an amount equal to the consideration received. Other than in the case of fraud, the aggregate liability in respect of claims under the disposal agreement shall not exceed £1.

29 Events after the balance sheet date

Refinancing of debt on the five Mall assets

Refinancing of the debt on the five wholly-owned Mall properties completed on 4 January 2017. See Note 17a for further information.

Disposal of Buttermarket Ipswich Limited

The Group disposed of its interest in the Buttermarket Ipswich Limited joint venture on 17 February 2017, see note 14c for further details.

Ilford

On 3 March 2017 the Group exchanged the acquisition of The Exchange Centre, Ilford from a Meyer Bergman fund for £78 million, reflecting a Net Initial Yield of 6.70%. The acquisition, which comprised the purchase of a holding company that owns the property, completed on 8 March 2017. The acquisition was funded from the Group's existing cash resources as well as through a new seven year debt facility of £39 million, secured on the asset, with DekaBank Deutsche Girozentrale.

30 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.

	Fee income and rent income		**Net amounts receivable from**	
	Year to 30 December 2016 £m	Year to 30 December 2015 £m	**As at 30 December 2016 £m**	As at 30 December 2015 £m
Associates				
Kingfisher Limited Partnership (Redditch)	**0.7**	0.7	**0.1**	0.2
Joint ventures				
Buttermarket Ipswich Limited	**0.2**	0.1	**0.1**	–

Amounts receivable from associates and joint ventures are unsecured and do not incur interest and they are payable on demand and settled in cash. Management fees are received by Capital & Regional Property Management Limited (CRPM) and are payable on demand. They are unsecured, do not incur interest and are settled in cash.

Notes to the Financial Statements continued

30 Related party transactions continued

Property Management incentive arrangements

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. No performance fees were received from or paid in either the current or preceding year.

Kingfisher Limited Partnership

CRPM will earn an additional equity return if distributions result in a geared return in excess of a 15% IRR. The Group will bear 20.00% of the cost by virtue of its investment in the Partnership.

Broadwalk Shopping Centre, Edgware

With respect to the Broadwalk Shopping Centre, Edgware, CRPM will earn a promote fee if development profits relating to the centre exceed £10 million.

Transactions with key personnel

In accordance with IAS 24, key personnel are considered to be the executive directors 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 2016 £m	Year to 30 December 2015 £m
Short term employment benefits	**2.5**	2.5
Post-employment benefits	**0.2**	0.2
Share-based payments	**0.3**	0.6
	3.0	3.3

In both years the highest paid director was the Chief Executive whose remuneration is disclosed in the Directors' Remuneration Report on page 57.

31 Dividends

	Year to 30 December 2016 £m	Year to 30 December 2015 £m
Final dividend per share paid for year ended 30 December 2014 of 0.60p	**–**	4.2
Interim dividend per share paid for year ended 30 December 2015 of 1.50p	**–**	10.5
Final dividend per share paid for year ended 30 December 2015 of 1.62p	**11.3**	–
Interim dividend per share paid for year ended 30 December 2016 of 1.62p	**11.4**	–
Amounts recognised as distributions to equity holders in the year	**22.7**	14.7
Proposed final dividend per share for year ended 30 December 2016 of 1.77p[1]	**12.4**	–

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

Company balance sheet

As at 30 December 2016

Registered number: 01399411
Prepared in accordance with FRS 101

	Notes	2016 £m	2015 £m
Non-current assets			
Investments	C	**330.0**	339.8
Current assets			
Receivables – amounts falling due within one year	D	**125.5**	122.5
Total current assets		**125.5**	122.5
Current liabilities			
Trade and other payables	E	**(15.3)**	(30.6)
Total current liabilities		**(15.3)**	(30.6)
Net current assets		**110.2**	91.9
Net assets		**440.2**	431.7
Equity			
Share capital		**7.0**	7.0
Share premium		**158.2**	157.2
Merger reserve		**60.3**	60.3
Capital redemption reserve		**4.4**	4.4
Retained earnings		**210.3**	202.8
Shareholders' funds		**440.2**	431.7

The profit for the year attributable to equity shareholders was £30.2 million (2015: £46.4 million). These financial statements were approved by the Board of directors, authorised for issue and signed on their behalf on 3 April 2017 by:

Charles Staveley
Group Finance Director

Financial Statements

Company Statement of Changes in Equity

For the year to 30 December 2016

	Non-distributable				Distributable		
	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Retained earnings £m	Merger reserve £m	Total £m
Balance at 30 December 2014	**7.0**	**157.2**	**4.4**	**2.9**	**168.2**	60.3	**400.0**
Retained profit for the year	–	–	–	1.4	45.0	–	**46.4**
Total comprehensive income for the year	–	–	–	1.4	45.0	–	**46.4**
Dividends paid	–	–	–	–	(14.7)	–	**(14.7)**
Transfer on realisation of foreign currency gain	–	–	–	(4.3)	4.3	–	**–**
Balance at 30 December 2015	**7.0**	**157.2**	**4.4**	**–**	**202.8**	**60.3**	**431.7**
Retained profit for the year	–	–	–	–	30.2	–	**30.2**
Total comprehensive income for the year	–	–	–	–	30.2	–	**30.2**
Dividends paid	–	–	–	–	(21.7)	–	**(21.7)**
Shares issued, net of costs	–	1.0	–	–	(1.0)	–	**–**
Transfer on realisation of foreign currency gain	–	–	–	–	–	–	**–**
Balance at 30 December 2016	**7.0**	**158.2**	**4.4**	**–**	**210.3**	**60.3**	**440.2**

The Company's authorised, issued and fully paid-up share capital is described in Note 19 to the Group financial statements. The Company's dividends are as described in Note 31 to the Group financial statements. The other reserves are described in the consolidated statement of changes in equity in the Group financial statements.

Notes to the Company' Separate Financial Statements

For the year ended 30 December 2016

A Accounting policies

The Company's separate financial statements for the year ended 30 December 2016 are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The main accounting policies have been applied consistently in the current year and the preceding year.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

The Company's financial statements are presented in Pounds Sterling, generally rounded to the nearest million.

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 30 to the Group financial statements. Except for the directors, the Company had no direct employees during the year (2015: none). Information on the directors' emoluments, share options, long-term incentive schemes and pension contributions is shown in the Directors' Remuneration Report. Further disclosures regarding the nature of the share-based payment schemes operated by the Group are included in Note 20 to the Group's financial statements.

B Profit for the year

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements.

The fees payable to the Company's auditor for the audit of the Company and Group financial statements are disclosed in Note 6 to the Group financial statements.

C Fixed asset investments

	Subsidiaries £m	Other investments £m	**Total £m**
At the start of the year	338.8	1.0	**339.8**
Investment	20.2	–	**20.2**
Impairment of investments	(30.0)	–	**(30.0)**
At the end of the year	329.0	1.0	**330.0**

Investments are subject to an impairment review using discount rates between the range of 7.5% and 9.5%.

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

Notes to the Company Separate Financial Statements continued

D Receivables

Amounts falling due within one year	2016 £m	2015 £m
Amounts owed by subsidiaries	**125.2**	122.0
Other receivables	**0.3**	0.5
	125.5	122.5

Amounts falling due within one year	2016 £m	2015 £m
Amounts owed by joint ventures	**–**	–
	–	–

E Trade and other payables

Amounts falling due within one year	2016 £m	2015 £m
Amounts owed to subsidiaries	**12.1**	27.4
Accruals and deferred income	**3.2**	3.2
	15.3	30.6

F Subsidiaries at 30 December 2016

	Nature of business	Country of incorporation	Share of voting rights
Subsidiaries			
Alhambra Barnsley Limited[1,2]	Dormant	Jersey	100%
Alhambra One Limited[1]	Dormant	Great Britain	100%
Alhambra Two Limited[1]	Dormant	Great Britain	100%
Ashley Centre One Limited	Dormant	Great Britain	100%
Ashley Centre Two Limited	Dormant	Great Britain	100%
Ashley Epsom Limited[2]	Dormant	Jersey	100%
Capital & Regional (Europe Holding 5) Limited[3]	Property investment	Jersey	100%
Capital & Regional (Jersey) Limited[3]	Property investment	Jersey	100%
Capital & Regional (Mall GP) Limited	Property investment	Great Britain	100%
Capital & Regional (Projects) Limited	Property investment	Great Britain	100%
Capital & Regional (Shopping Centres) Limited[3]	Property investment	Jersey	100%
Capital & Regional Abertawe Limited	Dormant	Great Britain	100%
Capital & Regional Capital Partner Limited[3]	Property investment	Jersey	100%
Capital & Regional Earnings Limited	Property investment	Great Britain	100%
Capital & Regional Estates Limited[1,4]	Dormant	Great Britain	100%
Capital & Regional Hemel Hempstead (Jersey) Limited[3]	Property investment	Jersey	100%
Capital & Regional Holdings Limited	Property investment	Great Britain	100%
Capital & Regional Income Limited	Property investment	Great Britain	100%
Capital & Regional Property Management Limited	Property management	Great Britain	100%
Capital & Regional Units LLP	Property investment	Great Britain	100%
Green-Sinfield Limited	Dormant	Great Britain	100%
Howgate Freehold Limited[1,2]	Dormant	Jersey	100%
Howgate Four Limited[1]	Dormant	Great Britain	100%
Howgate Leasehold Limited[1,2]	Dormant	Jersey	100%
Howgate One Limited[1]	Dormant	Great Britain	100%
Howgate Three Limited[1]	Dormant	Great Britain	100%
Howgate Two Limited[1]	Dormant	Great Britain	100%
Lancaster Court Hove Limited	Dormant	Great Britain	100%
Liberty One Limited[1]	Dormant	Great Britain	100%
Liberty Romford Limited[1,2]	Dormant	Jersey	100%
Liberty Two Limited[1]	Dormant	Great Britain	100%
Lower Grosvenor Place London One Limited	Dormant	Great Britain	100%
Mall Developments Limited	Dormant	Great Britain	100%
Mall Messages Limited	Dormant	Great Britain	100%
Mall Nominee One Limited	Dormant	Great Britain	100%
Mall Nominee Two Limited	Dormant	Great Britain	100%

F Subsidiaries continued

	Nature of business	Country of incorporation	Share of voting rights
Mall Nominee Three Limited	Dormant	Great Britain	100%
Mall Nominee Four Limited	Dormant	Great Britain	100%
Mall People Limited	Property Management	Great Britain	100%
Mall Shopping Limited	Dormant	Great Britain	100%
Mall Space Limited	Dormant	Great Britain	100%
Mall Ventures Limited	Dormant	Great Britain	100%
Marlowes Hemel Limited[3]	Property investment	Jersey	100%
R Green (Bedford) Limited	Dormant	Great Britain	100%
R Green (Brighton) Limited	Dormant	Great Britain	100%
R Green Properties (Holdings)	Dormant	Great Britain	100%
Selborne One Limited	Dormant	Great Britain	100%
Selborne Two Limited	Dormant	Great Britain	100%
Selborne Walthamstow Limited[2]	Dormant	Jersey	100%
Snozone Holdings Limited	Operator of indoor ski slopes	Great Britain	100%
Snozone Limited	Operator of indoor ski slopes	Great Britain	100%
The Mall (General Partner) Limited	Property investment	Great Britain	100%
The Mall (Luton) (General Partner) Limited	Property investment	Great Britain	100%
The Mall Company Limited	Dormant	Great Britain	100%
The Mall Facilities Management Limited	Dormant	Great Britain	100%
The Mall Limited Partnership	Property investment	Great Britain	100%
The Mall People Management Limited	Dormant	Great Britain	100%
The Mall REIT Limited	Dormant	Great Britain	100%
The Mall Unit Trust[3]	Property investment	Jersey	100%
The Mall Walthamstow One Limited	Dormant	Great Britain	100%
The Mall Walthamstow Two Limited	Dormant	Great Britain	100%
Trinity Aberdeen Limited[1,2]	Dormant	Jersey	100%
Trinity One Limited[1]	Dormant	Great Britain	100%
Trinity Two Limited[1]	Dormant	Great Britain	100%
Wood Green London Limited[2]	Dormant	Jersey	100%
Wood Green One Limited	Dormant	Great Britain	100%
Wood Green Two Limited	Dormant	Great Britain	100%
Xscape Properties Limited	Dormant	Great Britain	100%
Principal joint venture entities			
Buttermarket Ipswich Limited[5,6]	Property investment	Jersey	50%
Principal associate entities			
Euro B-Note Holding Limited[3]	Finance	Jersey	39.90%
Kingfisher Limited Partnership	Property investment	Great Britain	20%
Kingfisher Topco Sarl[7]	Property investment	Luxembourg	20%

1. In liquidation.
2. Registered office at 1 The Esplanade, St Helier, Jersey JE2 3QA.
3. Registered office at 47 The Esplanade, St Helier, Jersey JE1 0BD.
4. Registered office at Griffins, Tavistock House South, Tavistock Square, London WC1H 9LG.
5. Registered office at 26 New Street, St Helier, Jersey JE2 3RA.
6. Sold on 17 February 2017.
7. Registered office at 26A Boulevard Royal, L-2449, Luxembourg.

The registered office of all subsidiaries, unless otherwise noted, is 52 Grosvenor Gardens, London, SWIW OAU. The shares of voting rights are equivalent to the percentages of ordinary shares or units held directly or indirectly by the Group.

Financial Statements

Five Year Review unaudited

	2016 £m	2015 £m	2014 £m	2013[2] £m	2012[2] £m
Balance sheet					
Property assets	**838.5**	870.0	790.8	–	78.4
Other non-current assets	**17.1**	18.1	21.3	23.5	24.4
Intangible assets	**–**	–	–	–	–
Investment in joint ventures	**–**	11.7	–	32.3	25.7
Investment in associates	**13.9**	15.9	13.6	112.1	80.7
Cash at bank	**49.1**	49.9	42.6	11.1	5.3
Assets classified as held for sale	**13.9**	–	39.5	8.5	32.2
Other net current (liabilities)/assets	**(362.9)**[1]	(20.0)	(26.5)	2.2	(7.2)
Bank loans greater than one year	**(26.2)**	(374.9)	(396.8)	–	(58.3)
Other non-current liabilities	**(65.8)**	(67.5)	(65.5)	(1.0)	(1.6)
Net assets	**477.6**	503.2	419.0	188.7	179.6
Financed by					
Called-up share capital	**7.0**	7.0	7.0	9.9	9.9
Share premium account	**158.2**	157.2	157.2	–	–
Other reserves	**64.3**	64.1	65.3	66.3	75.2
Retained earnings	**248.1**	274.9	189.5	112.5	94.5
Capital employed	**477.6**	503.2	419.0	188.7	179.6
Return on equity					
Return on equity (%)	**(0.9)%**	23.5%	28.1%	5.1%	(8.5)%
Increase/(decrease) in NAV per share + dividend (%)	**(0.8)%**	23.2%	12.1%	5.8%	(8.4)%
Total shareholder return	**(12.3)%**	29.8%	24.7%	53.9%	(9.5)%
Year end share price (pence)	**55p**	66p	53p	44p	29p
Total return					
Total comprehensive income / (expense)	**(4.4)**	98.4	74.1	9.2	(16.6)
Net assets per share (pence)					
Basic net assets per share	**68p**	72p	60p	54p	51p
EPRA triple net assets per share	**67p**	70p	59p	54p	51p
EPRA net assets per share	**68p**	71p	59p	56p	55p
Gearing (%)	**76%**	76%	96%	–	33%
Gearing (%) on a see through basis	**79%**	79%	100%	135%	179%
Income statement[2]					
Group revenue	**87.2**	80.7	46.6	17.6	22.0
Gross profit	**54.7**	51.6	28.4	9.6	13.1
Profit/(loss) on ordinary activities before financing	**28.1**	116.8	77.0	7.4	(13.3)
Net interest (payable)/receivable	**(32.6)**[3]	(19.2)	(9.8)	(0.1)	0.6
Profit/(loss) before tax	**(4.5)**	97.6	67.2	7.3	(12.7)
Tax credit/(charge)	**0.1**	–	2.5	0.2	0.9
Profit/(loss) after tax	**(4.4)**	97.6	69.7	7.5	(11.8)
Adjusted Profit	**26.8**	24.0	21.8	13.4	14.1
Interest cover (x)	**4.2**	2.4	4.4	3.9	3.7
Earnings per share (pence)					
Basic[4]	**(1)p**	14p	15p	3p	(5)p
Diluted[4]	**(1)p**	14p	15p	3p	(5)p
EPRA[4]	**4p**	3p	3p	2p	1p
Dividends per share	**3.39p**	3.12p	0.95p	0.65p	–

1. As detailed in note 17a the debt facility on The Mall has been classified as a current liability as notice to repay had been served on 28 December 2016 ahead of the debt being refinanced on 4 January 2017.
2. 2013 and 2012 results have been restated from those originally presented in those respective years to separate discontinued operations.
3. Includes £11.0 million of costs in respect of the debt refinancing of the Mall assets (see note 17a for further details).
4. Continuing and discontinued operations.

EPRA Performance Measures unaudited

As at 30 December 2016

	2016	2015
EPRA earnings (£m)[1]	26.2	23.6
EPRA earnings per share (diluted)[1]	3.7p	3.3p
EPRA net assets (£m)	481.5	503.1
EPRA net assets per share	68p	71p
EPRA triple net assets (£m)	475.2	498.6
EPRA triple net assets per share	67p	70p
EPRA vacancy rate (UK portfolio only)[2]	3.7%	2.8%

1. Continuing and discontinued operations.
2. Excludes Buttermarket Centre, Ipswich.

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

	2016[1] £m	2015 £m
Investment property – wholly-owned	794.1	822.7
Investment property – share of joint ventures and associates	30.8	32.9
Less developments	–	–
Completed property portfolio	824.9	855.6
Allowance for capital costs	15.0	23.8
Allowance for estimated purchasers' costs	56.3	49.5
Grossed up completed property portfolio valuation	896.2	928.9
Annualised cash passing rental income	58.8	60.3
Property outgoings	(11.4)	(10.8)
Annualised net rents	47.4	49.5
Add: notional rent expiration of rent free periods or other lease incentives	4.4	3.1
Topped up annualised rent	51.8	52.6
EPRA net initial yield	5.3%	5.3%
EPRA topped-up net initial yield	5.8%	5.7%

1. Excludes Buttermarket Centre, Ipswich.

EPRA Cost ratios

	2016 £m	2015 £m
Cost of sales	32.5	29.1
Administrative costs	10.9	10.8
Service charge income	(14.0)	(11.9)
Management fees	(1.0)	(1.0)
Snozone (indoor ski operation) costs	(8.8)	(8.9)
Share of joint venture & associate expenses	1.2	1.1
EPRA costs (including direct vacancy costs)	20.8	19.2
Direct vacancy costs	(4.8)	(4.0)
EPRA costs (excluding direct vacancy costs)	16.0	15.2
Gross rental income	62.0	57.5
Less ground rent costs	(3.1)	(3.1)
Share of joint venture & associate gross rental income less ground rent costs	3.4	3.1
Gross rental income	62.3	57.5
EPRA cost ratio (including direct vacancy costs)	33.4%	33.4%
EPRA cost ratio (excluding vacancy costs)	25.8%	26.4%

Covenant Information unaudited

Covenant information *(Unaudited)*
Wholly-owned assets

	Borrowings[1] £m	Covenant	30 December 2016	Future changes
Core revolving credit facility (100%)				
Net Assets	–	No less than £350m	**£477.6m**	
Gearing		No greater than 1.5:1	**0.74:1**	
Historic interest cover		No less than 200%	**374%**	
4 Mall assets (100%)				
Loan to value	255.0	No greater than 70%	**49%**	
Historic interest cover		No less than 175%	**277%**	
A projected interest cover test also applies at a covenant level of no less than 150%				
Luton (100%)				
Loan to value	107.5	No greater than 70%	**51%**	
Debt yield		No less than 8%	**10.4%**	
Historic interest cover		No less than 250%	**333%**	
A projected interest cover test also applies at a covenant level of no less than 200%				
Hemel Hempstead (100%)				
Loan to value	26.9	No greater than 60%	**49%**[2]	
Historic interest cover		No less than 200%	**460%**	
A projected interest cover test also applies at a covenant level of no less than 200%				
Ilford (100%)				
Loan to value	39.0	No greater than 70%	**50%**[3]	
Historic interest cover		No less than 225%	**n/a**	
A projected interest cover test also applies at a covenant level of no less than 225%				

1. Adjusted for refinancing of the Mall assets completed on 4 January 2017.
2. Calculated as specified in loan agreement based on 30 December 216 valuation. Actual bank covenant based on bank valuation updated annually.
3. At draw down on 8 March 2017.

Property Information unaudited

continued

Wholly-owned assets portfolio information *(Unaudited)*

At 30 December 2016 (excluding The Exchange Centre, Ilford – acquired on 8 March 2017)

Physical data	
Number of properties	6
Number of lettable units	686
Size (sq feet – million)	3,265
Valuation data	
Properties at independent valuation (£m)	794.1
Adjustments for head leases and tenant incentives (£m)	44.4
Properties as shown in the financial statements (£m)	**838.5**
Revaluation loss in the year (£m)	14.2
Initial yield	6.0%
Equivalent yield	6.2%
Reversion	16.9%
Loan to value ratio	45.5%[1]
Net debt to value ratio	43.1%[1]
Lease length (years)	
Weighted average lease length to break	6.7
Weighted average lease length to expiry	7.9
Passing rent (£m) of leases expiring in:	
2017	9.3
2018	2.6
2019–2021	13.3
ERV (£m) of leases expiring in:	
2017	10.3
2018	3.1
2019–2021	14.2
Passing rent (£m) subject to review in:	
2017	5.3
2018	2.9
2019–2021	7.3
ERV (£m) of passing rent subject to review in:	
2017	5.2
2018	2.9
2019–2021	9.0
Rental Data	
Contracted rent at year end (£m)	57.5
Passing rent at year end (£m)	53.0
ERV at year end (£m per annum)	61.9
ERV movement (like-for-like)	+1.8%
Occupancy	95.4%

1. As at 30 December 2016, not adjusted for the impact of the refinancing of Mall assets completed on 4 January 2017.

Advisors and Corporate Information

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London EC4A 3BZ

Investment bankers/brokers

JP Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Java Capital (JSE Sponsor)
6A Sandown Valley Crescent
Sandown
Sandton 2196
South Africa

Principal lending bankers

Royal Bank of Scotland plc
280 Bishopsgate
London EC2M 3UR

Principal valuers

CBRE Limited
Kingsley House
1a Wimpole Street
London W1G 0RE

Cushman & Wakefield LLP
43/45 Portman Square
London W1A 3BG

Knight Frank LLP
55 Baker Street
London W1U 8AN

Principal legal advisers

Olswang LLP
90 High Holborn
London WC1V 6XX

Registered office

52 Grosvenor Gardens
London SW1W 0AU
Telephone: +44 (0)20 7932 8000
Facsimile: +44 (0)20 7802 5600
capreg.com

Registered number

01399411

Shareholder Information

Registrars

Equiniti Limited (LSE)
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone: 0371 384 2438*
International dialling: +44 (0)121 415 7047

Link Market Services South Africa Proprietary Limited (JSE)
PO Box 4844
Johannesburg, 2000
South Africa
Helpline Number:
011 713 0800 (SA callers)
+27 11 713 0800 (if calling from outside South Africa)
info@linkmarketservices.co.za

* Lines open 08:30 - 17:30, Monday to Friday, excluding bank holidays.

Glossary of Terms

Adjusted Profit is the total of Contribution from wholly-owned assets and the Group's joint ventures and associates, the profit from Snozone and property management fees less central costs (including interest excluding non-cash charges in respect of share-based payments) after tax. Adjusted Profit excludes revaluation of properties, profit or loss on disposal of properties or investments, gains or losses on financial instruments and exceptional one-off items. Results from Discontinued Operations are included up until the point of disposal or reclassification as held for sale.

C&R is Capital & Regional plc, also referred to as the Group or the Company.

C&R Trade index is an internal retail tracker using data from approximately 300 retail units across C&R's shopping centre portfolio.

CRPM is Capital & Regional Property Management Limited, a subsidiary of Capital & Regional plc, which earns management and performance fees from the Mall assets and certain associates and joint ventures of the Group.

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

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

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

Debt is borrowings, excluding unamortised issue costs.

EPRA earnings per share (EPS) is the profit/(loss) after tax excluding gains on asset disposals and revaluations, movements in the fair value of financial instruments, intangible asset movements and the capital allowance effects of IAS 12 "Income Taxes" where applicable, less tax arising on these items, divided by the weighted average number of shares in issue during the year excluding own shares held.

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

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

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

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

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

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

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

Like-for-like figures, unless otherwise stated, 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 market value of properties.

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

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

Net initial yield (NIY) is the annualised current rent, net of revenue costs, topped-up for contractual uplifts, expressed as a percentage of the capital valuation, after adding notional purchaser's costs.

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

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

Glossary of Terms continued

Net rent or NRI 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.

Occupancy cost ratio The proportion of a retailer's sales compared with the total cost of occupation being: rent, business rates, service charge and insurance. Retailer sales are based on estimates by third party consultants which are periodically updated and indexed using relevant data from the C&R Trade Index.

Occupancy rate is the ERV of occupied properties expressed as a percentage of the total ERV of the portfolio, excluding development voids.

Rent to sales ratio is Contracted rent excluding car park income, ancillary income and anchor stores expressed as a percentage of net sales.

REIT – Real Estate Investment Trust.

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

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

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

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

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

Temporary lettings are those lettings for one year or less.

Total Property return incorporates net rental income and Capital return expressed as a percentage of the capital value employed (opening market value plus capital expenditure) calculated on a time weighted basis.

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

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

Variable overhead includes discretionary bonuses and the costs of awards to directors and employees made under the 2008 LTIP and SAYE schemes which are spread over the performance period.

Capital & Regional plc
52 Grosvenor Gardens
London SW1W 0AU
Tel: +44 (0)20 7932 8000
capreg.com