Annual Report and Accounts

for the year ended 30 December 2019

Capital & Regional is a UK-focused retail property REIT specialising in community shopping centres that provide needs based, non-discretionary and value-orientated retail goods and services. Our centres are tailored to the needs and aspirations of each centre's local community and form a critical part of the local infrastructure.

Capital & Regional has a strong track record of delivering value enhancing retail and leisure asset management opportunities across its portfolio of tailored in-town community shopping centres. Capital & Regional is listed on the main market of the London Stock Exchange and has a secondary listing on the Johannesburg Stock Exchange.

Capital & Regional owns seven shopping centres in Blackburn, Hemel Hempstead, Ilford, Luton, Maidstone, Walthamstow and Wood Green. Capital & Regional manages these assets through its in-house expert property and asset management platform.

For further information see **www.capreg.com**.

OUR VALUES

- INSPIRING **CREATIVE** THINKING
- ENCOURAGING **COLLABORATIVE** ENGAGEMENT
- ACTING WITH **INTEGRITY**
- DELIVERING **DYNAMIC** SOLUTIONS

Highlights

NET RENTAL INCOME
£49.3m -5.0%

2019 £49.3m
2018 £51.9m

ADJUSTED PROFIT[1]
£27.4m -10.2%

2019 £27.4m
2018 £30.5m

ADJUSTED EARNINGS PER SHARE[1, 2]
36.7p -13.2%

2019 36.7p
2018 42.3p

IFRS LOSS FOR THE PERIOD
-£121m

£(121.0)m 2019
£(25.6)m 2018

TOTAL DIVIDEND PER SHARE[2]
21p -13.2%

2019 21p
2018 24.2p

NET ASSET VALUE (NAV) PER SHARE[2]
361p -39.4%

2019 361p
2018 596p

EPRA NAV PER SHARE[2]
364p -38.4%

2019 364p
2018 591p

GROUP NET DEBT
£336.9m -18.0%

2019 £336.9m
2018 £411.1m

NET DEBT TO PROPERTY VALUE
46% -2pps

2019 46%
2018 48%

Notes
[1] Adjusted Profit and Adjusted Earnings per share are as defined in the Glossary. Adjusted Profit incorporates profits from operating activities and excludes revaluation of properties and financial instruments, gains or losses on disposal, exceptional items and other defined terms. A reconciliation to the equivalent EPRA and statutory measures is provided in Note 9 to the financial statements.
[2] Per share amounts are adjusted to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

GROWTHPOINT TRANSACTION

In September 2019, the Company announced that it was in discussions with Growthpoint Properties Limited ("Growthpoint"), the largest real estate investment trust primary listed on the Johannesburg Stock Exchange, to make a substantial investment in the Company. A formal offer to acquire a majority stake was confirmed in October 2019 and approved by shareholders at a General Meeting on 26 November 2019.

Following this, 311,451,258 new Capital & Regional shares were issued to Growthpoint at 25 pence per share on 9 December 2019 resulting in gross proceeds of approximately £77.9 million being received by the Company. On 23 December 2019 Growthpoint completed a partial offer to acquire a further 219,786,924 existing Capital & Regional plc shares at 33 pence per share for approximately £72.5 million resulting in a total investment of £150.4 million. The two transactions combined have resulted in Growthpoint holding 51.1% of the issued share capital of the Company.

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For further information see **CAPREG.COM**

At a glance

We invest, manage and enhance retail property through the creation of dynamic environments tailored to the local communities.

As a specialist owner and manager of shopping centres, we invest in the retail assets across our portfolio to unlock their full value. We focus on delivering cost effective, efficiently run centres that meet the needs of our guests and customers and create shareholder value through income growth.

Our investment case

1 EXPERIENCED MANAGEMENT

2 DIVERSIFIED INCOME STREAMS

3 DOMINANT COMMUNITY LOCATIONS

4 RESEARCH DRIVEN UNDERSTANDING OF COMMUNITY NEEDS

Read more in our **Business Model** on pages 12 and 13

Community strategy

We define and lead Community Shopping, through our passionate creation of vibrant retail spaces and exceptional customer and guest experience

High Street
- Hemel Hempstead
- Wood Green

Casual Dining
- Hemel Hempstead
- Walthamstow
- Wood Green

Hotel
- Luton
- Wood Green

Family & Guest Services
- Blackburn
- Luton
- Hemel Hempstead
- Ilford
- Maidstone
- Walthamstow
- Wood Green

Office
- Luton
- Maidstone

Our vision

We define and lead community shopping, through our passionate creation of vibrant retail spaces and exceptional customer and guest experience. We have the opportunity to create dynamic community hubs providing a mix of uses, everyday services and facilities to satisfy our growing and evolving communities' needs.

WHAT WE PROVIDE

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

OUR DIFFERENCE

We're proudly different from regional destination shopping centres. We're local and part of everyday life. More than just places to shop, we operate hubs for the local community.

HOW OUR PARTNERS BENEFIT

Frequent, repeat footfall and high conversion rates coupled with affordable occupier costs make our centres great for our occupier partners. Community centres are the engine room of modern retail.

Our strategy

DEFINE

Community Shopping Centres

Define and own the Community shopping centre category in the UK, consistent with global best practice.

POSITION

Assets And Retail Mix

Actively remerchandise centres to increase exposure to growth and online resilient categories and differentiate from competition. Tailored to community requirements with focus on local, value, relevance, quality and total experience.

FOCUS

Management Team

Agile management, data driven, decentralised to accelerate decision making and delivery.

ENHANCE

Shareholder Value

Right offer driving footfall, dwell time and ultimately retailer sales, C&R income and shareholder returns.

Everyday Retail
- Blackburn
- Luton
- Hemel Hempstead
- Ilford
- Maidstone
- Walthamstow
- Wood Green

Entertainment & Leisure
- Luton
- Hemel Hempstead
- Ilford
- Wood Green
- Walthamstow

Fresh Food & Grocery
- Luton
- Hemel Hempstead
- Maidstone
- Walthamstow
- Wood Green

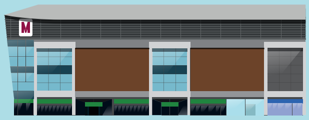
Car Parks
- Blackburn
- Luton
- Hemel Hempstead
- Ilford
- Maidstone
- Walthamstow
- Wood Green

Residential
- Hemel Hempstead
- Walthamstow
- Wood Green

Our portfolio

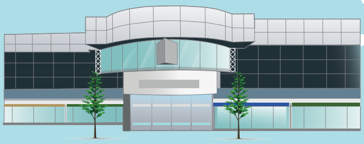
Key

- Wholly owned assets
- Other interests



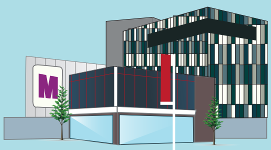
1 The Mall, Blackburn
- Leasehold covered shopping centre
- 600,000 sq ft
- 122 lettable units

Principal occupiers:
Primark, Debenhams, H&M, Next, Wilko, Pure Gym



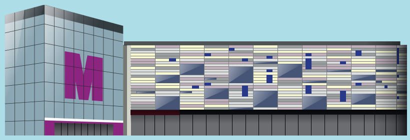
2 The Marlowes, Hemel Hempstead
- Freehold covered shopping centre and high street units
- 350,000 sq ft
- 110 lettable units

Principal occupiers:
Wilko, New Look, Sports Direct, Pure Gym



3 The Mall, Wood Green
- Freehold covered shopping centre with high street units
- 540,000 sq ft
- 111 lettable units

Principal occupiers:
Primark, Wilko, H&M, Boots, TK Maxx, Travelodge, Cineworld

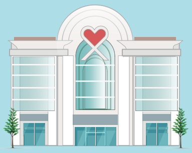


4 The Mall, Luton
- Leasehold covered shopping centre, with over 65,000 sq ft of offices
- 900,000 sq ft
- 165 lettable units

Principal occupiers:
Primark, H&M, TK Maxx, Wilko, Luton Borough Council, Debenhams

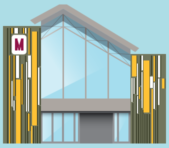
5 The Mall, Walthamstow
- Leasehold covered shopping centre and high street units
- 260,000 sq ft
- 67 lettable units

Principal occupiers:
TK Maxx, Sports Direct, Lidl, Asda, Boots, The Gym



6 The Exchange, Ilford
- Predominantly freehold covered shopping centre
- 300,000 sq ft
- 79 lettable units

Principal occupiers:
Debenhams, Next, H&M, TK Maxx

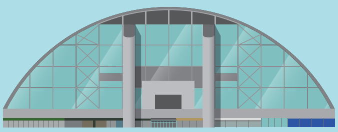


7 The Mall, Maidstone
- Freehold covered shopping centre with over 40,000 sq ft of offices
- 500,000 sq ft
- 110 lettable units

Principal occupiers:
Boots, Sports Direct, Wilko, Next, Iceland, Maidstone Borough Council, TJ Hughes

8 Kingfisher Shopping Centre, Redditch
- C&R owns 12% in JV and acts as Property & Asset Manager
- Freehold covered shopping centre
- 900,000 sq ft and 174 lettable units

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



9 Snozone Leisure Business
- 100% subsidiary
- Largest indoor ski slope operator in the UK
- Operating at Milton Keynes, Castleford and a dry indoor slope in Basingstoke
- In existence since 2000 and has taught over 2 million people to ski or snowboard

Key characteristics of our malls

HIGH FOOTFALL
74.3m
shopper visits per year

1.4m
average weekly footfall

AFFORDABLE RENTS
c. £15psf
average rent

c. 12.6%
occupancy cost ratio

SCALE AND DOMINANCE OF RETAIL OFFER
3.5m sqft
total sqft of shopping centres combined

LONDON AND SOUTH-EAST BIAS
6/7
of our wholly owned assets are in the South East

TOTAL NUMBER OF RETAIL UNITS
762

TOTAL NUMBER OF CAR PARKING SPACES
8,250

AVERAGE DWELL TIME
66MINUTES

ESTIMATED RETAIL CONVERSION RATE
73%

DOMINANT LOCATIONS
in the heart of growing towns

EXTENSIVE ACCRETIVE ASSET MANAGEMENT OPPORTUNITIES
including leisure, residential and office

HUGH SCOTT-BARRETT
CHAIRMAN

"The investment of £77.9 million by Growthpoint in December 2019 represents a hugely important milestone for the Company."

Chairman's Statement

The investment in Capital & Regional of £77.9 million by Growthpoint, which completed in December 2019, represents a hugely important milestone for the Company.

Not only does the investment enable the Company to reduce leverage but it also allows it to continue to invest in its shopping centres to enhance their relevance to the communities they serve. The investment was concluded on terms which sought to limit dilution for existing shareholders and the inter-conditional partial offer for 30.2 per cent of the Company's share capital provided shareholders with a liquidity event at a significant premium to the prevailing share price. The Board would like to thank existing shareholders for their support for the transaction and welcomes Growthpoint as the Company's majority shareholder.

In the short time since the release of the Group's preliminary results, the outlook for the UK economy and for the retail sector in particular has been transformed by the onset of COVID-19 and the steps taken by the Government to limit the spread of the virus. I would like to pay a particular tribute to all who work for Capital & Regional for the way in which they have responded to ensure that our shopping centres remain open for our retail partners and for our guests to safely purchase essential foods and medicines. This has not been easy given the obvious concerns for their own welfare and that of their families.

Whilst the focus remains on operational resilience amidst the continuing lockdown, it would be premature to draw any definitive conclusions as to the longer term implications of COVID-19. However, it is quite possible that the structural shift in the retail landscape driven by the increased market share taken by online shopping will accelerate at a much faster pace than previously assumed. The polarisation between "needs" and "wants" focused shopping centres is set to be accentuated further.

Capital & Regional is well placed to capitalise on these profound changes through its focus on high footfall centres, characterised by affordable rents, that are anchored by 'non-discretionary' offers such as grocery, professional and personal services, including health and beauty and day to day services, which serve the daily "needs" of the underlying communities.

It is increasingly clear that there remain significant opportunities for alternative use including medical centres, where we have received several unsolicited approaches, and residential development given the geographical bias of the portfolio to London and the South East

Despite the wider market pressures, the Group's operational performance in 2019 was relatively resilient with like-for-like footfall outperforming its benchmark by 1.7 percentage points and occupancy up year-on-year to 97.2%.

As with the broader market, there has been continued pressure on the Group's property valuations. The impact has been greater outside London with the Group's London asset values proving to be more resilient, given their location and the strength of demand experienced at these locations. As at 30 December 2019 the Group's property portfolio was valued at £727.1 million compared to £855.2 million as at 30 December 2018, representing a decline of 15.0%. In the same period, Group net debt has reduced by 18.1% from £411.1 million to £336.9 million, reflecting the Growthpoint investment. Group net debt to property value therefore fell from 48% as at December 2018 (and 52% as at June 2019) to 46% as at December 2019.

The fall in property valuations has impacted statutory results for the year with an IFRS Loss for the year of £121.0 million (Year to December 2018: Loss of £25.6 million).

On an adjusted basis, which reflects the ongoing operating performance, the Company reported an Adjusted Profit for the year of £27.4 million, compared to £30.5 million in the year ended December 2018.

RESPONSIBLE BUSINESS

We are committed to running our business responsibly. 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 C&R is not only a great place to work but it has a positive impact on our guests, retailer customers and the wider community, whilst minimising our environmental impact. Our Responsible Business strategy is underpinned by explicit targets and is focused on four key areas:

- **The Marketplace:** Which is all about engagement with our local guests, customers, suppliers and stakeholders in order to better understand their needs and to identify ways of improving our collective responsible business performance.
- **Environmental sustainability:** We are committed to continuing to reduce our impact on the environment in the areas of waste, water and energy to ensure that the local communities we serve are better places to be for all. We are already on the pathway to net zero carbon having reduced the energy intensity of our centres by 36% since 2008, including a 6% fall in 2019.
- **People:** Our culture, who we are and how we work together are fundamental to delivering on our vision to define and lead community shopping, through our passionate creation of vibrant retail spaces and exceptional customer and guest experience. We can only achieve this with the support and active engagement of our colleagues who, once again, have gone the extra mile to deliver outstanding service, a commitment which was recognised by number of highly prized awards this year.
- **Community:** We recognise our centres play a key role in the development of the communities and environments in which we operate. We seek to work closely with key stakeholders to ensure we listen, engage and use feedback to develop or refine our approach. We understand that the process of delivering change can have lasting effects on the towns in which we work and their communities. We strive for consensus. We are committed to an open dialogue with community interest groups to ensure that where this is not possible, we reach the best understanding and accommodation possible.

DIVIDEND AND DIVIDEND POLICY

The Company paid an Interim Dividend of 1p per share (equivalent to 10p per share following the 10 for 1 share consolidation that completed in January 2020) in respect of the half year ended 30 June 2019 and was only payable on completion of the Growthpoint transaction. Growthpoint was not entitled to this dividend, which was paid on 27 December 2019.

Following completion of the investment by Growthpoint, and as disclosed in the transaction's prospectus, the Company intends to distribute on a semi-annual basis not less than approximately 90% of the Company's EPRA earnings, which is in line with the requirements to distribute at least 90% of taxable profits under the UK REIT regime.

The Board is now proposing a final dividend of 11 pence, to be paid to all shareholders, resulting in a full year dividend equivalent to 21 pence per share, compared to an equivalent of 24.2 pence per share for 2018.

The Board has considered this dividend in the context of the uncertainty related to COVID-19. The Board has concluded in response to this to introduce a Scrip option which shareholders, representing at least 65% of the ordinary shares, and including Growthpoint, have agreed to take up.

The Board believe this approach to be the most beneficial course of action to take in the current circumstances, noting that it:

- Results in at least the majority of the proposed £11.4 million total dividend payment being preserved in cash within the business;
- Demonstrates a vote of confidence by the major shareholders in the prospects for the business;
- Maintains compliance in line with the Company's REIT requirements; and
- Provides other shareholders with flexibility to take cash or the scrip alternative.

BOARD

I am also delighted to welcome Norbert Sasse and George Muchanya to the Board. Norbert and George joined in December 2019 and are Growthpoint's representatives on the Capital & Regional Board. I am sure we will benefit significantly from their deep knowledge of the property sector across the globe. At the same time Wessel Hamman stepped down from the Board. I would like to thank him for his valuable contribution over the last four years. Wessel has provided considered and thoughtful advice throughout this challenging period for the Company and his opinions are greatly respected by the Board as a whole.

As foreshadowed last year, Tony Hales, as Senior Independent Director, has led a recruitment process to recruit a new Chair. As previously announced, I am very pleased to report that David Hunter has accepted to join, initially as a Non-Executive Director, and following the AGM, as Chair. David brings a wealth of experience in the property sector and a track record of successfully leading boards.

The Board strives to adhere to the highest standards of corporate governance in line with the requirements of the UK Corporate Governance Code. Mindful of the Code requirements regarding independence it is intended that two new independent Non-Executive Directors are appointed during the course of this year, subject to the practical constraints imposed by COVID-19.

Capital & Regional started 2020 from a position of strength. Having closed the Growthpoint transaction, we are now fortunate to have a well-funded and highly respected international real estate business as a majority shareholder. The importance of this and the actions taken to recapitalise the balance sheet in 2019 has been brought into sharper focus with recent developments. These put Capital & Regional in a much stronger position to weather the impact of COVID-19 and beyond that the continued roll out of its community, asset management and remerchandising strategy and provides us with a platform for future growth. Furthermore, Growthpoint shares our conviction that needs-based, non-discretionary urban community retail continues to have an important part to play in the evolving retail landscape.

HUGH SCOTT-BARRETT
CHAIRMAN

The market backdrop

The continuing evolution of our assets in changing town centres

1 REMERCHANDISING TO COMMUNITY NEEDS

2 COMMUNITY COLLABORATION

3 EVOLVING ROLE OF THE STORE

4 DIVERSIFICATION OF USES

POLARISATION

The polarisation in retail between discretionary "wants" and non-discretionary everyday essential "needs" continues. Consumers differentiate their shopping trips accordingly, with retail destinations needing to align clearly to these distinct shopping trips.

Our response

Our community centres provide a clearly defined focus in satisfying the everyday needs of our communities, in engaging and stimulating environments. They cater to our guests' need for accessibility, speed, ease of use, relevant retail and services, and provide the focal point for the local community.

OMNI-CHANNEL EVOLUTION

Traditional retail has evolved from simple bricks and clicks to deeper and more co-ordinated cross-channel integration. Shoppers increasingly demand speed and optionality in how and where they purchase and expect limited friction in purchase and returns fulfilment. Omni-channel retailing, combining both physical and online, continues to grow and online retailers have responded by opening physical stores and pop-up shops.

Our response

Physical stores continue to provide a central role in the omni-channel retailing environment, providing a crucial intersection between products and people. 2019 saw yet more pureplay online retailers recognising the importance of the interface between physical and online, in many cases looking to establish or increase their physical presence. Our community centres, in well connected, easily accessed town centre locations are ideally positioned to meet the modern consumers' needs. The integrated provision of Collect+, Amazon Lockers and Guest Lounge services in our centres, enables our guests to shop online and pick up their goods when it is convenient for them, while also driving footfall to the centre. Our research shows that guests who use the service go on and spend further in our centres, supporting our retailers.

C&R Approach

Our dominant centres located in the heart of growing towns are ideally positioned to serve their communities. Town centres are rapidly evolving to meet the changing demands of their communities. With affordable rents and low capital values, our centres are uniquely placed to accretively evolve in step with our communities' changing needs.

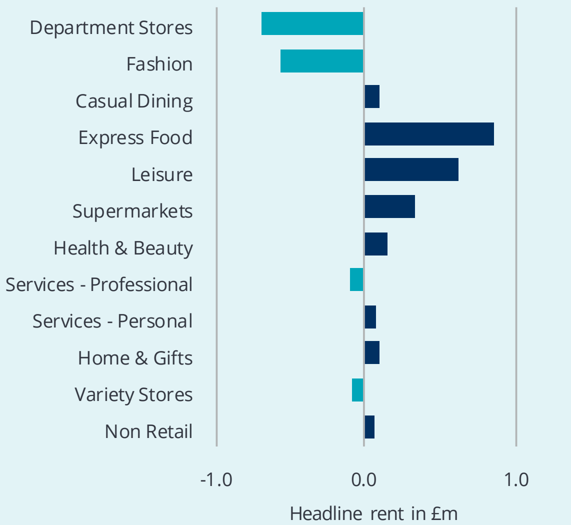
RETAILER EVOLUTION

Online penetration is continuing to influence tenant mix with the impact felt most clearly by discretionary "wants" based retailers, whose store portfolios are rationalising, particularly across the fashion sector. Non-discretionary "needs-based" retailing remains more resilient to this change and in many cases physical floorspace is growing. Retailers at this end of the retail spectrum continue to predominantly fulfil their customers everyday needs directly from store, with limited online integration.

Our response

Our convenient and strategically located community centres provide an essential platform in the fulfilment of these shoppers' everyday needs. Our focus remains on remerchandising and repositioning our centres to reflect the changing requirements our communities, guests and retailers have in relation to physical retail destinations.

RETAILER EVOLUTION



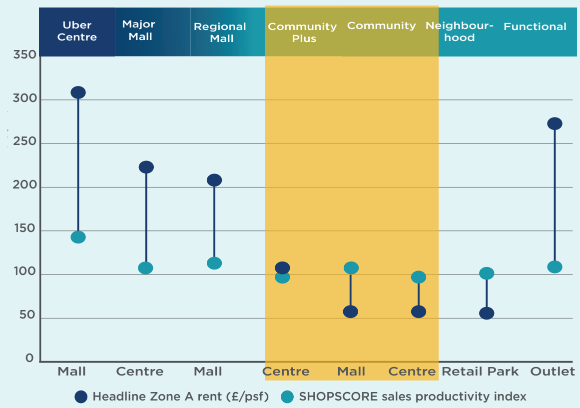
C&R Change of use since 1 January 2017

COMMUNITY FUNDAMENTALS

With growing trends in localism, our community assets provide wide-ranging opportunities to drive performance and growth. Community centres represent the engine room for retailer profitability, with the mix of affordable occupancy costs, attractive productivity levels and high footfall driving profitability.

Our response

With rents averaging approximately £15 per sq ft, our centres offer flexibility to profitably remerchandise space, providing the opportunity in so doing to evolve and broaden our offer to our growing community populations. We continue to engage with opportunities to unlock the latent value of our real estate and increase density through the addition of residential, hotel, offices, leisure and other uses that enhance our communities, broaden our income profile, and generate value for our shareholders.



Source: Javelin Group/SHOPSCORE (2017)

Our strategy

DEFINE
Community shopping centres

Define and own the community shopping centre category in the UK, consistent with global best practice.

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

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

Progress
At the end of 2018, REVO committed to the investment reclassification of UK Shopping Centres to include the Community Shopping Centre.

Throughout 2019, we continued to encourage industry participants to embrace the Community Shopping Centre category. We are seeing increasing evidence of adoption as the industry increasingly recognises the differentiated role of the Community Shopping Centre.

Future focus
As the new terminology becomes more widely utilised, further refinement of the classification definitions will be required. Encouraging the industry to fully adopt and embed the new categorisations in the UK will be an ongoing process.

In the US in 2019, shopping centre REITs have outperformed their regional mall peers suggesting that investors are increasingly differentiating between different sectors of the retail property market.

POSITION
Assets and retail mix

Actively remerchandise centres to increase exposure to growth and online-resilient categories and differentiate from competition. Tailored to community requirements with focus on local, value, relevance, quality and total experience.

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

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

All need to be tailored to the specific community's needs and aspiration, and supported with exceptional centre services, for example parents' parking, change facilities and kids' play. We are competing for our guests' time against other physical destinations and online options so making the experience as convenient and pleasurable as possible is critical. We believe when we get this proposition right, when it is highly relevant to the community, then we drive footfall and dwell time, which drives our retailer customers' sales.

Progress
Throughout 2019, we have continued to proactively remerchandise to a needs-based, non-discretionary offer that is most relevant to our communities' needs and most resilient to structural changes in retail.

In 2019 we invested £12 million in capex across our portfolio, helping to maintain leasing momentum, retain engagement with our core occupiers and help attract new occupiers and guests to our centres.

Highlights include:

- Completion of the family zone and the opening of Tinies crèche and Pure Gym in Hemel Hempstead.
- The leasing of part of the former BHS unit to Pure Gym and Matalan at Maidstone.
- Completion of the Arndale House office letting to Luton Borough Council.
- Significant refurbishment of the Tesco grocery offer in Luton as part of a long-term renewal.
- Development of in-depth concept and design plans for projects at Maidstone, Luton and Walthamstow.
- Continued investment to unlock opportunities such as residential, maximising the potential of our central locations.

Future focus
Given the uncertainty caused by COVID-19 we have put all non-essential and non-committed Capital Expenditure projects on hold but maintain a pipeline of potential future projects including cinemas, leisure, offices, grab-and-go, amenities, family and ambiance, building on the successes and learnings of our investment to date.

FOCUS
Management team

We have refocused our business and resources with a revised management platform and operational structure that puts our centres at the heart of what we do, facilitating accelerated responsiveness and optimal decision making in the delivery and execution of our masterplan-led community strategy.

Overview
In 2019 we have worked to refine and strengthen the decentralised management platform introduced in 2018. Significant investments have also been made in systems and processes to improve efficiency and the use of research and data to inform investment, leasing and marketing decisions.

Increasing our use of technology and data will support our continued focus on driving operational performance across every part of the business.

Future focus
With the retail real estate investment class becoming more operational we will continue to invest further in strengthening the expertise of our in-house leasing and commercial income teams and the technology that supports our management platform.

ENHANCE
Shareholder value

The right offer drives footfall and dwell time, boosting retailer sales and ultimately letting tension, improving rental income, property values and consequently C&R revenue and shareholder returns.

Objectives
2019 has been a challenging year for the shopping centre industry, with significant pressure on property valuations and revenue. Through our focused community strategy our performance has been relatively resilient, with footfall outperforming the national index and occupancy remaining stable.

The transaction with Growthpoint, completed in the second half of the year, provided shareholders with partial liquidity at a significant premium to share price and materially improved leverage and the balance sheet position.

Future focus
Continued investment in people and resources is critical to the delivery of our community shopping centre strategy and associated income growth and resilience. This will position C&R well to proactively respond as markets stabilise.

Our business model

Our core strength is enhancing through repositioning, managing and acquiring community shopping centres.

With our expert team, our strong retailer relationships and our extensive community connections, we seek to generate and grow sustainable income and drive capital value growth by combining active asset management with operational excellence. Our approach is summarised below.

2019 continued to see subdued investment market activity, with transaction volumes at record lows. Valuations declined throughout the year with capital values per sq ft at levels that increasing support accretive repositioning opportunities across a widening range of uses. This has particularly been the case in London and the South East where our portfolio is most heavily weighted. Our focus has therefore remained on repositioning and remerchandising our existing portfolio. As the cyclical pressures abate, coupled with an understanding of the continued critical role that physical stores have in the sale and distribution of goods and services, our assets and management expertise will afford C&R an exciting opportunity as a potential consolidator of UK community and mixed use retail assets in the UK.

Key resources

EXPERIENCED AND AGILE MANAGEMENT

STRONG CAPITAL STRUCTURE

RESEARCH DRIVEN UNDERSTANDING OF COMMUNITY NEEDS

DIVERSIFIED INCOME STREAMS

Key activities

1

IDENTIFY ASSETS

Assets that typically meet our potential investment criteria are those that are underperforming in their catchment but have significant asset management opportunities. Wherever possible we will leverage our deep industry relationships to secure off-market transactions.

2

REPOSITION AND REMERCHANDISE

Our approach to managing centres is summarised as follows:

- Understand full catchment potential – research/benchmarking, input from Centre teams, engagement with retailer customers and local communities
- Assess product offering against local community needs and expectations – identify any gaps in offer or amenities
- Establish strategic asset masterplans – comprehensive three to five year repositioning plans for each centre profiling capital expenditure and evolution of tenant mix. Masterplans continually reviewed to ensure ongoing relevance and that assets continue to meet guests' expectations as they evolve over time
- Execution – engage specialist teams to ensure accelerated delivery with focus on optimal performance
- Review and refine – post implementation reviews to inform future decision making, respond quickly to changes.

Read more about our remerchandising strategy on page 10

Our values

INSPIRING CREATIVE THINKING

ENCOURAGING COLLABORATIVE ENGAGEMENT

ACTING WITH INTEGRITY

DELIVERING DYNAMIC SOLUTIONS

3

THE RESULT

- Attractive retail and leisure environments
- Improved guest experience
- Increased footfall and spend

These results drive retailer sales, letting tension, income and capital value growth.

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

Stakeholder value

OUR SHAREHOLDERS

- Long-term sustainable growth

OUR PEOPLE

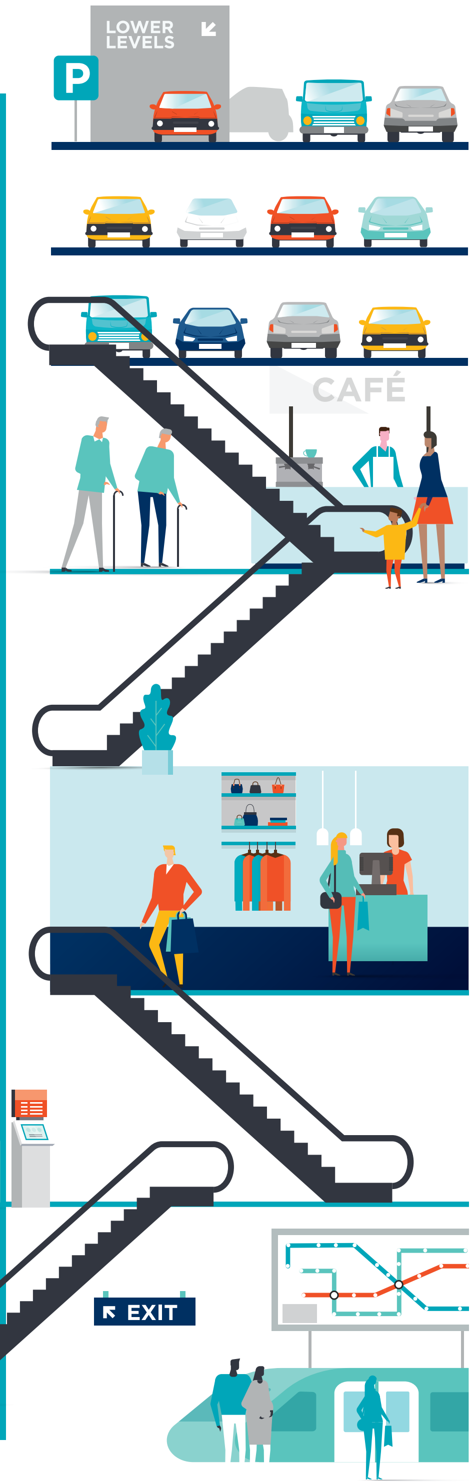
- A dynamic and positive work environment with continued training and development opportunities

OUR CUSTOMERS & RETAILERS

- Frequent, repeat footfall and high conversion rates coupled with affordable occupier costs
- Driving high levels of footfall; ultimately driving retailer sales, letting tension, and income capital value growth

OUR COMMUNITIES

- The creation of vibrant community hubs combining key services, everyday essentials and leisure facilities.
- Supporting local employment.



Remerchandising progress

Continued progress to diversify income and align to community needs

HEMEL HEMPSTEAD

DELIVERED

Offer: Family services

Action:
- Creation of a new shopper crèche, opened October 2019

Asset/Community Impacts:
- Enhances family offer for our key community group
- Encourages dwell time and footfall.

Offer: Gym

Action:
- Converted vacant first floor to 14,000 sq ft Pure Gym

Asset/Community Impacts:
- New and diversified use and income stream
- Enhances town centre leisure provisions - footfall driver
- Highly accretive remerchandising of off-pitch location.

LUTON

DELIVERED

Offer: Grocery

Action:
- Delivered eight-year lease renewal and full refit for Tesco
- Store re-opened December 2019

Asset/Community Impacts:
- Enhances food store offer – a key community asset
- Secures long-term material income stream from quality covenant.

IN PROGRESS

Offer: Offices

Action:
- Refurbishment and letting of 13,000 sq ft office to the local authority

Asset/Community Impacts:
- Increased income diversity and use
- Brings worker footfall directly to centre
- Significant income quantum

MAIDSTONE

IN PROGRESS

Offer: Gym

Action:
- Converting the top floor of the previous BHS to a 14,000 sq ft Pure Gym

Asset/Community Impacts:
- New and diversified use and income stream
- Enhances town centre leisure provisions - footfall driver
- Highly accretive remerchandising of off-pitch location.

Offer: Everyday Apparel

Action:
- Converting the lower level of the previous BHS to a 23,000 sq ft Matalan

Asset/Community Impacts:
- Enhances the needs-based staple apparel offer
- Enhances family offer for our key community groups.

Walthamstow Fire Response

On 22 July 2019 a fire led to the closure of The Mall, Walthamstow. The Mall is at the heart of the Walthamstow community and the fire not only affected the mall team and retailers but also the surrounding businesses, customers and our local community.

PARTNERING WITH retailTRUST

On the evening of the fire we knew we were dealing with a major incident and the impact on our retailer customers would be significant. As a business we are members of retailTRUST and so we reached out to them asking for their support. RetailTRUST arranged for trauma specialists to be on site to deliver critical incident support, counselling and emotional assistance. A fund was set up by the trust to support employees who have been financially affected by the fire, with retailTRUST donating £25,000 to this fund. This pledge was matched by C&R and Waltham Forest Council kindly donated a further £10,000. Members of the local community also reached out and we were flooded with offers of help and donations to help those local employees financially impacted by the fire. In total almost £61,000 was raised. The fund has assisted several independent businesses along with over 20 local families whose parents worked in the mall and required financial support. The fund will continue to support those individuals who still require assistance until The Mall is fully reopen.

REINSTATEMENT OF CRITICAL SERVICES

The Mall provides a number of critical services to the community. The Mall is home to two pharmacies, which could not open due to the impact of the fire. Both provide critical care to a large section of the community and it was vital we explored temporary solutions to reinstate these essential services as a matter of urgency. Working in partnership with Walthamstow Forest Council we were able to identify space on the Town Square where within seven days pop-up pods were installed for both Boots and Superdrug.

COMMUNITY CAMPAIGN

While The Mall was closed, and throughout the phased re-opening and rebuild, we wanted to ensure we had strong and consistent messaging, to keep the local community informed of every key milestone achieved. Our campaign covered online, print and physical messaging. As part of our engagement we asked the community to let us know what The Mall meant to them and used these comments in our key messaging in and around the centre. In early September 2019, we held a re-opening party and invited the local community to celebrate the return of their shopping centre with free parking, entertainment and gifts to thank everyone for their support during the re-build stage and the phased re-opening.

REBUILD

The first retailers re-opened less than a week after the fire and just under 85% of the units in the centre had re-opened prior to the COVID-19 restrictions taking effect. Reconstruction plans are now in place for the remaining units and, subject to the impact of current restrictions, we hope to re-open these units in the course of 2020.

The Food Court was one of the areas that sustained significant damage. We have taken the decision to use this as an opportunity to design and deliver a unique and modern food and beverage offer, which is accessible and inclusive; tailored to the needs of the Walthamstow community and providing opportunities for local and independent operators.

Key performance indicators

FINANCIAL

1. ADJUSTED PROFIT[1]

£27.4m

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

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

Progress during the year
A decrease of 10.2% in Adjusted Profit reflected a fall in Net Rental Income driven by the impact of CVAs and administrations.

Link to strategy
Enhance

Link to risks
2 9

2. ADJUSTED PROFIT PER SHARE[1,2]

36.7p

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

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

Progress during the year
A decrease of 13.2% on a per share basis reflected a fall in Net Rental Income driven by the impact of CVAs and administrations.

Link to strategy
Enhance

Link to risks
2 9

4. DIVIDEND PER SHARE[2]

21.0p

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

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

Progress during the year
The Board is recommending a final dividend of 11 pence per share taking the full year dividend to 21 pence per share.

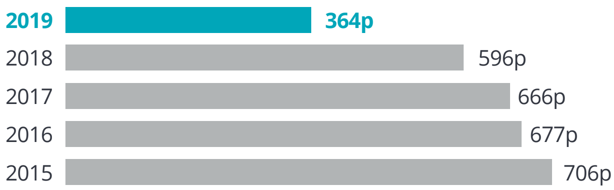
The Board has adopted a policy of distributing on a semi-annual basis not less than approximately 90% of the Company's EPRA earnings.

Link to strategy
Enhance

Link to risks
2 4 9

5. EPRA NET ASSETS PER SHARE[2]

364p



Why we use this as an indicator
This is a measure of the movement in the underlying value of assets and liabilities underpinning the value of a share.

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

Progress during the year
EPRA NAV fell by 232p due to revaluation loss net of capital expenditure.

Link to strategy
Position

Link to risks
1 2

Notes

[1] Adjusted Profit and Adjusted Earnings per share are as defined in the Glossary. Adjusted Profit incorporates profits from operating activities and excludes revaluation of properties and financial instruments, gains or losses on disposal, exceptional items and other defined terms. A reconciliation to the equivalent EPRA and statutory measures is provided in Note 9 to the financial statements.

[2] Per share amounts are adjusted to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

[3] Like-for-like figures exclude Walthamstow from Week 29 of 2019 due to the impact of the fire.

3. NET DEBT TO PROPERTY VALUE

46%

Why we use this as an indicator
We aim to manage our balance sheet effectively with the appropriate level of gearing.

How this links to our strategy
Having the appropriate level of gearing is important to effectively manage our business through the property cycle. We are targeting a range of 35%-45% in the medium term.

Progress during the year
Net debt to property value decreased to 46% as the fall in property valuations was offset by the proceeds of the Growthpoint transaction.

Link to strategy
Enhance

Link to risks
1 2 3

6. NET RENTAL INCOME

£49.3m

Why we use this as an indicator
This is the key driver of Adjusted Profit.

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

Progress during the year
Net Rental Income fell by £2.6 million reflecting the £3.0 million impact of CVAs and administrations.

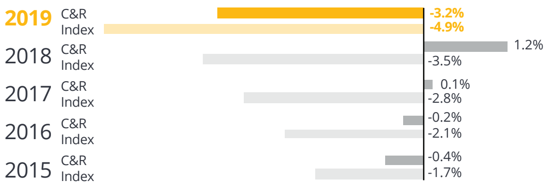
Link to strategy
Position, Focus

Link to risks
2 6 9

NON-FINANCIAL

7. FOOTFALL[3]

C&R -3.2% vs Index -4.9%



Why we use this as an indicator
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.

How this links to our strategy
Footfall performance provides an indication of the relevance and attractiveness of our centres, influencing occupier demand and future letting performance.

Progress during the year
Footfall at the Group's UK shopping centres fell in absolute terms but outperformed the national ShopperTrak index by 1.7 percentage points.

Link to strategy
Position, Define

Link to risks
2 9

8. OCCUPANCY

97.2%

Why we use this as an indicator
We aim to optimise the occupancy of our centres as attracting and retaining the right mix of occupiers will enhance the trading environment.

How this links to our strategy
Occupancy has a direct impact on the profitability of our schemes and also influences footfall and occupier demand.

Progress during the year
Strong letting activity during the year resulted in occupancy rates increasing to 97.2%.

Link to strategy
Position, Define

Link to risks
5 2 9

LAWRENCE HUTCHINGS
CHIEF EXECUTIVE

Chief Executive's Statement

2019 was a year of significant progress in delivering our Community Centres strategy and placing our balance sheet in a robust position to counter the headwinds derived from a combination of economic uncertainty and the ongoing structural changes taking place in retailing.

The transaction with Growthpoint is transformational on several levels and we are proud that Growthpoint's extensive due diligence on the Company, its assets, strategy and management platform led them to the decision to invest approximately £150 million to acquire a 51.1% stake. This was achieved through a combined placement and a partial offer to existing shareholders at a significant premium to the undisturbed share price. We look forward to working more closely with Growthpoint, benefiting from its team's deep understanding of real estate as an operational asset class, and seeking to replicate the success they have seen in similar investments outside their domestic market of South Africa.

2020 has been dominated by the COVID-19 pandemic. This is first and foremost a human crisis, but the responses needing to be undertaken to mitigate the spread of the virus are also having a serious economic impact.

It is too early to fully measure the effect on our business, but I echo the Chairman's sentiments that one impact is likely to be a further acceleration of the structural changes that have been ongoing within the retail sector over recent years. While there are likely to be impacts on rental income and asset valuations, as we seek to support our smaller independent retailers, I believe Capital & Regional is ultimately well positioned to respond to these and emerge stronger in time.

The other aspect which has been reinforced in the past few weeks is the importance of specialised, experienced management and I am full of admiration for how our team have responded to the challenges of the COVID-19 crisis. Responding to government guidelines has at times involved closing parts of our centres, with only hours' notice, while also maintaining access to the essential uses we have located in our centres. All of our team members have worked tirelessly and selflessly to achieve this, ensuring security is enhanced to manage social distancing and the environments are maintained to the highest standards possible.

Our thoughts and prayers go out to all those directly impacted by COVID-19 and to our team members who continue operating at our front line.

2019

Operationally we made significant progress in 2019 on the three pillars of our strategy, whereby we aim to:

1. Define community centres in the UK to a definition closer to that of other developed global real estate markets.
2. Position our centres into the community centre format through remerchandising our tenant roster more toward those who offer non-discretionary or needs-based goods and services.
3. Structure and refocus on our teams towards a more efficient decentralised structure that allows us to improve data capture across the business, converting this insight to drive faster and better-informed decision making and activity.

We believe by focusing on these key areas we will be able to deliver strong relative returns.

During 2019 we delivered 66 new lettings and renewals totalling £4.5 million in annual rent and covering approximately 280,000 sq ft of leased space. Activity was focused on operators in the key community centre merchandise categories including; personal services, grocery, express food, gyms and other needs-based retailers and service providers. These transactions resulted in a positive spread to both previous passing rents and ERV assisting us in offsetting the impact of retailer restructuring including CVAs.

We are investing in evolving our processes, teams, systems and infrastructure to accommodate a growing proportion of smaller, independent retailers while reducing our exposure to retail concepts that continue to lose relevance. We are also acutely focused on tailoring our assets to the specific and individual needs of their local communities.

> "2019 was a year of significant progress in delivering our Community Centres strategy"

While the balance sheet pressures driven by lower valuations and income reductions from retailer restructuring prompted us to slow our capex spending during the year to £12 million in 2019 (from £18.5 million in 2018) we have continued to progress and maintain our accretive capex pipeline which refreshes our offer and enables continued leasing progress, and income performance in future years. During the year, we undertook over 20 targeted projects across the portfolio, prioritising those which can most quickly make a positive impact while laying the foundations for further improvements. In 2019, the most prominent of these were the introduction of a gym and family area at Hemel Hempstead, the latter incorporating a Tinies crèche facility for shoppers, the first such roll out at a UK shopping centre.

We continue to strive to be the centre of the communities we serve and during the year we undertook some 165 community projects in and around our seven centres. These included 'Purple Tuesday' across all centres, Luton YMCA Bedfordshire's 'SleepEasy', hosting Walthamstow Forest Borough of Culture events and, in Wood Green, supporting the Godwin Lawson Foundation, to name but a few. There are rare occasions where we are compelled to take action where we have cause to question the direction of a town centre masterplan or the merits of a competing retail project that we believe stands to harm the fabric of the town centre. We do this as we believe the vibrancy, vitality and prosperity of a town centre is critical to our communities.

In July 2019 there was a major fire at our shopping centre in Walthamstow. While the damage in certain areas of the scheme has been significant, critically no one was seriously hurt thanks in no small part to the quick and professional work of the emergency services, to whom we are extremely grateful. The first retailers re-opened less than a week after the fire and just under 85% of the units in the centre were open and trading prior to the government COVID-19 restrictions taking effect. Reconstruction plans are now in place for the remaining units which we hope to open, subject to the impact of current restrictions, within the course of 2020. We are insured for both loss of income and the cost of rebuilding. I would like to thank the centre team and colleagues from the support office for their exceptional commitment and hard work during what has been a traumatic time. In addition, I would also like to express our gratitude to The retailTRUST, who helped support retailer staff placed in a position of hardship from the stores being closed, and Walthamstow Council for providing temporary offices for our centre team and their absolute commitment to assist us in maintaining critical services such as accessing medical prescriptions from our pharmacy tenants.

Our commitment to improving our environmental impact in our communities continues with a total of 3,396 tonnes of waste recycled during the year and a reduction in carbon emissions of 15%. This is an increasing focus for our business in the coming years and one we are embracing fully and enthusiastically.

As previously announced, and as you will have seen from the Chairman's Statement, we will have a new Chairman immediately following the AGM in May when David Hunter steps into the role. David brings a wealth of property and fund management experience to our Board and business. In welcoming David, I am keen to acknowledge Hugh Scott-Barrett's role and contribution to the business over the past 12 years as both CEO and as Chair from mid-2012, when I joined as CEO. Hugh led the recapitalisation of the business following the GFC in 2008 which was described by a leading analyst as "text book". Hugh's guidance, advice, always offered thoughtfully, and insight along with his encouragement and support during some difficult times has been exceptional and I am enormously grateful of his tireless work on behalf of all our stakeholders to ensure a smooth transition and provide exceptional stewardship. We wish him well for the future and in his other Board roles.

OUTLOOK

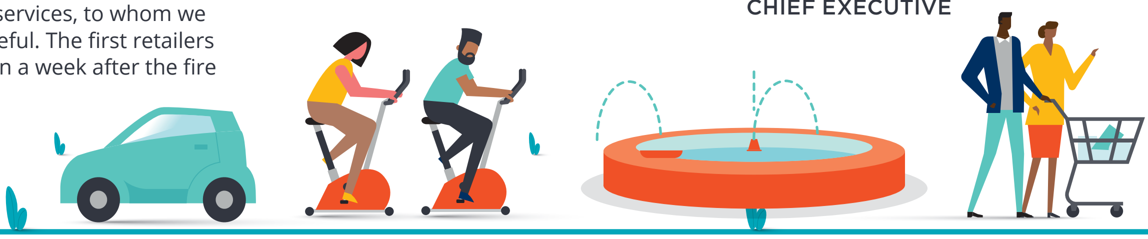
While the retail environment clearly remains volatile and the impact of COVID-19 is likely to be significant, we are remaining focused on delivering for all our stakeholders during this challenging and unprecedented time.

Looking further ahead we see continuing opportunities to deliver our strategy, working closely with those retailers who are well equipped to thrive in an omni-channel retailing environment.

I remain confident that our focus on needs-based, non-discretionary merchandise and the urban bias of our real estate and its proximity to people sees us well positioned to evolve, adapt and grow in tune with the rapidly evolving retail landscape.

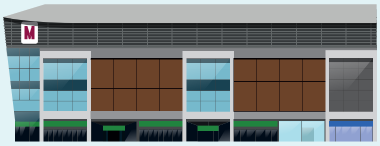
Finally, I would like to highlight that our significant progress in 2019 was the product of a considerable amount of hard work from a talented team, at both our support office and in our centres, across many disciplines. I am very pleased with the way our team has come together over the past two and a half years to build an industry-leading platform and we are committed to attracting and retaining talent by creating a culture that places personal growth, diversity, employee engagement and inclusion at its core.

LAWRENCE HUTCHINGS
CHIEF EXECUTIVE

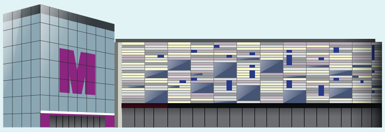


Operating review

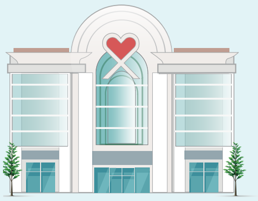
KEY HIGHLIGHTS OF LETTING ACTIVITY



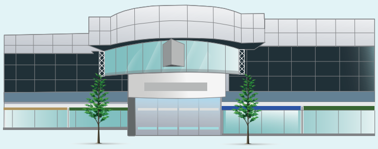
BLACKBURN
- New lease: Vodafone
- Lease Renewals: B&M and TUI



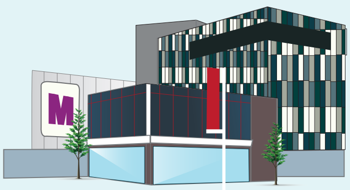
LUTON
- New Leases: Lidl, Wenzels the Baker and Luton Borough Council
- Lease renewal: Tesco



ILFORD
- New lease: The Entertainer
- Renewal: Warren James



HEMEL HEMPSTEAD
- New leases: Empire Cinema and Pure Gym
- Renewals: TUI and Toni & Guy



WOOD GREEN
- Renewal: Office space to Metropolitan Police Service

MAIDSTONE
- New Leases: Matalan and Pure Gym

Our key focus remains the ongoing remerchandising and repositioning of our centres to reflect the changing requirements of the communities, guests and retail customers that we serve. This includes increasing the amount of floor space we have in non-discretionary, needs-based retail and services, where consumers prefer or need physical interaction with goods and services providers.

In addition, we are actively involved in unlocking the latent value of our real estate in the middle of town centres, with access to transport connections and complementary uses and, in the case of the London portfolio, are able to increase the density of our sites through the addition of residential, hotel, offices and other uses that enhance our communities and generate value for our stakeholders.

AFFORDABILITY AND OCCUPANCY COST DRIVING SUCCESSFUL NEW LETTINGS, RENEWALS AND RENT REVIEWS

There were 66 new lettings and renewals in the period. New lettings were made at a significant premium to ERV, while renewals were marginally below. Overall, the transactions resulted in a combined average premium of 20.9%[1] to previous passing rent and a 7.3%[1] premium to ERV.

	Year ended 30 December 2019
New lettings	
Number of new lettings	34
Rent from new lettings	£2.2m
Comparison to ERV[1]	+22.3%
Renewals settled	
Renewals settled	32
Revised rent	£2.3m
Comparison to ERV[1]	-0.6%
Combined new lettings and renewals	
Comparison to previous rent[1]	+20.9%
Comparison to ERV[1]	+7.3%
Rent reviews	
Reviews settled	17
Revised passing rent	£2.1m
Uplift to previous rent	+1.6%

[1] For lettings and renewals (excluding development deals and CVA variations) with a term of five years or longer which do not include turnover rent or service charge restrictions.

Political uncertainty caused first by concern over a no-deal Brexit and then the general election in the middle of the key Christmas trading period contributed to a slowing down in leasing volumes in the second half of the year. However, strong progress was still made in securing a number of key deals across the portfolio. In Maidstone new lettings for two of the three floors of the former BHS space have been signed with Matalan and, post year-end, with PureGym. At Luton since the year end we have exchanged on c 16,000 sq ft of previously vacant office space and agreed terms with Lidl for a new supermarket.

This follows on from a strong first half of 2019 where we concluded new lettings to Vodafone in Blackburn, Empire Cinema and Pure Gym at Hemel Hempstead, Wenzels the baker and Luton Borough Council (Offices) at Luton. At Ilford we opened the Entertainer from a unit that has been vacant for over ten years, directly as a result of completion of the new family precinct.

Key renewals across 2019 included Sports Direct and a new ten-year lease to Tesco at Luton, B&M and TUI at Blackburn, TUI and Toni & Guy at Hemel Hempstead, Carphone Warehouse at Ilford, Clarks shoes and Claire's Accessories at Walthamstow and Argos, Carphone Warehouse and office space to the Metropolitan Police Service at Wood Green.

OPERATIONAL PERFORMANCE

There were 74.3 million visits to our centres during 2019. Footfall in 2019 outperformed the national index by 170 basis points, with the like-for-like portfolio decrease of 3.2%[1] comparing to a national index decline of 4.9%.

Car park usage, down 4.0% on a like-for-like basis[1], was consistent with the decline in footfall but income increased by 1% on a like-for-like basis to £10.7 million, due to tariff increases and other parking revenue initiatives.

Click and collect transaction volumes continued to grow, increasing by 14% on the prior year, further reinforcing the strength of our locations in the omni-channel shopping experience and cost-effective last mile fulfilment.

[1] Like-for-like figures exclude Walthamstow from Week 29 due to the impact of the fire.

IMPACT OF CVAS AND ADMINISTRATIONS

There were eight Company Voluntary Arrangements (CVAs) or administrations involving national retailers that impacted our portfolio in 2019. Four of the CVAs – Debenhams, Arcadia, Monsoon/ Accessorize and Select – affected multiple units. The largest single impact was that of the Debenhams CVA which reduced 2019 NRI by approximately £0.7 million (all in the second half of the year) and is equivalent to £1.3 million on an annualised basis. CVAs and administrations in 2019 have been largely focused on the department store and fashion categories that remain under significant pressure from the ongoing structural changes in retail. Such pressures continue to persist and translate into the risk of further failure and challenges in renewal negotiations. Our strategy remains committed to repositioning our centres to remerchandise away from such categories and increase further our focus on needs-based, non-discretionary merchandise and services.

The total impact upon 2019 NRI of all of the 2019 CVAs and administrations was £1.3 million, this will equate to £2.8 million on an annualised basis. The full year impact on 2019 of CVAs and administrations from 2018 was £1.7 million, resulting in a total impact in 2019 of £3.0 million.

RENTAL INCOME AND OCCUPANCY

	30 Dec 2019	30 Dec 2018
Contracted rent (£m)	**60.8**	63.4
Passing rent (£m)	**58.8**	60.7
Occupancy (%)	**97.2**	97.0

Contracted and passing rent showed declines of £2.6 million (4.1%) and £1.9 million (3.1%) respectively reflecting primarily the impact of CVAs and administrations partially offset by the new letting activity in the year.

At 30 December 2019, there was £2.0 million of contracted rent where the tenant is in a rent-free period, all of which will convert to passing rent in 2020.

Occupancy has remained strong at 97.2% (December 2018: 97.0%).

CAPITAL EXPENDITURE

Conscious of balance sheet pressures within the business prior to the Growthpoint transaction, we scaled back capex spend in 2019 to £12 million (from £18.5 million in 2018). We were still active on over 20 projects across the portfolio including progressing the Walthamstow residential development opportunity, landlord works to facilitate a newly refurbished Tesco unit in Luton following the lease renewal, delivery of a new unit for Pure Gym in Hemel Hempstead and completion of a new family area and child soft play in Hemel Hempstead. The latter has incorporated a Tinies crèche facility for shoppers, the first such roll out at a UK shopping centre. We expect to deploy capex at a typical rate of approximately £15-20 million per annum. The depth of opportunities across the portfolio enables us to focus investment on those with the strongest impact and thereby provides flexibility, allowing us to respond dynamically to changes in circumstance.

RESIDENTIAL OPPORTUNITIES

Walthamstow

We have made good progress with our residential opportunity. Following a comprehensive marketing process, we have identified a favoured partner to deliver 450 residential units which has potential to realise a significant capital receipt around the end of 2020. Detailed contractual negotiations are ongoing and progressing well. The precise timing of the capital receipt will be dependent upon changes to the existing planning consent that will improve design and deliverability and incorporate a new station entrance for the Victoria Line underground station.

Wood Green

We successfully completed the sale of a vacant plot of land to Aitch Group in February 2020 for £5 million, in line with book value. Aitch Group intends to bring forward a residential scheme on the land of up to 100 units, which will bring benefit to the shopping centre in the form of increased footfall and immediate on-site catchment.

WALTHAMSTOW FIRE

On 22 July 2019 a fire led to the closure of The Mall, Walthamstow. The first retailers re-opened less than a week after the fire and just under 85% of the units in the centre had re-opened prior to the COVID-19 restrictions taking effect. Reconstruction plans are now in place for the remaining units and, subject to the impact of current restrictions, we hope to re-open in the course of 2020. The centre is insured for both replacement and for up to four years' loss of income.

SNOZONE

Snozone produced another robust performance in 2019 with revenue increasing 1% to £10.5 million (2018: £10.4 million) and profits stable at £1.5 million (2018: £1.5 million) despite cost pressures and increased competition from the broader active-leisure sector.

In 2019, Snozone received accreditation as a 'Disability Confident' employer and came runner-up at the UK School Travel Awards as best Sporting Venue alongside prestigious nominees such as; Chelsea FC, Lord's cricket ground, Wembley Stadium and Wimbledon Lawn Tennis grounds. Snozone was also a finalist for the award of Best Family Day Out with the national online listings magazine, Days Out With The Kids.

Given the seasonality of snow sports, even indoors, Snozone has been focused on increasing usage during the summer months. This has included offering corporate conferencing and banqueting facilities, product launches for brands including BMW and Audi, and slope hire for filming including the BBC and other commercial channels. Elements of the 2019 Disney 'reboot' of Aladdin were also filmed on the slopes.

STRATEGIC REPORT

Family Zone and Tinies in Hemel Hempstead

In May 2019, The Marlowes, Hemel Hempstead, launched their new Family Zone, as part of C&R's ongoing strategy to enhance the family offering, in May 2019.

The Family Zone creates a clearly defined area for families featuring a new kids play area, social seating, the relocated Guest Services and a new food services kiosk. The area has been a popular addition to the centre, seeing an immediate footfall increase of 6% in the first four weeks of the operation.

TINIES CRÈCHE

In October 2019, to further enhance the family offering, The Marlowes opened the first Ofsted-registered Tinies Shoppers Crèche, in partnership with renowned childcare providers, Tinies Daycare.

The crèche offers two hours free childcare for guests shopping in the centre. Tinies Crèche enables parents to enjoy a convenient, stress-free shopping experience while ensuring that their children receive the highest standards of care.

Since it opened more than 2,000 children have been cared for with an average dwell time of 1 hour 41 minutes which represents a 23 minute increase (29%) against the centre average.

Parent feedback:

"My son went to Tinies yesterday and I cannot praise them enough. He came out and when I asked if he liked it he said 'no I didn't like it I LOVED it' he has already asked when we can go into town again. Popping into town used to be a struggle to me as he hated walking around the shops and the only time I'm off work I'm with him. Well done Tinies and the Marlowes. How lucky we are to have such a safe fun and friendly area to leave our children."

DELIVERING RESULTS

6%

Increase in footfall*

29%

increase in dwell time

*In first 4 weeks of operation

STUART WETHERLY
GROUP FINANCE DIRECTOR

Financial review

	2019	2018	Change
Profitability			
Statutory Revenue	**£88.9m**	£91.0m	-2.2%
Net Rental Income (NRI)	**£49.3m**	£51.9m	-5.0%
Adjusted Profit[1]	**£27.4m**	£30.5m	-10.2%
Adjusted Earnings per share[1, 4]	**36.7p**	42.3p	-13.2%
IFRS Loss	**£(121.0)m**	£(25.6)m	-£95.4m
Basic Earnings per share[4]	**(162)p**	(35)p	-127p
EPRA cost ratio (excluding vacancy costs)	**25.9%**	25.1%	+0.8%
Net Administrative Expenses to Gross Rent	**10.8%**	10.7%	+0.1%
Investment returns			
Net Asset Value (NAV) per share[4]	**361p**	596p	-235p
EPRA NAV per share[4]	**364p**	591p	-227p
Dividend per share[4]	**21.0p**	24.2p	-3.2p
Dividend pay-out[5]	**68%**	57.2%	
Return on equity	**(27.8)%**	(5.3)%	
Financing			
Group net debt	**£336.9m**	£411.1m	-£74.2m
Group net debt to property value	**46%**	48%	-2 pps
Average debt maturity[2]	**5.4 years**	6.3 years	-0.9 years
Cost of debt[3]	**3.26%**	3.27%	-1 bps

[1] Adjusted Profit and Adjusted Earnings per share are 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] Assuming exercise of all extension options.

[3] Assuming all loans fully drawn.

[4] Per share amounts are adjusted to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

[5] Total dividend as a percentage of Adjusted Profit.

STRATEGIC REPORT

Financial review

Continued

USE OF ALTERNATIVE PERFORMANCE MEASURES (APMS)

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

Alternative performance measure used	Rationale
Adjusted Profit	Adjusted Profit is used as it is considered by management to provide the best indication of the extent to which dividend payments are supported by underlying profits as it seeks to exclude items that are either non-cash movements or items that are one-off or do not relate to the Group's recurring operating performance. Adjusted Profit excludes revaluation of properties, profit or loss on disposal of properties or investments, gains or losses on financial instruments, non-cash charges in respect of share-based payments and exceptional and/or one-off items. The key differences from EPRA earnings, an industry standard comparable measure, relates to the exclusion of non-cash charges in respect of share-based payments and adjustments in respect of exceptional items such as restructuring costs where EPRA is prescriptive. Adjusted Earnings per share is Adjusted Profit divided by the weighted average number of shares in issue during the year excluding own shares held. A reconciliation of Adjusted Profit to the equivalent EPRA and statutory measures is provided in Note 9 to the financial statements.
Like-for-like amounts	Like-for-like amounts are presented as they measure operating performance adjusted to remove the impact of properties that were only owned for part of the relevant periods. For the purposes of comparison of capital values, this will also include assets owned at the previous period end but not necessarily throughout the prior period.
Net Rent or Net Rental Income (NRI)	Net Rental Income is rental income from properties, less property and management costs (excluding performance fees). It is a standard industry measure. A reconciliation to statutory turnover is provided in Note 3 to the financial statements.

PROFITABILITY

Amounts in £m	Year to 30 Dec 2019	Year to 30 Dec 2018
Net rental income	**49.3**	51.9
Net interest	**(18.9)**	(18.9)
Investment income	**0.2**	0.4
Central operating costs net of external fees	**(4.7)**	(4.7)
Kingfisher Redditch	**–**	0.4
Snozone profit (indoor ski operation)	**1.5**	1.5
Tax charge	**–**	(0.1)
Adjusted Profit	**27.4**	30.5
Adjusted Earnings per share (pence)[1,2]	**36.7**	42.3
Reconciliation of Adjusted Profit to statutory result		
Adjusted Profit	**27.4**	30.5
Property revaluation	**(138.6)**	(52.5)
Loss on disposal	**(0.5)**	(3.8)
Impairment	**(1.4)**	–
(Loss)/Gain on financial instruments	**(5.0)**	2.6
Transaction costs on issue of new equity and partial offer	**(2.2)**	–
Other items	**(0.7)**	(2.4)
IFRS loss for year	**(121.0)**	(25.6)

[1] EPRA figures and a reconciliation to EPRA EPS are shown in Note 9 to the Financial Statements.

[2] Per share amounts are adjusted to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

Adjusted Profit – 2019: £27.4 million (2018: £30.5 million)

Adjusted Profit and Adjusted Earnings per share decreased by 10.2% and 13.2% respectively, driven primarily by a £2.6 million or 5.0% decrease in NRI. This was largely due to CVAs and retailer restructurings, which impacted by approximately £3.0 million in 2019.

Net interest remained in line with 2018 as broken down in the following table:

Amounts in £m	Year to 30 Dec 2019	Year to 30 Dec 2018
Net Interest on loans	14.6	14.4
Amortisation of refinancing costs	0.9	0.9
Notional interest charge on head leases[1]	3.4	3.4
	18.9	18.7
Central	–	0.2
Net Group interest	18.9	18.9

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

Central operating costs (net of external fees) were flat year on year with efficiency improvements offsetting the impact of salary inflation. Following the restructuring of the Kingfisher Redditch Joint Venture that completed early in 2019 the Group no longer equity accounts for its interest and no distributions were received during the year. Snozone contribution remained stable on a rounded basis, at £1.5 million.

IFRS loss for the period – 2019: Loss of £121.0 million (2018: Loss of £25.6 million)

The loss on revaluation of investment properties for the year was £138.6 million (2018: Loss of £52.5 million) and this was the key component driving a loss for the period of £121.2 million. A breakdown of valuations by property is provided in the Net Asset Value section below. The other main factors outside of Adjusted Profit were a loss on financial instruments of £5.0 million, reflecting expectations of interest rates being lower for longer, a £1.4 million impairment of the Group's fixed asset investment in the Kingfisher Redditch Joint Venture and £2.2 million of costs in respect of the Growthpoint transaction costs. A further £3.3 million of costs in relation to this transaction have been charged to Share Premium as they directly related to the issue of new shares.

NET ASSET VALUE

The valuation of the portfolio at 30 December 2019 was £727.1 million, a 15% decline on 30 December 2018 and reflecting a net initial yield of 6.95% (2018: NIY: 6.23%).

The decline of retail asset values across the industry accelerated in 2019 and the disconnect of London and regional assets continued albeit driven largely by sentiment with transaction volumes remaining at historically low levels. The Group's London assets proved relatively more robust with an overall decline of 7.6%. The Group's assets outside of London were, however, significantly impacted by negative sentiment towards retail assets with the headline valuation of the Group's three South East assets declining by 20.7% and Blackburn falling by over 30% over 2019.

Property portfolio valuation

	30 December 2019		30 December 2018	
Property at independent valuation	£m	NIY %	£m	NIY %
London				
Ilford	77.4	6.06%	86.2	5.69%
Walthamstow	126.0	5.28%	124.6	5.01%
Wood Green	211.5	5.48%	238.3	5.12%
	414.9	5.54%	449.1	5.20%
South East				
Hemel Hempstead	34.7	8.50%	44.9	7.35%
Luton	148.7	8.00%	195.4	7.01%
Maidstone	61.9	8.38%	69.0	7.74%
	245.3	8.17%	309.3	7.23%
Regional				
Blackburn	66.9	10.24%	96.8	7.70%
Portfolio	727.1	6.95%	855.2	6.23%

Financial review

Continued

NAV decreased to £375.1 million and EPRA NAV at £378.6 million (December 2018: £433.0 million and £431.7 million), respectively, reflecting the impact of the fall in valuations (net of capital expenditure) of £138.6 million partially offset by the Adjusted Profit of £27.4 million and net equity injection of £72.4 million from the Growthpoint transaction.

On a per-share basis Basic NAV and EPRA NAV fell to 361 pence and 364 pence respectively, declines of 235 pence and 228 pence from the respective 2018 equivalents.

FINANCING

The Group's debt facilities are outlined in the table below. The fall in valuations, offset by the proceeds of the Growthpoint transaction, resulted in net debt to value decreasing to 46% (December 2018: 48%).

Details on these covenants are provided in the "covenant information" section on page 131. The Group was compliant with them throughout the year and up to the date of this announcement.

30 December 2019	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
Four Mall assets	265.0	(8.3)	256.7	57%	55%	3.33	100	5.9	6.6
Hemel	26.9	(0.8)	26.1	78%	75%	3.32	100	3.1	3.1
Ilford	39.0	(1.9)	37.1	50%	48%	2.76	100	4.2	4.2
Luton	96.5	(5.3)	91.2	65%	61%	3.14	100	4.0	4.0
Central Cash	–	(74.2)	(74.2)	–	–	n/a	n/a	n/a	n/a
£15m Revolving Credit Facility (undrawn)	–	–	–	n/a	n/a	3.79	–	2.1	2.1
On balance sheet debt	427.4	(90.5)	336.9	59%	46%	3.26	94	5.0	5.4

[1] Excluding unamortised issue costs.

[2] Excluding cash beneficially owned by tenants.

[3] Debt and net debt divided by investment property at valuation.

£50 million of the net proceeds from the equity raise in the year have been earmarked for the repayment or restructuring of debt. £5 million had been utilised by 30 December 2019 contributing to a total pay down of the Luton debt facility of £11 million in the second half of 2019 reducing the outstanding loan amount to £96.5 million. In addition to the facilities listed above the Group has a Revolving Credit Facility of £15 million currently undrawn and fully available.

Negotiations are ongoing with the Group's lenders regarding the possible utilisation of the remaining £45 million across its different loan facilities with the Group seeking an improvement to covenant terms in exchange for any voluntary repayment. Based on the existing covenant terms, without any further improvement, the £45 million provides the Group with the ability to withstand a further 20% fall from the 30 December 2019 valuations without facing any default or cash trap restrictions on any of its facilities.

SOUTH AFRICAN SECONDARY LISTING

The Company maintains a primary listing on the London Stock Exchange (LSE) and a secondary listing on the Johannesburg Stock Exchange (JSE) in South Africa. At 30 December 2019, 58,738,414 of the Company's shares were held on the JSE share register representing 5.65% of the total shares in issue.

DIVIDEND

As outlined in the Prospectus published on 7 November 2019, the Company agreed to adopt a policy of distributing on a semi-annual basis (in the approximate proportions of 45 / 55 and in that order in respect of each financial year) not less than approximately 90% of the Company's EPRA earnings.

The Board is proposing a final dividend of 11 pence per share, based on approximately 90% of earnings for the second half of 2019. This will be paid as 100% property income distribution.

This will make the full-year dividend, adjusting the interim dividend of 1 pence for the impact of the recent 10 for 1 share consolidation, to 21 pence per share (December 2018: equivalent to 24.2 pence per share).

The key dates proposed in relation to the payment of the 2019 final dividend are:

■ Annual General Meeting	Wednesday, 20 May 2020
■ Confirmation of ZAR equivalent dividend	Thursday, 21 May 2020
■ Last day to trade on Johannesburg Stock Exchange (JSE)	Tuesday, 2 June 2020
■ Shares trade ex-dividend on the JSE	Wednesday, 3 June 2020
■ Shares trade ex-dividend on the London Stock Exchange (LSE)	Thursday, 4 June 2020
■ Record date for LSE and JSE	Friday, 5 June 2020
■ Dividend payment date/despatch of share certificates	Thursday, 24 June 2020

A scrip offer will be made available subject to approval at the Annual General Meeting. 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 Thursday, 21 May 2020. Share certificates on the South African register may not be dematerialised or rematerialised between Wednesday, 3 June 2020 and Friday, 5 June 2020, both dates inclusive. Transfers between the UK and South African registers may not take place between Thursday, 21 May 2020 and Friday, 5 June 2020, both dates inclusive.

STUART WETHERLY
GROUP FINANCE DIRECTOR

Managing risk

RISK MANAGEMENT APPROACH

The Board has ultimate responsibility for the oversight of risk management within the Group. The Board defines the risk appetite of the Group, establishes a risk management strategy and is responsible for maintaining a robust internal controls system.

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 2019.

PRINCIPAL RISKS AT 30 DECEMBER 2019

As part of the risk review completed as at 30 December 2019, the groupings and categorisations of the Group's principal risk were reviewed and refined with a few common risks being consolidated together. Amongst the main factors considered, were the continuing structural changes to UK retail and the continuing use of CVAs by struggling retailers, and the ongoing economic and political uncertainty concerning the terms of the country's exit from the European Union (see below). The review concluded that while as a result of these combined factors the profile of a number of risks, including property investment market risks and the impact of the economic environment, had changed, the ultimate nature and significance of them had not.

COVID-19

The impact of COVID-19 is incorporated within our Business disruption from a major incident risk. At the time of writing all of the Group's seven shopping centres remain open to provide essential services although a majority of tenants are currently closed in line with government guidelines. Approximately 50% of the rent due for the second quarter of 2020 has so far been collected. We are in active discussions with all our retailer customers on the outstanding rents appreciating these are challenging times and are actively monitoring the situation and ensuring contingency plans are in place to mitigate the potential impact on our operations, our shopping centres and our tenants as best we can as the situation develops further.

BREXIT

The UK formally left the European Union (EU) at the end of January 2020. It has now entered a transitional period until the end of 2020 and must negotiate its future trading relationship with the EU. While these developments have provided some clarity, there remains significant uncertainty over the future impact of Brexit on a number of the Group's principal risks. From a risk perspective, the main impact of Brexit is on Property investment market risks, the economic environment and Tax and regulatory risks. The ultimate impact will be dependent on the terms of the UK's relationship with the EU. Any significant change, such as the inability to reach a trade agreement, resulting in the application of WTO rules, is likely to have an adverse impact on the Group.

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.

TOP DOWN	Oversight, identification, assessment and mitigation of risk at a Group Level	**Board** Responsible for oversight of risk management and internal controls processes. Defines the Group's risk appetite and assesses the Group's principal risks with the Executive Directors.
		Audit Committee Supports the Board in the management of risk and is responsible for reviewing the effectiveness of the risk management strategy and internal control processes throughout the year.
		Senior Leadership Team Responsible for the day-to-day operational application of the risk management strategy and ensuring that all staff are aware of their responsibilities.
BOTTOM UP	Identification, assessment and mitigation of risk at an Operational Level	**Operational management** Responsible for implementing and maintaining risk management procedures, and maintaining risk registers including identification of risks, mitigating controls and actions required.
		Employees Responsible for complying with risk management procedures and internal control measures, and provide feedback to operational management on day-to-day risk management.

Managing risk

Continued

1 PROPERTY INVESTMENT MARKET RISKS

Strategic priorities

Define, Position

Risk

- Weakening economic conditions and poor sentiment in commercial and/or retail real estate markets could lead to low investor demand and an adverse movement in valuation
- Valuation risk from lack of relevant transactional evidence

Impact

- Small changes in property market yields or future cashflow assumptions can have a significant effect on valuation
- Impact of leverage could magnify the effect on the Group's net assets
- Property valuations increasingly subjective and open to a wider range of possible outcomes

Mitigation

- Monitoring of indicators of market direction and forward planning of investment decisions
- Use of multiple experienced, external valuers who understand the specific properties and whose output is reviewed and challenged by internal specialists
- Regular review and consideration of strategies to reduce debt levels if appropriate
- Maintenance of cash and covenant headroom to provide flexibility

2 IMPACT OF THE ECONOMIC ENVIRONMENT

Strategic priorities

Position

Risk

- Tenant insolvency or distress
- Prolonged downturn in tenant demand and pressure on rent levels

Impact

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

Mitigation

- Large, diversified tenant base
- Review of tenant covenants before new leases signed
- Long-term leases and active credit control process
- Good relationships with, and active management of, tenants
- Void management through temporary lettings and other mitigation strategies

3 TREASURY RISK

Strategic priorities

Position, Focus

Risk

- Inability to fund the business or to refinance existing debt on economic terms when needed
- Breach of any loan covenants causing default on debt and possible accelerated maturity
- Exposure to rising or falling interest rates

Impact

- Inability to meet financial obligations when due
- Limitation on financial and operational flexibility
- Cost of financing could be prohibitive
- Unremedied breaches can trigger demand for immediate repayment of loan
- If interest rates rise and are unhedged, the cost of debt facilities can rise and ICR covenants could be broken
- Hedging transactions used by the Group to minimise interest rate risk may limit gains, result in losses or have other adverse consequences

Mitigation

- Ensuring that the Group maintains appropriate levels of cash reserves and/or undrawn facilities
- Regular monitoring and projections of liquidity, gearing and covenant compliance with regular reporting to the Board
- Option of asset sales if necessary
- Regular monitoring of the performance of derivative contracts and corrective action taken where necessary
- Use of alternative hedges such as caps

4 TAX AND REGULATORY RISKS

Strategic priorities

Focus

Risk
- Exposure to non-compliance with the REIT regime and changes in the form or interpretation of tax legislation
- Potential exposure to tax liabilities in respect of historic transactions undertaken
- Exposure to changes in existing or forthcoming property or corporate regulation

Impact
- Tax-related liabilities and other losses could arise
- Failure to comply with tax or regulatory requirements could result in financial penalties, loss of business or credibility

Mitigation
- Monitoring of REIT compliance
- Expert advice taken on tax positions and other regulations
- Maintenance of a regular dialogue with the tax authorities
- Training to keep Management aware of regulatory changes
- Expert advice taken on complex regulatory matters

5 PEOPLE

Strategic priorities

Focus

Risk
- Dependence of the business on the skills of a small number of key individuals

Impact
- Loss of key individuals or an inability to attract new employees with the appropriate expertise could reduce effectiveness

Mitigation
- Pay market salaries and offer competitive incentive packages
- Positive working environment and culture
- Use of share incentive plans
- Succession planning for key positions

6 DEVELOPMENT RISK

Strategic priorities

Focus

Risk
- Delays or other issues may occur to capital expenditure and development projects
- The threat to the Group's property assets of competing in town and out of town retail and leisure schemes

Impact
- May lead to increased cost and reputational damage
- Planned value may not be realised
- Competing schemes may reduce footfall and reduce tenant demand for space and the levels of rents which can be achieved

Mitigation
- Approval process for new developments and staged execution to key milestones
- Use of experienced project coordinators and external consultants with regular monitoring and Executive Committee oversight
- Monitoring of new planning proposals
- Close relationships with local councils and willingness to support town centres

Managing risk

Continued

7

BUSINESS DISRUPTION FROM A MAJOR INCIDENT

Strategic priorities

Focus

Risk

- Major incident or situation develops that has a significant impact upon trading. This could be something specific to a centre or trading location (e.g. the fire in Walthamstow that occurred in 2019) or a situation such as COVID-19 that impacts trading on a national scale.

Impact

- Financial loss if unable to trade or impacts upon shopper footfall
- Reputational and financial damage if business has or is perceived to have acted negligently

Mitigation

- 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

8

RESPONSIBLE BUSINESS

Strategic priorities

Position, Focus

Risk

- The Group's activities may have an adverse impact on the environment and communities
- Health and safety incidents could cause death or serious injury

Impact

- Failure to act on environmental and social issues could lead to reputational damage, deterioration in relationships with customers and communities and limit investment opportunities
- Failure to comply with regulations could result in financial exposure.
- Health and safety incidents could result in reputational damage, financial liability for the Group and potentially criminal liability for the Directors

Mitigation

- Issues considered as part of the Group's Responsible Business Committee
- Environmental policy in place and consistent with ISO14001
- Management of and compliance with the Carbon Reduction Commitment and compliance with the Carbon Trust
- Specialist health and safety compliance manager in place
- Monitoring systems to ensure tenant compliance

9

CUSTOMERS & CHANGING CONSUMER TRENDS

Strategic priorities

Define, Position

Risk

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

Impact

- Changes 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
- An increased use of CVAs by retailers as a means of restructuring and cost reduction

Mitigation

- Strong location and dominance of shopping centres (portfolio is weighted to London and South East England)
- Strength of the community shopping experience with tailored relevance to the local community
- Concentration on convenience and value offer which is less impacted by online presence
- Increasing provision of "Click & Collect" within our centres
- Digital marketing initiatives
- Monitoring of footfall, retail trends and shopping behaviour

10

HISTORIC TRANSACTIONS

Strategic priorities

Focus

Risk

- Historic sales have included vendor warranties and indemnities and as such, the Group has potential exposure to future claims from the purchaser

Impact

- Warranty and indemnity-related liabilities and other losses could arise

Mitigation

- Use of professional advisers to achieve properly negotiated agreements in terms of scope, extent of financial liability and time frame
- Monitoring of ongoing exposures

Managing risk

Continued

VIABILITY STATEMENT

In accordance with the 2018 revision of the UK Corporate Governance Code, the Directors have assessed the prospect of the Company over a longer period than the 12 months required by the "Going Concern" provision. The Board conducted this review for a three-year period to December 2022. This was selected reflecting that the Group's annual budget and business planning process covers a three-year period and all of the Group's asset backed 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 27 to 31.

We have considered specifically the impact on the business of the significant disruption arising from COVID-19. At the time of writing on 15 April 2020, all of the Group's seven shopping centres remain open to provide essential services although a majority of tenants are currently closed in line with government guidelines. Approximately 50% of the rent due for the second quarter of 2020 has so far been collected. We are in active discussions with all our retailer customers on the outstanding rents appreciating these are challenging times.

As of the time of writing on 15 April 2020 the Group has total cash on balance sheet of over £90 million, which is equivalent to more than one year's gross revenue. Approximately £70 million of the £90 million is maintained centrally and is immediately and freely available. In addition, the group has an undrawn revolving credit facility of £15 million available until January 2022. The earliest maturity on any of the Group's other loan facilities is February 2023. This provides significant cash contingency to cover any disruption to operations for an extended period of time.

We have also undertaken actions to improve the preservation of cash within the business while this period of uncertainty persists. We have suspended all non-essential or non-committed capital expenditure projects and are planning to implement a scrip dividend alternative for the forthcoming Final 2019 Dividend payment which our largest shareholders have committed to taking meaning there will be at least 65% take-up and the majority of the proposed £11.4 million total dividend payment being preserved in cash within the business. In addition, selling an asset or part of an asset, the accelerated monetising of residential development opportunities or raising new equity would all be additional options potentially open to Management for increasing cash levels within the business.

The Group's four asset backed loan facilities each have covenants as outlined on page 131. Covenants in respect of minimum interest cover ratios, both projected and historic, are tested quarterly. At the most recent test date prior to the impact of COVID-19, in January 2020, the respective covenant headroom on this basis was a minimum of 33% and most facilities were in the range of 33% to 45%. Put another way the headroom provides cover such that qualifying net income or expected qualifying net income for the respective test period could fall by between approximately a third and up to just under a half before the covenants would be at risk. If there is significant disruption to trading across multiple quarters, or in respect of valuation covenants a deemed significant long term reduction in value, then there are scenarios where the headroom could be eroded and, dependent on the impact upon the specific properties within each loan agreement, the risk that covenants could be breached.

Initial discussions with our lenders have indicated a willingness to potentially provide waivers or relaxation of covenants where potential breaches are due to the short term disruption of COVID-19. In the event waivers are not obtained the level of cash currently maintained by the Group also provides resource to potentially cure loan facilities or use in return for negotiating further covenant relaxation should it be necessary. In the event that this did not prove sufficient then the Group has further options potentially available for increasing available cash within the business including as noted above the divestment of an asset, the accelerated monetising of residential development opportunities or the raising of new equity.

Based on an assessment of all of the above and the resources and actions available the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2022.

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;
- the relatively high level of cash currently maintained centrally that is fully available to the Group for any purpose and free from any restrictions over its use;
- options for recycling capital and or alternative means of additional financing 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 27 to 31.

Having due regard to these matters and after making appropriate enquiries including considerations of the impact of COVID-19 as outlined in the viability statement, 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.

Our Stakeholders

Our stakeholders are at the heart of our strategy and business model. By engaging with them we are able to understand their changing needs which helps inform our strategic decision making and ensure our long-term success.

SECTION 172 STATEMENT

The Board has regard to the matters set out in Section 172(1) of the Companies Act 2006 when performing its duties under Section 172 to promote the success of the Company. When making decisions, the Board pays due regard to: the likely consequences of decisions in the long term; the interests of stakeholders, the impact actions have on the communities in which we operate and the environment; maintaining high standards of business conduct; and acting fairly at all times. Our key stakeholders, how we engage with them and consider their needs and concerns is outlined below.

The Marketplace

Our retailers, our customers and our partners

What matters

- Affordable rents and service charge
- Outstanding customer service
- Centres that drive footfall and are adaptable to meet the needs of a changing market
- Prompt and fair payments to suppliers and contractors
- Ethical and fair dealings that protect human rights and the health and safety of our partners

How we engage

- Investment in data to understand consumer and market trends
- Regular visitor surveys
- Regular audits of facilities management and operational standards

How we respond

- The Board's Responsible Business Committee discuss key issues as part of its agenda and provide regular updates at Board meetings.
- The Board reviewed and approved the Modern Slavery Statement
- Changing consumer and market trends form part of boardroom discussions and decision making

Read more about **how we engage** on pages 35 to 36

Our People

What matters

- Opportunities for career and personal development
- Fair and equitable pay and benefits
- An inclusive and diverse environment
- Open and transparent communication

How we engage

- Intranet; all-staff emails; weekly CEO updates and regular townhall meetings
- Workforce posters and communications
- Whistleblowing procedures
- Employee surveys
- Wellbeing Committees

How we respond

- The Board receives periodic reports on a range of people matters
- The Board regularly takes the opportunity to meet with staff at all levels in the organisation when making site visits across our business
- The Board reviews employee engagement through employee surveys and follows up the actions taken
- The Board considered the impact on current employees when making strategic decisions, including the impact of the Growthpoint transaction

Read more about **how we engage with our people** on pages 39, 49 and 75

Our Stakeholders

Continued

Stakeholder	
Our Shareholders	**What matters** ■ Robust financial accounts ■ Sustainable dividend income ■ Delivering income and capital growth ■ ESG performance **How we engage** ■ AGMs, results presentations and investor events ■ One-to-one meetings with the Chairman, Senior Independent Director and Management **How we respond** ■ Review and act on regular reports from analysts and advisors ■ Feedback from shareholder meetings is shared with the Board and forms part of boardroom discussions ■ The Board considered the impact of various recapitalisation strategies and the resulting Growthpoint transaction on shareholders ■ In 2019, the Remuneration Committee Chair engaged with shareholders and reviewed and acted on the feedback received from them and governance agencies before and after the publication of the 2019 Remuneration Policy → Read more about **our engagement with our shareholders** on page 49
The Community	**What matters** ■ Having a positive impact on local areas ■ Supporting employment in the community ■ Vibrant and well-maintained centres that enhance their surroundings ■ Open communication and engagement on development opportunities **How we engage** ■ Strong engagement with local and central governments and Business Improvement Districts ■ Partnering with industry organisations such as retailTRUST and REVO ■ Supporting local charities and organisations through our C&R Cares programme **How we respond** ■ The Board's Responsible Business Committee discuss key issues as part of its agenda and provide regular updates at Board meetings ■ The Board reviews and approves all developments within our communities and receives regular updates on ongoing planning matters and community outreach programmes → Read more about **how we engage with our communities** on pages 40 to 41
The Environment	**What matters** ■ Awareness of the environmental impact of our activities ■ Reduction of CO_2 emissions and energy and water consumption ■ Reducing waste, in particular plastic waste, and diverting waste from landfill **How we engage** ■ Develop and implement various sustainability schemes across our centres ■ Engage with our retailers to increase awareness and education ■ Maintain Global Real Estate Benchmark Green Star Status ■ Member of the Better Building Partnership ■ Signatory to the Climate Change Commitment **How we respond** ■ The Board's Responsible Business Committee discuss key environmental issues as part of its agenda and provide regular updates at Board meetings ■ Environmental issues form part of our boardroom discussions → Read more about **how we engage** on page 38

Community engagement in numbers

9,078
Jobs supported by our centres

£157K
Community funding sponsorship

+32
Net Promoter Score – for staff

£327K
Raised for C&R Cares

3,847
Voluntary hours donated to supporting the local community

+14
Net Promoter Score – Guests

163
Charities supported

165
Community events hosted

+18
Net Promoter Score – Customers

163
Community groups supported

Responsible business

OVERVIEW

Our commitment to running our business responsibly is important to C&R; 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 C&R is not only a great place to work but has a positive impact on our guests, retailer customers 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, the environment, our people and our communities.

THE MARKETPLACE

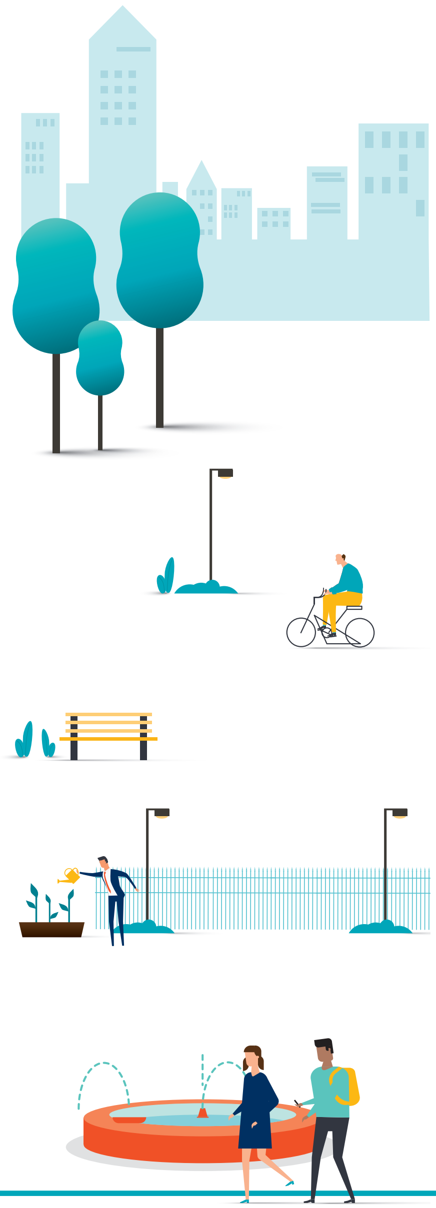
Our aim is to engage with our local guests, customers, suppliers and stakeholders, to understand their needs and identify ways of improving our collective responsible business performance. We recognise the positive impact our retail customers and suppliers can have on our sustainability efforts and continue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

HIGHLIGHTS FROM 2019

- Retained the ROSPA Gold Award for 13th consecutive year.
- Our revised Operational Standards Assessments, rolled out in 2019, received an average score of 95% across the portfolio.
- Our Compliance and Facilities Management audit achieved an average score across the portfolio of 95.7%.
- The centres participated in the Revo Achievement in Customer Excellence Awards (ACE) and achieved an average Mystery Shopper rating of 89%, compared to the industry average of 87%.
- C&R awarded the Top Scoring Owner award at the 2019 Revo ACE Awards. The Mall, Blackburn was also recognised, coming runner up in the community shopping centre category.

PRIORITIES FOR 2020

- Retain the ROSPA Gold Award.
- Introduce innovations across the service charge contracts to provide measurable efficiencies. Engage with the Revo Service Charge benchmark due to be launched in 2020.
- Improve the visibility of key personnel including Guest Services, Security and Cleaning, in response to guest exit surveys and NPS surveys.
- Obtain external recognition from a nationally recognised body for the Going the Extra Mile (GEMS) training programme.
- Develop and launch a new Operational Standards framework focusing on key areas of the guest and customer journey including; facilities, car parking, community spaces, accessibility, and customer relationships.



MENTAL HEALTH TRAINING

C&R has committed to delivering mental health first aid courses across the business, to support both our colleagues and our guests in their daily lives. In 2019, we partnered with Get Mental Health Training to teach the skills and confidence to respond, support and manage crisis.

In 2019, we trained 37 colleagues across the business, in varying roles from front of house to support roles within our centres. The initiative has increased the level of knowledge within our teams and has assisted them in responding to a wide range of issues and supporting our community members.

ACTIVE AUGUST CHALLENGE

Our younger guests spent this summer taking part in our Active August Challenge where they completed an activity trail, collecting clues from a number of checkpoints positioned around the centre and taking part in active play games. Participants were given a pedometer to count the number of steps completed during the challenge. Once they found all the checkpoints and spelt the magic word, they could then log the total number of steps they had completed on the leader board, competing for prizes, with 'top steppers' winning prizes including a £500 gift card.

The aim of the campaign was to promote healthy living whilst driving footfall to our centres by providing fun, family friendly activity. The event received great feedback and achieved the following KPI's:

- A total of 5,500,000 steps were recorded by our guests
- The Active August Challenge was taken on by 2,865 guests across our centres.

Responsible business

ENVIRONMENTAL SUSTAINABILITY

We work hard to ensure that our local communities which we serve are better places to be for all. Our commitment is to reduce our impact on the environment in the three key areas of waste, water and energy. In addition, we continue to focus on reducing the carbon footprint of our properties. We have long recognised that any development activity should mirror this and have proactively ensured we minimise energy consumption and mitigate the effects of climate change throughout the design and refurbishment of our centres.

Highlights from 2019:

- Retained the Global Real Estate Benchmark (GRESB) Green Star Status.
- Reduced CO_2 emissions by over 15% and also reduced gas and electricity consumption on a like-for-like basis by 6%, saving c.£200,000 in costs. Energy intensity has been reduced by 36% since 2008.
- Of the 3,396 tonnes of waste treated 99% was diverted from landfill, of which 63% was recycled and 36% waste to energy or incineration.
- Food waste initiatives and the Pilot 'Don't Waste' scheme resulted in improved efficiencies. Cost savings of over £60,000 have been identified and are being implemented at two centres. 69 tonnes of food waste was sent for anaerobic digestion.
- Refillable water units were rolled out at Hemel Hempstead, Luton and Wood Green with the remaining centres to follow in 2020.

Priorities for 2020:

- Achieve GRESB Green Star 4 star rating and satisfy all carbon compliance reporting and legislative requirements.
- Reduce gas and electricity consumption by 1.5% and water consumption (normalised by footfall at landlord controlled facilities) by 1%.
- Divert at least 99% waste direct from landfill and 70% recycled back to the supply chain.
- As a member of the Better Building Partnership and signatory to the Climate Change commitment, establish a net zero carbon pathway outlining our trajectory towards net zero carbon.
- Roll out a sustainability awareness programme at each centre informing our guests and staff on how they can make a difference in their daily lives.

Report on Greenhouse Gas Emissions

Scope 1 and 2 Mandatory Reporting*	2016**	2017**	2018**	2019
Emissions				
Scope 1 tCO_2e	1,154	1,184	1,371	**1,357**
Scope 2 tCO_2e	9,996	7,721	6,790	**5,369**
Intensity				
Scope 1 and 2 $kgCO_2e$/sq ft	2.25	1.69	1.55	**1.28**

* Scope definitions:

Scope 1: Direct GHG emissions from controlled operations (natural gas consumption)

Scope 2: Indirect GHG emissions from the use of purchased electricity, heat or steam (electricity consumption)

**2016, 2017 and 2018 figures have been restated where material changes were subsequently identified.

Approach

The reported CO2 emissions for 2019 have been produced with reference to the Greenhouse Gas Protocol. 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.

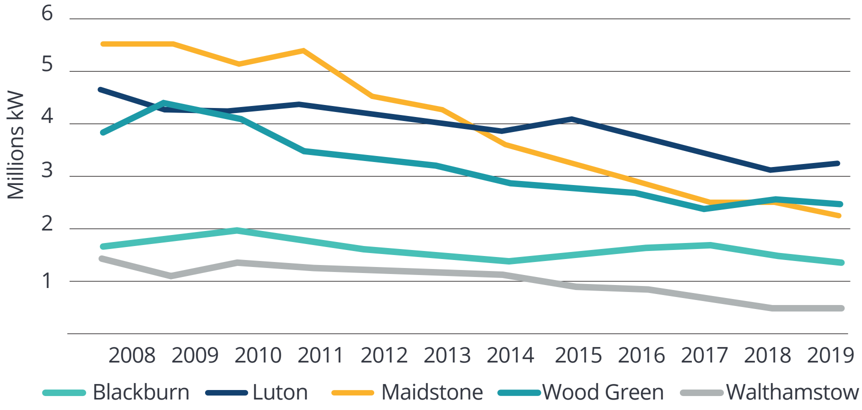
Scope 1 emissions account for total gas consumption of Capital & Regional. Emissions from emergency equipment (e.g. standby generators) have been deemed deminimis and therefore are not included in the reported figures. Scope 2 emissions account for the total electricity purchased by Capital & Regional.

Actual invoice data and site consumption logs have been used for reporting wherever possible, however, some data has been estimated where required. It should be noted that the Scope 1 and Scope 2 emissions (where stated in tCO2e) are absolute values. The 2016, 2017, 2018 and 2019 figures are not necessarily directly comparable due to changes in emission factors, and the Capital & Regional property portfolio included in the boundary.

Capital & Regional moved its Support Office location in 2018. The new office consumption is an estimate based on current floor area and consumption in the old office. This is because electricity use is not billed directly to Capital & Regional but the landlord. Consumption information was not available from the landlord at the time of the report.

The reported emissions represent the best information available at the time of issue 19 February 2020.

Electricity Intensity reduction 2008-2019 (centres owned for whole period).



PEOPLE

Being a responsible business cannot be achieved without the support and active engagement of our colleagues. They are fundamental to the delivery of our business vision to define and lead Community Shopping, through our passionate creation of vibrant retail spaces and exceptional customer and guest experience. Our aim is to ensure that we promote a progressive company culture. Our culture, who we are, how we work together and the pride we generate, is crucial in supporting the delivery of our strategic priorities. Our culture is one of innovation and agility, where we act as one team and are held accountable.

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

Highlights from 2019:

- Achieved 95% return rate on C&R Pulse, our in-house Staff Engagement Survey, +11% on previous year.
- Employee NPS (Net Promotor Score) achieved +32 average for the year compared to industry average of +5.
- The launch of a dedicated Wellbeing resource on CARTER and a review of wellbeing arrangements across the portfolio, which has resulted in improvements and enhancements within staff welfare areas.
- Successful delivery of the restructure of the C&R and Mall People payroll systems and rollout of training for CARTER HR, the new self-serve online HR portal.
- Hosted the first National Sparkle Award as part of GEMs to reward those who had delivered exceptional guest and customer service in 2019. The GEMs programme was also shortlisted for a SCEPTRE award.
- Supported staff in attending the OSS Academy retail management development programme.
- Successfully launched our decentralised management platform across the business.

Priorities for 2020:

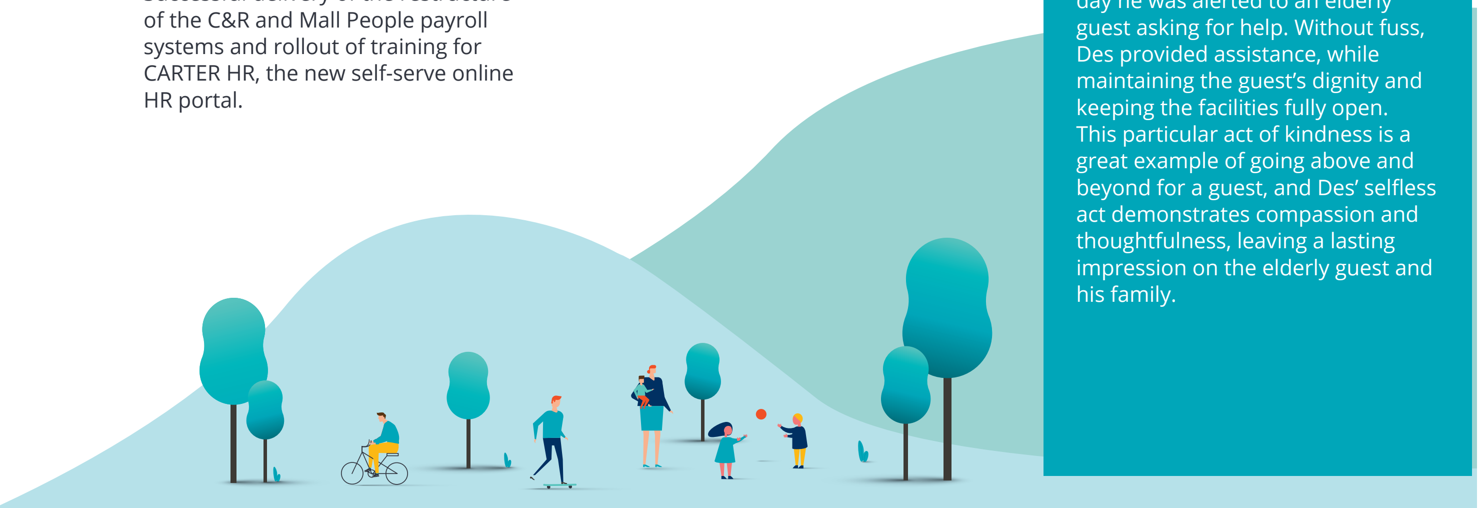
- To launch a 'SuperGEM' category as the pinnacle of the GEMs programme. Individuals that attain the award will become ambassadors of the scheme and will provide onboarding, training and coaching to new team members.
- Creation of centre-specific Responsible Business Plans, tailored to the needs of the local community.
- Completion of the rollout of CARTERHR and additional functionality to all staff.
- Review how C&R's culture is defined and aligned to the business strategy and recruitment, procedures and policies and further develop KPIs to monitor progress.

NATIONAL SPARKLE AWARDS

2019 saw the very first Capital & Regional National Sparkle Awards, held at the Museum of Brands in London, in October. The Sparkle Awards, which are part of our GEMs programme, are awarded to our centre team members who go above and beyond supporting our guests or retail customers and recognises exceptional acts or extraordinary guest/customer service.

In the first year, 83 Sparkles have been awarded. The top 21 Sparkle Award winners, nominated by the General Managers from across the centres, were invited to a special celebratory lunch. Our judging panel selected two runners up and an overall National Sparkle Award winner. The two runners up were Shiraz Kahn, Security Officer from The Mall Luton, and Akua Asantewaa, Cleaner at The Mall Walthamstow. Our overall National Sparkle Award winner for 2019 was Des Larkin, Cleaner at The Mall Luton.

The very worthy winner and National Award winner, Des, had recently moved into a new role cleaning the guest facilities. On this particular day he was alerted to an elderly guest asking for help. Without fuss, Des provided assistance, while maintaining the guest's dignity and keeping the facilities fully open. This particular act of kindness is a great example of going above and beyond for a guest, and Des' selfless act demonstrates compassion and thoughtfulness, leaving a lasting impression on the elderly guest and his family.



Responsible business

Continued

PURPLE TUESDAY

We support Purple Tuesday

On Tuesday 12th November 2019, we joined the Purple Tuesday campaign for the second year running. The campaign focuses on changing the guest experience for people with disabilities and ensuring we are accessible for all.

Purple Tuesday, marked the start of our pledge to train all our guest-facing teams in Autism Awareness. Once trained, team members will receive a recognisable Autism Aware pin badge to wear.

Official Sunflower Lanyards for those with hidden disabilities are now available to collect in all of our centres. Wearing the Sunflower Lanyard indicates to people around you that help may be required.

Being at the heart of the local community we are committed to ensuring all our guests enjoy their experience of shopping with us and offer a wide range of services for people with disabilities.

THE COMMUNITY

Fundamental to our strategy is the key role our centres play in the ongoing development of the communities and environments in which we operate. We work closely with key stakeholders to ensure that we listen, engage and use feedback to develop or refine our approach. We aim to provide safe, welcoming, clean and attractive shopping and leisure venues where our guests choose to shop, work and socialise. We seek to make a positive contribution to each local community by being a responsible, socially aware and a proactive partner.

Highlights from 2019:

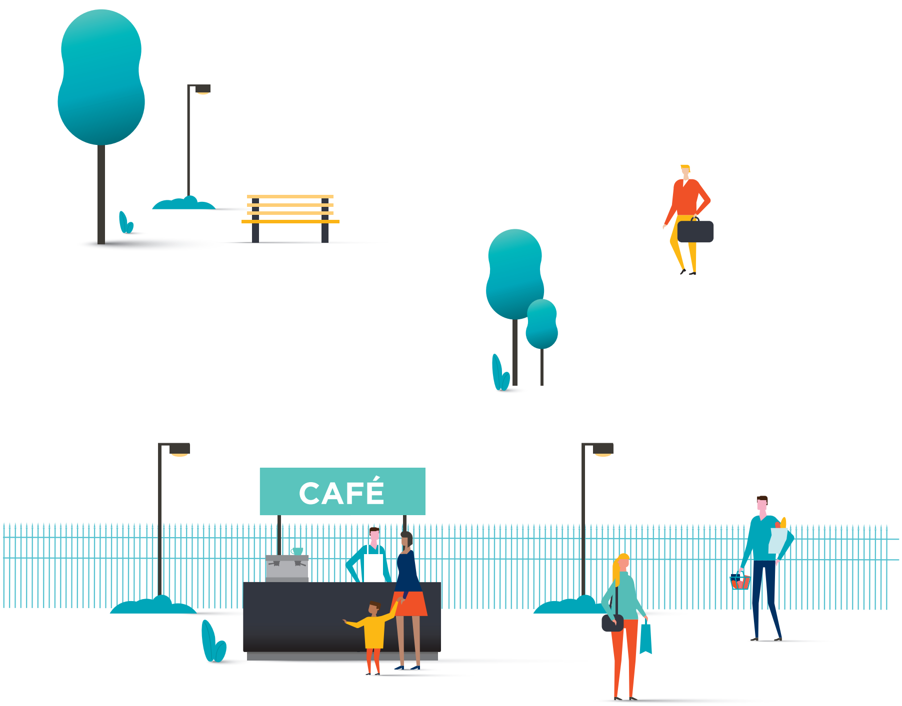
- Through C&R Cares we raised over £327,000 in 2019.
- Sponsored Waltham Forest as London's first Borough of Culture.
- Each centre now has at least two qualified Mental Health First Aiders.
- C&R were successful in attaining Disability Confident Committed status in 2019.
- C&R joined the Purple Tuesday campaign for the second year running.
- Partnered with the retailTRUST to launch an appeal to support those employed at The Mall, Walthamstow and who were impacted by the fire in July 2019. Waltham Forest Council donated £10,000 and both C&R and the retailTRUST donated £25,000 towards the fund.

Priorities for 2020:

- To continue to work with our local C&R Cares charities and at least match 2019 fundraising.
- In collaboration with community-based groups, service partners and C&R teams, develop and introduce "back to work" skills workshops to help and support members of our local communities in returning to employment.
- Commit to training all guest facing teams in Autism Awareness as part of our commitment to Purple Tuesday.
- Improve processes for engagement with our local communities to gain detailed insights into their needs and expectations.

Creating a fully inclusive shopping experience

Being at the heart of the local community we have a commitment to ensure all of our guests have a positive experience when visiting our centres. That means making sure our facilities are fully inclusive and cater to all of our guest's needs. We support people with disabilities by investing in areas such as our family changing facilities, accessible toilets including 'Changing Places' toilet facilities, as well as other projects such as Quiet Hour, Purple Tuesday, and accessible events such as 'Signing Santa', and we continue to support measures that benefit everyone.



DEVELOPMENTS IN OUR COMMUNITIES

Our centres are often the community focal point where people meet, shop, eat, access information and services or simply visit to be around people. We put great emphasis on building relationships with our existing communities, making sure they are involved and fully engaged in what we are doing. We share the view of government and expert industry bodies in believing in the importance of vibrant, successful and active town centres. We continue to evolve our asset masterplans, which include opportunities to develop our centres so that they remain relevant in the rapidly changing retail landscape.

We understand that the process of delivering change can have lasting effects on the towns in which we work and their communities. The views of our communities are important and welcomed and we seek consensus support. We do acknowledge that this is not always possible and that some groupings within the community will seek development outcomes that are not aligned with our plans. We operate in a manner that is consistent with national planning policy and with development plans and frameworks locally. We remain committed to an open dialogue with community interest groups and individuals to reach the best understanding and accommodation that is possible. We will not always fully agree and where this happens will say why.

In 2019 C&R formally opposed an outline planning application by 2020 Developments, a subsidiary of 2020 which owns Luton Town Football Club, for a new out of town retail-led development at Newlands Park at Junction 10A of the M1 motorway. The application was submitted in anticipation of raising funds to support the development of a new football stadium on the Power Court site in Luton town Centre. We consider that the retail development would be damaging to the town centre as a whole and therefore its role in serving the local community. Following our objection, the Secretary of State for Housing, Communities and Local Government determined not to call in the application for review and it achieved planning consent in September 2019. C&R subsequently lodged an application for judicial review to the High Court but, this was not allowed to proceed and the planning consent stands.

We remain supportive of the initiative by 2020 Developments to develop a new stadium for the club on the Power Court site for which 2020 received outline planning consent in January 2019. We are also supporting Luton Borough Council in bringing forward a new town centre framework to improve the town centre overall and we continue to be active in supporting a wide range of community initiatives in Luton.

Plans to redevelop The Mall Walthamstow to provide increased retail and leisure space and c300 new homes received full planning consent in July 2018. Since then these plans have continued to be reviewed and improved, in particular as we and Waltham Forest Council have worked closely with Transport for London to integrate a proposed new entrance to Walthamstow Central underground station. A public consultation on proposed changes to the scheme was also undertaken in October 2019.

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

STUART WETHERLY
GROUP FINANCE DIRECTOR AND COMPANY SECRETARY
16 April 2020

C&R CARES

In the last 10 years C&R Cares has raised over £3.7 million. In 2019 we supported 163 local charities and raised over £327,000.

Through C&R Cares we have supported One Great Day for the last four years, raising over £8,000. One Great Day raises money for Great Ormond Street Hospital and is supported by 205 shopping centres across the UK. Our centres host annual family fun days and our Support Office takes part in the annual 'Race to GOSH' fun run to raise funds.

In 2019, examples of our support included:

- The Mall Luton hosted YMCA Bedfordshire's SleepEasy event. Groups from local schools, businesses, Guides, and families settled down for the night - both indoors in The Mall and outdoors in The Mall's car park.
- The event raised over £14,000 for the vital services provided locally by YMCA Bedfordshire, supporting people of all ages in Luton who rely on them for accommodation, and increased awareness of rough sleeping.
- The Mall Wood Green raised £5,000 in 2019 for the Godwin Lawson Foundation, founded by the Lawsons to commemorate the life of their son, Godwin, who was fatally stabbed in 2010 in an unprovoked attack. The GLF's key objective is to reduce gun and knife crime across London. The Centre also held peer-2-peer workshops for parents of youths at risk to increase awareness.

Directors

LAWRENCE HUTCHINGS
Chief Executive

Appointed: 2017

RB

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

STUART WETHERLY
Group Finance Director and Company Secretary

Appointed: 2019

Stuart joined Capital & Regional as Group Financial Controller in October 2012, and was appointed Group Finance Director in March 2019. Prior to joining Capital & Regional, Stuart was a Director in Deloitte Audit in London specialising in listed companies and previous to that Stuart was Corporate Accounting Manager at Johnson Matthey plc having originally qualified as a Chartered Accountant in his first spell with Deloitte LLP.

HUGH SCOTT-BARRETT
Chairman

Appointed: 2017 (first appointed 2008)

N

Before moving to become Non-Executive Chairman, Hugh was Chief Executive of Capital & Regional from 2008-2017. He was previously a member of ABN AMRO's managing board serving as Chief Operating Officer and Chief Financial Officer and before that worked at SBC Warburg and Kleinwort Benson. He was educated both in Paris and at Oxford University. Hugh is a director of GAM Holding AG, a Swiss asset management company, and a Non-Executive Director of RBR Group Limited, a privately-owned leisure group. Hugh will be stepping down from the Board at the 2020 Annual General Meeting.

GEORGE MUCHANYA
Non-Executive

Appointed: 2019

George is part of Growthpoint's Group Executive Committee and also sits on the boards of some of Growthpoint's investee companies. Working alongside the Group CEO and the South African CEO of Growthpoint, George has played a key role in the implementation of Growthpoint's strategic initiatives both offshore and in South Africa. An engineer by training, George had career stints in investment banking and management consulting before joining Growthpoint in 2005.

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 JSE) in 2011. Louis is Executive Chairman of Homestead Group Holdings Limited and serves on the board of a number of other companies including Hyprop Investments Limited. He graduated with a BSc (QS) (with distinction) from the University of Pretoria.

NORBERT SASSE
Non-Executive

Appointed: 2019

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

Committee membership:

A Audit committee
R Remuneration committee
N Nomination committee
RB Responsible business committee
Chair of committee

TONY HALES CBE

Non-Executive*
Senior Independent Director

Appointed: 2011

R A N

Tony is currently Chairman of the Greenwich Foundation, NAAFI Pension Fund Trustees and the Associated Board of the Royal Schools of Music. Tony was previously Chief Executive of Allied Domecq plc, and has extensive Non-Executive Director experience including HSBC Bank plc and as Chairman of Workspace Group plc.

DAVID HUNTER

Non-Executive* and Chairman designate

Appointed: 2020

N

David is currently Chairman of Custodian REIT plc and a Non-Executive Director of GCP Student Living plc. He is a Senior Adviser to ICG-Longbow, the leading real estate debt fund manager. Earlier in his career, David was a leading fund manager, most significantly from 2001 to 2004 when, as managing director of Aberdeen Property Investors, he oversaw the business' £6.5 billion UK and international assets. In 2004, David was the President of the British Property Federation. It is intended that David will assume the role of Chairman from the conclusion of the 2020 Annual General Meeting.

IAN KRIEGER

Non-Executive*

Appointed: 2014

A N R

Ian is the Audit Committee Chairman and Senior Independent Director at Safestore Holdings plc and the Audit Committee Chair and Senior Independent Director of Primary Health Properties plc. He is also Chair of Anthony Nolan. Ian was previously a senior partner and vice-chairman at Deloitte LLP.

LAURA WHYTE

Non-Executive*

Appointed: 2015

RB A N R

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 Chair of XLVets UK Ltd, 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 and Non-Executive Director of the British Horseracing Authority. She is a Trustee of The Old Royal Naval College, Greenwich.

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

Senior leadership team

LAWRENCE HUTCHINGS
Chief Executive

Read more about Lawrence Hutchings on page 42

ROB HADFIELD
Commercial Director

Rob was previously Group Property Director at Debenhams before joining C&R as Commercial Director in 2019. Previous to Debenhams, Rob held senior positions at Costa Coffee and Flight Centre. Rob is responsible for directing the leasing team, commercial income and temporary lettings with a view to driving new leases and optimising the use of space across the C&R portfolio.

SARA JENNINGS
Director of Guest and Customer Experience

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

STUART WETHERLY
Group Finance Director and Company Secretary

Read more about Stuart Wetherly on page 42

JAMES RYMAN
Investment Director

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

NICK PHILLIPS
Managing Director, Snozone

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

HUGH SCOTT-BARRETT
CHAIRMAN

Corporate governance report

Chairman's introduction

I am pleased to present Capital & Regional's corporate governance report for 2019.

The primary operational focus of C&R in 2019 has been on the continued roll-out of our Community Shopping Centre strategy and the repositioning of our assets. At a strategic level, the focus has been on securing investment into the Company to support the Group's strategy and to deleverage and strengthen the balance sheet. The Board's activities during the year have reflected this, with significant time devoted to ensuring the successful completion of what ultimately became the transaction undertaken with Growthpoint, while ensuring strong governance. During the year, the Board received detailed briefings on the Takeover Code requirements and Directors' responsibilities and held several non-scheduled Board meetings, often called at short notice, as required during a significant transaction.

There have been changes of personnel on the Board in 2019. Following the completion of the transaction with Growthpoint, Norbert Sasse and George Muchanya joined the Board and Wessel Hamman stepped down. I would like to thank Wessel for his invaluable contribution and support to the Company and wish him well in his future endeavours.

As previously disclosed, I will step down as Chairman and a Director at the AGM in May 2020. I am pleased to announce that, following a robust recruitment process, led by our Senior Independent Director, Tony Hales, David Hunter has been selected by the Board. David joined the Board on 9 March 2020 as a Non-Executive Director and is planned to assume the role of Chairman on appointment to the Board at the close of the forthcoming AGM. David will lead the process to identify two independent Non-Executive Directors to join the Board, to address the imbalance of independent Non-Executive Directors. While this process has begun, the Committee does not expect to move to its advanced stages until normal social interaction has resumed.

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.

HUGH SCOTT-BARRETT
CHAIRMAN

Corporate governance report

Continued

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Company has throughout the year ended 30 December 2019, complied with the provisions of the 2018 UK Corporate Governance Code with the exception that (i) Hugh Scott-Barrett was not considered independent on his appointment as Chairman of the Company on 13 June 2017, having previously served as the Chief Executive and (ii) at least half the board are not considered to be independent.

As disclosed the Company intends to appoint David Hunter as Chairman from the date of the Company's 2020 Annual General Meeting who is deemed independent on appointment and also is seeking to appoint two new Independent Non-Executive Directors to address the imbalance of independent Non-Executive Directors.

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 the benefit of its shareholders and for the wider community. Its role includes reviewing and approving key policies and decisions, particularly in relation to culture, 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.

The Company also maintains 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 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 page 53	**Chairman** – Ian Krieger **Members** – Tony Hales, Laura Whyte
Disclosure Committee Meets as required	**Chairman** – Lawrence Hutchings **Members** – Hugh Scott-Barrett, Stuart Wetherly
Nomination Committee Meets at least once a year Further information on page 51	**Chairman** – Hugh Scott-Barrett **Members** – Tony Hales, Ian Krieger, Laura Whyte
Remuneration Committee Meets at least twice per year Further information on pages 54 to 71	**Chairman** – Tony Hales **Members** – Ian Krieger, Laura Whyte
Responsible Business Committee Meets at least twice per year Further information on pages 36 to 41	**Chairman** – Laura Whyte **Members** – Lawrence Hutchings

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

BOARD BALANCE AND INDEPENDENCE

Details of the Directors including their qualifications, experience and other commitments are set out on pages 42 to 43. The Board currently comprises of the Chairman, two Executive Directors and six Non-Executive Directors.

The Board reviews the independence of its Non-Executive Directors on an annual basis. Hugh Scott-Barrett is not considered independent as he previously served as Chief Executive of the company within the last five years and has served on the Board for more than nine years from the date of his first appointment. George Muchanya and Norbert Sasse are not considered independent as they act as representatives of Growthpoint Properties Limited. Louis Norval is not considered independent as he acts as a representative of the Parkdev Group of companies, both significant shareholders of the Company. This similarly applied to Wessel Hamman for the period of time he served as a Director. 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 and written terms of reference are available on the Group's website. Tony Hales, as Senior Independent Director, undertakes regular reviews to ensure the distinction of roles and responsibilities remains appropriate.

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

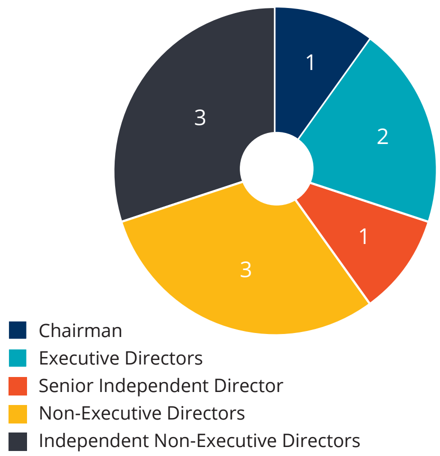
The Board schedules five meetings each year as a minimum, and arranges further meetings as the business requires. Prior to Board meetings, each member receives, as appropriate to the agenda, up-to-date financial and commercial information, management accounts, budgets and forecasts, details of potential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

VISITING THE BUSINESS

Getting out and about in the business is important for the Board as this enables the Non-Executive Directors to see first-hand how our assets are run and, importantly, meet local teams. This provides an experience of the business which cannot be replicated in the board room and also enables the Directors to engage with teams at all levels in the business. Such activities give a real insight into how the culture and values of the business work in a day-to-day setting. The Board generally undertakes one or two visits to operational locations during the year and holds at least one Board meeting at a C&R location other than the Support Office.

THE BOARD



Corporate governance report

Continued

GOVERNANCE

BOARD AND COMMITTEE MEETINGS

The number of meetings of the Board and its Committees during 2019, and individual attendance by Directors, is set out below.

	Board			Committees			
	Scheduled	Ad-Hoc	Total	Audit	Remuneration	Nomination	Responsible Business
Number of meetings	**5**	**6**	**11**	**3**	**5**	**4**	**3**
H Scott-Barrett	5/5	6/6	11/11	–	–	1/1[1]	–
L Hutchings	5/5	6/6	11/11	–	–	–	3/3
S Wetherly (appointed 11 March 2019)[2]	3/3	6/6	9/9	–	–	–	–
T Hales	5/5	6/6	11/11	3/3	5/5	4/4	–
W Hamman (resigned 9 December 2019)	5/5	6/6	11/11	–	–	–	–
I Krieger	5/5	6/6	11/11	3/3	5/5	3/4	–
G Muchanya (appointed 9 December 2019)	–	–	–	–	–	–	–
L Norval	5/5	6/6	11/11	–	–	–	–
N Sasse (appointed 9 December 2019)	–	–	–	–	–	–	–
L Whyte	5/5	5/6	10/11	3/3	5/5	4/4	3/3

[1] Hugh Scott-Barrett did not attend the three Nominations Committee meetings which were held to discuss the recruitment of his successor as Chairman.

[2] Stuart Wetherly was in attendance for the two Board meetings that occurred prior to his appointment as a Director of Capital & Regional plc.

At each scheduled Board meeting, the Executive Directors provide updates on their key areas of responsibility. The Committee Chairs also provide updates on the work of the Committees and highlight any matters requiring consideration by the full Board. Other matters for discussion are added to the agenda for scheduled Board meetings, or discussed at additionally convened Board meetings, as required.

BOARD ACTIVITIES

Key strategic matters discussed in 2019 included:

Strategy	■ Received updates on property cycle and sector trends ■ Considered strategic options for recapitalisation of the business culminating in the transaction with Growthpoint ■ Reviewed strategic options for the further growth and development of the business including external presentations on industry trends
Risk and risk management	■ Reviewed the Group’s principal risks and the risk matrix and internal control systems ■ Met with the Company's valuers twice in the year via the Board's Audit Committee
Financial Performance	■ Reviewed the Group’s performance against budget and peers ■ Approved interim and full year results ■ Reviewed the dividend policy
Governance	■ Discussed the results of the Board evaluation ■ Discussed feedback from shareholder engagement activities ■ Received regular updates from the Chairs of the Audit, Remuneration, Nomination and Responsible Business Committees ■ Considered application of the new Corporate Governance code and agreed the appointment of Laura Whyte as the designated director for workforce engagement

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 with support of the Assistant Company Secretary and each Director completes a detailed questionnaire covering:

- performance of themselves as an individual and of the Board together as a unit;
- performance of the Chairman;
- processes which underpin the Board's effectiveness (including consideration of the balance of skills, experience, independence and knowledge of the persons on the Board);
- company culture, strategy and risk management; and
- performance of the Board's sub-committees.

The completed questionnaires are collated by the Assistant Company Secretary and presented to the Board for a subsequent discussion. 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 sufficient time and debate was allocated to strategy, which received a high level of support. The established Board and Committee structure ensured that the governance requirements of the business were met.

Recommendations from 2019 Review:

- People and succession planning – increase focus on succession planning below Board level and developing a strong, diverse talent pipeline
- Strategy – review current strategy and progress against the agreed strategy.
- Board skills and composition – review Non-Executive Director skills and Board requirements to inform process for recruitment of new Non-Executive Directors

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.

It is the Board's intention to continue to review annually its performance and that of its Committees and individual Directors. The Chairman has confirmed that the Non-Executive Directors standing for re-election at this year's AGM continue to perform effectively, both individually and collectively as a Board, and that each demonstrate commitment to their roles.

CULTURE

The Board is responsible for defining, monitoring and overseeing the culture of the organisation and ensuring that it is aligned with the Company's purpose and strategy. To foster and support an open culture, where all staff understand the strategic direction of the business, key points arising from strategic discussions held by the Board and Senior Leadership Team are communicated to staff members. This also encourages strategic engagement at all levels within the Company. The Board receives regular updates regarding how the Company's culture and its values, of inspiring creative thinking, encouraging collaborative engagement, acting with integrity and delivering dynamic solutions, have been embedded across the business.

WORKFORCE ENGAGEMENT

The Board agreed in 2018 that Non-Executive Director, Laura Whyte, would be responsible for workforce engagement.

The Executive Directors hold 'Townhall' meetings following each Board meeting to update all employees on the decisions taken and provide an opportunity for employees to ask any questions they may have. In 2019, regular Townhalls were held after each of the key milestones of the Growthpoint transaction to ensure employees were full informed of the process and potential impacts and in December 2019 the two Growthpoint Board appointees Norbert Sasse and George Muchanya presented to C&R staff. The Townhall meetings are well attended in person by employees in the Support Office and by conference call by the centre teams. The Responsible Business Committee also reviews the outputs of the employee engagement surveys "C&R Pulse" and the "Team Survey" at Snozone on a regular basis.

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.

Key activities in 2019 included:

- Shareholders invited to attend the full year and interim results presentations in London
- Held post-results investor road shows covering London, Edinburgh, Amsterdam and South Africa
- All Directors attended the AGM held in London in May 2019
- The Remuneration Committee Chair engaged with shareholders to seek their views on the Remuneration Policy implemented in 2019.
- Participated in a number of industry conferences
- Hosted various investor tours and presentations at our centres

Corporate governance report

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FINANCIAL AND BUSINESS REPORTING

Please refer to:

- page 76 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 1 to 41 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 LLP, 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;
- Anti-Bribery and Corruption policies which are communicated to all staff and for which compliance reviews are conducted on an annual basis; and
- The Group's whistleblowing policy – 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.

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 76.

Nomination committee report

RESPONSIBILITIES

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 and senior leadership positions. The formal role of the Nomination Committee is set out in its terms of reference.

The recruitment process for Directors typically includes the development of a candidate profile and the engagement of a professional search agency (which has no other connection with the Company). Candidate profiles are provided to the Committee, which, after careful consideration, makes a recommendation to the Board. Any new Directors are appointed by the Board and, in accordance with the Company's articles of association, must be elected at the next AGM to continue in office. All existing Directors retire by rotation every year.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

Following the announcement in 2019 that Hugh Scott-Barrett would step down as Chairman and a Non-Executive Director at the 2020 AGM, the Committee, led by Senior Independent Director, Tony Hales, began the search for a new Non-Executive Chairman. The Committee engaged Odgers Berndtson, a leading independent executive search firm with no other connection to the Company, to conduct an external assessment and a review of possible candidates for the role.

Following a detailed selection process, the Committee recommended the appointment of David Hunter as Non-Executive Director with effect from 9 March 2020. It is planned that David will assume the role of Chairman on appointment to the Board at the close of the forthcoming AGM. David's extensive Board level and Real Estate experience will complement the current Board's knowledge and expertise and will provide strong leadership for C&R going forward.

Following the completion of the transaction with Growthpoint, Wessel Hamman, a nominated representative of the Parkdev Group of companies, resigned from the Board on 9 December 2019 as a result of the change in the rights under the Relationship Agreement to appoint a Director falling from two to one. Louis Norval remains on the Board as the nominated representative under the terms of the new Homestead Relationship Agreement. He is not considered to be independent. Norbert Sasse and George Muchanya were appointed to the Board as Non-Independent Directors on 9 December 2019, in line with the Relationship Agreement with Growthpoint. Norbert and George are not considered independent as they represent a controlling shareholder of the Company however, the Board considers that this will not impede the effective operation of the Board in light of the strength and skills of the independent Non-Executive Directors on the Board.

BOARD COMPOSITION AND SUCCESSION

Mindful of the Code requirements regarding independence, and as outlined in the Prospectus published in November 2019, it is intended that two new independent Non-Executive Directors be appointed to the Board in the next six to twelve months. While this process has begun, the Committee does not expect to move to its advanced stages until normal social interaction has resumed.

The Committee is also cognisant that, under the Code, an appointment term of longer than nine years is a factor that may affect whether a Non-Executive Director is considered independent. Tony Hales, the Senior Independent Director, will have served on the Board for nine years in August 2020. It is intended that Tony will stand down before the 2021 AGM and David Hunter will lead a process for the appointment of Tony's successor as Senior Independent Director.

In consideration of the new requirements under the 2018 UK Corporate Governance Code in relation to workforce engagement Laura Whyte was appointed as the designated Non-Executive Director for workforce engagement in 2019. Further information regarding the Board's engagement with the workforce can be found on page 49.

DIVERSITY POLICY

The Nomination Committee, and the Board, recognises the importance of diversity in its broadest sense, including gender, ethnicity, culture, socio-economic background, disability, sexuality and diversity of thought, perspective and experience. The Board is supportive of the Davies Report and subsequent Hampton-Alexander 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 Committee engages with executive search firms that are signatories to the UK Voluntary Code for "Women on Boards" and the Voluntary Code of Conduct for Executive Search Firms. The priority of the Committee and the Board is to ensure that the Group continues to have the strongest and most effective Board possible, and therefore all appointments to the Board are made on merit against objective criteria.

IAN KRIEGER
CHAIRMAN OF THE AUDIT COMMITTEE

Audit committee report

The Audit Committee is chaired by Ian Krieger, a Chartered Accountant who has recent and relevant financial experience as required by the 2018 UK Corporate Governance Code.

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

RESPONSIBILITIES

The Committee's role is to assist the Board in discharging its duties and responsibilities for 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 three 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 2019 Group audit and approving their terms of engagement and proposed fees;
d. reviewing reports on internal control reviews on Group Treasury and Property Valuation processes 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;
i. considering management's approach to the viability statement in the 2019 Annual Report;
j. meeting with the responsible individuals from the Group's independent valuers, CBRE Limited and Knight Frank LLP to review and challenge their valuations of the Group's investment properties;
k. reviewing ongoing REIT regime compliance;
l. reviewing reports on the potential impact of the Non-Resident Landlord Scheme rules and compliance with the Non-resident Capital Gains Tax rules;
m. assessing the provision of Internal Audit work and considering whether a stand-alone Internal Audit function is required
n. 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 2019 the value of the Group's investment property assets was £727.1 million (see Note 10b of the financial statements for further details). The valuation of investment property is inherently judgemental and involves a reliance on the work of independent professional qualified valuers. During 2019 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.
- 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.
- Going concern and covenant compliance - The Committee reviewed, challenged and concluded upon the Group's going concern review and consideration of its viability statement with particular focus on the impact of the COVID-19 pandemic. The Committee's assessment included giving due consideration to the appropriateness of key judgements, assumptions and estimates underlying the budgets and projections that underpin the review and a review of compliance with key financial covenants.
- 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.

AUDITOR ROTATION AND TENDER PROCESS

Deloitte LLP were re-appointed following a tender process in 2018. Deloitte LLP have been Auditor of Capital & Regional plc since 1998. The Committee is committed to putting the external audit out to tender at least every ten years in compliance with legislation and FRC guidance on best practice, in particular, ensuring independence in respect of potential audit firms. Deloitte LLP, under EU guidance for mandatory Auditor rotation, can serve as auditor until the year ending 30 December 2023.

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. The 2019 audit was the second year of Matthew Hall's tenure as lead audit engagement partner.

EFFECTIVENESS 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.

AUDITOR INDEPENDENCE

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

The Group's policy on the use of its external Auditor for non-audit services, which was reviewed 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. During the year, Deloitte LLP undertook the following non-audit services:

- review of the Half Year Results (£45,000);
- an agreed upon procedures report to verify information relating to the vesting of the Company's 2014 LTIP scheme award (£2,500)

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 Treasury, Property Valuations and an assessment of material control effectiveness.

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. The Audit Committee reviews the process annually and reports to the Board on the process and any reports arising from its operation.

IAN KRIEGER
Chairman of Audit Committee

TONY HALES CBE
CHAIRMAN OF REMUNERATION COMMITTEE

Directors' Remuneration Report - Introduction

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 2019.

The Committee met five times during 2019 as well as holding informal meetings and other correspondence to discuss wider remuneration issues. In addition to the other Committee members, Ian Krieger and Laura Whyte, both independent Non-Executive Directors, 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 terms of reference of the Committee are available at www.capreg.com/about-us/people/board-committees.

We presented our Remuneration Policy to shareholders at our last Annual General Meeting in 2019 where we received strong support with a vote in favour of 87.8%. This Policy covers the three-year period until the AGM in 2022 and we applied it consistently during 2019.

BOARD CHANGES

As shareholders will be aware, there were four changes to the Board during the year. Stuart Wetherly was permanently appointed as Group Finance Director and as an Executive Director on 11 March 2019. Following the completion of the Growthpoint transaction, Wessel Hamman stepped down as a Non-Executive Director and Norbert Sasse and George Muchanya were appointed as Non-Executive Directors on 9 December 2019. The remuneration for Stuart Wetherly was as disclosed in the 2018 report. No exit payment was made to Wessel Hamman. Norbert Sasse and George Muchanya are the appointed representatives of Growthpoint, they do not take a fee as Directors.

Since the year end we have announced the proposed appointment of David Hunter as Chairman. David joined the Board as a Non-Executive Director on 9 March 2020. His appointment as Chairman is proposed to take effect from the conclusion of the 2020 Annual General Meeting on 20 May 2020. David's remuneration terms are in line with our policy with his fee as Chairman being at the equivalent level to that paid to Hugh Scott-Barrett during 2019.

2019 COMPANY PERFORMANCE AND COMBINED INCENTIVE PLAN (CIP)

The Company implemented a new Combined Incentive Plan (CIP) in 2019 following a review and consultation with management and shareholders. The Committee believes the simpler structure of the CIP, with clear performance metrics, a reduced overall maximum result and the ability to set shorter term performance targets is more appropriate to ensure incentivisation aligns with strategy given the volatile nature of the Company's operating landscape.

In setting the performance targets for 2019 the Committee put a weighting of 80% on Company financial targets with the emphasis on metrics including Adjusted Profit and Net Rental Income to reflect the focus on income generation, Gearing to reflect a focus on improved balance sheet solidity and cost control to reflect the need for financial discipline. 20% of targets reflected strategic and operating targets including strategy implementation and operating metrics that support both shorter term performance and longer-term strategic progress.

The operating environment during 2019 was very challenging with a number of retailers launching Company Voluntary Arrangements (CVAs) or Administrations and an uncertain political and economic environment. While the Group's relative performance benchmarked well against industry peers, both NRI and Adjusted Profit decreased, by 5% and 10.2% respectively, failing to meet the stringent budget targets set and therefore resulting in a nil bonus being recognised against the NRI and Profit metrics. The Group, however, made strong progress on addressing Gearing, with the successful completion of the Growthpoint transaction, cost control, where the total Group overhead has been reduced by more than £2.5 million or 25% since 2016, operational performance, where leasing spreads and footfall both outperformed peers and the national index and on strategy.

Reflecting the above, the Committee determined that an award of 54% of the maximum opportunity under the CIP would qualify based on the objectives set. The Committee then considered the Group's overall profit performance, noting the falls in the Group's NRI and Adjusted Profit but that Total Shareholder Return over the calendar year had been +7.1% (assuming pro rata take up of the Partial Offer element of the Growthpoint transaction). In consideration of the above the Committee considered it appropriate to scale back the formulaic CIP outturn awards by 5% resulting in an effective qualifying percentage of 51% overall.

Shareholders should note that the share price used for calculating the share element of bonus, 2/3 of the total, was fixed on December 30 2019. The ultimate value of this award will depend entirely on the future share price (including the underpin condition), in the short term already impacted by the COVID-19 pandemic. Our incentive scheme is heavily weighted to aligning shareholder returns over the longer term to management reward.

The Committee considered the overall result to be an appropriate and balanced outcome, noting that while results in absolute terms had seen a decline in NRI and Adjusted Profit, significant progress had been made in the year operationally and particularly strategically, most critically in completing the transaction with Growthpoint which had significantly recapitalised the business. The Committee continues to believe that the CIP provides the best mechanism to motivate and retain Executive Directors.

The current financial year of 2020 is clearly a totally exceptional year due to the impact and uncertainty of COVID-19. It impacts on everything we do as an organisation and will clearly impact on our approach to remuneration.

LONG TERM INCENTIVE PLAN (LTIP)

During the year, the performance period for the 2016 LTIP award ended. 23.3% of the awards qualified for vesting. 70% of the Average Annual Growth in Adjusted Profit Per Share condition qualified but the Total Shareholder Return and Total Property Return conditions both fell below threshold. No discretion was used in calculating the percentage of award to vest.

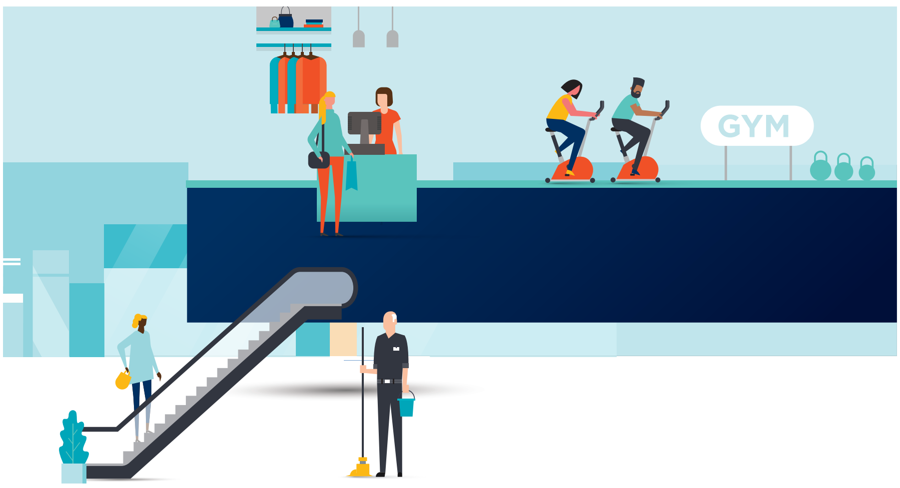
EXECUTIVE DIRECTOR SALARY INCREASES

Executive Director salary increases, applied from 1 January 2020. Lawrence Hutchings was awarded a 1% increase in line with the general increase awarded to all employees. When Stuart Wetherly was permanently appointed Group Finance Director in March 2019 his salary, reflecting him being an internally promoted candidate, was set at £275,000. Recognising a strong performance in his first full year in the role the Committee have awarded a 2.5% increase, applied from 1 January 2020. This is above the general increase awarded to staff but still results in a salary below the level paid to his predecessor and external benchmarking. All other benefits, including pension contributions remain the same and in line with policy.

The same 1% awarded as a general increase to employees has been applied to the base fees paid to Non-Executive Directors.

The Committee is conscious of the increasing focus on pension contributions made to Executive Directors and the expectation that contributions will be equalised with those by the wider workforce by 2023. The Committee will give careful consideration to addressing this point in the course of 2020.

Mindful of the significant impact of COVID-19 on C&R employees, the Executive Directors have agreed to take a voluntary 20% reduction in salary and Non-Executive Directors have also all agreed to take a voluntary 20% reduction in their director fees for the months of April, May and June 2020. The funds saved will be used to support C&R employees most financially impacted by COVID-19.



WORKFORCE AND SENIOR MANAGEMENT PAY

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

COMMITTEE AIMS

Our aim as a Committee continues to be to ensure we recruit and retain talented individuals who are motivated to deliver outperformance for shareholders receiving a fair base pay with potential for significant rewards on delivering strong shareholder returns.

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").

Our Directors' Remuneration Policy was approved at the 2019 AGM receiving an 87.8% vote in favour.

REMUNERATION PHILOSOPHY AND PRINCIPLES

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

- Drive accountability and responsibility
- Provide 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 that a large part of potential remuneration is delivered in shares in order that Executives are expected to build up a shareholding themselves and therefore they are directly exposed to the same gains or losses as all other shareholders
- Take account of the remuneration of other comparator companies of similar size, scope and complexity within our industry sector
- Keep under review the relationship of remuneration to risk. The members of the Remuneration Committee are also members of the Audit Committee
- Ensure that the incentive structure does not raise any environmental, social or governance risks through compliance with our Responsible Business ethics and standards of operating.

HOW THE COMMITTEE SETS REMUNERATION

<table>
<tr><td>Salary</td><td rowspan="2">Fixed compensation</td><td rowspan="2">Median</td><td rowspan="4">Total = Median or above for above Median performance</td></tr>
<tr><td>Pension</td></tr>
<tr><td>Benefits</td><td rowspan="2">Performance-based compensation</td><td rowspan="2">Performance-based compensation</td></tr>
<tr><td>Combined Incentive Plan</td></tr>
</table>

The Committee benchmarks remuneration against our selected comparator group companies (see page 60) and seeks to ensure that Directors' fixed compensation is around the median in the comparator group. Remuneration is also dependent on the skills and experience of the individual and the scope and responsibility of the position.

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

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Base salary ■ To aid recruitment, retention and motivation of high quality people ■ To reflect experience and importance of role	Reviewed annually effective 1 January to reflect: ■ general increases throughout the Company or changes in responsibility or role; and ■ benchmarking against comparator group to ensure salaries are about the median level and market competitive; ■ salary increases will normally be aligned to the average increase awarded to the wider workforce; ■ increases may be above this level if there is an increase in the scale, scope or responsibility of the role or to allow the basic salary of newly appointed Executives to move towards market norms as their experience and contribution increases.	The maximum increase applicable in any year is capped at 10% of base salary.	n/a
Pension ■ To help recruit and retain high quality people ■ To provide an appropriate market competitive retirement benefit	The Company does not operate a defined benefit pension scheme, all pension benefits are paid either to defined contribution pensions schemes of each Executive Director's choice or as a cash supplement.	Executive Directors are eligible to receive a pension allowance equivalent to up to 15% of basic salary. Lawrence Hutchings receives a pension allowance of 15% of basic salary. Stuart Wetherly receives a pension allowance of 8% at the top of the range of pension contributions paid to the UK workforce of 4% – 8%. For new appointments, the Committee will ensure that pension contributions are in line with that of the workforce.	n/a
Benefits ■ To aid recruitment and retention ■ To provide market competitive benefits ■ To support physical, mental and emotional wellbeing	The Company offers a package to Executive Directors including: ■ private medical insurance; ■ critical illness cover; ■ life insurance; ■ permanent health insurance; and ■ holiday and sick pay. Benefits are brokered and reviewed annually.	no maximum	n/a

Directors' Remuneration Report

Policy continued

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Combined Incentive Plan (CIP) ■ To incentivise delivery of short-term business targets and individual objectives based on annual KPIs ■ To recognise performance while controlling costs in reaction to the market context or company events ■ To reinforce delivery of long-term business strategy and targets ■ To align participants with shareholders' interests ■ To retain Directors over the longer term	The plan is reviewed annually to ensure bonus opportunity, performance measures and weightings are appropriate and support the stated Company strategy. One third of the award is paid in cash after one year. Two thirds of the award is deferred into shares. Deferred shares will vest in three equal tranches in years three, four and five and will be subject to the achievement of a relative Total Shareholder Return (TSR) underpin. Vested deferred shares will be subject to an additional holding period to the fifth anniversary of the date of grant. Upon vesting, sufficient shares can be sold to pay tax. Up to 100% of deferred shares will lapse if median relative TSR performance against the peer group is not achieved. Malus and Clawback provisions apply such that the Committee has the discretion to reduce or cancel any awards that have not been exercised, in any of the following situations: ■ C&R's financial statements or results being negatively restated due to the Executive's behaviour; ■ A participant having deliberately misled management or the market regarding Company performance; ■ A participant causing significant reputational damage to the Company; or ■ A participant's actions amounting to serious / gross misconduct. ■ the discovery that any information used to determine the Bonus and/or the number of Plan Shares placed under a Share Award relating to a Bonus Award was based on error, or inaccurate or misleading information; and/or ■ failure of risk management; and/or ■ corporate failure. In line with UK corporate governance best practice the Committee will retain the discretion to adjust the payment and vesting outcomes (both upwards and downwards) under the CIP to reflect the overall corporate performance and shareholder experience. The maximum combined incentive award potential in any year (300% of salary) will be adjusted downwards to reflect the year-on-year reduction in the profit outturn (if any) or if the shareholder return over the same period has been negative. The Committee retains the discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate.	The plan provides a combined annual award of up to 250% of salary for Executive Directors / 300% for the Chief Executive Targets calibrated so maximum pay-out represents exceptional performance The maximum combined incentive award potential in any year will be adjusted downwards to reflect the year-on-year reduction in the profit outturn (if any) or if the shareholder return over the same period is negative.	Performance targets set annually based on a 100% Group financial and strategic performance targets. 2020 objectives will be weighted 80% on financial performance and 20% strategic and operational measures. Financial metrics may typically include metrics such as profit, net rental income and cost management. Operational and strategic metrics may include metrics such as footfall and strategy implementation. The annual nature allows the Company to link them directly to Company strategy in a challenging macro-economic environment and ensure that the remuneration principles agreed by the Committee will be met.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Executive shareholding ■ To support alignment of Executive Directors with shareholders	All Executive Directors are expected to build a shareholding to at least 2 x basic annual salary value based on current market value or the aggregate purchase price of the shares over a five-year period. Deferred or other unvested share awards not subject to performance conditions can count towards the guideline in line with corporate governance best practice. There is a 200% base salary post-cessation of employment shareholding requirement for year one, reduced to a 100% base salary shareholding requirement for year two.	n/a	n/a
Non-Executive Director Remuneration ■ To reflect experience and importance of role	The Chairman and Non-Executive Directors fees are set by the Board taking into account the time commitment, responsibilities, skills and experience and roles on Board Committees. The fees are reviewed annually. Details of the fees can be found on page 64. The Senior Independent Director and individuals who are members of both the Audit and Remuneration Committees receive an additional fee per annum. Non-Executive Directors do not receive any variable remuneration element or receive any other benefits. Non-Executive Directors are reimbursed for all reasonable travelling and subsistence expenses (including any relevant tax) incurred in carrying out their duties.	n/a	n/a

NOTES TO THE POLICY TABLE

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (i) before the Policy set out above, or (ii) at a time when a previous Policy, approved by the Remuneration Committee was in place provided the payment is in line with the terms of that Policy, or (iii) at a time when the relevant individual was not a Director of the Company and the payment was not in consideration for the individual becoming a Director of the Company.

DISCRETION

The Committee has discretion in several areas of Policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Committee has the discretion to amend Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

EMPLOYEE CONTEXT

All permanent employees of the Group, including Executive Directors, receive a basic remuneration package including basic salary, private medical insurance, travel insurance, income protection, critical illness cover and life assurance. For all permanent employees below Board level, the Company pays pension contributions of between 4% - 8% into either a Group Pension Scheme or individual employees' own pension scheme.

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.

Directors' Remuneration Report

Policy continued

COMPARATOR GROUP

In the review of Remuneration Policy that the Company undertook, with assistance from PwC LLP, in 2018 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
- Landsec 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

RECRUITMENT OF EXECUTIVES

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

The Company will not make an ex-gratia award to new joiners. This excludes amounts paid to buy out individuals from existing performance awards. 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 Executive Directors appointed towards the end of a year may be awarded a notional bonus payment, deferred into shares, to ensure that an appropriate shareholding is built up within a reasonable timeframe from appointment.

SERVICE CONTRACTS

Executive Directors are employed on rolling service contracts with notice periods of twelve months from the Company and from the Executive Director. Copies of the Directors' service agreements are available to view, upon appointment, at the Company's registered office.

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.

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.

EXIT PAYMENT POLICY

When considering termination payments the Committee takes into account the best interests of the Company and the individual's circumstances including the reasons for termination, contractual obligations, and CIP scheme rules. The Remuneration Committee will ensure that there are no unjustified payments for failure on an Executive Director's termination of employment. The Policy in relation to leavers for both the CIP and legacy arrangements is summarised in the table below:

Combined Incentive Plan (CIP)

Within the CIP, a good leaver is defined as those whose office or employment comes to an end because of death, ill health, injury or disability, redundancy, or retirement with the agreement of the employing company; the sale of the individual's employing company or business out of the Group or any other reasons at the discretion of the Committee.

For leavers during the award year,

- Typically, for good leavers, rights to awards under the CIP will be pro-rated for time in service to termination as a proportion of the performance period, and will, subject to performance be paid at the normal time in the normal manner (i.e. in cash / deferred awards as appropriate).
- Typically for other leavers, rights to awards under the CIP will be forfeit.

For leavers during the deferral period

- Outstanding deferred awards under the CIP will be paid at the normal time, subject to performance against the underpin performance condition. The Committee retains the discretion to apply time pro-rating (over the deferral period) for good leavers and to accelerate the vesting and/or release of awards if it considers it appropriate.
- Typically for other leavers, rights to deferred awards will be forfeit.

Legacy arrangements

- 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 detailed treatment of the cessation of employment provisions of the CIP were contained in the AGM circular seeking shareholder approval for the new arrangement which is available on the Company's website capreg.com.

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.

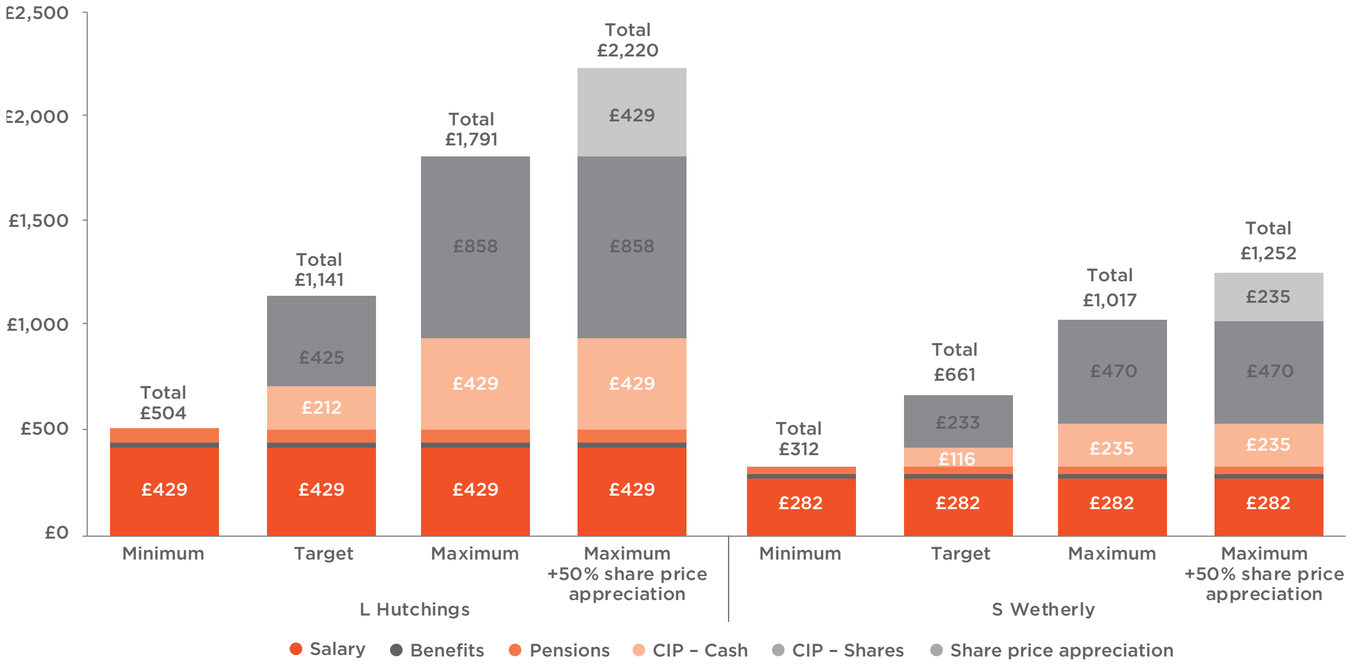
Directors' Remuneration Report

Policy continued

TOTAL COMPENSATION

- The minimum scenario is based on nil CIP award;
- The on target scenario is based on CIP award at 50% of maximum (i.e. 150% of salary for Chief Executive and 125% of salary for Executive Directors), split into 1/3 cash and 2/3 shares (excluding share price appreciation and accrual of dividend equivalent payments); and
- The maximum scenario is based on CIP award at 100% of maximum (i.e. 300% salary for Chief Executive and 250% for Executive Directors) split into 1/3 cash and 2/3 shares (excluding share price appreciation and accrual of dividend equivalent payments).
- In addition, the maximum scenario is illustrated based on share price increase of 50% for the maximum share element which could be granted for the CIP.

All figures in £'000



CONSULTATION AND SHAREHOLDERS' VIEWS

During the course of 2018 and early 2019, The Committee undertook a shareholder consultation on the new CIP. Respondents were broadly supportive of the proposals though in light of feedback, the Committee adjusted the policy so that the entire deferred portion of the CIP would be subject to a performance underpin. The Committee also removed the ability to grant ex-gratia awards to incoming Executive Directors.

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

2019 Remuneration Report

Audited information:

	2019	2018
Net Rental Income	**£49.3m**	£51.9m
Adjusted Profit[1]	**£27.4m**	£30.5m
Adjusted Earnings per share[1, 2]	**36.7p**	42.3p
IFRS Loss for the period	**£(121.0)m**	£(25.6)m
Total dividend per share[2]	**21p**	24.2p
Net Asset Value (NAV) per share[2]	**361p**	596p
EPRA NAV per share[2]	**363p**	591p
Group net debt	**£336.9m**	£411.1m
Net debt to property value	**46%**	48%

Notes

1 Adjusted Profit and Adjusted Earnings per share are as defined in the Glossary. Adjusted Profit incorporates profits from operating activities and excludes revaluation of properties and financial instruments, gains or losses on disposal, exceptional items and other defined terms. A reconciliation to the equivalent EPRA and statutory measures is provided in Note 9 to the condensed financial statements.

2 Per share amounts are adjusted to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

SINGLE TOTAL FIGURE OF REMUNERATION FOR DIRECTORS

The table below sets out the remuneration received/receivable in relation to the year ended 30 December 2019.

£'000	Salary/Fees		Taxable benefits (i)		Other benefits (i)		Pension		Total Bonus (ii)		LTIP vesting (iii)		Total fixed pay		Total variable pay		Total pay	
Executive Director	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
L Hutchings	**425**	383	**3**	3	**8**	7	**64**	57	**218**	301	**-**	-	**500**	450	**218**	301	**718**	751
S Wetherly (iv)	**222**	-	**6**	-	**1**	-	**18**	-	**118**	-	**8**	-	**247**	-	**126**	-	**373**	-
C Staveley (v)	**-**	191	**-**	1	**-**	4	**-**	29	**-**	136	**-**	-	**-**	225	**-**	136	**-**	361
TOTAL	**647**	574	**9**	4	**9**	11	**82**	86	**336**	437	**8**	-	**747**	657	**344**	437	**1,091**	1,112
Chairman and Non-Executive Directors																		
H Scott-Barrett	**140**	138	**-**	-	**-**	-	**-**	-	**-**	-	**10**	-	**140**	138	**10**	-	**150**	138
T Hales (vi)	**53**	52	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**53**	52	**-**	-	**53**	52
W Hamman (vii)	**40**	42	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**40**	42	**-**	-	**40**	42
I Krieger (vi)	**48**	47	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**48**	47	**-**	-	**48**	47
G Muchanya(viii)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
L Norval	**42**	42	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**42**	42	**-**	-	**42**	42
G Poitrinal (viii)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
N Sasse (viii)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
L Whyte (vi)	**48**	47	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**48**	47	**-**	-	**48**	47
TOTAL	**371**	368	**-**	-	**-**	-	**-**	-	**-**	-	**10**	-	**371**	368	**10**	-	**381**	368
TOTAL ALL	**1,018**	942	**9**	4	**9**	11	**82**	86	**336**	437	**18**	-	**1,118**	1,043	**354**	437	**1,472**	1,480

Notes

(i) Taxable benefits include private medical care and critical illness cover, other benefits include life insurance and permanent health insurance.

(ii) Entries for 2019 represent the cash bonus element of the Combined Incentive Plan and does not include the element deferred into shares subject to relative TSR performance. 2018 figures include both the cash and the element deferred into shares, £14k of L Hutching's 2018 bonus was deferred into share for two years. Details of performance conditions are set out below.

(iii) LTIP vesting represents shares that vested from the 2016 LTIP issue, they are valued with reference to the share price of 14.5 pence per share on 23 August 2019 being the date the Performance Period ended. Hugh Scott-Barrett's shares under this issue were awarded from when he held the role of Chief Executive. The share price at the original grant date of 23 August 2016 was 59.5 pence per share. Details of performance conditions are set out below.

(iv) S Wetherly was appointed a Director on 11 March 2019.

(v) C Staveley stepped down as a Director on 15 August 2018 but continued to be a full-time employee until 31 December 2018. All remuneration figures shown are up to 15 August 2018 with the total bonus paid of £135,626 pro-rated in the above table.

(vi) T Hales, I Krieger and L Whyte receive an additional fee of £5,000 per annum as members of the Audit and Remuneration Committees. T Hales receives a further fee of £5,000 as Senior Independent Director.

(vii) W Hamman resigned on 9 December 2019.

(viii) G Muchanya and N Sasse, both appointed on 9 December 2019 as Growthpoint's representatives, do not receive a fee. G Poiterinal, who resigned on 31 October 2018, did not receive a fee or any remuneration.

Directors' Remuneration Report

2019 Remuneration Report continued

BASIC SALARY INCREASES FOR EXECUTIVE DIRECTORS:

	2020 £'000	%	2019 £'000	%	2018 £'000	%	2017 £'000	%	2016 £'000	%	2015 £'000	%
L Hutchings	**429**	1	**425**	11.0	**383**	2.0	**375**	n/a	**n/a**	n/a	**n/a**	n/a
S Wetherly	**282**	2.5	**275**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a
C Staveley	**n/a**	n/a	**n/a**	n/a	**305**	2.0	**299**	2.0	**293**	2.0	**287**	2.5
H Scott-Barrett	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**427**	2.0	**418**	2.0	**410**	2.5
K Ford	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**315**	2.0	**308**	2.0	**302**	2.5
M Bourgeois	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**241**	4.3	**231**	2.5

Executive Director salary increases, applied from 1 January 2020. Lawrence Hutchings was awarded a 1% increase in line with the general increase awarded to all employees. When Stuart Wetherly was permanently appointed Group Finance Director in March 2019 his salary, reflecting him being an internally promoted candidate, was set at £275,000. Recognising a strong performance in his first full year in the role the Committee have awarded a 2.5% increase, applied from 1 January 2020. This is above the general increase awarded to staff but still results in a salary below the level paid to his predecessor and external benchmarking.

NON-EXECUTIVE DIRECTOR FEES

The same 1% general increase awarded to staff members has been applied to Hugh Scott-Barrett's Chairman's fee of £140,454 and Non-Executive Directors' base fees of £42,448 per annum with effect from 1 January 2020 resulting in increases to £141,859 and £42,873 respectively. No increase will be applied to the additional £5,000 per annum for being a member of the Audit and Remuneration Committees or the additional £5,000 fee per annum paid to the Senior Independent Director. David Hunter's proposed appointment as Chairman will be on a fee of £140,000.

George Muchanya and Norbert Sasse, in accordance with the terms of the Growthpoint Relationship agreement, are not entitled to receive a fee as Non-Executive Directors.

2019 COMBINED INCENTIVE PLAN AND ACHIEVEMENT OF OBJECTIVES:

	Maximum CIP opportunity as % of salary	% of objectives achieved	Scale back applied (5% reduction)	Effective % of maximum achieved	Cash Bonus payable £'000	Deferred Share award £'000
L Hutchings	300%	54%	95%	51%	218	436
S Wetherly	250%	54%	95%	51%	118	235

Deferred share awards are subject to the individual remaining in continuing employment (unless they qualify as a good leaver). Up to 100% of deferred shares will lapse if median relative TSR performance is not achieved.

The annual Combined Incentive Plan criteria for 2019 were determined with a weighting of 80% for Financial Objectives and 20% on Operational and Strategic objectives.

Group Objectives: Financial Targets (80%)

Performance Measure	Threshold		Maximum			
	% of bonus	Required performance	% of bonus	Required performance	Actual achieved	Pay-out as % of max.
Adjusted Profit[1]	5%	£29.3m	10%	£31.6m	£27.8m	0%
Adjusted Earnings per share[1]	5%	4.03p	10%	4.35p	3.73p	0%
Property Level Net Rental Income	5%	£50.6m	10%	£53.3m	£49.3m	0%
Growth in Net Rental Income (excluding impact of CVAs)	5%	+1.5%	10%	+5%	-5%	0%
Cost Management (Central Costs)	15%	£6.6m	20%	£6.4m	£6.5m	18.5%
Gearing	15%	47%	20%	42.5%	46%	17%
Total	50%		80%			35.5%

Notes:

[1] The Adjusted Profit and Adjusted Earnings per share targets are adjusted for one-off restructuring/redundancy costs and Directors' bonuses (including NIC).

Group Objectives: Operating Metrics (10%)

Performance Measure	% of bonus	Required performance	Actual achieved	Pay-out as % of max.
Footfall growth	5%	Outperform the Index	+1.7% v the index	4.5%
Leasing performance	5%	–	+7.3% to ERV +20.9% to passing rent	5%
Total	10%			9.5%

Group Objectives: Implementation of Strategy (10%)
In a difficult market, the Company has pursued a strategy to reposition itself, focusing on the strongest sectors of the retail market - in particular needs based product areas rather than the more discretionary categories. Cost reduction and alternative use opportunities were also strategic aims. The Remuneration Committee considered that delivery of strategy by management had been implemented well resulting in outperformance compared to competitors. Strong progress to reposition shopping centres has been made through active asset management and careful capital investment, together with the continued progress on restructuring the management platform. The committee concluded that an award of 9% of bonus was appropriate.

Scaling back of award
Having considered the individual outcomes of each performance target the Committee then considered the resulting 54% pay-out in the context of the Group's overall profit and shareholder return performance.

The Committee noted that the Group's NRI and Adjusted Profit had fallen in the year by 5.0% and 10.2% respectively but that Total Shareholder Return over the calendar year had been +7.1% (assuming pro rata take up of the Partial Offer element of the Growthpoint transaction). In consideration of the above the Committee considered it appropriate to scale back the maximum awards by 5% resulting in an effective qualifying percentage of 51% overall.

DEFERRED BONUS SHARE SCHEME AWARDS
The number of awards and the performance periods for all outstanding Deferred Bonus Share awards are summarised in the table below. The awards are subject only to continued employment and no further performance conditions.

The original number of awards is shown below with the adjusted amount, following the 10 for 1 share consolidation completed on 15 January 2020, shown in brackets.

Name	Date of award	No. of awards	Type of award	Face value £'000	Date awards are available for exercise
L Hutchings	08.04.19	56,361 (5,636)	Nil cost option	£14[1]	28.03.21
H Scott-Barrett	23.05.17	225,040 (22,504)	Nil cost option	£125[2]	Available now

[1] Calculated based on the closing share price of 25.45 pence on 28 March 2019.

[2] Calculated based on the closing share price of 55.75 pence on 39 March 2017.

Change of control
The Committee agreed that the Growthpoint Transaction did not necessitate any accelerated vesting or exercise of options under the Scheme rules.

Directors' Remuneration Report

2019 Remuneration Report continued

LONG-TERM INCENTIVE PLAN (LTIP)

The number of awards and the performance periods for all outstanding LTIP awards are summarised in the table below. The Company's Clawback provisions apply during the holding period where the level of vesting may be reduced, including to nil. No LTIP awards were made during 2019.

The original number of awards is shown below with the adjusted amount, following the 10 for 1 share consolidation completed on 15 January 2020, shown in brackets.

Name	Date of Award	No. of awards	Type of award	Face value £'000	% of salary	Threshold/ Maximum vesting share price[3]	Qualified for vesting in the year	Value at vesting £'000	End of Performance Period	Holding period
L Hutchings	08.09.17[2]	1,260,504 (126,050)	Nil cost option	750[5]	200	see note 1 below	–	–	19.04.20	2 years
	18.04.18	1,429,906 (142,990)	Nil cost option	765[6]	200	see note 1 below	–	–	18.04.21	2 years
S Wetherly	23.08.16	226,890 (22,689)	Nil cost option	135[7]	n/a	see note 1 below	52,294[8] (5,229)	8[9]	23.08.19	2 years
	19.04.17	238,757 (23,875)	Nil cost option	142[5]	n/a	see note 1 below	–	–	19.04.20	2 years
	18.04.18	273,813 (27,381)	Nil cost option	146[6]	n/a	see note 1 below	–	–	18.04.21	2 years
H Scott-Barrett	23.08.16	283,068[4] (28,307)	Nil cost option	168[7]	150	see note 1 below	66,028[8] (6,603)	10[9]	23.08.19	2 years

Notes:

[1] The performance conditions for the August 2016, April 2017 and April 2018 issues 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	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 immediately preceding grant	Below index	Above index	Index + 1.5% p.a.

[2] L Hutchings' award was granted on 8 September 2017 which was as soon as was practicable following his joining the Company.

[3] Straight-line vesting applies for all LTIP issues in between threshold and maximum vesting.

[4] H. Scott-Barrett's awards under the August 2016 issues were reduced pro rata to 13 June 2017, reflected in the table, being the date that he ceased being an Executive Director

[5] Calculated based on the closing share price at issue of 59.5 pence

[6] Calculated based on the closing share price at issue of 53.5 pence

[7] Calculated based on the closing share price at issue of 59.5 pence

[8] The actual performance against target of the August 2016 issue was:

Performance condition	Performance	Vesting
Total Shareholder Return relative to the FTSE 350 Real Estate Index	Below index	0%
Average Annual Growth in Adjusted Profit Per Share	+7.4%	70%
Total Property Return relative to the IPD UK Retail Quarterly Property Index	Below index	0%
	Total	23.3%

[9] Calculated based on the closing share price at vesting of 14.5 pence

Vesting of August 2016 LTIP issue

The performance period for the August 2016 LTIP issue ended during the year. 23.3% of awards qualified for vesting as 70% of the Average Annual Growth in Adjusted Profit Per Share condition qualified but the Total Shareholder Return and Total Property Return conditions both fell below threshold.

Early vesting of awards

Where a liquidity event triggers early vesting the Committee will prorate awards for performance and, other than in exceptional circumstances, 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. The Committee agreed that the Growthpoint Transaction did not necessitate any accelerated vesting or exercise of options under the Scheme rules.

EXIT PAYMENTS AND PAYMENTS TO PAST DIRECTORS

No exit payments were awarded to Directors in 2019. Neither were any payments made to past Directors.

2020 COMBINED INCENTIVE PLAN (CIP)

The Committee will continue to set stretching performance targets, with financial performance metrics forming at least 80% of the metrics used. The remaining 20% will be subject to strategic and operational measures, providing a link between financial and strategic out-turns.

	% of max.
Adjusted Profit	20%
Net Rental Income	20%
Cost Management	20%
Gearing	20%
Total Financial:	**80%**
Operating metrics	10%
Footfall against benchmark	
Leasing performance	
Strategy Implementation	10%
Total Operational and Strategic:	**20%**

Pay-out levels for threshold performance will remain controlled at a minimum of 25% of the CIP and maximum pay-out will represent "exceptional performance". Target performance levels of pay-out will be at 50%.

Detailed targets have not been disclosed due to their commercially sensitive nature. The targets and the extent to which they have been achieved will be published in full in the 2020 Directors' Remuneration Report.

PERFORMANCE GRAPH

The graph below illustrates the Company's Total Shareholder Return (i.e. share price growth plus dividends paid) performance compared to the FTSE All-Share and FTSE 350 Real Estate indices as these indices provide a measure of a sufficiently broad equity market against which the Company considers that it is suitable to compare itself. The graph shows how the total return on a £100 investment in the Company made on 31 December 2009 would have changed over the ten-year period measured, compared with the total return on a £100 investment in the comparable indices.

Directors’ Remuneration Report

2019 Remuneration Report continued

The table below sets out the total remuneration of the Chief Executive, over the same period as the Total Shareholder Return graph. The quantum of Annual Incentive awards granted each year and long-term incentive vesting rates are given as a percentage of the maximum opportunity available.

	2019 £’000	2018 £’000	2017 £’000	2016 £’000	2015 £’000	2014 £’000	2013 £’000	2012 £’000	2011 £’000	2010 £’000
Total remuneration (L Hutchings)	718	752	393	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total remuneration (H Scott-Barrett)	–	–	564	2,112	796	833	651	765	536	302
Annual bonus (% of max) (L Hutchings)	51%	53%	45%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Annual bonus (% of max) (H Scott–Barrett)	n/a	n/a	–	70%	70%	85%	40%	69%	71%	–
LTIP vesting (% of max) (L Hutchings)	–	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LTIP vesting (% of max) (H Scott-Barrett)	n/a	n/a	35.26%	91.85%	–	–	–	–	–	–

PERCENTAGE INCREASE IN CHIEF EXECUTIVE REMUNERATION VERSUS THE WIDER WORKFORCE IN 2019

The percentage change in the remuneration of the Chief Executive Officer between 2018 and 2019 compared to that of employees generally was as follows:

	CEO	Employee group[1]
Salary	+11%	+2%
All taxable benefits	No change	No change
Annual bonuses	-28%[2]	+9.7%

Notes:

[1] Calculated on a like-for-like basis with reference to employees of Capital & Regional plc and Capital & Regional Property Management who have been at the Company for the entirety of the current and prior years.

[2] The introduction of the CIP in 2019 means that the 2018 and 2019 bonus award for the Chief Executive are not directly comparable. The 2018 figure included deferred bonus and a higher potential award level than the 2019 cash bonus award potential.

The Committee approved an increase in the Chief Executive’s salary of 11% and further detail regarding this decision was include in the 2018 Annual Report. As outlined in the Remuneration Policy approved in 2019, going forward the maximum increase in any year will be capped at 10% of base salary.

CHIEF EXECUTIVE PAY RATIO

The Company has less than 250 employees and is therefore not required to disclose the ratio between the Chief Executive’s pay and the pay of other employees in the Company, as outlined in the Companies (Miscellaneous Reporting) Regulations 2018. The ratio of the Chief Executive’s pay to the average employees’ pay is taken into consideration when setting Executive remuneration and the ratio (excluding Directors) was 6.3:1 (£425,000: £67,976).

RELATIVE IMPORTANCE OF SPEND ON PAY COMPARED TO DISTRIBUTIONS TO SHAREHOLDERS

	2019 £m	2018 £m	%
Employee costs (per Note 7 of the financial statements)	**11.2**	11.6	-3.4%
Dividends paid (Total of Interim and Final Dividend for the respective year)	**18.6**	17.5	+6.3%

DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

Name	Unexpired term of appointment	Date of service agreement	Notice period	Potential termination payment
Executive Directors				
L Hutchings	Rolling contract	13 June 2017	12 months	12 months' salary and benefits value
S Wetherly	Rolling contract	11 March 2019	12 months	12 months' salary and benefits value
		Date of initial appointment		
Non-Executive Directors				
H Scott-Barrett	Rolling contract	9 March 2008[1]	6 months	None
L Norval	Rolling contract	15 September 2009	No notice	None
T Hales	Rolling contract	1 August 2011	No notice	None
I Krieger	Rolling contract	1 December 2014	No notice	None
L Whyte	Rolling contract	1 December 2015	No notice	None
G Muchanya	Rolling contract	9 December 2019	No notice	None
N Sasse	Rolling contract	9 December 2019	No notice	None
D Hunter	Rolling contract	9 March 2020	6 months	None

[1] Hugh Scott-Barrett's contract was amended on 13 June 2017 when he ceased to be Chief Executive and became the Non-Executive Chairman. He will step down from the Board at the 2020 AGM.

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

EXTERNAL APPOINTMENTS

No Executive Directors held external positions during the year.

WORKFORCE ENGAGEMENT

The Committee is regularly updated on workforce pay and benefits throughout the Group and considers workforce remuneration as part of the review of executive remuneration. The Committee did not engage directly with employees in regard to executive pay but reviews feedback from employee surveys and takes this into account when setting pay. The Committee is also tasked with overseeing major changes in employee benefit structures. It has responsibility for the remuneration of the members of the Group Senior Leadership Team and is therefore able to ensure that the remuneration of the Executive Directors is in line with senior management and other colleagues.

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 66.

	30 December 2019 Shares	30 December 2018 Shares
H Scott-Barrett	**2,434,300**	3,540,000
L Hutchings	**55,676**	79,790
S Wetherly	**202,906**	–
T Hales	**412,743**	600,000
W Hamman	**–**	–
I Krieger	**105,500**	103,133
G Muchanya	**–**	–
L Norval	**94,073,908**	135,913,866
N Sasse	**383,357**	–
L Whyte	**80,000**	78,852

Louis Norval is beneficially interested in the shares registered in the name of MStead Limited and PDI Investment Holdings Limited. Wessel Hamman, by virtue of being the other nominated representative Director of the Parkdev Group of companies until 9 December 2019, was connected to the MStead Limited, PDI Investment Holdings Limited and other related shareholdings but did not personally have a beneficial interest in any of these holdings.

On 17 December 2019 all Directors participated in the partial cash offer by Growthpoint to acquire shares in the Company, representing approximately 30% of their existing shareholdings.

Directors' Remuneration Report

2019 Remuneration Report continued

Following the 10 for 1 share consolidation that completed on 15 January 2020 the revised beneficial shareholdings of Directors are detailed below. The revised figures include share dealings by Directors between 31 December 2019 and 15 January 2020.

	15 January 2020 Shares
H Scott-Barrett	243,428
L Hutchings	5,566
S Wetherly	20,289
T Hales	41,274
I Krieger	10,550
G Muchanya	–
L Norval	9,407,387
N Sasse	38,335
L Whyte	7,998

The following were the only transactions impacting the above shareholdings between 15 January 2020 and 15 April 2020, being the latest practicable date prior to the issue of this report.

- On 14 March 2020, Philip Mickelborough, the husband of Laura Whyte, acquired 18,500 ordinary shares
- On 18 March 2020, David Hunter, following his appointment on 9 March 2020, acquired 65,000 ordinary shares

EXECUTIVE SHARE OWNERSHIP

All Executive Directors are expected to build a shareholding to at least 2 x basic annual salary value based on current market value or the aggregate purchase price of the shares over a five-year period.

There is no set timescale for Executive Director to reach the prescribed target but they are expected to retain net shares received on the vesting of long-term incentive awards until the target is achieved. Shares that count towards the holding guideline are unfettered and beneficially owned by the Executive Directors and their connected persons.

Executive Directors	Time from appointment as Executive Director	Target % of salary	Target currently met?
L Hutchings	2 year 6 months	200	No
S Wetherly	9 months	200	No

POST CESSATION SHAREHOLDING REQUIREMENTS

There is a 200% base salary post-cessation of employment shareholding requirement for year one, reduced to a 100% base salary shareholding requirement for year two for Executive Directors.

COMMITTEE EVALUATION

The Committee reviewed its performance with Board members and other participants, including through the annual Board evaluation. As part of its review, the Committee updated its Terms of Reference in 2019 to reflect latest governance best practice and requirements and the requirements of the 2019 UK Corporate Governance Code.

ADVISERS

Across 2018 and 2019, the Committee received advice from independent remuneration consultants PwC LLP to support the detailed review of the remuneration policy, the remuneration reporting regulations and corporate governance changes and to provide advice on an ad hoc basis. PwC LLP's fees for this advice were £55,000, which were charged on a time/cost basis. No other services were provided by PwC LLP during the course of 2019.

PwC LLP is a member of the Remuneration Consultants' Group, and as such chooses to operate pursuant to a code of conduct that requires remuneration advice to be given objectively and independently. PwC were appointed by the Remuneration Committee, following a robust tender process. The Committee is satisfied that the advice provided by PwC LLP in relation to remuneration matters is objective and independent.

PwC LLP had no other connection with the Company or individual Directors in 2019.

CONSULTATION AND SHAREHOLDERS' VIEWS

In 2019 Tony Hales, the Committee Chair, engaged extensively with shareholders during the development of the 2019 Remuneration Policy. The Chair corresponded with shareholders representing over 60% of the Company's share register. The Chair also engaged with ISS and the Investment Association to ask for their views on the proposed policy. The Committee reviewed and considered all feedback received as part of their discussions when finalising the policy. Following publication of the policy, and ahead of the AGM the Committee received further feedback from shareholders and in response to this feedback announced that following changes to the policy would be made:

- the removal of the ability to grant an ex gratia award to an incoming Executive Director; and
- the maximum combined incentive award potential in any year (300% of salary) will be adjusted downwards to reflect the year on year reduction in the profit out-turn (if any) or if the shareholder return over the same period has been negative.

Shareholder voting on the Directors' Remuneration Policy and Remuneration Report, which were tabled at the 16 May 2019 AGM, was as follows:

Resolution	For	% For	Against	% Against	Total Shares Voted	Votes Withheld
To approve the Directors' Remuneration Policy	458,092,583	87.78%	63,784,926	12.22%	521,877,509	25,932,411
To approve the annual report on Directors' remuneration	426,359,828	89.52%	49,887,357	10.48%	476,247,185	71,562,735

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 1 to 41 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 2018 UK Corporate Governance Code and Disclosure and Transparency Rules, which forms part of this Directors' Report, is set out on pages 45 to 51.

The results for the year are shown in the Group income statement on page 86. There were no reportable events after the balance sheet date. 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 1.00 pence per share (2018: 1.82 pence per share) was paid on 27 December 2019, all as a Property Income Distribution (PID).

On 15 January 2020 the Company completed a share consolidation whereby every ten Ordinary Shares of 1 pence each were consolidated into one ordinary share of 10 pence each. Further details can be found in Note 19 to the Financial Statements.

The Directors recommend a final dividend of 11 pence per share all to be paid as a Property Income Distribution (PID). This will result in a total distribution for the year ended 30 December 2019 equivalent to 21 pence per new share (2018: 24.2 pence per share on the same equivalent basis).

Subject to approval of shareholders at the Annual General Meeting (AGM) on Wednesday, 20 May 2020, the final dividend will be paid on Thursday, 26 June 2020. The key dates are set out as below:

■ Confirmation of ZAR equivalent dividend	Thursday, 21 May 2020
■ Last day to trade on Johannesburg Stock Exchange (JSE)	Tuesday, 2 June 2020
■ Shares trade ex-dividend on the JSE	Wednesday, 3 June 2020
■ Shares trade ex-dividend on the London Stock Exchange (LSE)	Thursday, 4 June 2020
■ Record date for LSE and JSE	Friday, 5 June 2020
■ Dividend payment date/despatch of share certificates	Thursday, 24 June 2020

A scrip offer will be made available subject to approval at the Annual General Meeting. 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 Thursday, 21 May 2020. Share certificates on the South African register may not be dematerialised or rematerialised between Wednesday, 3 June 2020 and Friday, 5 June 2020, both dates inclusive. Transfers between the UK and South African registers may not take place between Thursday, 21 May 2020 and Friday, 5 June 2020, both dates inclusive.

PROPERTY INCOME DISTRIBUTIONS (PIDS)

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

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

PIDs paid to shareholders on the South African share register are subject to UK withholding tax at 20%. South African shareholders may apply to 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 42 to 43. Wessel Hamman's resignation was effective from 9 December 2019. Norbert Sasse and George Muchanya were appointed on 9 December 2019. All other Directors served for the full year.

All current Directors will retire and, being eligible, offer themselves for re-election at the 2020 Annual General Meeting.

Directors' interests in the share capital and equity of the Company at the year-end are contained in the Directors' Remuneration Report on page 69 to 70. There were no contracts of significance subsisting during or at the end of the year in which a Director of the Company was materially interested. No Director had a material interest in the share capital of other Group companies during the year.

Pursuant to the Homestead Relationship Agreement that the Company entered into in 2019, the Company agrees, upon request, to appoint one Non-Executive Director nominated by the Homestead Group to the Board for so long as they own 6% or more of the issued ordinary share capital in the Company. Louis Norval is the Homestead nominated Non-Executive Director.

Pursuant to the Growthpoint Relationship Agreement that the Company entered into in 2019, the Company agrees, upon request, to appoint two Non-Executive Directors nominated by Growthpoint to the Board for so long as they own 20% or more of the issued ordinary capital in the Company and one Non-Executive Director to the Board if they own less than 20%, but not less than 15%. George Muchanya and Norbert Sasse are the Growthpoint nominated Non-Executive Directors.

All other Directors are appointed in a personal capacity.

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

LISTING RULE 9.8.4R DISCLOSURES

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

Interest capitalised and tax relief	n/a
Details of long-term incentive schemes	Page 66
Waiver of emoluments by a Director	Page 64
Waiver of future emoluments by a Director	Page 64
Non pre-emptive issues of equity for cash	n/a
Non pre-emptive issues of equity for cash by major subsidiary undertakings	n/a
Parent company participation in a placing by a listed subsidiary	n/a
Contracts of significance	n/a
Provision of services by a controlling shareholder	n/a
Shareholder waivers of dividends	Shares held by Employee Share Ownership Trust – see section below
Shareholder waivers of future dividends	Shares held by Employee Share Ownership Trust – see section below
Agreements with controlling shareholders	n/a

SUBSTANTIAL SHAREHOLDINGS

As at 15 April 2020 (the latest practicable date prior to the issue of this report) the Company has been notified of the following interests in its issued ordinary share capital:

	No. of shares	%
Growthpoint	53,123,818	51.14
Mstead Limited	5,235,729	5.04
Peens Family Holdings	4,342,236	4.18
PDI Investment Holdings	4,136,550	3.98
ICAMAP Investments	3,709,725	3.57

MStead Limited and PDI Investment Holdings are part of the Homestead Group of investors.

Directors' Report

continued

SHARE CAPITAL

As at 30 December 2019 the Company's total issued share capital was 1,038,840,380 ordinary shares of 1 pence each, all with equal voting rights. The changes in the Company's Issued share capital during 2019 are detailed in Note 19 to the financial statements.

The Company has a Secondary Listing of shares on the Johannesburg Stock Exchange (JSE). At 30 December 2019, 58,738,414 of the Company's shares were held on the JSE share register representing 5.7% of the total shares in issue.

On 15 January 2020 the Company completed a share consolidation whereby every ten Ordinary Shares of 1 pence each were consolidated into one ordinary share of 10 pence each; this resulted in 103,884,025 shares being in circulation.

CHANGE IN CONTROL

The Group's £15 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 potentially 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. The lender consented to the change of control occurring by virtue of Growthpoint Properties Limited's acquisition of a 51.2% interest in Capital & Regional plc.

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

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

PURCHASE OF OWN SHARES

The Company did not make any purchases of its own shares during 2019 or up to 15 April 2020, being the latest practicable date prior to the issue of this report.

The Company was authorised by shareholders at the 2019 AGM held on 16 May 2020 to purchase up to a maximum of 10.0% of its ordinary shares in the market. This authority will expire at the 2020 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

At 30 December 2019 the Capital & Regional Employee Share Ownership Trust held 608,694 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 2019 the total number of employees was as follows:

Employees	Male	Female	Total
Directors	8	1	9
Senior Leadership Team	4	1	5
Employees – Group	16	20	36
Employees – Assets	27	67	94
Employees – Snozone	168	106	274

POLITICAL DONATIONS AND CHARITABLE 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. The Group made a charitable donation of £25,000 in 2019 to the retailTRUST (see page 15 for further details).

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 reappoint 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 2019, accompanies this report and accounts and explains the business to be covered at the Annual General Meeting of the Company to be held on 20 May 2020.

The Directors Report was approved by the Board of Directors on 15 April 2020 and is signed on its behalf by:

STUART WETHERLY
Company Secretary

16 April 2020

Registered Company name: Capital & Regional plc

Registered Company number: 01399411

Registered office: 22 Chapter Street, London, SW1P 4NP

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with 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 15 April 2020 and is signed on its behalf by:

LAWRENCE HUTCHINGS
Chief Executive

STUART WETHERLY
Group Finance Director

Independent Auditor’s report

To the members of Capital & Regional plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- the financial statements of Capital & Regional plc (the "parent company") and its subsidiaries (the "group") give a true and fair view of the state of the group’s and of the parent company’s affairs as at 30 December 2019 and of the group’s loss 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 and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 “Reduced Disclosure Framework”; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related Notes 1 to 32 and parent company related Notes A to F.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and 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, including FRS 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group for the year are disclosed in Note 6 to the financial statements. We confirm that the non-audit services prohibited by the FRC’s Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: ■ Valuation of investment properties ■ Going concern and covenant compliance ■ Impairment of parent company investments and intercompany debtors Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £7.5 million which was determined on the basis of 2% of net assets. We applied a lower threshold of £1.4 million for testing of all balances impacting Adjusted Profit (as defined in Note 1 of the group financial statements), which is 5% of Adjusted Profit.
Scoping	Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group and component levels. Our audit scoping provides full scope audit coverage of 98% (2018: 97%) of net assets, 100% (2018: 100%) of revenue and 100% (2018: 97%) of operating profit. Our component audit work was executed at levels of materiality applicable to each individual component which were lower than group materiality.
Significant changes in our approach	There have been no significant changes in our audit approach in the current year.

Independent Auditor's report

To the members of Capital & Regional plc continued

CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

Going concern

We have reviewed 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 and company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We considered, as part of our risk assessment, the nature of the group, its business model and related risks including where relevant the impact of the COVID-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

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

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 27 to 31 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on page 27 that they have carried out a robust assessment of the principal and emerging risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- 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 are also required to report whether the Directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the group to continue over the time horizon considered appropriate by the Directors.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

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

Valuation of investment properties

Key audit matter description	The investment property has a carrying value of £770.9 million at 30 December 2019 (30 December 2018: £898.2 million), comprising 86% (30 December 2018: 93%) of the group's assets. The portfolio consists of seven shopping centres within the group. These are disclosed in Note 10 to the group financial statements. We deem the fair value of the group's property portfolio to be a significant area of focus due to the level and nature of the judgements and estimates from Management that form inputs into the valuation process performed by the group's independent valuers, such as yields and cash flows, together with the lack of transactional evidence and liquidity in the market. The valuations are consequently based on increasingly subjective evidence. Changes in these assumptions and judgements could lead to significant movements in property values and consequently unrealised gains or losses in the consolidated income statement. There is also a risk of fraud in relation to the valuation of the property portfolio, where the use of assumptions and judgements is more critical and could be subject to undue influence by management. The accounting policy for investment property is set out in Note 1 to the group financial statements including management's assessment of this as a key source of estimation uncertainty. As discussed in Note 29 to the financial statements, the impact of the COVID-19 pandemic on the valuation of the group's investment properties is considered a non-adjusting subsequent event. There is therefore uncertainty over the future impact on the valuation of the group's investment properties, which at the date of this report has not been quantified. The Audit Committee's discussion of this key audit matter is set out on page 53.
How the scope of our audit responded to the key audit matter	■ We obtained an understanding of the group's relevant controls around investment property valuations. ■ We met with the third party valuers appointed by management to value the property portfolio and challenged the significant judgements, assumptions applied and impacts from Brexit in their valuation model. We verified movements in the key judgements and assumptions and benchmarked the inputs against market data with the involvement of our internal real estate valuation specialists, who are members of the Royal Institution of Chartered Surveyors. ■ We analysed the individual property valuations to understand significant movements against prior year and comparative market evidence considered by the valuers. ■ We tested the integrity of the information provided to the valuers by management pertaining to rental income, purchasers' costs and occupancy. ■ We evaluated the competence, capabilities and objectivity of the external valuers. ■ We assessed the appropriateness of the disclosure of the non-adjusting subsequent event.
Key observations	We concur with the assumptions adopted by the management in the valuation were reasonable and the methodology applied was appropriate.

Independent Auditor's report

To the members of Capital & Regional plc continued

GOVERNANCE

Going concern and covenant compliance

Key audit matter description	As at 30 December 2019, external borrowings had a carrying value of £422.8 million (30 December 2018: £432.9 million). The group also has an undrawn £15 million central revolving credit facility, which matures in January 2022 together with cash and cash equivalents of £95.9 million (30 December 2018: £32.0 million). We identified a key audit matter relating to the ability of the group to meet the external loan covenant requirements during the year and for a period of one year from the date of this Auditor's Report. While there is headroom in the borrowing to property valuation ratio compared to the covenant requirement over this period, a downwards movement in property valuations could impact on this headroom. In the event of a fall in property valuations, should any of the group's lenders call for a valuation under the terms of the loan agreement, the group may not meet this covenant requirement. As a result of the COVID-19 pandemic, the valuation impacts may be greater and quicker than anticipated at the year end. The group expects there may be a significant reduction in rental income throughout the period of one year from the date of this Auditor's Report as a result of the trading restrictions due to the COVID-19 pandemic. The impact of this potential reduction in rental income could mean that the group breaches its interest cover covenants in this period; however the group has forecast sufficient cash to cure potential breaches. Management's consideration of the going concern basis of preparation is set out in the Going Concern statement on page 32 and Note 1 together with a detailed presentation of the likely actions they could take to respond to the potential covenant breaches and further mitigation actions available should the group's lenders not provide waivers to covenant breaches if required. Management have adopted the going concern basis of accounting for the group and parent company; they have concluded that there are no material uncertainties that may cast significant doubt over the group's and parent company's ability to adopt this basis for a period of at least 12 months from the date when the financial statements are authorised for issue. The Audit Committee's discussion of this key audit matter is set out on page 53.
How the scope of our audit responded to the key audit matter	■ We obtained an understanding of the group's relevant controls around the risk of non-compliance with covenants and the going concern status of the group. ■ We challenged the judgements and assumptions applied by management in their going concern assessment and associated forecasts of financial performance and financial position, considering the reasonableness of assumptions regarding lower rental collection levels. ■ We considered management's conclusions regarding the likelihood of cash flow timings relating to assumptions driven by the ongoing COVID-19 pandemic. ■ We reviewed management's modelling of alternative scenarios taking into 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 2019. ■ We reviewed key loan documentation to understand the principal terms, including financial covenants, and performed a review of the group's existing and forecast compliance with debt covenants and any associated equity cures/cash traps. ■ We reviewed the availability of further mitigating actions available to management as presented on page 32.
Key observations	We concur with management's conclusion to prepare the group and company financial statements on a going concern basis.

Impairment of parent company investments and intercompany debtors

Key audit matter description	There is a risk that the carrying value of the investments and intercompany debtors cannot be supported. The accuracy of forecast future cash flows to support the carrying values of the investments is a key area of judgement and is identified as a key audit matter. In particular, this relates to the reasonableness of cash flow forecasts, long-term growth rates and the discount rates applied in the discounted cash flow calculations used to support investments held at above net asset value of the subsidiaries. Investments had a carrying value of £344.0 million at 30 December 2019 (30 December 2018: £459.8 million), comprising 79% (30 December 2018: 96%) of the parent company's assets. Intercompany debtors had a carrying value of £94.0 million at 30 December 2019 (30 December 2018: £14.4 million), comprising 21.5% (30 December 2018: 3%) of the parent company's assets. Investments are subject to an impairment review using discount rates between the range of 7.6% and 9.5% (30 December 2018: 7.6% and 9.5%). Management have assessed the recoverability of investments on the basis of nil growth. Management have posted an impairment of £115.8 million as a result of comparing the carrying value of the investment against its recoverable amount. The accounting policies for both investments and intercompany debtors are set out in Note A to the parent company financial statements. The Audit Committee's discussion of this key audit matter is set out on page 53.
How the scope of our audit responded to the key audit matter	■ We obtained an understanding of the group's relevant controls around 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 involvement of our internal valuations specialists. The inputs considered included the cash flow projections, long-term growth rates and discount rates. ■ We also assessed whether the forecasts employed are consistent with those used to support other judgements in the financial statements.
Key observations	We concur with the level of impairment recognised by management for all investments. We consider that the carrying value of company only investment and intercompany debtor balances is appropriate.

OUR APPLICATION OF MATERIALITY

Materiality

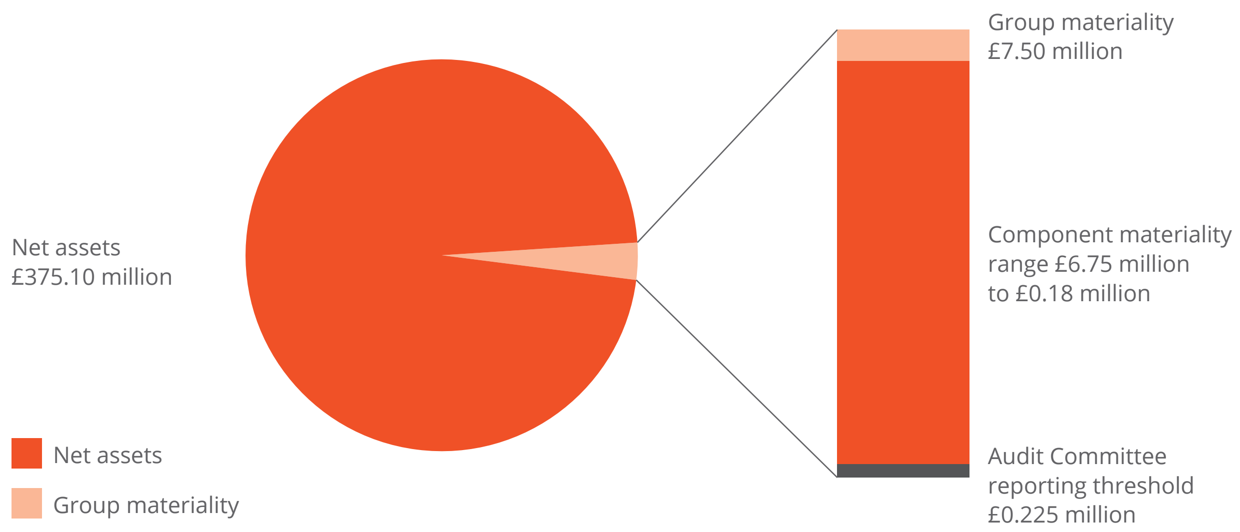
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our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

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

	Group financial statements	Parent financial statements
Materiality	£7.5 million (2018: £8.6 million)	£6.75 million (2018: £7.74 million)
Basis for determining materiality	We determined materiality to be 2% of net assets (2018: 2% of net assets). We applied a lower threshold of £1.4 million (2018: £1.4 million) for testing of all balances impacting Adjusted Profit (as defined in Note 1 to the group financial statements), which is 5% of Adjusted Profit (2018: less than 5% of Adjusted Profit).	Parent company materiality equates to 2% of net assets (2018: 2% of net assets), which is capped at 90% of group materiality (2018: capped at 90% of group materiality).
Rationale for the benchmark applied	We used net assets as a benchmark when determining materiality as it is considered to be the most critical financial performance measure for the group. We applied a lower threshold of £1.4 million (2018: £1.4 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 used net assets as a benchmark when determining materiality as it is considered to be the most critical financial performance measure for the company as a holding company.

Independent Auditor's report

To the members of Capital & Regional plc continued



We applied a lower threshold of £1.4 million (2018: £1.4 million) for testing of all balances impacting Adjusted Profit (as defined in Note 1 to the group financial statements), which is 5% (2018: 5%) of this financial performance measure.

Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- there have been no significant changes in the business; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.225 million (2018: £0.250 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Identification and scoping of components

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

Our group audit scope focused primarily on the audit work on the major lines of business. These major lines of business are Wholly-owned assets, Snozone and group/Central. These are included within individual IFRS 8 segments as disclosed in Note 2 to the group financial statements.

The businesses subject to a full scope audit or specific audit procedures account for 98% (2018: 97%) of the group's net assets, 100% (2018: 100%) of the group's revenue and 100% (2018: 97%) of the group's operating profit. This coverage corresponds with the full scope audit procedures, except for Capital & Regional Holdings Limited where we performed specified audit procedures. The remainder of the group's net assets were subject to central analytical procedures. All investment properties have been included within the scope of our work. The businesses subject to a full scope audit or specific audit procedures were also selected to provide an appropriate basis for undertaking audit work to address the 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% (2018: 2% and 90%) of group materiality, which corresponds to component materialities between £0.18 million and £6.75 million (2018: between £0.2 million and £7.7 million).

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.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Independent Auditor's report

To the members of Capital & Regional plc continued

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Board on 15 April 2020;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, valuations, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the significant judgements and assumptions used in the investment property valuations in common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, REIT legislation, London Stock Exchange Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's environmental regulations.

Audit response to risks identified

As a result of performing the above, we identified Valuation of investment properties as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

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 in respect of these matters.

OTHER MATTERS

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Directors on 19 January 1998 to audit the financial statements for the year ending 25 December 1997 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 23 years, covering the years ending 25 December 1997 to 30 December 2019.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

USE OF OUR REPORT

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

MATTHEW HALL FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
16 April 2020

Consolidated income statement

For the year to 30 December 2019

	Note	2019 £m	2018 £m
Revenue	3	**88.9**	91.0
Cost of sales	4	**(35.3)**	(34.9)
Gross profit		**53.6**	56.1
Administrative costs	6	**(8.8)**	(9.2)
Share of loss in associates	14a	**–**	(4.6)
Loss on revaluation of investment properties	10a	**(138.6)**	(47.5)
Other gains and losses		**(1.5)**	*(4.5)*
Transaction costs in association with Partial Offer and equity raise		**(2.2)**	–
Loss on ordinary activities before financing		**(97.5)**	(9.7)
Finance income	5	**0.4**	3.1
Finance costs	5	**(23.9)**	(18.9)
Loss before tax	6	**(121.0)**	(25.5)
Tax charge	8a	**–**	(0.1)
Loss for the year	2a	**(121.0)**	(25.6)
All results derive from continuing operations.			
Basic earnings per share[1]	9a	**(16.2)p**	(3.5)p
Diluted earnings per share[1]	9a	**(16.2)p**	(3.5)p
EPRA basic earnings per share[1]	9a	**3.5p**	4.0p
EPRA diluted earnings per share[1]	9a	**3.5p**	4.0p

Consolidated statement of comprehensive income

For the year to 30 December 2019

	2019 £m	2018 £m
Loss for the year	**(121.0)**	(25.6)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**–**	–
Gain on a hedge of a net investment taken to equity	**–**	–
Total items that may be reclassified subsequently to profit or loss	**–**	–
Total comprehensive expense for the year	**(121.0)**	(25.6)

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

Loss for the year and total comprehensive expense are all attributable to equity holders of the parent.

The EPRA alternative performance 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 24 to the Financial Statements.

[1] Per share amounts are unadjusted for the impact of the 10 for 1 share consolidation that completed on 15 January 2020. A multiple of ten needs to be applied to calculate the equivalent values.

Consolidated balance sheet

At 30 December 2019

	Note	2019 £m	2018 £m
Non-current assets			
Investment properties	10	**770.9**	898.2
Plant and equipment	11	**2.2**	2.0
Fixed asset investments		**1.2**	2.8
Receivables	13	**14.7**	16.5
Investment in associates	14b	**–**	–
Total non–current assets		**789.0**	919.5
Current assets			
Receivables	13	**15.4**	15.3
Cash and cash equivalents	15	**95.9**	32.0
Total current assets		**111.3**	47.3
Total assets	2b	**900.3**	966.8
Current liabilities			
Trade and other payables	16	**(35.7)**	(37.1)
Total current liabilities		**(35.7)**	(37.1)
Net current assets		**75.6**	10.2
Non-current liabilities			
Bank loans	17a	**(422.8)**	(432.9)
Other payables	16	**(5.2)**	(2.2)
Obligations under finance leases	26	**(61.5)**	(61.6)
Total non-current liabilities		**(489.5)**	(496.7)
Total liabilities	2b	**(525.2)**	(533.8)
Net assets		**375.1**	433.0
Equity			
Share capital	19	**10.4**	7.3
Share premium	19	**238.0**	166.5
Merger reserve		**60.3**	60.3
Capital redemption reserve		**4.4**	4.4
Own shares reserve	21	**–**	–
Retained earnings		**62.0**	194.5
Equity shareholders' funds		**375.1**	433.0
Basic net assets per share[1]	24	**36.1p**	59.6p
EPRA triple net assets per share[1]	24	**35.6p**	59.3p
EPRA net assets per share[1]	24	**36.4p**	59.1p

[1] Per share amounts are unadjusted for the impact of the 10 for 1 share consolidation that completed on 15 January 2020. A multiple of ten needs to be applied to calculate the equivalent values.

These financial statements were approved by the Board of Directors, authorised for issue and signed on their behalf on 16 April 2020 by:

Lawrence Hutchings
Chief Executive

Stuart Wetherly
Group Finance Director

Consolidated statement of change in equity

For the year to 30 December 2019

	Share capital £m	Share premium[1] £m	Merger reserve[2] £m	Capital redemption reserve[1] £m	Own shares reserve[3] £m	Retained earnings £m	Total equity £m
Balance at 30 December 2017	7.2	163.3	60.3	4.4	(0.1)	246.3	481.4
Loss for the year	–	–	–	–	–	(25.6)	(25.6)
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	–	(25.6)	(25.6)
Credit to equity for equity-settled share-based payments (Note 20)	–	–	–	–	–	0.7	0.7
Dividends paid, net of scrip	–	–	–	–	–	(23.5)	(23.5)
Shares issued, net of costs (Note 19)	0.1	3.2	–	–	–	(3.3)	–
Other movements	–	–	–	–	0.1	(0.1)	–
Balance at 30 December 2018	**7.3**	**166.5**	**60.3**	**4.4**	**–**	**194.5**	**433.0**
Loss for the year	–	–	–	–	–	(121.0)	(121.0)
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	–	(121.0)	(121.0)
Credit to equity for equity-settled share-based payments (Note 20)	–	–	–	–	–	0.1	0.1
Dividends paid, net of scrip	–	–	–	–	–	(11.6)	(11.6)
Shares issued, net of costs (Note 19)	3.1	71.5	–	–	–	–	74.6
Other movements	–	–	–	–	–	–	–
Balance at 30 December 2019	**10.4**	**238.0**	**60.3**	**4.4**	**–**	**62.0**	**375.1**

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.

Consolidated cash flow statement

For the year to 30 December 2019

	Note	2019[1] £m	2018 £m
Operating activities			
Net cash from operations	22	**37.5**	46.7
Distributions received from fixed asset investments		**2.3**	0.8
Interest paid		**(14.8)**	(14.5)
Interest received		**0.2**	0.1
Cash flows from operating activities		**25.2**	33.1
Investing activities			
Distributions received from associates	14b	**–**	1.2
Acquisitions and disposals		**–**	0.3
Purchase of plant and equipment		**(0.7)**	(0.5)
Capital expenditure on investment properties		**(12.7)**	(18.6)
Cash flows from investing activities		**(13.4)**	(17.6)
Financing activities			
Dividends paid, net of scrip		**(11.6)**	(23.6)
Bank loans drawn down	17a	**–**	10.0
Bank loans repaid		**(11.0)**	–
Issue of ordinary shares		**74.7**	–
Loan arrangement costs		**–**	(0.1)
Cash flows from financing activities		**52.1**	(13.7)
Net increase/(decrease) in cash and cash equivalents		**63.9**	1.8
Cash and cash equivalents at the beginning of the year		**32.0**	30.2
Cash and cash equivalents at the end of the year	15	**95.9**	32.0

1. Due to presentational adjustments, values differ from the preliminary announcement published on 5 March 2020.

Notes to the financial statements

For the year to 30 December 2019

1 SIGNIFICANT ACCOUNTING POLICIES

General information

Capital & Regional plc is a public company limited by shares domiciled and incorporated in England, United Kingdom under the Companies Act 2006. The address of the registered office is 22 Chapter Street, London, SW1P 4NP. The Group is a specialist real estate investor and asset manager, focused on dominant in-town community shopping centres. Further information on the Group's operations is disclosed in Note 2a and the operating and financial reviews.

Basis of accounting

The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and Notes 1 to 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 accounting policies used in these financial statements are consistent with those applied in the last annual financial statements, as amended where relevant to reflect the adoption of new standards, amendments and interpretations which became effective during the year. The following new or revised accounting standards are applicable for the first time in the year ended 30 December 2019:

- IFRS 15 "Revenue from Contracts with Customers"
- IFRS 9 "Financial Instruments"

IFRS 15 "Revenue from Contracts with Customers"

On 31 December 2018, the Group adopted IFRS 15 "Revenue from Contracts with Customers". IFRS 15 establishes the principles that the Group applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer.

Prior to its adoption, the Group completed a review of the requirements of IFRS 15 against its current accounting policies. The Group concluded that there was no material change in the amounts and timing of revenue recognised following the adoption of the standard and no transition adjustments have been made. IFRS 15 does not apply to revenue transactions that are within the scope of the leasing standard; therefore, it is not applicable for the Group's rental income. We have considered the effect of IFRS 15 with respect to service charge income. Previously, service charge income has been recognised over time at the consideration, which we expect to be entitled to for the service. This has not changed under IFRS 15.

1 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

IFRS 9 "Financial Instruments"

The standard applies to classification and measurement of financial assets and financial liabilities, as well as impairment provisioning, through the introduction of the expected credit loss model. The changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The adoption, however, has not had a material impact on the recognition and measurement of income and costs in the statement of comprehensive income or of assets and liabilities on the balance sheet. The Group has not identified any significant changes in how it accounts for financial assets or liabilities under IFRS 9. The Directors have assessed the impact of impairment losses recognised for trade receivables under IFRS 9 at 30 December 2019 based on actual losses experienced over the past two years and consider the impact to the Group's bad debt provision to be immaterial. In the case of the Company only accounts, an expected credit loss model has been applied to intercompany receivables using the same method, the impact on bad debt provision is immaterial in this case also.

The following new standards and amendments to standards have been issued but are not yet effective for the Group:

- IFRS 16 Leases – this will result in the Group recognising, on the balance sheet, assets it leases along with a corresponding liability and is effective for the Group's year ending 30 December 2020. The primary lease contracts that this will impact are the lease of the Group's support office at 22 Chapter Street London and the leases of the Snozone business on its Basingstoke, Castleford and Milton Keynes sites. The total increase in both assets and liabilities is expected to be around £14.4 million. The key assumptions used to arrive at this are:
  - A discount rate of 3.92% for the support office, and 4.04% for Snozone leases based on the average borrowing rate
  - Yield of 2.25% for the support office, and 6% for the Snozone leases

  The Group has also considered the impact on its three leasehold properties and considers there to be no change in cash flows or presentation, as actual cash flows are neither fixed nor variable depending on an index or rate. 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.
- IFRS 17 insurance contracts
- IFRS 10 and IAS 28 (amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 3 – definition of a business

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 noted.

Critical accounting judgements

The preparation of financial statements requires the Directors to make judgements that may affect the application of accounting policies.

Going concern

The Directors have considered the impact of the COVID-19 pandemic on the Going Concern assumption and viability statement disclosures. The process and scenario planning undertaken, the factors assessed and risk considered are detailed on page 32. The financial statements have been prepared on a going concern basis.

Key sources of estimation uncertainty

The preparation of financial statements requires the Directors to make estimates that may affect the reported amounts of assets and liabilities, income and expenses. The following are the key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements:

Property valuation

The valuation of the Group's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate. We are now in a phase of the valuation cycle where there is persistent negative sentiment and low transactional evidence as such greater judgement has been applied.

The investment property valuation contains a number of assumptions upon which the valuation of the Group's properties as at 30 December 2019 was based. The assumptions on which the property valuation reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, the condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards UK 2014 (revised April 2015).

If the assumptions upon which the valuation was based prove to be inaccurate, this may have an impact on the value of the Group's investment properties, which could in turn have an effect on the Group's financial position and results. Note 10c provides sensitivity analysis estimating the impact that changes in the estimated rental values or equivalent yields would have on the Group's property valuations.

Notes to the financial statements

Continued

1 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Derivative financial instruments

Reliance upon the work undertaken at 31 December 2019 by independent third party experts in assessing the fair values of the Group's derivative financial instruments, which hedge interest rate risk and are therefore subject to movements in market rates, are disclosed in Notes 13 and 18e. Note 18b provides figures showing the Group's sensitivity to a 100bps increase or decrease in interest rate expectations.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries at 30 December. Control of subsidiaries is achieved where the Company has the power over the investee, is exposed, or has rights, to variable return from its involvement with the investee and has the ability to use its power to affect its returns.

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

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.

Subsidiaries, joint ventures and associates

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. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

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 = €1.1765 (2018: £1 = €1.18). The principal exchange rate used for the income statement is the average rate for the year: £1 = €1.1403 (2018: £1 = €1.130).

1 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Property, plant and equipment

Plant and equipment is stated at cost, 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.

Leasehold properties

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

Capital expenditure

Refurbishment expenditure in respect of major works is capitalised. Renovation and refurbishment expenditure of a revenue nature is expensed as incurred. Our business model for developments is to use a combination of in-house staff and external advisers. The cost of external advisers is capitalised to the cost of developments. The cost of staff working on developments is capitalised subject to meeting certain criteria related to the degree of time spent on and the nature of specific projects.

Property transactions

Acquisitions and disposals are accounted for at the date of legal completion. Investment properties are reclassified as held for sale once 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.

Notes to the financial statements

Continued

1 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial instruments

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

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss (FVTPL)","fair value through other comprehensive income (FVOCI)" and "amortised cost". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest rate method

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

Loans and receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as amortised cost. 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 provision for impairment (credit losses). Discounts and similar allowances are recorded on an accrual basis consistent with the recognition of the related sales, using estimates based on existing contractual obligations, historical trends and the Group's experience. Long-term accounts receivables are discounted to take into account the time value of money, where material.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses ("ECLs"). The Group calculates impairment of trade receivables using the expected credit loss model as required by IFRS 9. ECLs are calculated by: (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events. The Group has adopted the simplified "provision matrix" approach to calculate expected credit losses on trade receivables. The Group loss allowance is based on the expected credit loss as calculated using the provision matrix approach and a forward looking component based on individual tenant profiles. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full. The Group writes off trade receivables when there is no reasonable expectation of recovery; receivables are written off after six months.

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are classified as financial liabilities "at FVTPL".

Borrowings

Borrowings are initially measured at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The fair value of forward foreign exchange contracts is calculated by reference to spot and forward exchange rates at the balance sheet date. The fair value of interest rate swaps is calculated by reference to appropriate forecasts of yield curves between the balance sheet date and the maturity of the instrument. Changes in fair value are included as finance income or finance costs in the income statement. Derivative financial instruments are classified as non-current when they have a maturity of more than 12 months and are not intended to be settled within one year. As the Group does not apply hedge accounting, the provisions of IFRS 9 do not apply.

Trade payables

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

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

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 Capital & Regional Property Management Limited ("CRPM") to associates and joint ventures for asset and property management, project co-ordination, procurement, and management of service charges and directly recoverable expenses

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

Snozone income – Revenue arises from the operation of indoor ski operations. Revenue represents the amounts received from customers (excluding VAT) for admissions tickets, membership, retail, food and beverage sales and sponsorship. Ticket revenue is recognised at point of entry. Revenue from the sale of memberships is deferred and then recognised over the period that the membership is valid. Retail and food and beverage sales revenues are recognised at the point of sale. Sponsorship revenue is recognised over the relevant contract term.

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1 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Finance costs

All borrowing costs are recognised under Finance costs in the income statement in the year in which they are incurred. Finance costs also include the amortisation of loan issue costs and any loss in the value of the Group's wholly-owned interest rate swaps.

Operating segments

The Group's reportable segments under IFRS 8 are now Shopping Centres, Snozone and Group/Central. UK Shopping Centres consists of the shopping centres at Blackburn, Hemel Hempstead, Ilford, Luton, Maidstone, Walthamstow and Wood Green. Group/Central includes management fee income, Group overheads incurred by Capital & Regional Property Management Limited, Capital & Regional plc and other subsidiaries and the interest expense on the Group's central borrowing facility.

In the prior year Shopping Centres was split between Wholly-owned assets and Other UK Shopping Centres. The latter consisted of the Group's interest in the Kingfisher Limited Partnership (Redditch) until reclassification to a Fixed Asset Investment on 30 December 2018 – see Note 14b for further information. Following this reclassification the Group's interest in the Kingfisher Limited Partnership is no longer equity accounted. The prior period segment information has been restated to reflect this change in reportable segments due to the change in the structure of the Group.

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

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. Further detail on the use of Adjusted Profit and other Alternative Performance Measures is provided within the Financial Review.

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

2A OPERATING SEGMENTS

Year to 30 December 2019	Note	Shopping Centres £m	Snozone £m	Group/ Central £m	Total £m
Rental income from external sources	2b	63.0	–	–	63.0
Property and void costs		(13.7)	–	–	(13.7)
Net rental income		49.3	–	–	49.3
Net interest expense		(18.9)	–	–	(18.9)
Snozone income/Management fees[1]	2b	–	10.5	2.3	12.8
Management expenses		–	(8.7)	(6.0)	(14.7)
Investment income		–	–	0.2	0.2
Depreciation		–	(0.3)	(0.2)	(0.5)
Variable overhead (excluding non-cash items)		–	–	(0.8)	(0.8)
Tax charge		–	–	–	–
Adjusted Profit		30.4	1.5	(4.5)	27.4
Revaluation of properties		(138.6)	–	(1.4)	(140.0)
Loss on disposal		–	–	(0.5)	(0.5)
Loss on financial instruments		(5.0)	–	–	(5.0)
Share-based payments		–	–	(0.1)	(0.1)
Transaction costs on issue of new equity		–	–	(2.2)	(2.2)
Other items		–	–	(0.6)	(0.6)
(Loss)/profit		(113.2)	1.5	(9.3)	(121.0)
Total assets	2b	820.0	3.9	76.4	900.3
Total liabilities	2b	(514.6)	(2.0)	(8.6)	(525.2)
Net assets		305.4	1.9	67.8	375.1

[1] Asset management fees of £3.4 million charged from the Group's CRPM entity to wholly-owned assets have been excluded from the table above.

Notes to the financial statements

Continued

2A OPERATING SEGMENTS CONTINUED

Year to 30 December 2018	Note	UK Shopping Centres Wholly-owned assets £m	UK Shopping Centres Other UK Shopping Centres[1] £m	Snozone £m	Group/ Central £m	Total £m
Rental income from external sources	2b	65.0	2.2	–	–	67.2
Property and void costs		(13.1)	(0.7)	–	–	(13.8)
Net rental income		51.9	1.5	–	–	53.4
Net interest expense		(18.7)	(1.1)	–	(0.2)	(20.0)
Snozone income/Management fees[2]	2b	–	–	10.4	2.3	12.7
Management expenses		–	–	(8.7)	(6.1)	(14.8)
Investment income		–	–	–	0.4	0.4
Depreciation		–	–	(0.2)	(0.1)	(0.3)
Variable overhead (excluding non-cash items)		–	–	–	(0.8)	(0.8)
Tax charge		–	–	–	(0.1)	(0.1)
Adjusted Profit		33.2	0.4	1.5	(4.6)	30.5
Revaluation of properties		(47.5)	(5.0)	–	–	(52.5)
Gain on financial instruments		–	–	–	(3.8)	(3.8)
Refinancing costs		2.6	–	–	–	2.6
Share-based payments		–	–	–	(0.7)	(0.7)
Other items		(0.2)	(0.8)	–	(0.7)	(1.7)
Profit/(loss)		(11.9)	(5.4)	1.5	(9.8)	(25.6)
Total assets	2b	951.0	14.8	5.1	9.9	980.8
Total liabilities	2b	(526.0)	(14.0)	(3.0)	(4.8)	(547.8)
Net assets		425.0	0.8	2.1	5.1	433.0

[1] Comprises Kingfisher Redditch. For further information see Note 14.

[2] Asset management fees of £3.6 million charged from the Group's CRPM entity to wholly-owned assets have been excluded from the table above.

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2B RECONCILIATIONS OF REPORTABLE REVENUE, ASSETS AND LIABILITIES

Revenue	Note	Year to 30 December 2019 £m	Year to 30 December 2018 £m
Rental income from external sources	2a	63.0	67.2
Service charge income		14.6	14.7
Management fees	2a	2.3	2.3
Snozone income	2a	10.5	10.4
Revenue for reportable segments		90.4	94.6
Elimination of inter-segment revenue		(1.5)	(1.4)
Rental income earned by associates and joint ventures	2a	–	(2.2)
Revenue per consolidated income statement	3	88.9	91.0

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

Assets	Note	2019 £m	2018 £m
Wholly-owned assets		820.0	951.0
Other UK Shopping Centres		–	14.8
Snozone		3.9	5.1
Group/Central		76.4	9.9
Total assets of reportable segments	2a	900.3	980.8
Adjustment for fixed asset investments		–	(14.0)
Group assets		900.3	966.8

Liabilities	Note	2019 £m	2018 £m
Wholly-owned assets		(514.6)	(526.0)
Other UK Shopping Centres		–	(14.0)
Snozone		(2.0)	(3.0)
Group/Central		(8.6)	(4.8)
Total liabilities of reportable segments	2a	(525.2)	(547.8)
Adjustment for fixed asset investments		–	14.0
Group liabilities		(525.2)	(533.8)

Net assets by country	Note	2019 £m	2018 £m
UK		375.8	433.0
Germany		(0.7)	–
Group net assets		375.1	433.0

Notes to the financial statements

Continued

3 REVENUE

	Note	Year to 30 December 2019 £m	Year to 30 December 2018 £m
Gross rental income		**49.6**	51.7
Ancillary income		**13.4**	13.3
	2a	**63.0**	65.0
Service charge income	2b	**14.6**	14.7
External management fees		**0.8**	0.9
Snozone income	2a	**10.5**	10.4
Revenue per consolidated income statement	2b	**88.9**	91.0

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

4 COST OF SALES

	Year to 30 December 2019 £m	Year to 30 December 2018 £m
Property and void costs	**(13.2)**	(12.7)
Service charge costs	**(13.1)**	(13.3)
Snozone expenses	**(9.0)**	(8.9)
Total cost of sales	**(35.3)**	(34.9)

5 FINANCE INCOME AND COSTS

	Year to 30 December 2019 £m	Year to 30 December 2018 £m
Finance income		
Interest receivable	**0.2**	0.1
Income from fixed asset investments	**0.2**	0.4
Gain in fair value of financial instruments:		
– Interest rate swaps	**–**	2.6
Total finance income	**0.4**	3.1
Finance costs		
Amortisation of deferred loan arrangement fees	**(1.0)**	(1.0)
Interest payable on bank loans and overdrafts	**(14.5)**	(14.0)
Other interest payable	**(0.3)**	(0.5)
Finance lease costs (head lease)	**(3.4)**	(3.4)
Loss in fair value of financial instruments:		
– Interest rate swaps	**(4.7)**	–
Total finance costs	**(23.9)**	(18.9)

6 LOSS BEFORE TAX

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

	Note	Year to 30 December 2019 £m	Year to 30 December 2018 £m
Operating lease charge		**2.2**	2.1
Impairment of receivables	13	**2.0**	1.8
Reversal and utilisation of impairment of receivables	13	**(1.9)**	(1.2)
Other gains and losses		**1.5**	4.5
Depreciation of plant and equipment	11	**0.5**	0.3
Staff costs	7	**10.5**	11.6
Auditor's remuneration for audit services (see below)		**0.2**	0.2
Transaction costs in association with Partial Offer and equity raise		**2.2**	–

Auditor's remuneration

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

	Year to 30 December 2019 £'000	Year to 30 December 2018 £'000
Fees payable to the Company's Auditor and its associates for the audit of the Company's annual financial statements	**82**	83
Fees payable to the Company's Auditor and its associates for other services to the Group – the audit of the Company's subsidiaries	**73**	72
Total audit fees for the Company and its subsidiaries	**155**	155
Audit related assurance services – Review of Interim Report	**45**	40
Other assurance services	**2**	–
Consultancy services	**–**	20
Total non-audit fees	**47**	60
Total fees paid to Auditor and its associates	**202**	215

7 STAFF COSTS

	Note	Year to 30 December 2019 £m	Year to 30 December 2018 £m
Salaries		**8.2**	8.8
Discretionary bonuses		**0.9**	0.9
Share-based payments	20	**0.1**	0.8
		9.2	10.5
Social security		**1.0**	0.9
Other pension costs		**0.3**	0.2
		10.5	11.6

Staff costs amounting to £0.6 million (2018: £0.4 million) have been capitalised as development costs during the year.

Notes to the financial statements

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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 2019 Number	Year to 30 December 2018 Number
CRPM/PLC	43	43
Shopping centres	61	70
Snozone	129	135
Total staff numbers	**233**	248

The monthly average number of total employees (including Executive Directors) employed within the Group during the year was 369 (CRPM – 45, Shopping centres – 80, Snozone – 244) compared to 367 in 2018 (CRPM – 45, Shopping centres – 85, Snozone – 237).

There were no employees (2018: Nil) employed by the Company during 2019.

8 TAX

8a Tax charge

	Year to 30 December 2019 £m	Year to 30 December 2018 £m
Current tax		
UK corporation tax	–	–
Adjustments in respect of prior years	–	–
Total current tax credit	–	–
Deferred tax		
Adjustments in respect of prior years	–	(0.1)
Total deferred tax	–	(0.1)
Total tax charge	–	(0.1)

£nil (2018: £nil) of the tax charge relates to items included in other comprehensive income.

8b Tax charge reconciliation

	Note	Year to 30 December 2019 £m	Year to 30 December 2018 £m
(Loss)/profit before tax on continuing operations		(121.0)	(25.5)
(Loss)/profit multiplied by the UK corporation tax rate of 19% (2018: 19%)		(23.0)	(4.9)
REIT exempt income and gains		22.2	3.1
Non-allowable expenses and non-taxable items		0.6	1.7
Excess tax losses		0.2	0.1
Adjustments in respect of prior years		–	0.1
Total tax charge	8a	–	0.1

8c Deferred tax

The UK corporation tax main rate was reduced to 19% with effect from 1 April 2017. A further reduction in the rate of corporation tax to 17% from 1 April 2020 was substantively enacted in Finance Act 2016. Consequently, the UK corporation tax rate at which the deferred tax is booked in the financial statements is 17% (2018: 17%).

The Group has recognised a deferred tax asset of £nil (2018: £nil). 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 £19 million (2018: £18.7 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 (2018: £nil). The Group has unused capital losses of £24.9 million (2018: £24.9 million) that are available for offset against future gains but similarly no deferred tax has been recognised in respect of these losses owing to the unpredictability of future capital gains and other reasons which may restrict the utilisation of the losses. The losses do not have an expiry date.

8d REIT compliance

The Group converted to a group REIT on 31 December 2014. 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.

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

	Note	Year to 30 December 2019 Loss	EPRA	Adjusted Profit	Year to 30 December 2018 Loss	EPRA	Adjusted Loss
Profit (£m)							
(Loss)/profit for the year		**(121.0)**	**(121.0)**	**(121.0)**	(25.6)	(25.6)	(25.6)
Revaluation loss on investment properties (net of tax)	9b	**–**	**140.0**	**140.0**	–	52.5	52.5
Loss on disposal (net of tax)	9b	**–**	**0.5**	**0.5**	–	3.8	3.8
Transaction costs on issue of new equity		**–**	**2.2**	**2.2**	–	–	–
Changes in fair value of financial instruments	9b	**–**	**5.0**	**5.0**	–	(2.6)	(2.6)
Share-based payments	2a	**–**	**–**	**0.1**	–	–	0.7
Other items		**–**	**(0.3)**	**0.6**	–	0.6	1.7
(Loss)/profit (£m)		**(121.0)**	**26.4**	**27.4**	(25.6)	28.7	30.5
Earnings per share (pence)		**(16.2)**	**3.5**	**3.7**	(3.5)	4.0	4.2
Diluted earnings per share (pence)[1]		**(16.2)**	**3.5**	**3.7**	(3.5)	4.0	4.2

[1] Per share amounts are unadjusted for the impact of the 10 for 1 share consolidation that completed on 15 January 2020. A multiple of ten needs to be applied to calculate the equivalent values.

None of the current or prior year earnings related to discontinued operations (2018: none).

Weighted average number of shares (m)	Note	Year to 30 December 2019	Year to 30 December 2018
Ordinary shares in issue		**746.2**	721.9
Own shares held	21	**(0.6)**	(0.5)
Basic		**745.6**	721.4
Dilutive contingently issuable shares and share options		**3.3**	4.6
Diluted		**748.9**	726.0

At the end of the year, the Group had 10,698,595 (2018: 8,162,625) share options and contingently issuable shares granted under share-based payment schemes that could potentially dilute earnings per share in the future, but which have not been included in the calculation because they are not dilutive or the conditions for vesting have not been met.

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9 EARNINGS PER SHARE CONTINUED

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

	Note	Year to 30 December 2019 Revaluation movements £m	Year to 30 December 2019 Loss on disposal of investment properties £m	Year to 30 December 2019 Movement in fair value of financial instruments £m	Year to 30 December 2018 Revaluation movements £m	Year to 30 December 2018 Loss on disposal of investment properties £m	Year to 30 December 2018 Movement in fair value of financial instruments £m
Wholly-owned		**(140.0)**	**–**	**(5.0)**	(47.5)	–	2.6
Associates	14c	**–**	**–**	**–**	(5.0)	–	–
Joint ventures		**–**	**(0.5)**	**–**	–	(3.8)	–
Tax effect		**–**	**–**	**–**	–	–	–
Total	9a	**(140.0)**	**(0.5)**	**(5.0)**	(52.5)	(3.8)	2.6

9c Headline earnings per share

Headline earnings per share has been calculated and presented as required by the JSE Listing Requirements.

	Year to 30 December 2019 Basic	Year to 30 December 2019 Diluted	Year to 30 December 2018 Basic	Year to 30 December 2018 Diluted
Profit (£m)				
(Loss) for the year	**(121.0)**	**(121.0)**	(25.6)	(25.6)
Revaluation loss on investment properties (including tax)	**140.0**	**140.0**	52.5	52.5
Loss on disposal (net of tax)	**0.5**	**0.5**	3.8	3.8
Transaction costs on issue of new equity	**2.2**	**2.2**	–	–
Other items	**(0.3)**	**(0.3)**	(0.2)	(0.2)
Headline earnings	**21.4**	**21.4**	30.5	30.5
Weighted average number of shares (m)				
Ordinary shares in issue	**746.2**	**746.2**	721.9	721.9
Own shares held	**(0.6)**	**(0.6)**	(0.5)	(0.5)
Dilutive contingently issuable shares and share options	**–**	**3.3**	–	4.6
	745.6	**748.9**	721.4	726.0
Headline Earnings per share (pence) Basic/Diluted[1]	**2.9**	**2.9**	4.2	4.2

[1] Per share amounts are unadjusted for the impact of the 10 for 1 share consolidation that completed on 15 January 2020. A multiple of ten needs to be applied to calculate the equivalent values.

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 2017	437.4	493.2	**930.6**
Capital expenditure (excluding capital contributions)	8.8	6.1	**14.9**
Valuation deficit[1]	(14.1)	(33.2)	**(47.3)**
At 30 December 2018	432.1	466.1	**898.2**
Capital expenditure (excluding capital contributions)	6.6	4.7	**11.3**
Valuation deficit	(59.6)	(79.0)	**(138.6)**
At 30 December 2019	379.1	391.8	**770.9**

[1] £47.5 million per Income statement and Note 2a includes letting fee amortisation adjustment of £0.2 million.

10 INVESTMENT PROPERTIES CONTINUED

10b Property assets summary

	30 December 2019		30 December 2018	
	100% £m	**Group share £m**	100% £m	Group share £m
Investment properties at fair value	**727.1**	**727.1**	855.2	855.2
Head leases treated as finance leases on investment properties	**61.5**	**61.5**	61.3	61.3
Unamortised tenant incentives on investment properties	**(17.7)**	**(17.7)**	(18.3)	(18.3)
IFRS Property Value	**770.9**	**770.9**	898.2	898.2

10c Valuations

External valuations at 30 December 2019 were carried out on all of the gross property assets detailed in the table above. The fair value was £727.1 million (2018: £855.2 million).

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

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 2019:

	Market Value	Estimated rental value £ per sq ft			Equivalent yield %		
	£m	Low	Portfolio	High	Low	Portfolio	High
Wholly-owned assets	727.1	9.3	15.4	24.3	5.3	7.6	10.4

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		Impact on valuations of 25bps change in equivalent yield		Impact on valuations of 50bps change in equivalent yield	
	Increase £m	Decrease £m	Increase £m	Decrease £m	Increase £m	Decrease £m
Wholly-owned assets	30.6	(28.8)	(25.8)	27.7	(49.7)	57.7

	Impact on valuations of 100bps change in equivalent yield	
	Increase £m	Decrease £m
Wholly-owned assets	(93.0)	125.6

11 PLANT AND EQUIPMENT

	30 December 2019 £m	30 December 2018 £m
Cost		
At the start of the year	**5.3**	4.8
Additions	**0.7**	0.5
Disposals	**(0.1)**	–
At the end of the year	**5.9**	5.3
Accumulated depreciation		
At the start of the year	**(3.3)**	(3.0)
Charge for the year	**(0.5)**	(0.3)
Eliminated on disposal	**0.1**	–
At the end of the year	**(3.7)**	(3.3)
Carrying amount		
At the end of the year	**2.2**	2.0

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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 2019 £m	30 December 2018 £m
Amounts falling due after one year:		
Financial assets		
Interest rate swaps	–	1.2
	–	1.2
Non-financial assets		
Unamortised tenant incentives	4.5	5.0
Unamortised rent free periods	10.2	10.3
	14.7	16.5
Amounts falling due within one year:		
Financial assets		
Trade receivables (net of allowances)	6.5	7.3
Other receivables	1.3	1.1
Accrued income	1.1	1.1
Non-derivative financial assets	8.9	9.5
Non-financial assets		
Prepayments	3.5	2.8
Unamortised tenant incentives	1.2	1.2
Unamortised rent free periods	1.8	1.8
	15.4	15.3

Included in the non-derivative financial assets balance are trade receivables with a carrying amount of £4.3 million (2018: £2.1 million) which are past due at the reporting date for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group holds collateral of £0.7 million (2018: £0.6 million) over trade receivables as security deposits held in rent accounts. The average age of trade receivables is 26 days (2018: 29 days).

	30 December 2019 £m	30 December 2018 £m
Analysis of non-derivative current financial assets		
Not past due	4.6	7.4
Past due but not individually impaired:		
Less than 1 month	2.0	0.7
1 to 3 months	0.4	0.6
3 to 6 months	1.2	0.5
Over 6 months	0.7	0.3
	8.9	9.5

	30 December 2019 £m	30 December 2018 £m
Allowances for credit loss		
At the start of the year	1.3	0.7
Additional allowances created	2.0	1.8
Utilised during the year	(0.3)	(0.9)
Unused amounts reversed	(1.6)	(0.3)
At the end of the year	1.4	1.3

13 RECEIVABLES CONTINUED

The creation and release of credit loss allowances have been included in cost of sales in the income statement.

Credit losses are calculated at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that there is no realistic prospect of recovery. Changes in expected credit loss allowance arise from increase in calculated expected credit loss, as well as amounts written off.

The following table details the risk profile of trade receivables based on the Group's provision matrix.

	Not past due	1-30 days	31-60 days	61-90 days	>90 days	Total
Expected credit loss rate (%)	2.6	6.1	7.2	39.5	28.0	12.3[1]
Estimated total gross carrying amount at default (£m)	3.7	2.2	0.1	0.3	2.7	9.0
Lifetime ECL (£m)	(0.1)	(0.1)	–	(0.1)	(0.8)	(1.1)
Adjustment for forward looking estimate	–	–	–	–	(0.3)	(0.3)
Total expected credit loss	**(0.1)**	**(0.1)**	**–**	**(0.1)**	**(1.1)**	**(1.4)**

[1] This represents the total lifetime expected credit loss as a percentage of total group receivables.

14 INVESTMENT IN ASSOCIATES

14a Share of results

	Note	Year to 30 December 2019 £m	Year to 30 December 2018 £m
Share of results of associates	14c	–	(4.6)
			(4.6)

14b Investment in associates

	Note	30 December 2019 £m	30 December 2018 £m
At the start of the year		–	7.4
Share of results of associates	14c	–	(4.6)
Dividends and capital distributions received		–	(1.2)
Impairment		–	(0.8)
Reclassification to Fixed asset investments		–	(0.8)
At the end of the year	14c	–	–

The Group's only significant associate during 2018 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 previously accounted for its interest as an associate on the basis it held a 20% share and exercised significant influence through its representation on the General Partner board and through acting as the property and asset manager. An agreement to restructure the Kingfisher holding was in place at 30 December 2018 and formally completed on 8 March 2019. As a result of this the Group's equity holding was diluted to 12% and while the Group continues to act as property and asset manager it no longer has representation on the General Partner board. We consider that we did not exercise significant influence at year end December 2018 and reflecting this the Group's remaining interest in the Kingfisher Limited Partnership was reclassified to a Fixed Asset Investment effective from that date.

Notes to the financial statements

Continued

14 INVESTMENT IN ASSOCIATES CONTINUED

14c Analysis of investment in associates

	Year to 30 December 2019[1] Total £m	Year to 30 December 2018[1] Total £m
Income statement (100%)		
Revenue – gross rent	–	10.8
Property and management expenses	–	(2.4)
Void costs	–	(1.0)
Net rent	–	7.4
Net interest payable	–	(5.7)
Contribution	–	1.7
Revaluation of investment properties	–	(24.7)
Fair value of interest rate swaps	–	–
Refinancing costs	–	–
Loss before tax	–	(23.0)
Tax	–	0.2
Loss after tax	–	(22.8)
Balance sheet (100%)		
Investment properties	–	–
Other assets	–	–
Current liabilities	–	–
Non-current liabilities	–	–
Net assets (100%)	–	–
Income statement (Group share)		
Revenue – gross rent	–	2.2
Property and management expenses	–	(0.5)
Void costs	–	(0.2)
Net rent	–	1.5
Net interest payable	–	(1.1)
Contribution	–	0.4
Revaluation of investment properties	–	(5.0)
Fair value of interest rate swaps	–	–
Refinancing costs	–	–
Loss before tax	–	(4.6)
Tax		–
Loss after tax	–	(4.6)
Balance sheet (Group share)		
Investment properties	–	–
Other assets	–	–
Current liabilities	–	–
Non-current liabilities	–	–
Net assets (Group share)	–	–

[1] Comprised Kingfisher Redditch.

15 CASH AND CASH EQUIVALENTS

	30 December 2019 £m	30 December 2018 £m
Cash at bank and in hand	**90.5**	27.3
Security deposits held in rent accounts	**0.7**	0.6
Other restricted balances	**4.7**	4.1
	95.9	32.0

Cash at bank and in hand include amounts subject to a charge against various borrowings and may therefore not be immediately available for general use by the Group. All of the above amounts at 30 December 2019 were held in sterling other than £0.3 million which was held in euros (30 December 2018: £0.2 million).

16 TRADE AND OTHER PAYABLES

	30 December 2019 £m	30 December 2018 £m
Amounts falling due after one year:		
Financial liabilities		
Accruals	**0.1**	0.3
Other creditors	**1.7**	1.7
Non-derivative financial liabilities	**1.8**	2.0
Financial liabilities carried as fair value through profit or loss		
Interest rate swaps	**3.4**	0.2
	5.2	2.2
Amounts falling due within one year:		
Financial liabilities		
Trade payables	**1.8**	2.8
Accruals	**20.0**	17.6
Other creditors	**3.8**	5.3
Non-derivative financial liabilities	**25.6**	25.7
Non-financial liabilities		
Deferred income	**9.3**	10.5
Other taxation and social security	**0.8**	0.9
	35.7	37.1

The average age of trade payables is 18 days (2018: 34 days). No amounts incur interest (2018: £nil).

Notes to the financial statements

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FINANCIALS

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	Note	30 December 2019 £m	30 December 2018 £m
Secured			
Fixed and swapped bank loans	17d	427.4	438.4
Variable rate bank loans	17d	–	–
Total borrowings before costs		427.4	438.4
Unamortised issue costs		(4.6)	(5.5)
Total borrowings after costs		422.8	432.9
Analysis of total borrowings after costs			
Current		–	–
Non-current		422.8	432.9
Total borrowings after costs		422.8	432.9

Hemel Hempstead capital expenditure facility and Group revolving credit facility

On 13 March 2019 the Group completed a new £7 million capital expenditure facility with The Royal Bank of Scotland plc to part fund a cinema development and related leisure works at The Marlowes Hemel Hempstead. The facility is undrawn as at 31 December 2019. At the same time the Group's revolving credit facility was rebased from £30 million to £15 million with improved headroom on both Total Net Worth and Loan to Value covenants. The revolving credit facility was undrawn at 30 December 2018 and 30 December 2019.

17b Maturity of borrowings

	Note	30 December 2019 £m	30 December 2018 £m
From two to five years		262.4	134.4
Greater than five years		165.0	304.0
Due after more than one year		427.4	438.4
Current		–	–
	17a	427.4	438.4

17c Undrawn committed facilities

	30 December 2019 £m	30 December 2018 £m
Expiring between two and five years	22.0	30.0
Expiring greater than five years	–	–

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

	Note	30 December 2019 £m	30 December 2018 £m
Fixed and swapped rate borrowings			
Between 2% and 3%		39.0	39.0
Between 3% and 4%		388.4	399.4
	17a	427.4	438.4
Variable rate borrowings	17a	–	–
		427.4	438.4

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

18a Overview

Capital risk management

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

The Group is not subject to externally imposed capital requirements. The Board reviews the capital structure and cost of capital on an annual basis and has set out a target range for net debt to property value of 35% to 45% in the medium term. The risks associated with each class of capital are also considered as part of the risk reviews presented to the Audit Committee and the Board.

Gearing ratios

Statutory	Note	30 December 2019 £m	30 December 2018 £m
Debt before unamortised issue costs	17a	427.4	438.4
Cash and cash equivalents	15	(90.5)	(27.3)
Group net debt		336.9	411.1
Equity		375.1	433.0
Net debt to equity ratio		90%	95%

See-through	Note	30 December 2019 £m	30 December 2018 £m
Debt before unamortised issue costs	18e	427.4	438.4
Cash and cash equivalents		(90.5)	(27.3)
Net debt		336.9	411.1
Equity		375.1	433.0
Net debt to equity ratio		90%	95%
Properties at valuation			
Wholly-owned	10b	727.1	855.2
Associates (Group share)		–	–
Total Group Property at valuation		727.1	855.2
Net debt to property value ratio		46%	48%

Notes to the financial statements

Continued

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

18A OVERVIEW continued

Categories of financial (liabilities)/assets

	Note	2019 Carrying value £m	2019 Gain/(loss) to income £m	2019 Gain to equity £m	2018 Carrying value £m	2018 Gain/(loss) to income £m	2018 Gain to equity £m
Financial assets							
Current receivables	13	8.9	–	–	9.5	–	–
Cash and cash equivalents	15	95.9	–	–	32.0	–	–
Interest rate swaps	13	–	–	–	1.2	2.3	–
Interest rate caps	13	–	–	–	–	–	–
Financial assets measured at amortised cost		104.8	–	–	42.7	2.3	–
Financial liabilities							
Current payables	16	(25.6)	–	–	(25.7)	–	–
Current borrowings	17a	–	–	–	–	–	–
Non-current payables	16	(1.8)	–	–	(2.0)	–	–
Non-current borrowings	17a	(422.8)	(1.0)	–	(432.9)	(1.0)	–
Interest rate swaps	16	(3.4)	(4.7)	–	(0.2)	0.3	–
Financial liabilities measured at amortised cost		(453.6)	(5.7)	–	(460.8)	(0.7)	–
Total financial (liabilities)/assets		(348.6)	(5.7)	–	(418.1)	1.6	–

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.

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 2019 fair value £m liability
Interest rate swap	Hemel Hempstead	6 February 2023	£18,650,000	1.33%	(0.3)
Interest rate swap	Hemel Hempstead	6 February 2023	£8,237,000	1.30%	(0.1)
Interest rate swap	The Mall, Luton	30 December 2023	£96,500,000	1.14%	(1.3)
Interest rate swap	Four Mall assets	22 January 2024	£100,000,000	1.13%	(1.3)
Interest rate swap	The Exchange, Ilford	8 March 2024	£39,000,000	1.00%	(0.3)

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

18b Interest rate risk continued

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 2019 £m	Year to 30 December 2018 £m	**Year to 30 December 2019 £m**	Year to 30 December 2018 £m
Floating rate loans and cash – (loss)/gain	**–**	–	**–**	–
Interest rate derivatives – gain/(loss)	**10.2**	13.0	**(10.2)**	(13.0)
Impact on the income statement - (loss)/gain	**10.2**	13.0	**(10.2)**	(13.0)
Impact on equity – (loss)/gain	**10.2**	13.0	**(10.2)**	(13.0)

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 expected credit loss allowance 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, calculated in accordance with IFRS 9. The Group recalculates expected credit losses each year, with reference to forward looking information, changes in credit risk, including improvements, being identified as part of this process. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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

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 maintains a rolling 18 month forecast of anticipated recurring and non-recurring cash flows under different scenarios. This is compared to expected cash balances and amounts available for drawdown on the Group's core revolving credit facility to ensure that any potential shortfalls in funding are identified and managed. The Group's primary means of managing liquidity risk are its long-term debt facilities and its core revolving credit facility, expiring in January 2022, which had £15 million fully available at 30 December 2019 as disclosed in Note 17c.

Notes to the financial statements

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18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

18d Liquidity risk continued

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.

2019	Note	Effective interest rate %	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Financial assets							
Current receivables	13	–	8.9	–	–	–	8.9
Cash and cash equivalents	15	0.5%	95.9	–	–	–	95.9
Non-current receivables	13	–	–	–	–	–	–
		–	104.8	–	–	–	104.8
Financial liabilities							
Borrowings – bank loans	17a	3.3%	–	–	(132.8)	(290.0)	(422.8)
Borrowings – other loans	16	2.3%	–	–	(1.7)	–	(1.7)
Current payables	16	–	(25.6)	–	–	–	(25.6)
Non-current payables	16	–	–	(0.1)	–	–	(0.1)
		–	(25.6)	(0.1)	(134.5)	(290.0)	(450.2)

2018	Note	Effective interest rate %	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Financial assets		–					
Current receivables	13		9.5	–	–	–	9.5
Cash and cash equivalents	15	0.2%	32.0	–	–	–	32.0
			41.5	–	–	–	41.5
Financial liabilities							
Borrowings – bank loans	17a	3.3%	–	–	(132.4)	(300.5)	(432.9)
Borrowings – other loans	16	2.3%	–	–	(1.7)	–	(1.7)
Current payables	16	–	(25.7)	–	–	–	(25.7)
Non-current payables	16		–	(0.3)	–	–	(0.3)
		–	(25.7)	(0.3)	(134.1)	(300.5)	(460.6)

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 required to pay, including both interest and principal cash flows.

2019	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	(13.8)	(13.8)	(13.8)	(13.8)	(136.4)	(182.8)	(374.4)
Borrowings – other fixed loans	–	(2.1)	–	–	–	–	(2.1)
Non-interest bearing	(25.6)	(0.1)	–	–	–	–	(25.7)
	(39.4)	(16.0)	(13.8)	(13.8)	(136.4)	(182.8)	(402.2)

2018	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	(14.2)	(14.2)	(14.2)	(14.2)	(147.7)	(321.8)	(526.3)
Borrowings – other fixed loans	–	(2.3)	–	–	–	–	(2.3)
Non-interest bearing	(25.7)	(0.3)	–	–	–	–	(26.0)
	(39.9)	(16.8)	(14.2)	(14.2)	(147.7)	(321.8)	(554.6)

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

18d Liquidity risk continued

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.

2019	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Net settled							
Interest rate swaps	(0.9)	(0.9)	(0.9)	(0.7)	–	–	(3.4)
	(0.9)	(0.9)	(0.9)	(0.7)	–	–	(3.4)

2018	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Net settled							
Interest rate swaps	(0.9)	(0.9)	(0.9)	(0.9)	(0.7)	–	4.3
	(0.9)	(0.9)	(0.9)	(0.9)	(0.7)	–	4.3

18e Fair values of financial instruments

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

	Note	Notional principal £m	2019 Book value £m	2019 Fair value £m	2018 Book value £m	2018 Fair value £m
Financial liabilities not at fair value through income statement						
Sterling denominated loans	18a		(427.4)	(431.8)	(438.4)	(437.9)
Total on balance sheet borrowings			(427.4)	(431.8)	(438.4)	(437.9)
Group share of associate borrowings			–	–	–	–
Total see-through borrowings	18a		(427.4)	(431.8)	(438.4)	(437.9)
Derivative assets/(liabilities) at fair value through income statement						
Interest rate caps	13		–	–	–	–
Interest rate swaps		427.4	(3.4)	(3.4)	1.3	1.3
Total on balance sheet derivatives			(3.4)	(3.4)	1.3	1.3
Group share of sterling interest rate caps in associates and joint ventures		–	–	–	–	–
Group share of sterling interest rate swaps in associates and joint ventures			–	–	–	–
Total see-through derivatives			(3.4)	(3.4)	1.3	1.3

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.

Notes to the financial statements

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19 SHARE CAPITAL

	Number of shares issued and fully paid		Nominal value of shares issued and fully paid	
	2019 Number	2018 Number	**2019 £m**	2018 £m
Ordinary shares of 1p each				
At the start of the year	**726,389,117**	718,275,760	**7.3**	7.2
Shares issued	**312,451,263**	8,113,357	**3.1**	0.1
Total called-up share capital	**1,038,840,380**	726,389,117	**10.4**	7.3

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

On 15 January 2020 the Company completed a share consolidation whereby every ten Ordinary Shares of 1 pence each were consolidated into one ordinary share of 10 pence each; this resulted in 103,884,025 shares being in circulation.

The Company maintains a Secondary Listing on the Johannesburg Stock Exchange ("JSE") in South Africa. At 30 December 2019, 58,738,414 (2018: 64,420,122) of the Company's shares were held on the JSE register. The table below outlines the movements of shares in the year.

	Price per share (Pence)	No. of shares	Total No. of shares	Nominal value (£m)	Share premium (£m)
Brought forward at 31 December 2018			726,389,117	7.3	166.5
04 November 2019 – new shares issued	1.0	1,000,000	727,389,117	–	–
09 December 2019 – new shares issued	25.0	311,451,258	1,038,840,375	3.1	71.5
23 December 2019 – new shares issued	1.0	5	1,038,840,380	–	–
Carried forward at 30 December 2019			**1,038,840,380**	**10.4**	**238.0**

20 SHARE-BASED PAYMENTS

The Group's share-based payments comprise the 2008 LTIP and the Executive Directors' deferred bonus share scheme (DBSS). Further details are disclosed in the Directors' Remuneration Report.

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

Income statement charge	**Year to 30 December 2019 £m**	Year to 30 December 2018 £m
Equity-settled share-based payments – 2008 LTIP & CIP	**0.1**	0.7

The figures above exclude a National Insurance credit in the year of £nil (2018: credit of £0.1 million).

	Number of Options	
Movements during the year	**LTIP**	**Deferred Bonus Share Scheme**
Outstanding at 30 December 2017	14,703,482	275,146
Granted during the year	4,632,222	–
Exercised during the year	(691,480)	–
Forfeited during the year	(6,128,416)	–
Outstanding at 30 December 2018	12,515,808	275,146
Granted during the year	–	56,361
Exercised during the year[1]	(833,600)	(50,106)
Forfeited during the year	(3,472,952)	–
Outstanding at 30 December 2019	8,209,256	281,401
Exercisable at the end of the year	–	225,040

[1] The weighted average share price of options exercised during the year was 26.7p (2018: 45.1p).

All options in the tables above have a nil exercise price. Figures are unadjusted for the impact of the 10 for 1 share consolidation that completed on 15 January 2020. Outstanding amounts need to be reduced by a multiple of ten needs to calculate the equivalent number of shares.

20 SHARE-BASED PAYMENTS CONTINUED

Assumptions	August 2015	March 2016	August 2017	April 2018
Share price at grant date	57.8p	59.5p	59.5p	53.5p
Exercise price	0.0p	0.0p	0.0p	0.0p
Expected volatility	34%	27%	19%	16%
Expected life including holding period (years)	4.50	5.00	5.00	5.00
Average life remaining including holding period (years)	0.68	2.64	3.30	4.30
Risk free rate	0.96%	0.56%	0.53%	1.14%
Expected dividend yield	5.00%	5.00%	5.70%	6.80%
Lapse rate	0%	0%	0%	0%
Fair value of award at grant date per share	23p	26p	25p	21p

Expected volatility is based on the historical volatility of the Group's share price over the three years to the date of grant. The ten-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.

21 OWN SHARES HELD

	Own shares held £m
At the start of the year	–
Disposed of	–
At the end of the year	**–**

The own shares reserve represents the cost of shares in the Company purchased in the market. At 30 December 2019, the Capital & Regional plc 2002 Employee Share Trust (the "ESOT") held 608,694 (2018: 491,219) 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 2019 was £0.2 million (2018: £0.1 million).

22 RECONCILIATION OF NET CASH FROM OPERATIONS

	Note	**Year to 30 December 2019 £m**	Year to 30 December 2018 £m
(Loss) for the year		**(121.0)**	(25.6)
Adjusted for:			
Income tax charge	8a	**–**	0.1
Finance income		**(0.4)**	(3.1)
Finance expense		**23.9**	18.9
Finance lease costs (head lease)		**(3.4)**	(3.4)
Loss on revaluation of wholly-owned properties		**138.6**	47.5
Share of loss in associates	14a	**–**	4.6
Depreciation of other fixed assets	11	**0.5**	0.3
Other gains and losses		**2.7**	4.5
Decrease/(increase) in receivables		**(0.4)**	2.3
(Decrease)/increase in payables		**(3.1)**	(0.2)
Non-cash movement relating to share-based payments		**0.1**	0.8
Net cash from operations[1]		**37.5**	46.7

1. Due to presentational adjustments, this value differs to the preliminary announcement published on 5 March 2020.

Notes to the financial statements

Continued

FINANCIALS

23 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2019	Note	Opening	Financing cash flows	Non-cash changes: Fair value adjustments	Non-cash changes: Other changes	30 December 2019
Bank loans	17a	432.9	(11.0)	–	1.0	422.9
Interest rate swaps	16	0.2	–	3.2	–	3.4
Finance lease liabilities	26	61.6	–	–	(0.1)	61.5
Total liabilities from financing activities		494.7	(11.0)	3.2	0.9	487.8

2018	Note	Opening	Financing cash flows	Non-cash changes: Fair value adjustments	Non-cash changes: Other changes	30 December 2018
Bank loans	17a	422.2	9.9	–	0.8	432.9
Interest rate swaps	16	1.5	–	(1.3)	–	0.2
Finance lease liabilities	26	61.7	–	–	(0.1)	61.6
Total liabilities from financing activities		485.4	9.9	(1.3)	0.7	494.7

24 NET ASSETS PER SHARE

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

	Note	30 December 2019: Net assets £m	30 December 2019: Number of shares (m)	30 December 2019: Net assets per share[1]	30 December 2018 Net assets per share
Basic net assets		375.1	1,038.8	36.1p	59.6p
Own shares held	21		(0.6)		
Dilutive contingently issuable shares and share options			3.3		
Fair value of fixed rate loans (net of tax)		(4.4)			
EPRA triple net assets		370.7	1,041.5	35.6p	59.3p
Exclude fair value of fixed rate loans (net of tax)		4.4			
Exclude fair value of see-through interest rate derivatives	18e	3.5			
Exclude deferred tax on unrealised gains and capital allowances		–			
EPRA net assets		378.6	1,041.5	36.4p	59.1p

[1] Per share amounts are unadjusted for the impact of the 10 for 1 share consolidation that completed on 15 January 2020. A multiple of ten needs to be applied to calculate the equivalent values.

25 RETURN ON EQUITY

	30 December 2019 £m	30 December 2018 £m
Total comprehensive income attributable to equity shareholders	(121.0)	(25.6)
Opening equity shareholders' funds plus time weighted additions	437.5	482.9
Return on equity	(27.7)%	(5.3)%

26 LEASE ARRANGEMENTS

The Group as lessee – operating leases

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

	2019 £m	2018 £m
Lease payments		
Within one year	**(2.3)**	(2.2)
Between one and five years	**(9.4)**	(9.0)
After five years	**(5.3)**	(7.6)
	(17.0)	(18.8)

Operating lease payments are denominated in sterling and have an average remaining lease length of seven years (2018: eight years) and rentals are fixed for an average of two years (2018: three years). During the year there were no contingent rents (2018: £nil) and the Group incurred lease payments recognised as an expense of £2.2 million (2018: £2.1 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:

	2019 £m	2018 £m
Lease payments		
Within one year	**3.5**	3.5
Between one and five years	**13.8**	13.9
After five years	**354.9**	358.2
	372.2	375.6
Future finance charges on finance leases	**(310.7)**	(314.0)
Present value of finance lease liabilities	**61.5**	61.6

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.

The Group as lessor

The Group leases out all of its investment properties under operating leases for average lease terms of six years (2018: seven years) to expiry. The leasing arrangements are summarised in the portfolio information on page 132. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	Unexpired average lease term Years	Less than 1 year £m	2–5 years £m	6–10 years £m	11–15 years £m	16–20 years £m	More than 20 years £m	Total £m
30 December 2019	**5.4**	**42.5**	**106.2**	**51.6**	**23.2**	**12.0**	**59.3**	**294.8**
30 December 2018	6.8	44.8	116.4	60.7	29.2	15.6	79.9	346.6

27 CAPITAL COMMITMENTS

At 30 December 2019, the Group's share of the capital commitments of its associates, joint ventures and wholly-owned properties was £3.9 million (2018: £3.5 million) relating to capital expenditure projects.

Notes to the financial statements

Continued

28 CONTINGENT LIABILITIES

German joint venture

Under the terms of the German joint venture disposal, completed on 10 February 2015, the Group 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 within five years post completion. This period expired on 10 February 2020. 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.

29 EVENTS AFTER THE BALANCE SHEET DATE

On 15 January 2020 a 10:1 share consolidation came into effect. Every ten Ordinary Shares of 1 pence each have been converted into one ordinary share of 10 pence each, this resulted in 103,884,025 shares being in issue on this date.

In March 2020 the COVID-19 virus was declared a pandemic. Government announcements progressively brought in restrictions resulting in only shops providing essential services being allowed to remain open for trade. While all of the Group's shopping centres remained open as at 15 April 2020, being the last practicable day before finalising this report, a majority of its tenants had closed as of the end of March. While It is too early to quantify the overall impact of COVID-19 on the Group's operations there will clearly be a significant level of disruption both to income, in at least the short term, and potentially to property valuations depending on how long it is until conditions allow a return to a more normalised trading environment.

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 2019 £m	Year to 30 December 2018 £m	**As at 30 December 2019 £m**	As at 30 December 2018 £m
Kingfisher Limited Partnership (Redditch)	**0.7**	0.7	**0.1**	–

The Group's interest in the Kingfisher Limited Partnership was reclassified to a Fixed Asset Investment as at 30 December 2018, as disclosed in Note 14b.

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.

Property Management incentive arrangements

CRPM will earn an additional equity return from Kingfisher Limited Partnership if distributions result in a geared return in excess of a 15% IRR. The Group will bear 12% of the cost by virtue of its investment in the Partnership. No performance fee has been recognised during the year (2018: none) as the criteria have currently not been met.

Transactions with key management personnel

In accordance with IAS 24, key personnel are considered to be the Executive Directors and Non-Executive Directors and members of the Executive Committee as they have the authority and responsibility for planning, directing and controlling the activities of the Group. Their remuneration in the income statement is as follows:

	Year to 30 December 2019 £m	Year to 30 December 2018 £m
Short-term employment benefits	**1.3**	1.6
Post-employment benefits	**0.1**	0.1
Share-based payments	**0.1**	0.3
	1.5	2.0

In both years the highest paid Director was the Chief Executive whose remuneration is disclosed in the Directors' Remuneration Report on page 63.

31 DIVIDENDS

The dividends shown below are gross of any take-up of Scrip offer.

	Year to 30 December 2019 £m	Year to 30 December 2018 £m
Final dividend per share for year ended 30 December 2017 of 1.91p	–	13.7
Interim dividend per share paid for year ended 30 December 2018 of 1.82p	–	13.1
Final dividend per share for year ended 30 December 2018 of 0.6p	4.4	–
Interim dividend per share paid for year ended 30 December 2019 of 1.0p	7.2	–
Amounts recognised as distributions to equity holders in the year	11.6	26.8
Proposed final dividend per share for year ended 30 December 2019 of 11p per 10p shares (this is equivalent to 1.1p per old 1p shares – see note 29)[1]	11.4	4.4

[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.

32 ULTIMATE CONTROLLING PARTY

On 9 December 2019 Growthpoint Properties Limited ("Growthpoint") were issued 311,451,258 new Capital & Regional plc shares at 25 pence per share which enlarged the Group's total issued share capital to 1,038,840,375. By 23 December 2019 Growthpoint completed a partial offer to acquire a further 219,786,924 Capital & Regional plc shares at 33 pence per share.

These two transactions combined resulted in Growthpoint holding 51.2% of the issued share capital of the Company. As such Growthpoint is the ultimate controlling party of the Company and the largest group into which the results of the Company are consolidated. The registered office of Growthpoint Properties Limited is The Place, 1 Sandton Drive, Sandton, 2196, Johannesburg, South Africa.

Company balance sheet

At 30 December 2019

Registered number: 01399411
Prepared in accordance with FRS 101

	Note	2019 £m	2018 £m
Non-current assets			
Investments	C	**344.0**	459.8
Current assets			
Receivables – amounts falling due within one year	D	**94.0**	14.4
Cash and deposits		**0.1**	3.2
Total current assets		**94.1**	17.6
Current liabilities			
Trade and other payables	E	**(18.8)**	(17.1)
Total current liabilities		**(18.8)**	(17.1)
Net current assets		**75.3**	0.5
Net assets		**419.3**	460.3
Equity			
Share capital		**10.4**	7.3
Share premium		**238.0**	166.5
Merger reserve		**60.3**	60.3
Capital redemption reserve		**4.4**	4.4
Retained earnings		**106.2**	221.8
Shareholders' funds		**419.3**	460.3

The loss for the year attributable to equity shareholders was £104.0 million (2018: £22.3 million profit).

These financial statements were approved by the Board of Directors, authorised for issue and signed on their behalf on 16 April 2020 by:

Lawrence Hutchings
Chief Executive

Stuart Wetherly
Group Finance Director

Statement of changes in equity

For the year to 30 December 2019

	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 2017	**7.2**	**163.3**	**4.4**	**–**	**226.3**	**60.3**	**461.5**
Retained profit for the year	–	–	–	–	22.3	–	22.3
Total comprehensive income for the year	–	–	–	–	22.3	–	22.3
Dividends paid, net of Scrip	–	–	–	–	(23.5)	–	(23.5)
Shares issued, net of costs	0.1	3.2	–	–	(3.3)	–	–
Balance at 30 December 2018	**7.3**	**166.5**	**4.4**	**–**	**221.8**	**60.3**	**460.3**
Retained loss for the year	–	–	–	–	(104.0)	–	(104.0)
Total comprehensive loss for the year	–	–	–	–	(104.0)	–	(104.0)
Dividends paid, net of Scrip	–	–	–	–	(11.6)	–	(11.6)
Shares issued, net of costs	3.1	71.5	–	–	–	–	74.6
Balance at 30 December 2019	**10.4**	**238.0**	**4.4**	**–**	**106.2**	**60.3**	**419.3**

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 32 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's separate financial statements

For the year ended 30 December 2019

A ACCOUNTING POLICIES

The Company's separate financial statements for the year ended 30 December 2019 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. The following new or revised accounting standards are applicable for the first time in the year ended 30 December 2019:

– IFRS 15 "Revenue from Contracts with Customers"
– IFRS 9 "Financial Instruments"

IFRS 15 "Revenue from Contracts with Customers"

The Company adopted IFRS 15 "Revenue from Contracts with Customers" on 31 December 2018. Prior to its adoption, the Company completed a review of the requirements of IFRS 15 against its current accounting policies. The Company concluded that there was no material change in the amounts and timing of revenue recognised following the adoption of the standard and no transition adjustments have been made.

IFRS 9 "Financial Instruments"

The adoption has not had a material impact on the recognition and measurement of income and costs or of assets and liabilities. An expected credit loss model has been applied to receivables from subsidiaries at 30 December 2019 based on actual losses experienced over the past two years. The Directors have assessed the impact to be immaterial. The changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

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, impairment of assets and related party transactions.

The Company's financial statements are presented in pounds sterling.

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

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

The Company's related party transactions are described in Note 30 to the Group financial statements. Except for the Directors, the Company had no direct employees during the year (2018: 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.

Key sources of estimation uncertainty

The preparation of financial statements requires the Directors to make estimates that may affect the reported amounts of assets and liabilities, income and expenses. The following are the key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements:

Impairment of investments and intercompany receivables

Investments, 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.

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
Cost			
At the start of the year	1,161.4	13.9	**1,175.3**
Additions	–	–	**–**
Disposals	–	–	**–**
At the end of the year	1,161.4	13.9	**1,175.3**
Impairment			
At the start of the year	(702.6)	(12.9)	**(715.5)**
Impairment of investments	(115.8)	–	**(115.8)**
At the end of the year	(818.4)	(12.9)	**(831.3)**
Carrying value			
At the end of the year	343.0	1.0	**344.0**

Investments are subject to an impairment review using discount rates in the range of 8.5% and 9.5%.

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

D RECEIVABLES

Amounts falling due within one year	**2019 £m**	2018 £m
Amounts owed by subsidiaries	**94.0**	14.1
Other receivables	**–**	0.3
	94.0	14.4

Amounts owed by subsidiary companies are unsecured and repayable on demand. Interest is charged at 3.5% above Bank of England base rate per annum.

E TRADE AND OTHER PAYABLES

Amounts falling due within one year	**2019 £m**	2018 £m
Amounts owed to subsidiaries	**14.5**	14.0
Trade payables	**0.3**	–
Taxation and social security	**0.1**	–
Accruals and deferred income	**3.9**	3.1
	18.8	17.1

Amounts owed to subsidiary companies are unsecured and repayable on demand. Interest is charged at 3.5% above Bank of England base rate per annum.

Notes to the Company's separate financial statements

Continued

F SUBSIDIARIES AT 30 DECEMBER 2019

	Nature of business	Country of incorporation	Share of voting rights
Subsidiaries			
Capital & Regional (Europe Holding 5) Limited [2]	Property investment	Jersey	100%
Capital & Regional (Jersey) Limited [2]	Property investment	Jersey	100%
Capital & Regional (Mall GP) Limited	Property investment	Great Britain	100%
Capital & Regional (Projects) Limited	Property investment	Great Britain	100%
Capital & Regional (Shopping Centres) Limited [2]	Property investment	Jersey	100%
Capital & Regional Earnings Limited	Property investment	Great Britain	100%
Capital & Regional Holdings Limited	Property investment	Great Britain	100%
Capital & Regional Ilford Limited [2]	Property investment	Jersey	100%
C&R Ilford Limited Partnership	Property investment	Great Britain	100%
C&R Ilford Nominee 1 Limited	Dormant	Great Britain	100%
C&R Ilford Nominee 2 Limited	Dormant	Great Britain	100%
C&R Ilford (General Partner) Limited	Property investment	Great Britain	100%
Capital & Regional Income Limited [1,3]	Property investment	Great Britain	100%
Capital & Regional Property Management Limited	Property management	Great Britain	100%
Green-Sinfield Limited	Dormant	Great Britain	100%
Lancaster Court (Hove) Limited	Dormant	Great Britain	100%
Lower Grosvenor Place London One Limited	Dormant	Great Britain	100%

[1] In liquidation/being dissolved.

[2] Registered office at 47 The Esplanade, St Helier, Jersey, JE1 0BD.

[3] Registered office at Griffins, Tavistock House South, Tavistock Square, London, WC1H 9LG.

F SUBSIDIARIES AT 30 DECEMBER 2019 CONTINUED

	Nature of business	Country of incorporation	Share of voting rights
Subsidiaries (continued)			
Mall Nominee One Limited	Dormant	Great Britain	100%
Mall Nominee Two Limited	Dormant	Great Britain	100%
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 Ventures Limited	Dormant	Great Britain	100%
Marlowes Hemel Limited [2]	Property investment	Jersey	100%
MB Roding (Guernsey) Limited [4]	Dormant	Guernsey	100%
Selborne One Limited	Dormant	Great Britain	100%
Selborne Two Limited	Dormant	Great Britain	100%
Selborne Walthamstow Limited [2]	Dormant	Jersey	100%
Snozone Holdings Limited	Operator of indoor ski slopes	Great Britain	100%
Snozone Leisure Limited	Operator of indoor ski slopes	Great Britain	100%
Snozone Limited	Operator of indoor ski slopes	Great Britain	100%
The Mall (General Partner) Limited	Property investment	Great Britain	100%
The Mall (Luton) (General Partner) Limited	Property investment	Great Britain	100%
The Mall Limited Partnership	Property investment	Great Britain	100%
The Mall (Luton) Limited Partnership	Property investment	Great Britain	100%
The Mall REIT Limited	Dormant	Great Britain	100%
The Mall Shopping Centres Limited	Dormant	Great Britain	100%
The Mall Unit Trust [2]	Property investment	Jersey	100%
The Mall Walthamstow One Limited	Dormant	Great Britain	100%
The Mall Walthamstow Two Limited	Dormant	Great Britain	100%
Wood Green London Limited [2]	Dormant	Jersey	100%
Wood Green One Limited	Dormant	Great Britain	100%
Wood Green Two Limited	Dormant	Great Britain	100%
Principal associate entities			
Euro B-Note Holding Limited [2]	Finance	Jersey	39.90%

[1] In liquidation/being dissolved.

[2] Registered office at 47 The Esplanade, St Helier, Jersey, JE1 0BD.

[3] Registered office at Griffins, Tavistock House South, Tavistock Square, London, WC1H 9LG.

[4] Registered office at PO Box 186, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey, GY1 4HP.

The registered office of all subsidiaries, unless otherwise noted, is 22 Chapter Street, London, SW1P 4NP.

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

Glossary of terms

Adjusted Profit is the total of Contribution from wholly-owned assets and the Group's joint ventures and associates, the profit from Snozone and property management fees less central costs (including interest but 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.

Adjusted Earnings per share is Adjusted Profit divided by the weighted average number of shares in issue during the year excluding own shares held.

C&R is Capital & Regional plc, also referred to as the Group or the Company.

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.

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.

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.

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.

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

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.

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

Interest cover is the ratio of Adjusted Profit (before interest, tax, depreciation and amortisation) to the interest charge (excluding amortisation of finance costs and notional interest on head leases).

Like-for-like figures, unless otherwise stated, exclude the impact of property purchases and sales on year to year comparatives.

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

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

Net Administrative Expenses to Gross Rent is the ratio of Administrative Expenses net of external fee income to Gross Rental income including the Group's share of Joint Ventures and Associates.

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

Net debt to property value is debt less cash and cash equivalents divided by the property value.

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

Net rent or Net rental income (NRI) is the Group's share of the rental income, less property and management costs (excluding performance fees) of the Group.

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.

Occupancy cost ratio is the proportion of a retailer's sales compared with the total cost of occupation being: rent, business rates, service charge and insurance. Retailer sales are based on estimates by third party consultants which are periodically updated and indexed using relevant data from the C&R Trade Index.

Occupancy rate is the ERV of occupied properties expressed as a percentage of the total ERV of the portfolio, excluding development voids.

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

Rent to sales ratio is Contracted rent excluding car park income, ancillary income and anchor stores expressed as a percentage of net sales.

REIT – Real Estate Investment Trust.

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

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

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

Temporary lettings are those lettings for one year or less.

Total property return incorporates net rental income and capital return expressed as a percentage of the capital value employed (opening market value plus capital expenditure) calculated on a time weighted basis.

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

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

Variable overhead includes discretionary bonuses and the costs of awards to Directors and employees made under the 2008 LTIP and other share schemes which are spread over the performance period.

Five year review (unaudited)

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Balance sheet					
Property assets	**770.9**	898.2	930.6	838.5	870.0
Other non-current assets	**18.1**	21.3	18.1	17.1	18.1
Investment in joint ventures	**–**	–	–	–	11.7
Investment in associates	**–**	–	7.4	13.9	15.9
Cash at bank	**95.9**	32.0	30.2	49.1	49.9
Assets classified as held for sale	**–**	–	–	13.9	–
Other net current (liabilities)/assets	**(20.3)**	(21.8)	(17.4)	(362.9)	(20.0)
Bank loans greater than one year	**(422.8)**	(432.9)	(422.2)	(26.2)	(374.9)
Other non-current liabilities	**(66.7)**	(63.8)	(65.3)	(65.8)	(67.5)
Net assets	**375.1**	433.0	481.4	477.6	503.2
Financed by					
Called-up share capital	**10.4**	7.3	7.2	7.0	7.0
Share premium account	**238.0**	166.5	163.3	158.2	157.2
Other reserves	**64.7**	64.7	64.6	64.3	64.1
Retained earnings	**62.0**	194.5	246.3	248.1	274.9
Capital employed	**375.1**	433.0	481.4	477.6	503.2
Return on equity					
Return on equity	**(27.7)%**	(5.3)%	4.7%	(0.9)%	23.5%
(Decrease)/increase in NAV per share + dividend	**(37.2)%**	(5.5)%	3.7%	(0.8)%	23.2%
Total shareholder return	**(2.0)%**	(46.5)%	12.7%	(12.3)%	29.8%
Year end share price	**25.4p**	27.6p	59p	55p	66p
Total return					
Total comprehensive (expense)/income	**(121.0)**	(25.6)	22.4	(4.4)	98.4
Net assets per share					
Basic net assets per share	**36p**	60p	67p	68p	72p
EPRA triple net assets per share	**36p**	59p	66p	67p	70p
EPRA net assets per share	**36p**	59p	67p	68p	71p
Gearing	**114%**	101%	89%	76%	76%
Income statement					
Group revenue	**89.0**	91.0	89.2	87.2	80.7
Gross profit	**53.6**	56.1	55.7	54.7	51.6
(Loss)/profit on ordinary activities before financing	**(97.5)**	(9.7)	40.0	28.1	116.8
Net interest payable	**(23.5)**	(15.8)	(17.6)	(32.6)	(19.2)
(Loss)/profit before tax	**(121.0)**	(25.5)	22.4	(4.5)	97.6
Tax (charge)/credit	**–**	(0.1)	–	0.1	–
(Loss)/profit after tax	**(121.0)**	(25.6)	22.4	(4.4)	97.6
Adjusted Profit	**27.4**	30.5	29.1	26.8	24.0
Adjusted Earnings per share	**3.7p**	4.2p	4.1p	3.8p	3.4p
Interest cover	**3.2**	3.4	3.2	3.1	3.0
Earnings per share					
Basic	**(16.2)p**	(3.5)p	3.2p	(1)p	14p
Diluted	**(16.2)p**	(3.5)p	3.1p	(1)p	14p
EPRA	**(3.5)p**	4.0p	3.9p	4p	3p
Dividends per share[1]	**21.0p**	2.42p	3.64p	3.39p	3.12p

[1] Interim dividend per share has been amended to reflect the share consolidation subsequent to year end.

Covenant information (unaudited)

Wholly owned assets

	Borrowings £m	Covenant[1]	30 December 2019	Future changes
Core revolving credit facility				
Net Assets	-	No less than £250m	**£375.1m**	
Gearing		No greater than 1.6:1	**0.9:1**	
Historic interest cover		No less than 200%	**366.9%**	
Four Mall assets				
Loan to value[2]	265.0	No greater than 70%	**56.8%**	
Historic interest cover		No less than 175%	**285.7%**	
A projected interest cover test also applies at a covenant level of no less than 150%				
Luton				
Loan to value[2]	96.5	No greater than 80%	**64.9%**	Covenant, 70% from 1 October 2020, 65% from January 2022
Debt yield		No less than 8%	**11.5%**	
Historic interest cover		No less than 250%	**371.7%**	
A projected interest cover test also applies at a covenant level of no less than 200%				
Hemel Hempstead				
Loan to Gross Development Value[2,3]	26.9	No greater than 60%	**43.0%**	
Historic interest cover		No less than 200%	**276.0%**	
Ilford				
Loan to value[2]	39.0	No greater than 70%	**50.4%**	
Historic interest cover		No less than 225%	**399.6%**	
A projected interest cover test also applies at a covenant level of no less than 225%				

[1] Covenants quoted are the default covenant levels. The facilities typically also have cash trap mechanisms.

[2] Calculated as specified in loan agreement based on 30 December 2019 valuation. Actual bank covenant based on bank valuation updated periodically.

[3] Based on loan with £7 million development facility completed on 13 March 2019. Covenant assessed on current loan drawn to projected Gross Development Value of scheme with leisure development.

Wholly-owned assets portfolio information (unaudited)

At 30 December 2019

Physical data	
Number of properties	7
Number of lettable units	757
Size (sq ft – million)	3.5
Valuation data	
Properties at independent valuation (£m)	727.1
Adjustments for head leases and tenant incentives (£m)	43.8
Properties as shown in the financial statements (£m)	**770.9**
Revaluation loss in the year (£m)	138.6
Initial yield	6.9%
Equivalent yield	7.6%
Reversion	10.2%
Loan to value ratio	58.8%
Net debt to value ratio	46.3%
Lease length (years)	
Weighted average lease length to break	5.7
Weighted average lease length to expiry	6.9
Passing rent (£m) of leases expiring in:	
2020	8.6
2021	5.5
2022-2024	13.8
ERV (£m) of leases expiring in:	
2020	9.5
2021	6.4
2022-2024	13.6
Passing rent (£m) subject to review in:	
2020	3.9
2021	3.3
2022-2024	8.0
ERV (£m) of passing rent subject to review in:	
2020	4.6
2021	3.4
2022-2024	9.0
Rental Data	
Contracted rent (£m)	60.8
Passing rent (£m)	58.8
ERV (£m per annum)	64.8
ERV movement (like-for-like)	(3.7)%
Occupancy	97.2%

EPRA performance measures (unaudited)

At 30 December 2019

	Note	2019	2018
EPRA earnings (£m)	9a	**26.4**	28.7
EPRA earnings per share (diluted)[1]	9a	**3.5p**	4.0p
EPRA net assets (£m)	24	**378.6**	431.7
EPRA net assets per share[1]	24	**36.4p**	59.1p
EPRA triple net assets (£m)	24	**370.7**	433.5
EPRA triple net assets per share[1]	24	**35.6p**	59.3p
EPRA vacancy rate (UK portfolio only)		**2.8%**	2.4%

[1] Per share amounts are unadjusted for the impact of the 10 for 1 share consolidation that completed on 15 January 2020. A multiple of ten needs to be applied to calculate the equivalent values.

EPRA net initial yield and EPRA topped-up net initial yield	**2019 £m**	2018 £m
Investment property – wholly-owned	**727.1**	855.2
Investment property – Kingfisher, Redditch	**–**	23.7
Less developments	**–**	–
Completed property portfolio	**727.1**	878.9
Allowance for capital costs	**(8.7)**	(6.2)
Allowance for estimated purchasers' costs	**48.0**	57.9
Grossed up completed property portfolio valuation	**766.4**	930.6
Annualised cash passing rental income	**62.9**	66.7
Property outgoings	**(12.8)**	(11.9)
Annualised net rents	**50.1**	54.8
Add: notional rent expiration of rent free periods or other lease incentives	**2.0**	2.1
Topped-up annualised rent	**52.1**	56.9
EPRA net initial yield	**6.5%**	5.9%
EPRA topped-up net initial yield	**6.8%**	6.1%

EPRA Cost ratios	**2019 £m**	2018 £m
Cost of sales (adjusted for IFRS head lease differential)	**36.0**	35.4
Administrative costs	**8.8**	9.2
Service charge income	**(14.6)**	(14.7)
Management fees	**(0.8)**	(0.9)
Snozone (indoor ski operation) costs	**(9.0)**	(8.9)
Share of joint venture & associate expenses	**–**	0.7
Less inclusive lease costs recovered through rent	**(2.0)**	(2.5)
EPRA costs (including direct vacancy costs)	**18.4**	18.3
Direct vacancy costs	**(3.3)**	(2.8)
EPRA costs (excluding direct vacancy costs)	**15.1**	15.5
Gross rental income	**63.0**	65.0
Less ground rent costs	**(2.8)**	(2.9)
Share of joint venture & associate gross rental income less ground rent costs	**–**	2.2
Less inclusive lease costs recovered through rent	**(2.0)**	(2.5)
Gross rental income	**58.2**	61.8
EPRA cost ratio (including direct vacancy costs)	**31.6%**	29.6%
EPRA cost ratio (excluding vacancy costs)	**25.9%**	25.1%

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