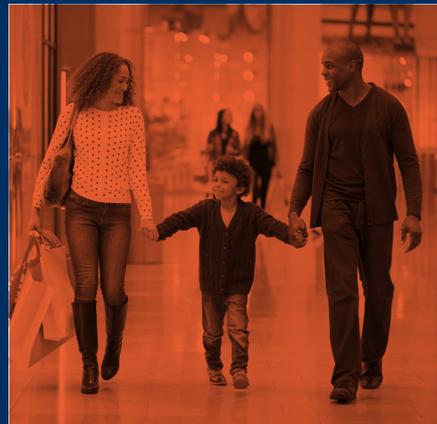




CAPITAL &
REGIONAL

Supporting community living



Annual Report and Accounts
for the year ended 30 December 2020

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.



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 facilitates to satisfy our growing and evolving communities' needs.

Our values



**INSPIRING
CREATIVE
THINKING**



**ENCOURAGING
COLLABORATIVE
ENGAGEMENT**



**ACTING
WITH
INTEGRITY**



**DELIVERING
DYNAMIC
SOLUTIONS**

2020 Highlights

FINANCIAL HIGHLIGHTS

Net Rental Income



Adjusted Profit¹



Adjusted Earnings per Share^{1,2}



IFRS Loss for the Period



Basic Earnings per Share²



Total Dividend per Share²



Net Asset Value (NAV) per Share²



EPRA NTA per Share²



Group Net Debt



Net Debt to Property Value



Notes

- 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, and other non-operational items. A reconciliation to the equivalent EPRA and statutory measures is provided in Note 9 to the financial statements.
- Per share amounts have been restated to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.



For further information see
CAPREG.COM

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At a Glance

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

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

Our Investment Case

1 Dominant Community Locations Our centres are in the heart of the community, with strong transport links and are ideally positioned to serve their communities.	2 Diversified Income Streams Our mixed-use community hubs provide a number of different income streams.	3 Experienced Management We have a diverse and experienced management team.	4 Close Relationships With Communities Enable us to respond to community needs quickly and effectively.
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Our Vision

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

We are developing and delivering dynamic community hubs in the heart of town centres that provide a mix of uses, including everyday services and facilities to satisfy our growing and evolving communities' needs.

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

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

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

Position

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

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

Enhance

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

➔ Read more on our [Strategy](#) on pages 14 to 16

Our ESG Strategy

Environmental Sustainability

Focused on ethical and sustainable practices that reduce consumption in the three key areas of waste, water and energy.

People & Community

Our culture, who we are, how we work together and support each other, is crucial in the delivery of our strategic priorities. We foster trusted relationships and make a positive contribution to our communities, building a safe and inclusive experience for all.

Governance

High standards of corporate governance and disclosure in line with best practice.

➔ Read more on our [ESG Strategy](#) on pages 42 and 43



Covid-19 Statement

The impact of the Covid-19 pandemic first started in early March 2020, as news regarding the spread of the virus impacted consumer confidence, followed by the initial closure of non-essential retail on 23 March 2020.

We immediately responded by supporting our retailers forced to close, while ensuring our essential retailers were equally prepared for ongoing trading in a challenging environment and supported our retailers to reopen as restrictions eased. All seven of the Company's community shopping centres remained open throughout the periods of lockdown, providing essential services to the communities we serve. The approach we adopted across our business throughout 2020 and into this year has been focused on preserving value for our shareholders while reaffirming our responsibility to our teams and the communities we serve.

Preserving Cash

We initiated discussions with our lenders to agree covenant waivers for the remainder of 2020 and focused on maintaining liquidity throughout the period of disruption. In light of the evolving impact of the Covid-19 pandemic, a scrip dividend alternative was offered for the 2019 final dividend, resulting in the majority of the proposed £11.4 million dividend payment being preserved in cash within the business. We focused on rent collection and dedicated significant resource to this area, assembling a team from across the business to best utilise our relationships with our tenant base at all levels. To further improve cash flow we reviewed all non-committed capital expenditure projects over the course of 2020. Our Executive Directors and Board also took a temporary pay cut of 20% for the months of April, May and June 2020.

Supporting Our Colleagues, Guests and Retailer Customers

Our overriding priority during this time has been the health, safety and protection of our colleagues, guests and retailer customers. Since the outbreak of the virus, we have been rigorously following the official Government guidelines and advice across our portfolio. We completed risk assessments of all our centres and implemented measures including additional training for our employees, enhanced cleaning, increased signage to maintain one-way systems and

social distancing and actively managed centre capacity.

We entered into active discussions with all our retailer customers regarding their contractual obligations and the payment of rent during the course of 2020. We have worked closely with our retailers to understand the specific impact of Covid-19 on their individual businesses, seeking to come to agreements that amicably resolve the position and appropriately share the cost of periods when retailers have been unable to operate. We have provided support where possible, particularly in relation to our smaller, independent occupiers. At the same time, we have taken a robust stance with larger, profitable and well-capitalised national and international retail businesses.

Our people are paramount to our success. Following Government guidance, all our Support Office and, where possible, centre-based colleagues transitioned to remote working in March 2020 and we put measures in place to protect and support our centre-based colleagues who were unable to do so. Regular business updates provided by the Chief Executive via our Townhall meetings, online training focused on mental health and wellbeing and virtual social events ensured our teams were supported and stayed connected and motivated.

Recovery

The plans announced by the Government on 22 February 2021 provide a roadmap for an easing of restrictions, including, most critically for our business, the prospect of non-essential retailers being able to reopen in mid-April 2021. We are encouraged by how quickly our centres rebounded following the easing of restrictions at various points in 2020. Our community centre strategy launched in December 2017, and our focus on non-discretionary goods serving the essential needs of our local communities and the in-town location of our centres means we are well placed for when non-essential retail reopens.

We look forward to the return to a more normalised trading environment when we will be able to better assess the retail landscape and the needs of the business. This in turn will allow us to determine the best approach for addressing debt levels and shaping the Group's future to capitalise on its strengths as an owner and manager of community shopping centres.

We have placed our full weight behind national campaigns led by our industry bodies to increase awareness of the importance of the high street and local physical retail. We have also supported the campaign to review business rates in partnership with the British Retail Consortium and other retailer groups.

Looking forward, we are confident in our community centre positioning.



“ In this difficult year our focus has been on preserving value for our shareholders whilst reaffirming our responsibility to our teams and the communities that we serve. ”

LAWRENCE HUTCHINGS
CHIEF EXECUTIVE

➔ Read more about the effect of Covid-19 on [our operational performance](#) from page 24

➔ Read more about the effect of Covid-19 on [our financial performance](#) from page 29



ALL SEVEN OF
OUR CENTRES
REMAINED OPEN
THROUGHOUT 2020

80%
2020 RENT
COLLECTION



£60.3m
AVAILABLE
CENTRAL
CASH



Our Portfolio

Key

- Wholly owned assets
- Other interests



1 The Mall, Blackburn

- Leasehold covered shopping centre on three floors
- 600,000 sq ft
- 122 lettable units

Principal occupiers:

Primark, H&M, Next, Wilko, Pure Gym, Blackburn with Darwen Council



2 The Marlowes, Hemel Hempstead

- Freehold covered shopping centre and high street parades
- 350,000 sq ft
- 110 lettable units

Principal occupiers:

Wilko, Sports Direct, Pure Gym, Tesco Express



3 The Mall, Wood Green

- Freehold partially open shopping centre on two floors
- 617,000 sq ft
- 111 lettable units

Principal occupiers:

Primark, Wilko, Lidl, H&M, Boots, TK Maxx, Travelodge, Cineworld



4 The Mall, Luton

- Leasehold covered shopping centre on two floors, with over 65,000 sq ft of offices
- 900,000 sq ft
- 165 lettable units

Principal occupiers:

Tesco, Luton Borough Council, Primark, H&M, TK Maxx, Wilko



5 The Mall, Walthamstow

- Leasehold covered shopping centre on two floors
- 280,000 sq ft
- 67 lettable units

Principal occupiers:

Lidl, Asda, Boots, The Gym, TK Maxx, Sports Direct





6 The Exchange, Ilford

- Predominantly freehold covered shopping centre on three floors
- 300,000 sq ft
- 79 lettable units

Principal occupiers:

Next, H&M, TK Maxx, M&S



7 The Mall, Maidstone

- Freehold covered shopping centre on three floors with over 40,000 sq ft of offices
- 500,000 sq ft
- 110 lettable units

Principal occupiers:

Matalan, Pure Gym, TJ Hughes, Boots, Sports Direct, Wilko, Iceland, Maidstone Borough Council



8 Kingfisher Shopping Centre, Redditch

- C&R acts as Property & Asset Manager
- Freehold covered shopping centre on two principal trading levels
- 900,000 sq ft and 174 lettable units

Principal occupiers:

The Range, Primark, Next, TK Maxx, Vue Cinema, H&M



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, and in February 2021 became the operator of Snowzone Madrid
- In existence since 2000 and has taught over 2 million people to ski or snowboard

Centre Characteristics

- Dominant strategic locations in the heart of growing towns
- Easily accessible with strong transport links
- Extensive accretive asset management opportunities (including leisure, residential and office)
- London/South-East bias. six of our seven wholly owned assets are in the South East

Portfolio Statistics

TOTAL SQ FT

3.6m sq ft

AFFORDABLE RENTS

c.£13psf

average rent

c.12.6%

occupancy cost ratio

TOTAL NUMBER OF RETAIL UNITS

764

TOTAL CAR PARKING SPACES

8,250

AVERAGE DWELL TIME

66 minutes

ESTIMATED RETAIL CONVERSION RATE

73%

Chairman's Statement



2020 was a year of unprecedented challenges, with the retail, leisure and hospitality industries being amongst the hardest hit.

DAVID HUNTER
CHAIRMAN



Growthpoint's investment into the Company in December 2019 meant that Capital & Regional began 2020 in an optimistic frame of mind with strong cash resources and net debt to property value of 46%, despite a decline in property values.

However, the position rapidly changed and, as we are all well aware, 2020 turned out to be a year of unprecedented challenges for almost everyone, with the retail, leisure and hospitality industries being amongst the hardest hit by significant restrictions on operations imposed as part of Government's efforts to mitigate the impact of the pandemic. This flowed through to the landlords in these sectors and for the Company led to falls in income, profitability and NAV per share while contributing to increasing the ratio of net debt to property value to 65%.

These restrictions materially impacted all aspects of the Company's operations and, in turn, its share price. With falling rental levels, very low investment demand and little transactional evidence valuers marked down the value of shopping centres materially, particularly outside London. This was further exacerbated by a higher rate of corporate failure among retailers who were already under pressure from the continued growth of e-commerce with household names such as Debenhams and Arcadia falling by the wayside. Furthermore, an already difficult environment for rent collection was made even harder by legislation which has prohibited legal remedies to pursue contractual obligations.

As a result, the valuation of the Group's property portfolio fell from £727.1 million at 30 December 2019 to £527.0 million at 30 December 2020. While early indications in 2021 are showing the first signs of investor interest in the sector as a recovery play, the potential for further falls in rental values continue to place valuations under threat.

As asset valuations have come under pressure, the Group's net debt to property value ratio has, consequently, increased markedly over the year, from 46% to 65%. Given the challenging circumstances, our lenders have recognised the uniqueness of this situation and have been highly supportive in issuing waivers in respect of covenants which would otherwise have been breached. Management remains in constant dialogue with lenders to agree the most sustainable way forward, and the Board fully recognises the pressures which the current debt level places on the finances of the Company. It is clear the challenges associated with the pandemic

will not last forever and we remain alert to the range of options we have available to us to address debt levels.

Throughout the year we have been committed to maintaining our cash resources at the highest possible level, reflected in total cash of £84.1 million compared with £95.9 million at December 2019. The Board's view is that these resources should be used sparingly, primarily focused on investment into value-generating active management initiatives.

Against that backdrop, and without in any way underestimating the impact on shareholders of the Company's finances and share price, I think it is helpful to highlight the operational resilience from the year. All of the Company's centres have remained open throughout the year, with approximately 30% of traders providing essential goods and services during the most extreme phases of lockdown. Rent collection has been a focus for the management team – especially with respect to retailers who were able to pay but chose not to – resulting in 80% of rents due for the year being collected. Footfall also proved to be resilient compared to the national index and we saw an encouraging trend back towards normal levels when centres were fully open at various intervals during the year, confirming the validity of the Company's strategy of focusing on needs-based, non-discretionary urban community retail and giving us encouragement regarding patterns of behaviour once restrictions are eased. Finally, we were pleased to report some positive transactional activity during the year with 63 new leases and renewals signed at levels generally well above previous passing rents, agreements in principle for several further material lettings, and in December the signing of a conditional agreement to sell land at Walthamstow for residential development.

Furthermore, while operations in the Snozone business have been heavily impacted throughout the year, with management focusing on cost savings, it is heartening that, post the year end, a new management contract has been signed on a ski slope in central Madrid.

Dividend and Dividend Policy

The final dividend for 2019, paid in June 2020, was 11 pence per share and the Board introduced a scrip option which was taken up by 78% of shareholders, allowing the preservation of cash as well as demonstrating confidence in the business from major shareholders.



With significant reductions in revenue flows no interim dividend was announced and the Board has concluded that it would be equally inappropriate to pay any final dividend for 2020.

While rental flows remain uncertain, coupled with banking covenants which restrict the flow of cash through to the Company, it is not possible to give guidance as to when dividends might resume. The Board is mindful of the distribution requirements under the REIT legislation, and notes some flexibility from HMRC in the current circumstances. However, preservation of cash remains the key consideration for the Board.

ESG

Capital & Regional's long-standing commitment to Environmental, Social and Governance (ESG) best practice and serving its communities is at the heart of the Responsible Business Committee. 2020 brought into sharp focus why this will remain core to our business and just how vital the progress we have made is in creating reassurance, stability and opportunity amidst the challenges associated with Covid-19. We have an unwavering ambition to best serve our employees, retailer customers and communities.

We recognise that stakeholder expectations of how we deliver our community-based shopping experience are evolving rapidly. In line with this, our Responsible Business Committee in 2021 will become known as our ESG Committee. This will enable us to better benchmark against the highest standards and track the performance of our net zero strategy in line with industry best practice.

The next year will continue to pose risk, uncertainty and opportunity. However, our business is built to adapt and collaborate with stakeholders to bring the innovation necessary to deliver the next chapter of our industry.

Board

I was delighted to welcome Katie Wadey to the Board in October 2020. Katie brings a very interesting and relevant customer-focused perspective which will be of real value to the Company in facing the challenges of a fast-evolving retail marketplace and changing consumer behaviour.

Given the financial circumstances of the past 12 months, the Board has decided not to make any further Board appointments in the near future. As such, while Tony Hales will stand down at the 2021 AGM, my colleagues Ian Krieger

and Laura White have agreed to take on Tony's roles, respectively, as Senior Independent Director and Chair of the Remuneration Committee.

People

Finally I would like to record my thanks to our shareholders and lenders, as well as to my Board colleagues, for their support during this extraordinarily difficult year. Most of all, however, I want to place on record my appreciation of the exceptional effort given by our staff at every level of the business, which has enabled the Company to withstand the challenges faced.

DAVID HUNTER CHAIRMAN

24 March 2021

The Market Backdrop

The continuing evolution of our assets in changing town centres



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.

Macroeconomic Trends

Covid-19

Covid-19 has created significant global economic uncertainty and has had a materially adverse impact across key retail markets. UK retail market spend declined by 3.9% (£13.5bn) to £330.5bn¹ over 2020 and UK GDP fell by 9.9% over 2020², although is expected to rebound in 2021. Unemployment had risen to 5.1% by the end of December 2020, with 3.8 million jobs still on the government job retention scheme. Government-imposed lockdowns, compounded by social distancing resulting in greatly reduced footfall, have had a detrimental impact on town centres and shopping destinations across the UK, with repeated closures of non-essential retail.

Home working and stay at home guidance has seen an acceleration in online shopping, which in 2020 accounted for 26.2% of retail market share, up from 17.2% in 2019. However, despite the restrictions on non-essential retail, physical retailing still accounted for 73.8% of retail market share. While physical retail saw a 14.3% decline in market share over the same period¹, performance varied across different physical retail categories. Food and grocery, a key part of our community merchandising framework, has performed strongly; and retailers with a strong and well-developed omni-channel offer have seen online pick up, providing some mitigation to the reduction in in-store sales.

There are growing calls for reform of business rates for physical retail, and there is consensus that the system does not reflect the changing online retail market share and increasingly penalises

physical stores. A government review of business rates reform more generally is currently underway and due to conclude during 2021.

Our strategy has positioned us well to respond

Covid-19 accelerated the underlying long-cycle structural shift in the sector and, in some cases, distorted the balance between physical and online retailing. However, we believe that our community centre strategy launched in 2017 with our focus on local destinations providing non-discretionary goods and services has never been more relevant, as evidenced by our relative performance on the areas within our control.

We remain focused in ensuring the merchandise mix across our centres continues to build and position around non-discretionary, essential everyday uses, aligned to community requirements, increasing occupancy and income resilience across a wide mix of community-centric uses. Our centres remained open throughout the pandemic, operating in compliance with Government guidelines, and we engaged with our retail customers to facilitate ongoing opening and click and collect fulfilment when permitted. During lockdowns, between 11% and 35% of our retailer customers have been able to trade or continue some form of commercial operation, contributing to a rent collection rate of 80% for 2020. We have seen an encouraging bounce-back in trading at those times during the last year when restrictions were eased.

Recognising the challenging retailing environment that we have faced, we have proactively engaged with all our retail customers and sought to offer business support where possible. We have implemented significant reductions in centre operating costs throughout lockdown and, as we enter the recovery phase, we will hold running costs materially below pre-pandemic levels to support business recovery.

We have sought to offer rental support where required, and where we are able to, balancing the considerations and ongoing obligations of our own business. We have looked carefully and compassionately, on a customer-by-customer approach, to ensure the support we are able to provide is given to those in greatest need.

We consider reform and resetting of retail business rates to be of fundamental importance to the recovery and ongoing success of our High Streets and shopping destinations. We are actively supporting industry campaigns and submissions to government advocating the need for change.

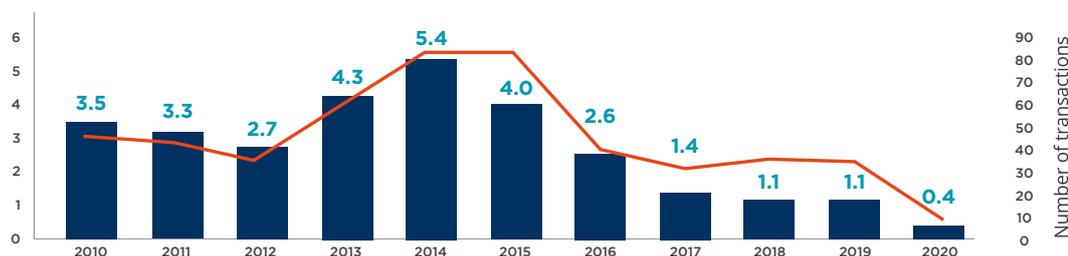
Covid-19 has seen an increased focus on the community – staying local, working local and shopping local. We believe elements of these changes will remain as we emerge from the pandemic and our locations in the heart of town centres are uniquely placed to benefit from this evolving live/work/shop dynamic.

Our Investment Market

Shopping centre investment transaction volumes in 2020 totalled £350m³, representing only 13% of the average annual market volume since 2010. The market had generally been subdued prior to Covid-19, with uncertainties around income security and income sustainability stifling investment appetite. The prevalence of retailer restructuring events, particularly through the CVA mechanism; and the continued structural shifts to online, affecting physical discretionary spend, particularly fashion, have been key influences.

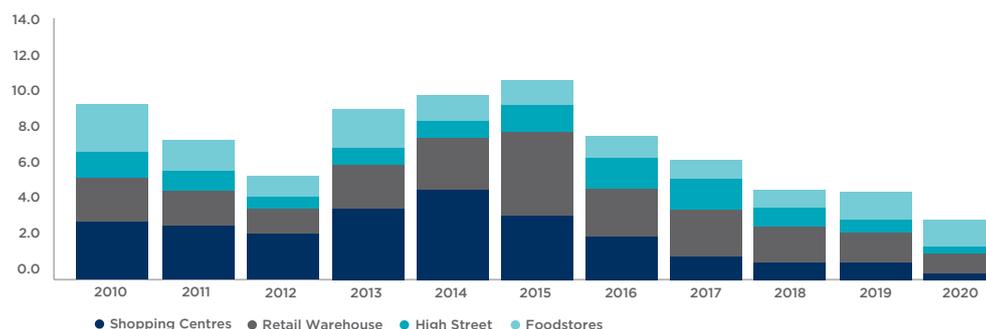
Shopping Centre Transaction Volumes 2010-2020

Value of transactions, £bn



Retail Transaction Volumes 2010-2020

Value of transactions, £bn



Source: Property Data, Knight Frank

Covid-19 has only served to exacerbate these concerns, which have filtered through to asset valuations, resulting in significant value write-downs over the year. MSCI report average capital value declines for shopping centres of -28.8% over the 12 months to the end of September 2020, a material acceleration in the rate of write-downs already seen over 2018 and 2019.

In contrast, the supermarket sector saw a strong year of transaction volumes, remaining in line with historic averages despite the pandemic. Investors are seeing the increased attraction and defensive income qualities that these essential everyday retailers provide and that appeal has translated to supermarket-anchored shopping centres, which have seen greater liquidity.

Geographically, the relative performance of shopping centres has varied considerably, reflective of the underlying trading strength of locations, and the credibility of opportunities to repurpose or reposition floor space. Assets in London suburbs, with growing and evolving populations, have retained relative resilience, remaining attractive to retailers and a growing range of alternative uses, such as residential or medical centres, where highly accessible town centre locations are desirable.

Our strategy has positioned us well to respond

Our prominent town centre locations provide a platform for value recovery. Our community merchandising strategy places food store anchoring at its heart and we continue to merchandise towards a wider mix of uses and services that provide greater income resilience and longer-term income certainty. With affordable rents averaging less than £15 per square foot, our locations offer viable remerchandising and repositioning opportunities across a range of uses, which we believe will ultimately provide an underpin to value.

Our London-dominated, south-east portfolio bias continues to provide strategic land ownerships in strong town centre locations that cannot be replicated, providing excellent potential to attract a wide variety of retail and service offers and, as evidenced by the Walthamstow residential initiative, the possibilities to introduce complimentary community developments, strengthening the town centre core and generating new streams of income and value.

¹Source: GlobalData Jan 2021

²Source: Statista.com

³Source: Knight Frank

The Market Backdrop

CONTINUED

Industry Trends

1

Trip Differentiation

Consumer shopping habits have changed with shopping trips increasingly polarising between discretionary “wants” and non-discretionary everyday essential “needs”. Retail destinations are adapting to align to these distinct shopping missions, with clarity of purpose and offer essential attributes to a destination’s commercial success.

Our strategy

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. We continue to evolve the mix of offer and services to maintain alignment with, and relevance to, the growing and changing communities that we serve.

2

Town Centre Evolution

Town centres are evolving in parallel with changing community dynamics and what they require from their town centres. Local authorities increasingly recognise the importance of vibrant town centres to the cohesiveness and identity of a community. Through planning policy, direct interventions and closer collaboration with key stakeholders, town centres are increasingly seeing a return to mixed use investment and the delivery of places that combine living, working and leisure.

Our strategy

Our centres sit in the heart of the community. They are destinations that can evolve with community requirements. Providing the essential community retail offer remains at their core, but providing a home for complementary uses such as offices, medical facilities, residential and final mile logistics reinforces their influence and flexibility and ultimate importance to the fabric of the community.

3

Changing Shopping Habits

Traditional retail has evolved to deeper and more co-ordinated cross-channel integration. Consumers demand speed and optionality in how and where they purchase and expect limited friction in purchase and returns fulfilment. Covid-19 restrictions have accelerated and reinforced the trends to greater discretionary spending online with the pace of change affecting fashion retailing to the greatest degree.

Physical retail remains the principal fulfilment channel for essential goods and services. The importance of bricks and mortar to maximising omni-channel fulfilment and performance is now well recognised and remained an important fulfilment connection with consumers throughout Covid-19 lockdowns. Physical retailing still accounted for 73.8% of total retail market share in 2020.

Our strategy

Our merchandising strategy continues to pivot towards essential everyday uses that rely to a greater extent on a physical offer, providing greater income resilience.

We recognise the fulfilment role our centres can provide as part of an omni-channel offer and the trading benefits this provides to our retail customers. Embracing our guests’ shopping habits will secure continued community loyalty and in turn provide wider halo opportunities to develop our in-centre offer and experience and grow income, making our destinations essential to our community.

Our provision of click and collect services provides fulfilment for our retailers and an ability through package handling to indirectly link with other commercial businesses that are not physically present within our centres and their shopper base.

We are upgrading our car park technology to reduce friction for our guests, while increasing our knowledge of them and their habits. The introduction of dark kitchens, professional kitchens that only produce food for delivery, into underutilised ancillary floor space, allows us to satisfy an increasingly in-demand community expectation – cost-effectively providing additional commercial offer and generating new income streams.

4

Changing the Retail Offer to Meet Needs

Online penetration is continuing to influence tenant mix with the impact felt most clearly by discretionary based retailers, whose store portfolios are rationalising, particularly across the fashion sector. Non-discretionary retailing remains more resilient 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 more limited online integration.

Community retailing typically embraces a greater exposure to independent traders who typically provide a unique offer and point of difference to the more formulaic destination retail locations. Independent traders are heavily invested in the community, financially and emotionally and in most cases fully reliant on their store.

Our strategy

We proactively remerchandise and reposition our occupancy mix to provide relevant and sustainable uses aligned to our communities. We look to create income streams that are resilient and varied and deliver an occupational mix that fully aligns with community needs. Our core income profile has fundamentally shifted, with a balance of income that offers greater covenant strength, secured against online integrated or offline dominant occupiers.

Our independent retail customers provide vitality and a point of difference, enhancing our connections in the community. They represent a key part of our community offer differentiation and we are investing in skills and experience that can provide guidance, expertise and support to ensure they can flourish.

5

Changing Role Within Local Communities

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

Local authorities are increasingly focused on the future evolution and success of town centres. Community centres are often the key stakeholder in a town and have an important voice in driving, influencing and facilitating positive change,

Our strategy

With rents averaging less than £15 per sq ft, our centres offer flexibility to profitably remerchandise space to evolve and broaden our offer to meet community requirements, while unlocking value for our shareholders. We are proactively unlocking residential opportunities, engaging with local public bodies to deliver much needed medical centres, bringing office accommodation back into circulation and introducing new retail uses that positively enhance the opportunities and interactions within the community.

Change can also take the form of how we use our position as a positive advocate for change and support throughout the community. Whether that is supporting local charities, providing accommodation for community uses or being a proactive and constructive contributor to our town centres' development, we recognise and take very seriously our position within each of the communities where we are present.



Our Strategy

The structural changes experienced in the retail sector have accelerated through the impact of Covid-19. The importance and relevance of community shopping, and its clearly differentiated purpose, has only become clearer, reinforcing our belief and confidence in our overarching community shopping strategy launched in 2017 and its future potential.

WHY WE ARE WELL POSITIONED

Define

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

Focus

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.

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 facilitates to satisfy our growing and evolving communities' needs.

Position

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.

Enhance

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.

UNDERPINNED BY OUR VALUES



**INSPIRING
CREATIVE
THINKING**



**ENCOURAGING
COLLABORATIVE
ENGAGEMENT**



**ACTING
WITH
INTEGRITY**



**DELIVERING
DYNAMIC
SOLUTIONS**

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 service 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

Recognition of community shopping has continued to gather momentum. The industry is increasingly appreciating the resilience and differentiation of essential needs shopping. With the rapid failure of the department store model and pressure on physical fashion, there is clear evidence of investors focusing on food store anchoring and appreciating the benefits of the low affordable rental dynamics of community shopping in delivering sustainable rent and a baseline that enables financially accretive delivery of leasing into multiple community uses.

We continue to push for greater acceptance of Community Shopping Centres as a distinct investment category, following its introduction by REVO in 2018. Adoption is growing but not universal, although wider communication and discussion across the industry, recognising Community Shopping as a distinct proposition, has seen a noticeable positive step change, further highlighted in 2020 as more people are staying local, working locally and shopping locally as a result of Covid-19.

Future focus

The accelerated structural changes seen across the retail sector, combined with the prevalence of high profile retail failures has universally harmed the retail investment sector. While there is a greater appreciation of the community model, we believe the underlying strengths of occupier resilience to online, affordable rental levels and the ability to profitably transition and merchandise to growth uses are yet to be fully reflected in terms of investment differentiation.

This will continue to be a key area of focus as we emerge from Covid-19. Delivering performance metrics that support rental stability; demonstrate continued profitable remerchandising that strengthens our centres' income profile; and ultimately conversion to strong footfall performance will all be key elements to create further investment differentiation and disconnection.

Position

Asset and Occupier Mix

Actively remerchandise centres to increase exposure to growth and online-resilient categories, respond to consumer demand 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, children's wear and leisure.

All need to be tailored to the specific community's needs and aspirations, 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

Demand for retailers to rapidly return to trade, coupled with a similar response from our guests following periods of lockdown in 2020, illustrates the continuing relevance of physical retail and the vital role that our centres play in local essential community infrastructure. This is evidenced by our completion of 40 leasing transactions in 2020 and a pipeline of exciting transformational initiatives that are underway as we enter 2021. We have a disciplined leasing focus, aligned to our community merchandise pillars, and these transactions are enabling us to continue the significant progress we have made in remerchandising and repositioning our centres, fully aligned to our strategic aims.

Highlights include:

- A new Lidl supermarket in Luton due to open in Q3 2021
- The opening of a new Matalan store in Maidstone
- The Job Centre in Walthamstow
- Plans for a community healthcare facility in Ilford
- Securing planning consent in Walthamstow to incorporate a new station entrance to the Victoria Line underground in the heart of the centre
- Exchanging conditional contracts with a partner to deliver 495 Build to Rent units in our Walthamstow scheme
- Creating and realising land value from the sale of a vacant land plot in Wood Green for residential development

Future focus

Despite the impact of Covid-19 we have continued to progress a strong pipeline of leasing and asset management initiatives, which would deliver further step changes to our community mix. We are encouraged by the range and scale of leasing and asset management opportunities that have presented themselves over 2020 and which we expect to build as the recovery from Covid-19 builds.

The relevance of department stores and large store fashion formats came increasingly into question over the last 12 months and only serves to reinforce our ongoing focus to deliver remerchandising or repositioning of these uses at speed to different uses.

We have continued to take a cautious approach to capital expenditure commitment, while the trading outlook has remained uncertain and businesses embark on the recovery phase as lockdown restrictions start to lift during 2021. We will continue to be selective in the projects we choose to bring forward, balancing prudent capital management, with commitments to those projects that will deliver optimum performance impact.

Our Strategy

CONTINUED

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.

Progress

2020 was a year of significant investment in our 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, enhancing the quality of decision-making and speed of execution. Ultimately, data and systems will allow us to optimise our financial outcomes and reduce the time from deal identification to income coming on stream.

Key system investment has included a replacement and upgrade to our financial and property management databases and the introduction of "lead to lease" transaction monitoring software, enabling us to monitor leasing pipeline and all stages of the transaction process.

Investment has also been made in our key income-generating functions, with particular focus on the commercial income team to support our focus on smaller, independent retail entrepreneurs, and the opportunities to identify and unlock new income sources and business partnerships beyond the more conventional leasing of shop space. The introduction of dark kitchens and an innovative solution to the operation of our underutilised space in Luton, Maidstone and Wood Green are clear illustrations of this function driving new income streams and challenging and changing historic operational conventions.

Future focus

Each shopping centre is a business with a wide variety of different facilities, income streams and associated business opportunities. Expertise, insight and creativity are essential ingredients in maximising performance across the diverse range of uses and identifying and unlocking new income streams. Continued investment in our in-house management platform, our people, our systems and data insight remains core to the successful delivery of, and growth in, our community strategy.

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 revenue and shareholder returns.

Progress

2020 has strengthened our belief that the combination of our community centre strategy and our focus on local destinations providing non-discretionary goods and services has never been more relevant. The quality and performance of our management platform is recognised in our sector, by our major shareholders and our lenders and has inherent value which transcends the recent market challenges. We believe this provides a sound base for navigating the short to medium term.

The approach we adopted across our business throughout 2020 and into this year has been focused on preserving value for our shareholders. We believe the acceleration of structural change will work to our benefit as we further progress remerchandising our centres in line with our community centre strategy.

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 to proactively respond as markets stabilise.



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.

The impact of Covid-19 in 2020 added further investor uncertainty and we continued to see subdued investment market activity, with transaction volumes at record lows. Valuations declined throughout the year and capital values per sq ft are at levels that increasingly 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 and protecting income.

As we emerge from the effects of the Covid-19 pandemic and 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 with 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

CLOSE RELATIONSHIPS WITH COMMUNITIES

DIVERSIFIED INCOME STREAMS

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.

Reposition and Remerchandise

Our approach to managing centres is summarised as follows:

- **Understand full catchment potential** research/benchmarking, input from Centre teams, engagement with retailers 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 capex spend and evolution of tenant mix. Reviewed in a continual process 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

The Result

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

These results drive retailer sales, letting tension and 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.

Value Generated for Stakeholders

Our Shareholders:

- Long-term sustainable growth

Our People:

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

Our Retailer Customers and Occupiers:

- Frequent, repeat footfall and high conversion rates coupled with affordable occupier costs

Our Communities

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

Remerchandising Progress



We are making significant progress towards securing transformational lettings at The Exchange, Ilford, which will deliver a step change in our merchandising mix and enhance the quality of our offer at the centre.

The introduction of an NHS Medical Centre represent a new destination use that connects with our community strategy, providing goods and services that meet the evolving needs of a diverse and growing local community.

We have terms agreed with the NHS to deliver a significant modern clinical care facility into the heart of the centre. Through our close and collaborative links with the local authority, we were able to identify the ongoing community need to provide additional medical facilities required by the population growth in the borough, connecting with the local NHS to work collaboratively in identifying an area within the centre that could satisfy this requirement.

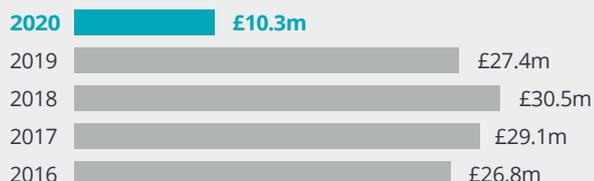
For the local authority and NHS, The Exchange provides an easily accessible location in the heart of the town centre, with excellent public transport connectivity and parking. For Capital & Regional, the 20,000 sq ft medical facility is fully aligned with our community strategy direction. The initiative repurposes and replaces historically challenging retail floor space in a quiet part of the centre with a long-term, high-quality occupier, providing a destination service that will deliver new and increased footfall to the centre and encourage complimentary health-related merchandising opportunities. The medical centre is expected to open in late 2022/early 2023.

Key Performance Indicators

Risk key ① Property investment Market Risks ② Impact of the Economic Environment ③ Treasury Risk ④ Tax and Regulatory Risks
 ⑤ People ⑥ Development Risk ⑦ Business Disruption from a Major Incident ⑧ Responsible Business ⑨ Customers & Changing Consumer Trends
 ⑩ IT & Cyber Security

FINANCIAL

Adjusted Profit¹



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 62.4% in Adjusted Profit reflected a fall in Net Rental Income driven by the closure of non-essential retail as a result of the Covid-19 pandemic and the impact of CVAs and administrations.

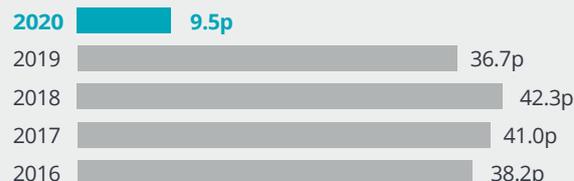
Link to strategy

Enhance

Link to risks

② ⑨

Adjusted Profit Per Share^{1,2}



Why we use this as an indicator

Adjusted Profit seeks to track the recurring profits of the business which is the key driver for dividend payments.

How this links to our strategy

We target delivering a strong and sustainable income return.

Progress during the year

A decrease of 74.1% on a per share basis reflected a fall in Net Rental Income driven by the closure of non-essential retail as a result of the Covid-19 pandemic and the impact of CVAs and administrations.

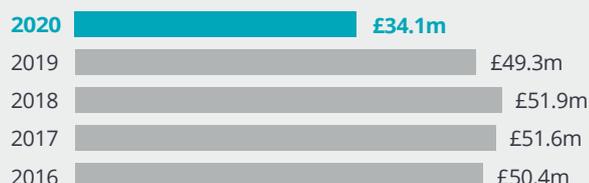
Link to strategy

Enhance

Link to risks

② ⑨

Net Rental Income



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 30.8% reflecting the impact of the closure of non-essential retail due to the Covid-19 pandemic and the impact of CVAs and administrations.

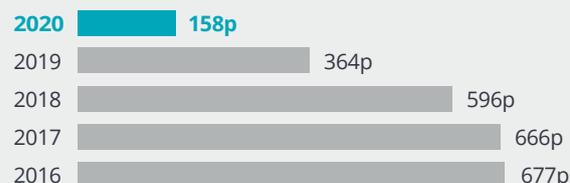
Link to strategy

Position, Focus

Link to risks

② ⑥ ⑨

EPRA Net Tangible Assets Per Share²



Why we use this as an indicator

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

How this links to our strategy

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

Progress during the year

EPRA NTA fell by 206p due to revaluation loss net of capital expenditure.

Link to strategy

Position, Enhance

Link to risks

① ②

Notes

- 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, and other non-operational items. A reconciliation to the equivalent EPRA and statutory measures is provided in Note 9 to the financial statements.
- Historic per share amounts have been restated to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.
- Like-for-like figures exclude Walthamstow from Week 30 to 34 in 2020 due to the impact of the fire which occurred in 2019.

Net Debt To Property Value



Why we use this as an indicator

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

How this links to our strategy

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

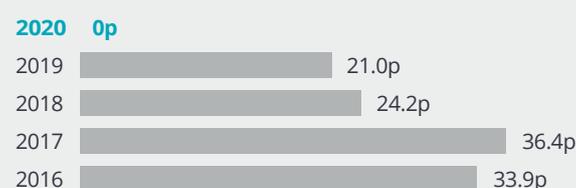
Progress during the year

Net debt to property value increased to 65% due to the fall in property valuations.

Link to strategy
Enhance

Link to risks
1 2 3

Dividend Per Share²



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

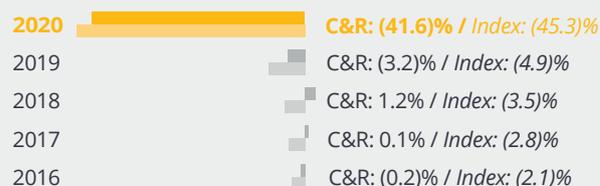
In light of the current level of uncertainty and a desire to maximise cash flexibility, the Group has taken the decision not to declare a final dividend and will maintain this position at least until markets stabilise.

Link to strategy
Enhance

Link to risks
2 4 9

NON-FINANCIAL

Footfall³



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 was significantly impacted in the year due to Covid-19 social distancing requirements and the repeated closure of non-essential retail. The Group continued to outperform the national ShopperTrak index by 3.7%.

Link to strategy
Position, Define

Link to risks
2 9

Occupancy



Why we use this as an indicator

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

How this links to our strategy

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

Progress during the year

Letting demand muted due to the trading difficulties faced by retailers as a result of Covid-19 and an increase in voids and CVAs and Administrations.

Link to strategy
Position, Define

Link to risks
5 2 9

Chief Executive's Statement



Looking forward we are confident in our community centre positioning and the critical role our centres play in serving their communities.

LAWRENCE HUTCHINGS
CHIEF EXECUTIVE



Drafting this statement, I reflect on where we were in March last year and I am reminded of the references to Covid-19 by both our then Chairman and myself. Few could have seen the scale, impacts or duration of the crisis – an event unprecedented in our time.

The Covid-19 pandemic represents a humanitarian crisis firstly and then an economic one. This is the approach we have adopted across our business during 2020 and into this year. Our responsibility to our teams and the communities we serve hasn't wavered. I would like to thank all our team members for their dedication, focus, commitment and contribution to our values and culture over these past 12 months. The compassion that has been shown to fellow colleagues and our communities and stakeholders has been an inspiration during an extraordinary year of uncertainty, disruption and challenge. Our customer-facing employees deserve special mention. They have worked tirelessly to ensure our guests are able to access essential services across our centres, while ensuring our environments are safe places for communities to visit – in accordance with Government regulations.

Our commitment to building strong relationships with our council partners came to the fore as we worked hand-in-hand to provide car parking for key workers and collaborated to align messaging and enforcement of the Government measures. This included supporting our retailer customers with Covid-19 secure store environments, external queue management and click and collect services.

We redirected the money usually allocated for our team Christmas celebrations to charities in each of our communities in addition to the significant amount we do for community groups across our portfolio. In partnership with the local councils, we were proud to ensure our donations supported those most impacted by the Covid-19 crisis. We have also been committed to ensuring that team members who can work remotely are able to while staying connected to the wider Capital & Regional community through a series of initiatives. In addition, we have provided targeted support to those most impacted by the effects of isolation and concern over the future.

Beyond Covid-19, I want to acknowledge and reiterate that we remain committed to creating an inclusive culture that does not discriminate and I am very proud of the diversity across the entire spectrum of backgrounds, beliefs, cultures, gender and life choices that our Company enjoys.

As the Chairman has acknowledged, the impact of Covid-19 on our sector and business has been immense. The three national lockdowns and the series of restrictions had a significant impact on all our key operating metrics; including NRI, Adjusted Profit, portfolio value, balance sheet and ultimately our share price. Our response to the closure of stores has centred on supporting those smaller and independent businesses that are genuinely struggling. This backbone of the UK retail industry represents a larger percentage of our income than many of our peers. Due to our community centre positioning we are constantly striving to curate the right blend of national brands and local retailers and service providers to tailor our merchandising mix to the unique and evolving needs of each individual community.

We have also engaged with the larger national, and in some cases international, chain stores to ensure they meet their contractual obligations. This is essential in enabling us to support a greater number of small businesses and meet our financial obligations to staff, suppliers and lenders. Unfortunately, our efforts haven't always resulted in the outcome required. As of today, over 60% of arrears are concentrated in our top 20 retailers. This is disappointing given most of these businesses are well capitalised and profitable.

Continuing on the theme of retailer support, we have placed our full weight behind national campaigns led by our industry bodies to increase awareness of the importance of the high street and local physical retail. There is a considerable body of research that indicates that strong retail and services hubs are at the heart of local community and how people perceive



where they live. We have also supported the campaign to review business rates with a view to rebalancing the tax take between the physical and online channels – this is a positive approach in partnership with the British Retail Consortium and other retailer groups.

We are encouraged by how quickly our centres rebounded following the easing of restrictions at various points last year. In some cases our centres went from trading 30% of stores to 96% of stores in 48 hours, a testament to the relevance of our centres and retailers and the quality and adaptability of our teams.

The near monopoly that physical retailing has enjoyed for centuries on the distribution of goods and services continues to be disrupted by online and digital platforms which have experienced significant growth as a result of the Covid-19 pandemic and the severe restrictions on non-essential physical stores. Our community centre strategy launched in December 2017 and the progress made during 2018 and 2019 placed us in a stronger relative position to our peer group, albeit not immune. Our focus on non-discretionary goods and services enabled on average 30% of our stores to remain trading, where other centres were forced to close. New customers discovered 'local shopping' as they worked and schooled from home, allowing our footfall to outperform the national index throughout.

Our investments in improving our adoption of technology to aggregate data from across our business, to gain enhanced insights and greater agility and efficiency, is encouraging and watching our teams respond and grow is both exciting and rewarding. Leveraging these investments, we have moved quickly to closely scrutinise

our structure and cost base, consolidating the 20% saving in central overheads delivered over the last four years and decentralising the business to more local decision-making supported by technology and systems. This rigour continued at centre level where we restructured the provision of services across the centres, resulting in a cost saving of c.10% in service charges for our retailer customers for 2020.

Looking forward, we are confident in our community centre positioning which is focused on "needs" or "essential" retail and services. We believe the acceleration of structural change will work to our benefit as we further progress the process we started three years ago of remerchandising our centres in line with our community centre strategy. This format will attract new retail and services, including medical centres, employment offices and retailers who formerly only operated out of town but now need to respond to a growing number of consumers who no longer have cars, especially in and around our highly urbanised and growing London centres.

We believe in shopping local and the critical role that our centres play serving their communities. The attraction to retailers is supported by our low average rents at £12-15 per sq ft and knowledge that low margin, low average transaction value, high volume retailing poses considerable challenges to the high cost economics of online. We must, however, not take that for granted and work tirelessly to continually innovate, curate, tailor and adjust our centres' customer proposition and develop our teams.

Our Snozone leisure business was impacted by the restrictions and the team responded dynamically to the challenge of the various levels of restrictions and

lockdown. We are acknowledged as the leading operator in the field and this was endorsed when the team was appointed to operate the established ski slope at the Xanadu leisure destination in Madrid. This is a world class facility and a well-established business and an important step in Snozone's growth at low investment and risk. Congratulations to Nick Phillips who runs the business and his team.

We have also taken meaningful steps to advance our responsible business and ESG agenda. Over the last year, we have seen the effects of climate change and lived through tremendous societal challenges and unrest. The expectations of business have never been higher to lead with purpose and to help drive progress on these complex issues. Capital & Regional has recently taken steps to evaluate what is most relevant and important to our business by completing a materiality analysis and initiating work on a broader ESG strategy. Moving forward, we will build on that work and look for ways to evolve our business practices to be even stronger stewards of both our environment and the communities in which we live and work. Our focus is not driven solely by regulation or governance, but rather a commitment to the retailer customers and communities we serve. We are focusing our attention and resources to this over the next 12 months and look forward to sharing our progress along the way.

Finally I would like to say thank you to our stakeholders for their forbearance this year, it has been a tough journey for all and we appreciate your support.

LAWRENCE HUTCHINGS
CHIEF EXECUTIVE

24 March 2021

Operating Review

Impact of Covid-19

All seven of the Company's community shopping centres remained open throughout 2020, providing essential services to the communities we serve. Despite the restrictions on trading having had a pervasive impact on operating and financial metrics for the year, it is clear that our "needs-based essential" offer and positioning is now more relevant than ever as a number of structural trends that were already under way in the retail industry have rapidly accelerated. Our strategic focus on local community centres providing non-discretionary and essential goods and services has clearly assisted in mitigating the impact of the pandemic on the Group on a relative basis to our retail peer group. This provides the business with a sound platform for navigating these unprecedented times and ultimately the recovery from Covid-19 restrictions.

Our overriding priority during this time has been the health, safety and protection of our colleagues, guests and customers. Since the outbreak of the virus, we have been rigorously following the official Government guidelines and advice across our portfolio. Precautionary measures we have taken include:

- Enhanced deep cleaning, introducing sanitising stations at key locations and providing PPE for all centre employees;
- We put in place arrows and signage in common areas to encourage directional flow and a one-way system, as well as providing distancing reminders;
- We limited the number of people using guest facilities, escalators, stairs and lifts at any one time; and
- Removed most public seating to discourage congregation and close contact.

Guest movement in our centres is closely monitored through additional staff and existing footfall technology, with guest capacity carefully controlled to maintain social distancing and to protect visitors, occupiers and staff. If the density of shoppers rises to levels that may prevent social distancing, access to the centre is restricted or temporarily stopped until numbers reduce.

Mindful of the significant impact of Covid-19 on C&R employees, the Executive Directors volunteered a 20% reduction in salary and Non-Executive Directors a 20% reduction in their director fees for the months of April, May and June 2020. The funds saved were used to support C&R employees most financially impacted by Covid-19.

New Lettings, Renewals and Rent Reviews

There were 63 new lettings and renewals in the period. Both new lettings and renewals were made at an average premium to ERV. Overall, the transactions resulted in a combined average premium of 22.1%¹ to previous passing rent and a 5.6%¹ combined average premium to ERV.

	Year ended 30 December 2020
New lettings	
Number of new lettings	40
Rent from new lettings	£1.2m
Comparison to ERV ¹	+4.90%
Renewals settled	
Renewals settled	23
Revised rent	£1.3m
Comparison to ERV ¹	+6.63%
Combined new lettings and renewals	
Comparison to previous rent ¹	+22.1%
Comparison to ERV ¹	+5.6%
Rent reviews	
Reviews settled	16
Revised passing rent	£1.1m
Uplift to previous rent	+1.7%

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.

Key Highlights of Letting Activity



Blackburn

- Lease Renewals: H&M and Next



Luton

- New Lease: Lidl
- Lease Renewals: H&M and TK Maxx



Walthamstow

- New Lease: EE



Maidstone

- New Lease: Pure Gym
- Lease Renewal: McDonalds

Political uncertainty caused by concern over a 'no deal' Brexit and trading uncertainty caused by the Covid-19 pandemic contributed to a slowing of leasing momentum. However, as detailed above, strong progress was still made in securing a number of key deals across the portfolio. Activity in 2020 included a new letting to Pure Gym in Maidstone, taking the second floor of the former BHS space, EE in Walthamstow, and Lidl in Luton, taking the ground floor of the former M&S store. Significant traction has been made with commercial mall income, with a focus on smaller independent retailers and reflected in a year-on-year increase in the number of new lettings. This reflects both the increased focus and investment in the commercial team where we are undertaking a growing number of transactions on a principal to principal basis through new and existing relationships. Our management platform is increasingly recognised as a leader in the sector.

Key renewals across 2020 included H&M and Next in Blackburn, McDonalds in Maidstone and H&M and TK Maxx in Luton.

Consistent with our community centre strategy, personal and professional services are a key part of the offer and therefore we are pleased that detailed discussions continue with the NHS for a new purpose-built community healthcare facility at The Exchange, Ilford. This facility is another example of how important community or local retail provision is to a wide range of uses and we are in active discussion in other centres in our portfolio for these primary health care facilities designed to create more capacity for the NHS and greater accessibility for those needing non-trauma medical care. The letting will be transformational for The Exchange and represents a new destination use that is aligned to our community strategy.

Impact of CVAs and Administrations

There were 17 Company Voluntary Arrangements (CVAs) or administrations involving national retailers that impacted our portfolio in 2020 (2019: 8), including New Look, Travelodge, Select, Debenhams, Peacocks and Bonmarche, Arcadia and Moss Bros. CVAs and administrations in 2020 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, although as a result of the progress we have made in embedding our non-discretionary community shopping centre strategy our reliance on such categories is much less than it once was. Rent from fashion operators represented approximately 19% of the Group's contracted rent at 30 December 2020.

The total impact upon 2020 NRI of 2020 CVAs and administrations was £4.4 million. This includes c.£1.4 million from the write-off of incentives to tenants who have entered administration during the period.

Debenhams remained in occupation of three stores in the portfolio as at the year end and as of the time of writing but the business is expected to cease trading all of its physical stores in the coming months. While the incremental rental loss of Debenhams ceasing trading is not material, if vacant the annual empty rates and service charge cost to the Company for the three units will be approximately £2.1 million. The Group has offers on all three Debenhams stores, encompassing a range of short to longer term solutions, and have agreed terms on two of them.

Operational Performance

Under Government restrictions retailers classed as 'non-essential' were required to close from 23 March to 15 June 2020 and again from 5 November to 2 December 2020. This saw the proportion of units at our shopping centres open fall at times to less than a third. In between the two periods we had seen a strong return to physical trading with 97% of units back open. This peaked further at 98% following the easing of restrictions from 2 December 2020; however, regional Tier restrictions, phased in across the country in late December, again required further closures, significantly affecting the peak Christmas trading. All non-essential retail not already

closed was required to do so on 5 January 2021 on announcement of the further national lockdown and remains closed at the time of writing. We have been working closely with our occupiers throughout the year supporting those who were able to continue trading and helping prepare and support those impacted by the various periods of closure.

Footfall has been significantly impacted by restrictions on trading throughout the year and the need to manage capacity at our centres due to social distancing measures. In total, there were 44.7 million visits to our centres during 2020, 41.6%¹ lower than the prior year on a like-for-like basis but outperforming the national index by 3.7%.

Car park usage and income has also been impacted in 2020 by the Covid-19 pandemic. Car park charges were waived throughout the first lockdown from March to June 2020 to support key workers and those who needed to use their cars to access essential services, and to help minimise touchpoints within centres. Car park usage was down 42.4%¹ from 2019, resulting in a 45.8% drop in car park income to £5.8 million.

In response to the first national lockdown, we assessed how to adjust the delivery of services to better suit the trading conditions of our centres. As a result, we successfully managed to reduce service charge costs during the lockdown months of April and May by an average of 32% across the portfolio. At the same time we also undertook a comprehensive review of our centre operating model. The review resulted in the restructuring and streamlining of teams and services. In doing so, we have managed to successfully reduce the 2021 service charge by an average of 13% across the portfolio, equating to approximately £2.5 million.

¹ Like-for-like figures exclude Walthamstow from week 30 to 34 due to centre being closed for the equivalent weeks in 2019 due to a fire.

Operating Review

CONTINUED

Rent Collection

There was significant focus in 2020 on rent collection. Our retailer customers' ability to trade was impacted throughout the year by the restrictions that were put in place, and the Government's introduction of a rent moratorium compromised the measures we would normally have available as a last resort to protect our contractual positions; particularly in the unfortunate cases where some large well-funded retailers were able but unwilling to pay. In response, we have dedicated significant resource to this area, assembling a team from across the business to best utilise our relationships with our tenant base at all levels. We have worked closely with our retailers to understand the specific impact of Covid-19 on their individual businesses, seeking to come to agreements that amicably resolve the position and appropriately share the cost of periods when retailers have been unable to operate. These agreements have typically provided some form of a modest concession in return for settling the remainder of their rent arrears and their service charge obligations in full.

Total rent collection for the financial year 2020 is currently at approximately 80%. Total concessions granted in the year equate to £1.4 million before VAT, representing approximately 2.7% of the total rent billed. We have provided within the year end accounts for approximately half of the remaining balance that is due.

Rent collection for the first quarter of 2021, including monthly invoices for January and February 2021, is running at approximately 60% and we have agreed deals with tenants that would improve this by approximately 10%. The table below provides further detail:

	Rent collected 12m to 30 December 2020		Rent collected Q1 2021	
	£m		£m	
Rent collected	50.5	80.6%	7.1	59.7%
Concessions provided	1.7	2.7%	0.1	1.2%
Written off	1.6	2.5%	-	-
Outstanding	8.9	14.2%	4.7	39.1%
Total billed	62.7	100%	11.9	100%

Amounts include VAT, amounts billed are up to end of February 2021.

Rental Income and Occupancy

	30 Dec 2020	30 Dec 2019
Contracted rent (£m)	53.1	61.1
Passing rent (£m)	51.7	58.8
Occupancy (%)	92.1	97.2

Contracted and passing rent fell by 13.1% and 12.1% respectively in the year reflecting the increase in voids and the impact of CVAs and administrations, most prominently the administration of Debenhams which had accounted for £1.7 million of rent at the end of 2019. Occupancy fell to 92.1% (December 2019: 97.2%), reflecting primarily the impact of Covid-19, particularly in the disruption to the peak Christmas trading period.

Capital Expenditure

In March 2020, in light of the Covid-19 pandemic, we reviewed all capital expenditure and significantly reduced the spend that had been planned, rationing expenditure to only those projects that were already committed, drive immediate income returns or are of wider strategic importance. As part of this, the proposed Hemel Hempstead cinema project was effectively stopped, given the impact on the leisure sector. Alternative options for the scheme are being progressed.

In total, £14.8 million was invested in 2020 (2019: £12 million). Primary projects included: works to facilitate the letting of the former BHS space in Maidstone to Matalan and Pure Gym (£2.3 million); progression of the Walthamstow residential opportunity (£3.2 million); works completed on the rebuild of Walthamstow, including the planned new food court outside of the basic rebuild cost covered by insurance (£4.4 million); and works to create a new unit for Lidl from the former M&S space in Luton (£0.7 million).

Walthamstow Residential Opportunity

We have continued to progress our residential opportunity throughout 2020. Having identified a favoured delivery partner following a comprehensive marketing process, we exchanged conditional contracts with Long Harbour in December 2020. Long Harbour will deliver 495 residential units as a Build to Rent proposition. The contract is subject to a number of pre-conditions to satisfy, the most notable of which relates to securing final approval of the planning consent and associated obligations on terms that align with the commercial parameters agreed between us.

In parallel with the residential contract negotiations, we made significant progress in finalising the overall scheme design, which also incorporates 47,000 sq ft of additional commercial floor space, a further 43 residential units and provision for a new station entrance for the Victoria Line underground station in the heart of the scheme. Detailed planning applications were submitted before the year-end and a resolution to grant planning consent was secured from the London Borough of Waltham Forest on 27 January 2021. Formal and final approval remains subject to referral and sign-off from the Greater London Authority, and we anticipate this being in place by the end of March 2021.

Delivery of the Long Harbour residential scheme would represent the first phase of the wider development opportunity. Assuming all pre-conditions are satisfied, the current programme envisages a start on site in the autumn 2021, with the contracted land payment of more than £20 million being triggered at that point. This is more than £1 million ahead of the amount recognised within the year-end valuation.

Snozone

Snozone had enjoyed a strong start to 2020 with revenue growth recorded for the first two months of the year but the emergence of the Covid-19 pandemic impacted trade from the end of February and culminated in all operations being required to close under Government guidance on 20 March 2020. Having undertaken stringent risk assessments and precautionary testing, Snozone reopened its Castleford and Milton Keynes venues on 7 August 2020, when restrictions were lifted, with reduced capacity to ensure social distancing and with reduced trading hours. The array of

products and activities on offer to guests, usually around 130, were significantly reduced and the only group activity permitted was in the shape of family ski or snowboard lessons in 'designated bubbles'. As Government guidance changed, the venues were again required to close throughout November and most of December, usually the peak trading months. At the time of writing all venues remain closed, in line with Government restrictions.

Actions were taken to mitigate costs throughout the year, to the fullest extent possible, including the deferral of costs, utilisation of the Government's furlough scheme (£0.8 million) and VAT deferral. The circumstances meant that, unfortunately, redundancies were required and a number of contracted staff were not retained. Revenue for the year more than halved to £4.6 million (2019: £10.5 million). This resulted in a loss for the year (excluding notional interest on finance leases) of £1.9 million (2019: £1.5 million profit). Since the year end we have had indication that

we should be able to recover a substantial amount of the loss for the year through an insurance claim; this is not reflected in the year-end numbers.

Management has sought to use the time that the business has been unable to trade to deliver initiatives that will drive long-term benefits. These have included the installation of a fully integrated online booking and finance platform, which will greatly enhance productivity and greater ease for the customer journey, and the switch to using 100% renewable energy.

The business has also been pursuing opportunities to grow and leverage its highly respected management platform. On 9 February 2021 Snozone took over the operations of the ski slope at the Xanadu leisure destination in Madrid. This is a world class facility and a well-established business and represents an excellent opportunity to grow and develop the Snozone brand at a low level of risk and investment.



CASE STUDY

Matalan Opening, Maidstone

Despite the impacts of Covid-19 during the course of 2020, Matalan pushed forward with the opening of their new store in Maidstone, opening in September 2020. The opening was significant as the only new store planned for their business in 2020.



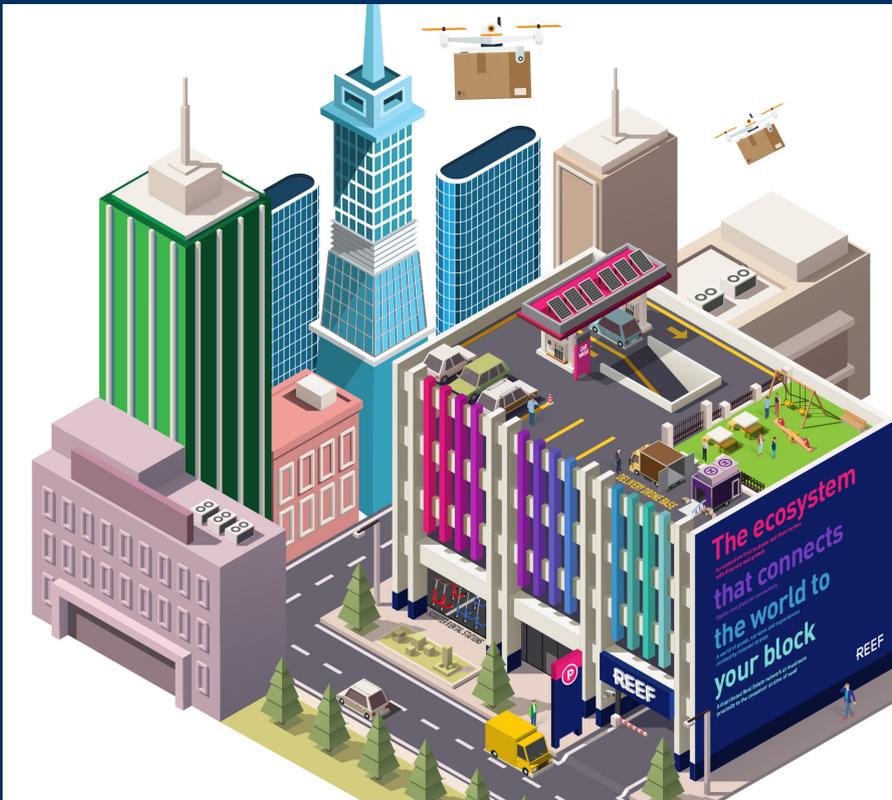
CASE STUDY

Snozone, Madrid

The world class facility is located in the expansive Xanadu leisure destination to the east of the city of Madrid. It is the only indoor snow centre in Spain and at 18,000 sq m, is the second largest slope in Europe, 40% bigger than both of Snozone's individual UK snow centres. The acquisition presents an excellent opportunity to grow and develop the Snozone brand as a leading operator in the sector.

Commercial Mall Income

Increased focus on smaller independent retailer entrepreneurs is providing new sources of retailer customers and driving income and maximising revenue through quality uses, experiences and partnerships, embracing physical, digital and emerging platforms. We have increased investment in the commercial team where we are undertaking a growing number of transactions on a principal to principal basis through new and existing relationships. CML is one of the first areas we saw income recovery in following the first national lockdown, driven by the London assets. Our platform is increasingly recognised as leader in the sector.



Intelligent Parking Solutions

We have signed agreements for the provision of frictionless parking initiatives with REEF in Wood Green and Luton and with Your Parking Space in Maidstone, due to go live in March 2021. REEF and YPS are investing into a new car park management and control system that will provide efficiency for guests in terms of automated payment methods together with easier entry and exit into the car park, improving the guest journey. The increased insight into our guests' journey will also allow us to target alternative income opportunities, including dark kitchens and final mile fulfilment centres, bike and scooter rental stations, electric vehicle charging, ride-share and community spaces for pop-up businesses.



Kaya's Barber, Ilford

We have recently completed a new letting at The Exchange Ilford with Kaya's Barber a children's hairdresser that will open in the family zone on the lower level of the shopping centre adjacent to the kids' play area. We have worked closely with the retailer to ensure that the presentation of this offer is aligned with our strategic focus for the family zone ensuring it complements the surrounding merchandising mix together with providing a key service for the local community.



Bubble CiTea, Walthamstow & Blackburn

We will have two new kiosks opening in Blackburn and Walthamstow in March 2021. The operation is a British brand producing unique flavours of the traditional Taiwanese Tea origins. These two additional locations illustrate how the design and quality of typical kiosks has evolved and underlines our focus of working with local entrepreneurs wanting to take space within our portfolio.

Financial Review



STUART WETHERLY
GROUP FINANCE DIRECTOR

	2020	2019	Change
Profitability			
Statutory Revenue	£72.7m	£88.9m	-18.2%
Net Rental Income (NRI)	£34.1m	£49.3m	-30.8%
Adjusted Profit ¹	£10.3m	£27.4m	-62.4%
Adjusted Earnings per share (Basic) ^{1,2}	9.5p	36.7p	-74.1%
IFRS Loss	£(203.4)m	£(121.0)m	-£82.4m
Basic Earnings per share ²	(188.3)p	(162.3)p	-26.0p
EPRA cost ratio (excluding vacancy costs)	41.1%	25.9%	+15.2%
Net Administrative Expenses to Gross Rent	20.8%	10.8%	+10.0%
Investment returns			
Net Asset Value (NAV) per share ²	150p	361p	-211p
EPRA NTA per share ²	158p	364p	-206p
Dividend per share ²	-	21.0p	-21.0p
Financing			
Group net debt	£345.1m	£336.9m	+£8.2m
Group net debt to property value	65%	46%	-19 pps
Average debt maturity ³	4.4 years	5.4 years	-1 years
Cost of debt	3.41%	3.26%	-15 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 Per share amounts for 2019 have been restated to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

³ Assuming exercise of all extension options.

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	<p>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.</p> <p>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 other non-operational one-off items.</p> <p>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 other items where EPRA is prescriptive.</p> <p>Adjusted Earnings per share is Adjusted Profit divided by the weighted average number of shares in issue during the year excluding own shares held.</p> <p>A reconciliation of Adjusted Profit to the equivalent EPRA and statutory measures is provided in Note 9 to the condensed financial statements.</p>
Like-for-like amounts	<p>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. Like-for-like has also been used in the case of footfall and car park income for Walthamstow in removing from year-on-year comparisons the period of 2019 when the centre was closed due to the fire.</p> <p>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.</p>
Net Rent or Net Rental Income (NRI)	<p>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.</p>

Profitability

Amounts in £m	Year to 30 Dec 2020	Year to 30 Dec 2019
Net rental income (NRI)	34.1	49.3
Net interest	(17.5)	(18.9)
Investment income	0.1	0.2
Central operating costs net of external fees	(4.7)	(4.7)
Snozone (loss)/profit (indoor ski operation)	(1.9)	1.5
Tax credit	0.2	-
Adjusted Profit¹	10.3	27.4
Adjusted Earnings per share (pence)^{1,2}	9.5	36.7
<i>Reconciliation of Adjusted Profit to statutory result</i>		
Adjusted Profit	10.3	27.4
Property revaluation	(208.3)	(138.6)
Loss on disposal	0.4	(0.5)
Impairment	-	(1.4)
(Loss)/Gain on financial instruments	(5.0)	(5.0)
Transaction costs on issue of new equity and partial offer	-	(2.2)
Other items	(0.8)	(0.7)
IFRS loss for year	(203.4)	(121.0)

¹ EPRA figures and a reconciliation to EPRA EPS are shown in Note 9 to the financial statements.

² Per share amounts for 2019 have been restated to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

Adjusted Profit – 2020: £10.3 million (2019: £27.4 million)

Adjusted Profit and Adjusted Earnings per share decreased by 62.4% and 74.1% respectively, driven by a £15.2 million or 30.8% decrease in NRI, primarily due to the impact of the Covid-19 pandemic. The reduction in NRI has manifested itself across three main areas:

- Impairment of Receivables (Bad debt) charged for the period: £7.3 million (30 December 2019: £1.7 million). The rent collection for 2020 now stands at 80%. In assessing the treatment of the debt that remained outstanding at 30 December 2020, we have considered the underlying credit position of each individual tenant in determining the level of any provision to be made. In total we have provided for approximately 50% of the net debt that was outstanding as at the year end.
- Car park income FY20 £5.8 million (FY19 £10.7 million); we stopped charging for our car parks once the lockdown at the end of March 2020 restricted the opening of all non-essential retailers. We resumed charging in June, when such restrictions were lifted, and maintained tariffs for the rest of the year; however, usage remained significantly impacted by trading restrictions particularly during November and December when non-essential retailers were again required to close for significant periods of those months.
- Administrations and CVAs: the impact of CVAs and administrations is approximately £4.4 million. This includes c. £1.4 million from the write-off of incentives to tenants who have entered administration during the period.

Other impacts to NRI during the year include the net benefit of £4.0 million of surrender premium relating to a single unit, and a reduction of £2.3 million arising from the adoption of the IFRS 16 leasing standard.

The latter is largely offset by a corresponding £2.0 million reduction in notional interest as detailed in the table below. The adoption of IFRS 16 Leases for the first time has resulted in a notional interest charge being recognised in respect of the lease agreements for the Group's office premises and Snozone operations and the basis for the notional interest on the Group's Head Leases changing. The latter has resulted in a material reduction of the related finance lease asset and liabilities maintained on the Group balance sheet from approximately £65 million to £25.6 million at December 2020.

Amounts in £m	Year to 30 Dec 2020	Year to 30 Dec 2019
Net Interest on loans	14.6	14.6
Amortisation of refinancing costs	1.0	0.9
Notional interest charge on finance leases ¹	1.4	3.4
Other net interest (receivable)/payable	0.5	-
Net Group interest	17.5	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 in line with the prior year.

Outside of the movement in NRI the biggest impact on Adjusted Profit year on year is the contribution from Snozone which saw a swing of £3.4 million, from a profit of £1.5 million in 2019 to a loss of £1.9 million in 2020 (excluding notional interest). Snozone was required to close for more than six months of the year, including approximately half of its peak Q4 trading period, and had to manage social distancing restrictions for four of the six months it was able to trade.

IFRS loss for the period – 2020: Loss of £203.4 million (2019: Loss of £121.0 million)

The loss on revaluation of investment properties for the year was £208.3 million (2019: Loss of £138.6 million) and this was the key component driving a loss for the period of £203.4 million. A breakdown of valuations by property is provided in the Net Asset Value section below. The other main factors outside of Adjusted Profit was a loss on financial instruments of £5.0 million, reflecting expectations of interest rates being lower for longer.

Net Asset Value

The valuation of the portfolio at 30 December 2020 was £527.0 million, a 27.5% decline on 30 December 2019 and reflecting a net initial yield of 7.88% (2019: NIY: 6.95%).

The decline of retail asset values across the industry continued to accelerate in 2020 albeit driven largely by sentiment with transaction volumes at historically low levels. The Group's London assets proved relatively more robust, declining overall by 21.8%. In comparison, the Group's assets outside of London were more significantly impacted by negative sentiment towards retail assets with the headline valuation of the Group's three South East assets declining by 34% and Blackburn falling by almost 40% over 2020.

Financial Review

CONTINUED

Property portfolio valuation

Property at independent valuation	30 December 2020			30 December 2019		
	£m	NIY %	NEY %	£m	NIY %	NEY %
London						
Ilford	60.0	5.30%	7.49%	77.4	6.06%	6.86%
Walthamstow	106.6	5.17%	6.15%	126.0	5.28%	5.33%
Wood Green	158.0	6.71%	6.43%	211.5	5.48%	5.66%
	324.6	5.96%	6.80%	414.9	5.54%	5.97%
South East						
Hemel Hempstead	23.3	10.00%	12.69%	34.7	8.50%	10.38%
Luton	92.5	9.8%	9.50%	148.7	8.00%	8.17%
Maidstone	46.0	10.67%	10.75%	61.9	8.38%	9.69%
	161.8	10.05%	10.89%	245.3	8.17%	9.28%
Regional						
Blackburn	40.6	13.17%	12.23%	66.9	10.24%	10.15%
Portfolio	527.0	7.88%	8.26%	727.1	6.95%	7.62%

The movement in valuations has driven the decline in NAV to £167.8 million and EPRA Net Tangible Assets to £176.7 million compared to December 2019 amounts of £375.1 million and £378.6 million respectively. Basic NAV per share and EPRA NTA per share were 150p and 158p respectively, representing declines of 211p and 206p respectively (December 2019: 361p and 364p respectively).

Dividend

In light of the current level of uncertainty and desire to maximise cash flexibility, the Group has taken the decision not to declare a Final dividend and will maintain this position at least until markets stabilise.

A UK REIT is expected to pay dividends (PIDs) of at least 90% of its taxable profits from its UK property rental business by the first anniversary of each accounting date. By agreement with HMRC, the Group has an extension to the payment date of the balance of the 2019 PID, of approximately £7.6 million, to 30 June 2021 in order to meet its REIT distribution requirements for the financial year ending 2019. The Group has requested a further extension of six months to this deadline given the impact and uncertainties caused to the Group's business by Covid-19. If the Group were to not be granted an extension and not meet the minimum requirement, then under REIT legislation, the Group will incur UK corporation tax payable at 19% while remaining a REIT. We estimate that this would result in a tax payment of approximately £1.4 million being required to be paid in respect of the balance of 2019. However, this is subject to there being no legal impediment to distribution. At 30 December 2020 the Company does not have sufficient distributable reserves to declare a dividend. If this legal impediment to distribution subsists at the date for payment of the balance of the 2019 PID and the date of payment of the 2020 PID the Group will be deemed to have met the distribution requirement for those periods based on the provisions in CTA 2010 section 530.

Financing

The Group has four non-recourse asset secured loan facilities that each sit within their own ring-fenced special purpose vehicle (SPV) structure. Funding costs of 3.41% are substantially fixed and secured over the medium term with a weighted average four years to maturity at 30 December 2020, extending to 4.4 years if the remaining one-year extension on part of The Mall facility is exercised. The fall in valuations resulted in net debt to value increasing to 65% (December 2019: 46%).

	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
30 December 2020									
The Mall (Four Assets)	265.0	(10.3)	254.7	75%	73%	3.61	100	4.9	5.6
Hemel	26.9	(0.9)	26.0	115%	112%	3.32	100	2.1	2.1
Ilford	39.0	(1.8)	37.2	65%	62%	2.76	100	3.2	3.2
Luton	96.5	(9.0)	87.5	104%	95%	3.14	100	3.0	3.0
Central Cash	-	(60.3)	(60.3)	-	-	n/a	n/a	n/a	n/a
On balance sheet debt	427.4	(82.3)	345.1	81%	65%	3.41	95	4.0	4.4

¹ Excluding unamortised issue costs.

² Excluding cash beneficially owned by tenants.

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

From the proceeds of the December 2019 equity raise, the Group had initially earmarked £50 million to pay down debt and has to date only utilised £5 million of this sum, leaving a balance of £45 million (effectively within the £60.3 million of Group cash included in the table above). The Group had previously been in discussions with lenders about utilising a proportion of the remaining funds to voluntarily pay down its four non-recourse debt facilities in the early part of the year, but when it became clear how significant the disruption caused by Covid-19 would be, we took the decision to place such discussions on hold. Our priority since has been to focus our efforts on defending our assets and on ensuring the continued stability and therefore flexibility of the Group to continue to respond to the volatility and acceleration in structural change in the sector.

While on a relative basis the Group has demonstrated operational resilience, the general outlook remains uncertain in respect of precisely how long existing government-mandated restrictions will remain in place, and the risk of further infections or lockdowns or Government restrictions on our operations and ability to collect rent, coupled with the full macroeconomic consequences of Covid-19 still being unclear. In consideration of this, the Group has sought to maximise flexibility in its management of liquidity and to prioritise the ability to continue in all reasonable circumstances to service the Group's operational costs, including interest on its loans, and to be able to judiciously invest further in

its management platform and capital expenditure in its assets, where that is required for the long-term protection of value and sustainability of income.

On this basis, the Group has been in discussions with its relevant lenders on a facility-by-facility basis to actively manage its loan portfolio, with substantial focus on the impact that the Covid-19 disruption has had on both income and loan-to-value based covenants on the individual facilities. The Group's lenders have acknowledged the quality of the management platform and the strong relative results in rent collection, occupancy and key leasing initiatives.

On the Hemel Hempstead and Luton facilities, we are mindful that while the loans are not actually in default, the December 2020 valuations are significantly below the covenant levels and a breach would occur if this valuation were to be replicated if and when the lender next independently tests the valuation. We are working closely and constructively with the respective lenders and have covenant waivers currently in place that are being reviewed on a quarter-by-quarter basis. While we remain committed to managing the assets and delivering the best long-term outcome for all stakeholders, with asset values at the end of the year being below the level of the outstanding debt, the economic rationale for committing central funds to cure and/or pay down these non-recourse facilities at the present time is challenging. On Hemel Hempstead, we have exchanged on the disposal of the Edmonds Parade block of assets within the scheme for a price of £4.65 million. The

net proceeds of this disposal are planned to be applied in partial prepayment of the outstanding debt.

On The Mall facility, we have obtained a waiver of all financial covenants until the Interest Payment Date (IPD) at the end of April 2021 and are in detailed discussions with the lenders about a longer-term extension of these waivers in return for the provision of additional funds.

On Ilford, we have secured a waiver of the financial income covenants until the July 2021 IPD. We have agreed outline terms on a longer-term modification of these covenants, covering at least the next 12 months, to facilitate the completion of the proposed major asset management initiatives at the asset, being the planned medical centre and the re-letting of the Debenhams anchor unit, which, if they proceed, the Group will partially fund from central cash.

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 2020, 6,270,782 of the Company's shares were held on the JSE share register representing 5.61% of the total shares in issue.

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 2020.

Principal Risks at 30 December 2020

In June 2020, a number of risks were re-profiled, increasing in both likelihood and significance, due to the impact of the Covid-19 pandemic. The following risks were deemed to have increased in terms of likelihood and/or significance: investment market risk, economic environment risk, treasury risk, tax and regulatory risk, development risk, business disruption (including Covid-19 or other pandemics) risk, responsible business risk, and customer risk. These risks broadly remain unchanged at 30 December 2020 but the pervasive and ongoing impact of the pandemic has increased the risk of further business disruption, the treasury risk and economic risk. The potential significance of development risk has been reduced as the number of development projects has decreased.

Potential risks have also been considered, including the impact of Brexit on the transport and supply of goods from the

EU to the Group's retailer customers and the knock-on impact on their ability to trade; and the risk that the recovery from the Covid-19 pandemic, the speed and effectiveness of the rollout of the vaccine programme and the reduction in restrictions diverges from current guidance/expected timelines.

Covid-19

The impact of Covid-19 is incorporated within our business disruption from a major incident risk. All of the Group's shopping centres have remained open throughout the pandemic to provide essential services but, at the time of writing, a majority of tenants are currently closed in line with Government guidelines. The pandemic has had a pervasive impact on the business felt primarily through reduced levels of rent collection, decreases in non-contracted income such as car park revenue, increased levels of tenant failures and the enforced closure of the Group's Snozone ski operations. The uncertainty around the impact of the

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.

Covid-19 pandemic has also resulted in declines in asset valuations, impacting our debt covenants.

We continue to actively monitor the situation and contingency plans are in place to mitigate the further impact on our operations, our shopping centres and our tenants as best we can as the situation continues to develop.

Brexit

The UK left the European Union (EU) at the end of January 2020 and the EU-UK Trade and Cooperation Agreement was formally agreed on 30 December 2020. While these developments have provided some clarity, there remains significant uncertainty over the future impact of Brexit on the economic environment as the terms of the agreement are implemented.

Information Security

The Group has an IT Security Governance Policy in place and has established an IT Steering Committee which meets on a monthly basis, with cyber security at the core of the IT strategy. The Company has not experienced a serious data breach in the last three years.

In 2020, we made significant investment into our IT infrastructure and security measures. This included the rollout of best of breed enterprise security solutions enhancing email security and introducing multi factor authentication and further execution of our Cloud strategy, migrating systems and data into Microsoft Azure and Office 365 platforms. The Company's policies and security practice aligns with ISO27001 and, in February 2021, Capital & Regional attained the Cyber Essentials Plus certification, demonstrating our commitment to cyber security. Ongoing investment in employee cyber awareness training and testing, aims to better equip staff to mitigate risk.

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.

1

Property Investment Market Risks

Risk

- Weakening economic conditions and poor sentiment in commercial and/or retail real estate markets has led to low investor demand and high volatility in valuations
- Valuation risk from lack of relevant transactional evidence

Impact

- Small changes in property market yields or future cash flow assumptions can have a significant effect on valuation
- Impact of leverage could magnify the effect on the Group's net assets and risk of breaching loan covenants which could result in potential default of facilities if not cured and therefore the risk of security being enforced
- 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

2

Impact of the Economic Environment

Risk

- Tenant insolvency or distress
- Prolonged downturn in tenant demand and pressure on rent levels
- Impact of Covid-19 has had a negative effect on general retail sales, increasing risk of administrations and insolvencies

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

Managing Risk

CONTINUED

3

Treasury Risk

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 and/or lenders taking control of secured assets
- 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
- Regular monitoring and projections of liquidity, gearing and covenant compliance with regular reporting to the Board
- Maintain close relationships with lenders
- Option of asset sales if necessary
- Facilities are all non-recourse outside of SPV structures

4

Tax and Regulatory Risks

Risk

- Exposure to non-compliance with the REIT regime and changes in the form or interpretation of tax legislation
- Potential exposure to 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 loss of REIT status, financial penalties, loss of business or credibility

Mitigation

- Monitoring of REIT compliance
- Expert advice taken on tax positions
- 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

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

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 co-ordinators and external consultants with regular monitoring and Executive Management oversight
- Monitoring of new planning proposals
- Close relationships with local councils and willingness to support town centres

7

Business Disruption from a Major Incident

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 at Walthamstow 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
- Ensuring centres and support office are compliant with Covid-19-secure requirements
- Regular liaison with the police and environmental health officers
- Insurance maintained

8

Responsible Business

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

Impact

- Failure to act on environmental and social issues could lead to reputational damage, deterioration in relationships with customers and communities and limit investment opportunities
- Failure to comply with 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 ESG 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
- Ensuring centres and support office are compliant with Covid-19-secure requirements
- Ensuring retailers comply with Covid-19-secure requirements
- Monitoring systems to ensure tenant compliance

Managing Risk

CONTINUED

9

Customers & Changing Consumer Trends

Risk

- The trend towards online shopping, multi-channel retailing, and increased spending on leisure may adversely impact consumer footfall in shopping centres
- A risk that Covid-19 will further accelerate changing customer shopping habits and accelerate the trend towards online shopping

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

IT & Cyber Security

Risk

- Failure or malicious attack against the Group's information technology hardware and software systems
- Failure to invest in new technology

Impact

- Loss of business time and/or reputational damage
- Data breaches resulting in reputational damage, fines or regulatory penalties
- Loss of operating capabilities

Mitigation

- IT Security Governance Policy in place aligned with ISO27001
- Ongoing investment in technology infrastructure
- Key IT applications hosted offsite
- Systems in place to mitigate risk of malicious attack
- Penetration testing carried out by a specialist security company
- Cyber Essentials Plus certified
- Information security training programme in place for all employees
- Maintenance of a disaster recovery site
- Insurance maintained

Viability Statement

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

The Board conducted this review for a two-year period to December 2022. Previously the Directors have considered viability over a three-year period but a shorter time frame has been selected at this year end given the high level of volatility and uncertainty that the business is currently facing, driven primarily by the impact of Covid-19 and the ongoing longer term structural changes within the retail sector.

The two-year period is covered by the Group’s annual budget and business planning process and none of the Group’s asset-backed debt financing are scheduled to mature during the period.

The considerations made by the Directors in concluding on viability mirror those considered within the Going Concern conclusion as documented below. Based on this and the resources and actions available, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2022.

Going Concern

Under the UK Corporate Governance Code, the Board needs to report whether the business is a going concern. In making its assessment of Going Concern, the Group has considered the general risk environment and specifically the impact on the business of the significant disruption arising from Covid-19 as well as the acceleration of the structural trends that were already under way in the retail industry. At the time of writing, all of the Group’s seven shopping centres are open, though a majority of tenants are unable to trade due to current Government restrictions and rent collection for the first quarter of 2021 is currently running at approximately 60%.

The valuation of the Group’s property portfolio fell from £727.1 million at 30 December 2019 to £527.0 million at 30 December 2020. While there are some indications that investor interest may rebound in 2021, the current pressure on rental values presents a risk of further valuation declines.

As asset valuations have come under pressure, the Group’s net debt to property value ratio has, consequently, increased markedly over the year, from 46% to 65%. Our lenders have recognised the unprecedented nature of this situation and have demonstrated their support by granting waivers for the first quarter of 2021 in respect of covenants which would otherwise have been breached. Management remains in regular dialogue with lenders to agree the most appropriate way forward.

At 30 December 2020 the Group had total cash on balance sheet of over £75 million, which is equivalent to more than one year’s gross revenue. Of this, £60.3 million was centrally held and free of any restrictions. This provides a significant cash contingency to cover any disruption to operations for an extended period of time.

Management has undertaken actions to improve the preservation of cash within the business while this period of uncertainty persists. These actions include rationing capital expenditure projects to only those that immediately drive income improvements, or are of strategic importance, and suspending the dividend until such time as markets stabilise.

In making its assessment of Going Concern, the Group has run updated Group forecasts on both a base case and sensitised basis. In the latter, the Group has considered the impact of restrictions extending into the second half of 2021. The Group’s analysis projects that the central cash maintained provides sufficient funds to cover the potential operational disruption.

The Group’s four asset-backed loan facilities are ring-fenced within their own SPV structures with no recourse to Capital & Regional plc and no cross-default provisions. Each loan facility has bespoke covenants as outlined on page 149. Covenants in respect of minimum interest cover ratios, both projected and historic, are tested quarterly. The Group has secured short-term waivers or deferrals for all income covenants covering at least the first quarter of 2021 and is in constructive and detailed dialogue with the respective lenders on extending these further as detailed in the Financing section above. The earliest maturity on any of the Group’s asset-backed loan facilities is February 2023.

Hemel and Luton are now in a negative equity position which means that The Mall and Ilford combined assets make up substantively all of the Group’s Net Asset Value excluding the central cash balance maintained by the Group at 30 December 2020. In respect of The Mall and Ilford, the central cash balance maintained by the Group at 30 December 2020, in addition to available cash within the relevant structures, provides sufficient funds to remedy the loan to value covenants if values fell by up to a further 15% across these assets by reference to the December 2020 valuations. This is if the Directors choose to take this approach, even without any further covenant relaxation. If valuations fell by in excess of 15% then the Group would be reliant on continued covenant relaxation or would be deemed to be in breach of the facilities. Ongoing discussions with the Group’s lenders give Management confidence that the required flexibility could be obtained.

Importantly, all of the Group’s four asset-backed facilities are non-recourse with no cross-default provisions and all facilities provide the Group with the opportunity to cure breaches of financial covenants or provide for the eventual surrender of assets, without any recourse to the rest of the Group, should the Directors choose not to cure in the event that the lenders do not grant further covenant modifications.

In coming to its Going Concern conclusion, the Group has also considered, but not relied upon, other options available to generate or conserve additional cash, to cure loan to value covenants and to fund value accretive capital expenditure and letting initiatives. These include but are not limited to: the potential disposal of assets either in whole or part; the opportunity to crystallise value on the Walthamstow residential development; and the potential raising of additional funds.

Having due regard to all of the above matters and after making appropriate enquiries, including considerations of the impact of Covid-19 and sensitivities, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Therefore, the Board continues to adopt the Going Concern basis in preparing the financial statements.

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. We understand that decisions made by the Board will not always be aligned with the wishes of all of the Group's stakeholders. The Board strives to ensure that its decisions are consistent and predictable and are aligned to the Company's purpose, values and strategy. The Board remains committed to an open dialogue with our stakeholders.

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.

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
- Enhanced support and communication while working from home

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

Read more about how we engage with our people on pages 46, 47 and 58

Our Community

Our retailer customers, our guests and our suppliers.

What matters

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

How we engage

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

How we respond

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

Read more about how we engage on pages 48 and 49

Our Shareholders and Business Partners

What matters

- Robust financial accounts
- 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 advisers.
- Feedback from shareholder meetings is shared with the Board and forms part of boardroom discussions.

Read more about our engagement with our shareholders on page 58

The Environment

What matters

- Awareness of the environmental impact of our activities
- Reduction of CO₂ emissions and energy and water consumption
- Reducing waste, in particular plastic waste, and diverting waste from landfill

How we engage

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

How we respond

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

Read more about how we engage on pages 44 and 45

Principal Decisions in the Year

The Board considered the payment of a final dividend for the year ending 30 December 2019 and the inclusion of a scrip dividend alternative in early March 2020, in light of the emergence of the Covid-19 pandemic. The Board believed it to be a balanced approach which resulted in the majority of the proposed £11.4 million dividend payment being preserved in cash within the business and maintained compliance with the Company's REIT requirements. The proposal was supported by the Company's largest shareholders, who were consulted on the proposal, and provided all shareholders with flexibility to take cash or the scrip alternative. With significant reductions in revenue flows during 2020, no interim dividend was announced, and the Board concluded it would be inappropriate to pay a final dividend for 2020.

In the year, the Board considered the use of the proceeds from the equity raise completed in December 2019 and the £50 million earmarked to pay down debt. The Group had previously been in discussions with lenders about utilising a proportion of the remaining funds to voluntarily pay down its four non-recourse debt facilities but in light of the significant disruption caused by Covid-19 the Board agreed that such discussions should be put on hold. The Group remains in active discussions with its relevant lenders regarding income and loan to value based covenants on the individual facilities, to actively manage its loan portfolio. The Board's priority remains focused on defending the Group's assets and on ensuring the continued stability and therefore flexibility of the Group.

The Board paid due regard to all stakeholders in the decisions taken in response to the pandemic and received regular reports from the Chief Executive regarding the impact of Covid-19 on the business, its operations and its employees. Areas of discussion included changes to operational standards and processes to ensure compliance with covid-secure measures; the approach taken to outstanding rent collection and the granting of concessions; the use of the Coronavirus Job Retention Scheme and restructuring plans across the Group; and employee support and wellbeing.

ESG Report

The past 12 months have accelerated stakeholder expectations regarding Environmental, Social and Governance (ESG). As part of our agenda to ensure our assets are fit for the future, we have renewed our long-standing commitment to ESG best practice, ensuring it continues to serve our communities and strengthens our position, performance and perspectives.

Our dedication to running a responsible business is vital. It underpins the way we operate and is an integral part of who we are and what we do. Our approach to ESG will be a critical factor in measuring and managing our financial performance, resilience and ability to meet the heightened expectations and needs of our stakeholders.

Our aim is to ensure that minimising our impact on the environment is at the heart of everything we do. We want to ensure that C&R is not only a great place to work, but has a positive impact on our guests, retailer customers and operators and the wider community.

Our ESG strategy is developed and reviewed by our ESG Committee headed by Non-Executive Director Laura Whyte, and supported by Non-Executive Director Katie Wadey, the Chief Executive, the Director of Guest & Customer Experience, the Managing Director of Snozone, and representatives from our asset management and HR teams. The Committee meets quarterly and receives updates on activities across the business and on the progress made against targets. The Committee also reports to the Board on the progress made against our strategy on a quarterly basis.

Strategy Review

In 2020, we engaged a sustainability strategy adviser to complete a review and materiality analysis of C&R's ESG Strategy. The outputs of this review will inform the development of a new overarching integrated ESG strategy in 2021, and guide our reporting under the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. We have also partnered with HDR | Hurley Palmer Flatt (HDR), a leading independent multidisciplinary engineering consultancy providing solutions for the built environment, to assist in developing our net zero pathway.

Our vision is that our centres are leaders in sustainable practice, underpinned by our commitment to net zero operations and have a positive impact on their communities. As leaders in sustainable practice, we will partner with local authorities, community groups and support local initiatives for sustainable solutions to environmental and social issues within our communities. Our ESG strategy will build on the following key areas:

- Progress made to date and future aspirations regarding carbon reductions;
- Waste and water management;
- Risk management associated with climate change and the impact of extreme weather events on our centres; and
- Defining our short, medium and long-term targets in line with the scenario of maintaining a 1.5°C change, in accordance with the Paris Agreement.

Our ESG strategy will be supported by clear and measurable targets and will focus on three pillars: Environmental Sustainability, People & Community and Governance. Everything we do is underpinned by clear policies and procedures, which are committed to the latest health and safety standards, and ensure best practice reporting and disclosure.

We are proud of our achievements in maintaining a responsible business, striving to meet the needs of our stakeholders and being strong stewards of the environment. However, we recognise there is always potential for improvement. With much of our assessment completed in 2020, we are well poised to engage both internal and external stakeholders throughout 2021 to chart our future ambitions and set progressive actions that deliver better outcomes for all.

Environmental Sustainability

We work hard to ensure that the local communities and wider catchment areas that we serve are better places to be for all. Our commitment is to focus on ethical and sustainable practices that reduce consumption in three key areas; waste, water and energy. We work tirelessly to reduce our carbon footprint and only partner with suppliers who share this mission.

→ Read more about [environmental sustainability](#) on pages 44 and 45

People & Community

Being a responsible business cannot be achieved without the support and active engagement of our colleagues. Our aim is to engage, develop and reward employees, while maintaining a working environment that supports the mental health, wellbeing and general health and safety of all our stakeholders, reflecting our values and ethics and taking account of the diversity of our workforce and communities.

Our centres play a key role in the ongoing development of the communities and environments within which we operate. Our aim is to engage with our guests, retailer customer and operators, suppliers and other stakeholders, to understand their needs and continue to identify ways of improving our collective performance and positive social impact.

→ Read more about [our people](#) on pages 46 and 47

→ Read more about our [community](#) on pages 48 and 49

Governance

Our robust corporate governance approach spans structure, organisational transparency, codes of conduct, risk, supply chain management, policy and impact measurement.

We monitor and continually develop an inclusive and diverse working environment, suitable for everyone regardless of their age, gender, race, religion disability or socioeconomic background.

While we benchmark against industry standards and best practice we also work closely with our stakeholders to continue to identify improvements that bring meaningful impact and surpass industry standards.

→ Read more about [Governance](#) from page 55

UNDERPINNED BY OUR VALUES



**INSPIRING
CREATIVE
THINKING**



**ENCOURAGING
COLLABORATIVE
ENGAGEMENT**



**ACTING
WITH
INTEGRITY**



**DELIVERING
DYNAMIC
SOLUTIONS**

Environmental Sustainability

We work hard to ensure that the local communities which we serve are better places to be for all. Our commitment is to reduce the carbon footprint of our owned and leased properties and focus on the reduction of waste, water and energy usage throughout the business. We have long recognised that all development activity should mirror this and proactively minimise energy consumption and mitigate the effects of climate change throughout the sustainable acquisition, procurement, design and refurbishment of our centres.

Energy, Water and Waste Reduction

The introduction of lockdown restrictions throughout 2020 significantly impacted all of our centres' operations; and in turn affected our electricity, gas and water consumption and waste generation. Water consumption and waste generation were significantly reduced as a result of lower footfall across our centres. We continued our regular operations ensuring the diversion of waste from landfill; through recycling and energy production through incineration. We continued programmes to divert food waste to anaerobic digestion, and continued the rollout of refillable water units across our centres. Through the lockdown, we regularly assessed our centres' energy requirements and implemented changes to ensure our centres were operating efficiently while at reduced capacity, and where possible we have implemented these efficiencies permanently as the centres return to operating at full capacity.

Following Government guidance, we increased the ventilation within our centres to help mitigate the transmission of Covid-19 in enclosed spaces and protect the health and welfare of our guests, customers and employees. Maintaining an increased fresh air intake has resulted in additional gas consumption during 2020, however we have combatted this by continuing to develop new initiatives to reduce waste and increase recycling while supporting our essential retailer customers that remained trading. We have also ensured that we have the benchmarking and measurements in place to continue progress.

In 2020, Snozone successfully transitioned to 100% natural and renewable electricity for its centres and a key objective for 2021 is exploring how to transition all operations away from utilising gas.

Pathway to Net Zero

We recognise the threat of climate change not only to the real estate, retail and leisure industries in which we operate, but more importantly to the world in which we live. The effects of climate change are already being felt across the retail and leisure industries through the impact on the global supply chain infrastructure and extreme weather events leading to business disruption. Our guests are also increasingly championing the effects of climate change and are heavily focused on reducing emissions through their purchasing habits and personal actions.

To combat climate change we committed to the Better Building Partnership (BBP) Net Zero Carbon Pathway Framework in 2020. The purpose of this framework is to aid the real estate industry in defining and publishing its own Net Zero Carbon Pathways which set out when and how net zero carbon targets will be delivered. Each of our centres has developed its own multi-year carbon reduction plan, which builds on the carbon reductions achieved to date, and outlines the pathway to achieving net zero by 2040.

From 2015 to 2019, we invested over £1 million in energy efficiency projects, which have achieved over 7,600 tCO₂e of savings to date. Approximately 90% of energy saving opportunities identified through the first phase of the Energy Saving Opportunity Scheme (ESOS) have been completed. Improvements to centres have included LED lighting upgrades, plant replacement, BMS upgrades and energy efficient glass installations. These improvements have resulted in a 48% reduction in our (Scope 1 and 2) carbon footprint and the investment has been paid back in just over four years. There have been fewer energy efficiency improvements completed in 2020 due the impact of the Covid-19 pandemic; however, where it has been safe to do so, the BMS improvements and LED lighting upgrade programmes have continued across our centres.

Work to date has focussed on Scope 1 and Scope 2 for areas that are directly under our control. As part of the BBP Framework we must consider the emissions that we can positively influence, such as our retailer customers and occupiers usage (Scope 3). This presents an opportunity to partner with local stakeholders and develop our combined emission reduction strategy.

Using a straight-line trajectory, and a baseline of 2015, a 4% annual decrease in baseline carbon emissions is required each year to achieve carbon neutrality for Scope 1 and 2 emissions by 2040. We have completed Phase 2 of the ESOS assessment and have identified further opportunities for each of our centres. These opportunities are detailed in an investment plan showing a £2.5 million investment over the next five years. Each of the opportunities has been provisionally identified as high, medium, or low priority based on the investment required and the potential savings.

Streamlined Energy and Carbon Reporting (SECR) Disclosures

HDR were commissioned to provide independent verification of our 2020 energy and carbon data, in line with the principles of BS EN IOS 14064-3:2019. A limited assurance opinion of the energy and carbon data for 2020 has been included below, and a copy of their verification statement can be found on our website.

The reported CO₂ emissions for 2020 have been produced with reference to the Greenhouse Gas Reporting Protocol. The reporting boundary has been defined using the operational control approach, reporting emissions for operations in which Capital & Regional has control, and 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) has been excluded.

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

Actual data has been used wherever possible, however some data has been estimated where required, including for the Support Office. The reported emissions represent the best information available at the time of issue, on 4 March 2021. It should be noted that the Scope 1 and Scope 2 emissions (where stated in tCO₂e) are absolute values. The annual figures are not directly comparable due to changes in emission factors, and the property portfolio. We have applied the 2020 "UK Government GHG Conversion Factors for Company Reporting, v1.0 9th June 20" for calculating 2020 carbon emissions. 100% of energy consumption and emissions relates to the UK.

	2017 ¹	2018 ¹	2019 ¹	2020	% difference 2019-2020
Energy Consumption (kWh)					
Natural Gas (Scope 1)					
Centres ²	3,315,025	4,470,580	4,556,731	4,629,861	2%
Snozone	3,215,921	3,111,650	2,880,916	2,220,206	(23)%
Support Office	N/A	N/A	N/A	N/A	N/A
Natural Gas (Scope 1) Total	6,530,946	7,582,230	7,437,647	6,850,067	(8)%
Purchased Electricity (Scope 2)					
Centres ²	17,935,659	18,222,598	16,012,429	11,651,768	(27)%
Snozone	6,814,595	5,804,621	5,231,454	4,535,305	(13)%
Support Office	107,316	97,200	96,096	96,096	0%
Purchased Electricity (Scope 2) Total	24,857,570	24,124,419	21,339,979	16,283,169	(24)%
Renewable Electricity Consumption ³	-	-	9,861	4,290	(56)%
Total Scope 1 & Scope 2 kWh	31,388,516	31,706,648	28,777,626	23,133,237	(20)%
Scope 1 & 2 Emissions (tCO₂e)⁴					
Natural Gas (Scope 1)					
Centres ²	611	822	838	851	2%
Snozone	592	572	530	408	(23)%
Support Office	N/A	N/A	N/A	N/A	N/A
Scope 1 Total tCO ₂ e	1,203	1,395	1,367	1,260	(8)%
Purchased Electricity (Scope 2)					
Centres ²	6,305	5,158	4,093	2,716	(34)%
Snozone	2,396	1,643	1,337	1,057	(21)%
Support Office	38	28	25	22	(9)%
Scope 2 Total tCO ₂ e	8,739	6,829	5,454	3,796	(30)%
Total Scope 1 & Scope 2 tCO₂e	9,942	8,224	6,822	5,056	(26)%
Intensity					
Scope 1 and 2 kgCO ₂ e/sq ft	2.04	1.69	1.40	1.04	

1. 2017, 2018 and 2019 figures have been restated where material changes were subsequently identified.

2. The Centre figures include the Kingfisher Centre, in which C&R acts as Property and Asset Manager.

3. Renewable energy is generated through Solar PV installed at Walthamstow Centre. System was offline for part of 2020.

4. Scope definitions

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

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

Not all figures above total correctly due to the omission of decimal places and rounding in underlying data.

ESG Report

CONTINUED

Our people

Being a responsible business cannot be achieved without the support and active engagement of our people. Our aim is to ensure that we promote a progressive company culture, dedicated to creating welcoming environments at both a corporate and centre level, irrespective of age, gender, race, religion, disability or socioeconomic background. 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 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 reflects our values and ethics and supports the wellbeing and health of all our people, taking into account of the diversity of our workforce.

Impact of Covid-19 on working practices

The Covid-19 pandemic has affected the working practices of all our colleagues, whether they are based at our Support Office or at one of our centres. Following Government guidance, all Support Office and, where possible, centre-based team members transitioned to remote working in March 2020. In August, we successfully enabled our Support Office staff to return to the office through the reconfiguration of our office space and the introduction of alternating work patterns and specific procedures to comply with covid-secure requirements. The measures were well received by staff and the majority of our workforce had returned to the office by September. Following the reintroduction of Government guidance to work from home wherever possible, our Support Office staff have returned to working from home and continue to do so and we have put measures in place to protect and support our centre-based teams who were unable to do so. We have continued to support our colleagues throughout the pandemic, ensuring that they have the appropriate equipment and software to be able to work effectively from home.

Going the Extra Mile (GEM) Programme

We continue to develop our shopping centre team training and recognition programme. In 2020, we launched the 'Safe Place' GEM in response to the introduction of covid-secure measures. This initiative received a nationally recognised award for being the first shopping centre business to achieve 'World Host 2020 - Beyond Covid-19' status. The Safe Place GEM recognises colleagues who have attained the WH2020 training standard, which has now been completed by 95% of our front-line employees.



It's all about you!

CASE STUDY

All About You Committee

Understanding the significant impact working from home could have on our colleagues mental health and wellbeing, we launched the 'it's All About You' Committee, a social and wellbeing group whose focus is on ensuring employees feel connected, engaged and supported. The Committee established six pillars of wellbeing and engagement to focus on and provided regular updates, suggestions and tips to colleagues.

It's all about –

- Kids
- Fitness
- Connectivity
- Self-care
- Mindfulness
- Food

The Committee also arranges social events including virtual coffee mornings, quizzes and 'happy hours' to provide opportunities to interact with colleagues while working remotely.



CASE STUDY

ACE Awards

The REVO ACE awards recognise the best in guest experience in the retail shopping centre industry across the UK and C&R are extremely proud of our winners:

- ACE Superstar – Paul Clarke, Kingfisher Redditch
- ACE Stars – Carly Laydon, Kingfisher Redditch, Leander Shellum, Kingfisher Redditch & Jo Lucas, Mall Maidstone
- Centre who scored 100% on facilities on both mystery shopping visits – The Mall Maidstone (New Award)

Diversity & Inclusion

Our centres are embedded in culturally rich communities. Embracing diversity is a part of our DNA, and we are dedicated to creating welcoming environments at both a corporate and centre level, irrespective of age, gender, race, religion, title/position, sexual orientation and disability. Through our self-service HR platform our employees are invited to provide information related to equal opportunities. This data will be used to support the development of actions to better understand and increase diversity across the business. Our Shopping Centres' cleaning and security teams are employed direct through our contractor Cordant, who clearly demonstrate their commitment to promoting diversity and providing equal opportunity to all areas of their business from recruitment, employment and career progression to learning and development. Snozone has been accredited as a Disability Confident employer since 2018, reflecting its commitment to increasing accessibility to snow sports.

In coordination with National Inclusion Week, in September 2020, we launched the C&R Diversity and Inclusion programme and invited colleagues from across the business to join a newly formed Committee to lead and set the agenda for how we best progress. By adopting a renewed strategic focus on diversity with the launch of C&R's Diversity Committee, we intend to provide a framework that ensures our commitment to inclusion can continue to drive innovation within the business and have a material impact on our performance.

Considering all issues that impact our colleagues (both positive and negative), already the committee is making strides in progressing our diversity agenda, beginning with an internal audit to establish where C&R currently sits as a business in terms of diversity; what we are doing well, and where we can improve. The Committee will also be responsible for new initiatives to drive awareness of key diversity issues in the business and in our communities. The committee will place greater emphasis on partnerships with community groups, local and national charities that are championing the cause of diversity and promoting equal career opportunities for underrepresented backgrounds.

Employee Engagement

With the majority of our colleagues working remotely for a significant proportion of 2020 and the beginning of 2021, we have increased our focus on employee engagement. We have continued to host our all staff Townhall meetings remotely with increased frequency to provide regular updates on the business. In addition to this we have introduced a new slot 'Who am I?' where colleagues, from across the business, can share their personal story to the wider business.

In November 2020, we launched our Employee Voice 24/7 tool which allows employees to provide feedback to the business on any issue or topic that is of importance to them. The tool is available 24/7 and ensures feedback remains anonymous. All feedback submitted is reviewed and acted on by the senior leadership team. Regular updates continue to be provided to employees on the themes emerging and the actions taken to address them.

In 2020, we undertook two Employee Engagement surveys to understand how our employees were managing working from home, their individual circumstances and how we could further support them while working remotely and returning to the office. The annual Employee Pulse survey, completed in August, focused on wellbeing and culture and had a response rate of 97% (2019: 95%) and an overall score of 8.2 out of 10 (+5% improvement from 2019), highlighting both the willingness of our employees to provide feedback and their expectation that their feedback will be acted on. Our Employee Net Promoter Score was +41 (+28% improvement from 2019) reflecting the strong engagement across the business. Snozone's team satisfaction survey received an overall score of 'Very satisfied' 89% (2019: 85%).

Our community

We are deeply committed to fostering trusted relationships within our communities by creating a safe and inclusive experience for all, while contributing to our local communities by being a responsible, socially aware and a proactive partner. By partnering with key stakeholders, we can ensure the right structures are in place to listen, engage and use feedback to develop or refine our approach and we can continue to invest time and money into supporting the causes and charities that are important to the communities within which we operate.

Being at the heart of the local community, we have a responsibility to ensure that all our guests have a positive experience when visiting our centres. That means ensuring our facilities are fully inclusive and cater to all our guests' needs. We support people with disabilities by investing in areas such as our family changing facilities, accessible toilets, including 'Changing Places' toilet facilities, adopting initiatives such as Purple Tuesday and Hidden Disabilities, providing accessible events and we continuing to support measures that benefit everyone.

Working with Government and expert industry bodies, we believe in the importance of vibrant, successful and active town centres in helping communities thrive. We continue to evolve our asset master plans, which include opportunities for development, to ensure our centres remain relevant in the rapidly changing retail landscape. For all development plans we follow the national planning policy and local frameworks and openly engage with community interest groups and individuals to reach the best outcomes for all.

Covid Response Team

The Covid-19 Response Team was established using our crisis management framework, as a monitoring body involving key individuals from across the business. The Team's objective is to ensure that C&R is best placed to react and respond appropriately to the pandemic, ensuring the welfare and safety of all our employees, guests and retailer customers and occupiers. Non-Executive Director Laura Whyte also joined the Team, providing a direct reporting line to the Board.

The Response Team is able to quickly respond and adapt to an ever-changing trading environment and advise the business on the following key areas:

- Implementation of the latest Government advice and regulations
- Supporting the welfare of our teams and working environments, including homeworking
- Travel advice to our teams
- Supporting the continuation of essential services in the communities
- Implementation of the Communication Plan, internally and externally

Our overriding priority is the health, safety and protection of our colleagues, guests and customers by rigorously following the latest official Government guidelines and advice across our portfolio. Precautionary measures we have taken include:

- Enhanced deep cleaning, sanitising stations at key locations and PPE for all centre employees;
- Arrows and signage in common areas to encourage directional flow and a one-way system, as well as providing distancing reminders;
- Limiting the number of people on escalators, stairs and in lifts and guest facilities at any one time; and
- Removal of most public seating to discourage congregation and close contact.

We continue to carefully control visitor capacity to maintain social distancing and to protect guests, customers, and our colleagues, while restricting access when necessary. We have provided additional assistance to our retailer customers to support them in complying with covid-secure requirements and have promoted store openings, hours of trading, and the best times to visit through our social media channels. Our centre teams have assisted in the management of queues for busy retailers and engaged with the local police and PCSOs to work together on the enforcement of face coverings, and other covid measures.

C&R Cares

We work to actively support the local communities we serve through our C&R Care initiatives. Each centre in our portfolio runs its own charitable programme of fundraising activities. The programmes are planned and delivered at a local level in conjunction with local partners and driven by local needs and concerns. Our shopping centres also support other charity fundraising activities by providing a venue for charities to benefit from the high level of footfall in our centres. Since 2006 over £6.7 million has been raised under the C&R Cares initiative.

Due to the impact of Covid-19 on our ability to host traditional fundraising events,

CASE STUDY

Working in Partnership with Community Organisations

Award-winning music studio and social enterprise, The RecordShop, opened at The Mall, Wood Green, in October 2020. The organisation, previously based in Tottenham, was founded in 2015 by Mary Otumahana and began as a voluntary social action project and pop-up recording studio that aimed to provide disadvantaged youths with the opportunity to record and perform their own music. Two years later, the company launched its social enterprise, offering recording studio services and other musical opportunities such as workshops, events, studio time, internships, apprenticeships and employment.

This new multipurpose music space is a cultural hub for creatives. As well as continuing to support young people through youth projects, they offer a safe space for students to gain work experience, employability skills and develop their creativity. The RecordShop is also expanding their services and will be offering desk space, event space, recording studio facilities and a café for the wider community. The RecordShop is a great addition to The Mall and complements C&R's community strategy, providing young people in the community with a safe space to explore and nurture their talents, and diversifies its offering to the community by providing a space to come together and celebrate music and talent.



CASE STUDY

The Mall, Luton's Space Camp

To celebrate the 50th moon landing in 2019, The Mall Luton offered guests a free high quality virtual reality experience. Their interactive children's Space Camp event involved budding astronauts hopping into a space suit before entering a pop-up planetarium to learn about stars and beyond, floating through space in virtual reality, touch a real meteorite and get a taste of space by trying some Astronaut ice-cream. The event was a great success and was awarded a Merit in the 2020 Revo Purple Apple marketing awards. The event also encouraged sign-ups to The Mall Luton Kids Club and generated over £800 for their charity of the year.

Poppy appeal in Blackburn

To support the British Legion's Poppy Appeal in a new and inventive way, The Blackburn Mall created an eye-catching graphic on an empty unit with details of how to donate via text or online and provided a contactless donations machine at the unit. Over £5.3k in donations was collected in two weeks via the contactless donation machine which is more than the total raised in 2019.

RoSPA Awards

2020 saw us celebrate our 14th consecutive RoSPA Gold Award. Established in 1956, The RoSPA Health & Safety Awards offer organisations a prime opportunity to benchmark safety performance year on year and ensure consistent performance between sites. They also provide an effective route to demonstrate an ongoing commitment to raising health and safety standards. We continue to support the excellent work that RoSPA does across the world in striving to achieve their vision of "life free from serious accidental injury".

our centres have refocused their efforts and partnered with local businesses and organisations, including the Foodbank and the Salvation Army, to provide vital support to local services, NHS staff, key workers and vulnerable members of our communities. Our teams donated the funds that would usually be used for staff celebrations to local charities, and these donations were matched by C&R, resulting in £18,000 being donated to local charities. Throughout 2020 we were able to provide support to 80 charities and 78 community groups, raise £83,306 for C&R Cares and provide £53,208 in community funding sponsorship.

Sport for All

For many years, Snozone's mission has been to address and vastly improve diversity and accessibility in the snow sports industry, with 'Sport for All' being a deliverable ethos. Snozone is the only European operator with their own Disability Snow School. The school, which was founded in 2016, saw a 38% increase of adaptive lessons in 2020 despite the venues being closed for the majority of 2020.

A focus on inclusivity for children and adults with physical disabilities and mental impairments is also reflective in Snozone's charity partner, 'Sense', a charity for deaf/blind adults and children. This is a partnership that was established in 2014 and has delivered great mutual benefits to both the charity and the Snozone team.

Snozone has been a champion in addressing gender inequality in snow sports and was the first UK operator to support the Sport England 'This Girl Can' initiative, which encourages a more positive engagement of girls and women with snow sports. Snozone has also taken steps over the years to encourage social mobility and therefore participation from a broader and more diverse population.

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

24 March 2021

Our ESG Strategy in Numbers



£83,306
RAISED FOR C&R CARES

+41
EMPLOYEE NPS

1,758
VOLUNTARY HOURS DONATED TO SUPPORTING THE LOCAL COMMUNITY



20%
REDUCTION IN TOTAL ENERGY CONSUMPTION

8,267
JOBS SUPPORTED BY OUR CENTRES



80
CHARITIES SUPPORTED



78
COMMUNITY GROUPS SUPPORTED

26%
REDUCTION IN TOTAL EMISSIONS

COVID-19 Our Response

2020 has been a year like no other, with the discovery of Covid-19 and the imposing of various lockdowns, Government guidelines and subsequent tier restrictions, which all businesses needed to closely follow and comply with.

Snozone was required to close on 20 March 2020 and, following the first Government national lockdown on 23 March 2020, only essential retailers were allowed to remain open, resulting in many of our retail customers closing with immediate effect. We immediately responded by supporting our retailers forced to close, ensuring our essential retailers were equally prepared for ongoing trading in a challenging environment and then supporting our retailers to reopen as restrictions eased. This process was again necessary in response to introduction of the Tiers System throughout Q4 2020 and a further national lockdown in November 2020.

We managed this ongoing process by following our six key readiness essential protocols - adapted as Government knowledge and scientific evidence resulted in changes to guidelines and best practice.

1. Building Safety

We ensured that essential planned maintenance was continued, that our covid secure risk assessments were complete and up to date and that our retailers were safe to open (as and when allowed to do so).

2. Staffing

Our security, cleaning and management teams were fully deployed in helping manage the requirements of our enclosed spaces to the required guidelines, aiming to ensure we delivered a safe and pleasant experience.

3. Touch Point Cleaning and Hygiene

Touch points located throughout the centres and facilities were subject to enhanced cleaning routines, including: manual doors unable to be held open, lift buttons and escalator handrails, stair handrails and car park machinery. We introduced sanitising stations for guests at key points located around the centres, and hand and face protection equipment for all centre employed staff. We also handed out free face masks to guests to encourage and increase compliance.

4. Access Control and Contractor Engagement.

Contractor access to the centres was controlled to meet our social distancing requirements and works in guest-facing areas restricted to out-of-hours to prevent conflict with controls in place for guest access and movement.

5. Communication for Confidence

We ensured all our communication was transparent and provided clear concise instructions on a regular basis to reduce fear, build public confidence, and to highlight the increased measures introduced, as our guests returned to our centres. The centres developed a suite of instructional messages, displayed throughout the centres, with a key focus on respecting all our teams and complying with Government requirements. Our centre marketing teams provided regular communication via social media channels giving up-to-date opening information, and clear direction on safe times to visit.

6. Managing Centre Capacity and Social Distancing

As Government restrictions were eased our centres were well positioned to move quickly to re-energise the centres in a safe and controlled manner while adhering to Government guidelines.

At our shopping centres, we engaged our footfall monitoring provider to assist in managing capacity using real-time data. The Real-Time Occupancy tracking solution enabled our centres to accurately understand shopper density across the centres, helping us to comply with social distancing guidelines, stay within maximum limits and optimise traffic management strategies. The footfall tracking system enabled us to understand when our centres were approaching maximum occupancy with an easy-to-use dashboard.

Duty Managers would receive an automatic text and email notification when the centre reached 75% occupancy (classed as Amber) and 90% (classed as Red) occupancy, allowing the onsite team time to actively review capacity and, if necessary, implement control measures to manage access by the implementation of our traffic light entry system.

Snozone reopened from 17 August 2020 until it was required to close again in November 2020 until the end of the year in line with the tier restrictions. During this period Snozone operated with reduced capacities across its centres, offering only a limited choice of activities.

The Importance of Partnership Working

We worked closely with local authority council leaders, the police, covid Marshalls, Environmental Health Officers, local BIDs and various community groups to ensure a unified approach to the challenges that faced us in operating our centres safely and within the confines of Covid-19 regulations. We responded swiftly and efficiently to any changes in Government guidelines to ensure that all our centres offered and continue to offer a safe shopping experience for all our guests and a professional supportive platform for our retailer customer and occupiers. Snozone was also awarded the 'We're Good to Go' kite mark from Visit England, the official UK mark to signal that a tourism and hospitality business is following Government and industry Covid-19 guidelines and has a strong process in place to maintain all Covid-secure measures accordingly.

WorldHost 2020 - Covid-19 and Beyond

In September 2020, we became the first UK shopping centre business to train its front-line team in a new customer service module from the Customer Service training providers WorldHost, launched in response to the Covid-19 pandemic.

Three hundred and nine staff across all of our shopping centres, have successfully completed the training, which was devised to empower staff with the knowledge and tools to keep guests and colleagues safe beyond Covid-19 and drive positive behaviours in a rapidly changing customer-facing environment. By empowering our staff to adapt the experience we provide, it means we are able to support our guests' ever-changing needs and expectations while keeping people safe and driving consumer confidence.

Board of Directors

Executive Directors



LAWRENCE HUTCHINGS
Chief Executive
Appointed: 2017

E

Relevant skills and experience

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

External Appointments

None



STUART WETHERLY
Group Finance Director and Company Secretary
Appointed: 2019

Relevant skills and experience

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

External Appointments

London Wildlife Trust (Trustee and Honorary Treasurer)

Non-Executive Directors



DAVID HUNTER
Chairman
Appointed: 2020

N

Relevant skills and experience

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

External Appointments

Custodian REIT plc (Chairman)
GCP Student Living plc (Chairman)
ICG-Longbow (Senior Adviser)



KATIE WADEY
Non-Executive*
Appointed: 2020

A R E

Relevant skills and experience

Katie is the Group Customer Director of Aviva Plc, responsible for customer experience and satisfaction across the Aviva Group. Katie has over 20 years of multi-industry experience across a range of customer engagement and commercial functions and has held senior roles at a number of high profile consumer-facing organisations, including BT, LV=, Tesco, British Gas and Barclays Bank.

External Appointments

Onside Youth Zones (Trustee)
Transform Housing and Support (Trustee)



LAURA WHYTE
Non-Executive*
Appointed: 2015

E A N R

Relevant skills and experience

Laura has significant retail and human resources experience from 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.

External Appointments

XLVets UK Ltd (Chair)
Defence People and Training Board of the Ministry of Defence
British Horseracing Authority
The Old Royal Naval College, Greenwich (Trustee)



LOUIS NORVAL
Non-Executive
Appointed: 2009

Relevant skills and experience

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. He is a global investor and is Executive Chairman of Homestead Group Holdings Limited as well as Chairman of the Green Create Group of Companies, which focuses on green energy. Louis graduated with a BSc (QS) (with distinction) from the University of Pretoria.

External Appointments

Homestead Group Holdings Limited (Executive Chairman)
Green Create Group (Chairman)

Committee membership:

A Audit Committee **R** Remuneration Committee **N** Nomination Committee

E ESG Committee **●** Chair of Committee

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



GEORGE MUCHANYA
Non-Executive
Appointed: 2019

Relevant skills and experience

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.

External Appointments

Globalworth Real Estate Investments Limited
Globalworth Poland Real Estate N.V.
Growthpoint Investec African Property Management Limited



IAN KRIEGER
Non-Executive*
Appointed: 2014

A N R

Relevant skills and experience

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

External Appointments

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



NORBERT SASSE
Non-Executive
Appointed: 2019

Relevant skills and experience

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

External Appointments

Globalworth Real Estate Investments Limited
Globalworth Poland Real Estate N.V.
Growthpoint Properties Limited
Growthpoint Properties Australia Limited
Growthpoint Investec African Property Management Limited



TONY HALES CBE
Non-Executive*
Senior Independent Director
Appointed: 2011

R A N

Relevant skills and experience

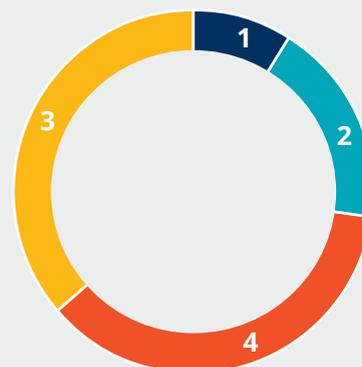
Tony is currently Chairman of the Greenwich Foundation, NAAFI Pension Fund Trustees and the Associated Board of the Royal Schools of Music. Tony was previously Chief Executive of Allied Domecq plc, and has extensive Non-Executive Director experience, including HSBC Bank plc and as Chairman of Workspace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

External Appointments

Greenwich Foundation (Chairman)
NAAFI Pension Fund Trustees (Chairman)
Associated Board of the Royal Schools of Music (Chairman)

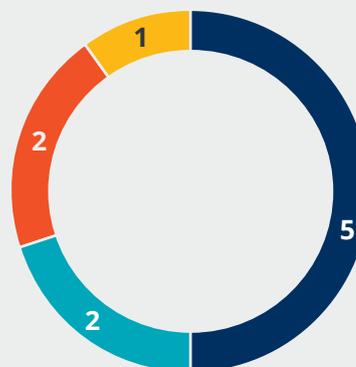
BOARD DIVERSITY

Board composition (number of Directors)



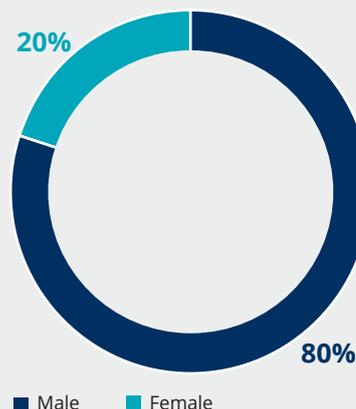
■ Chairman
■ Executive Directors
■ Independent Non-Executive Directors
■ Non-Executive Directors (not independent)

Board tenure (number of Directors)



■ 0-3 years ■ 3-6 years
■ 6-9 years ■ 9-11 years

Board gender split (%)



■ Male ■ Female

Senior Leadership Team



LAWRENCE HUTCHINGS
Chief Executive



ROB HADFIELD
Commercial Director

Rob was previously Group Property Director at Debenhams before joining Capital & Regional 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.



SARA JENNINGS
Director of Guest and Customer Experience

Sara began her retail career working for House of Fraser in Store Management before joining Capital & Regional 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 the Group's shopping centres.



STUART WETHERLY
Group Finance Director and Company Secretary



JAMES RYMAN
Investment Director

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



NICK PHILLIPS
Managing Director, Snozone

Nick joined Capital & Regional 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 and as David Lloyd Leisure's Regional Director for the south of England before becoming their Sales & Operations Director for the UK & Europe.

Corporate Governance Report

Chairman's introduction



I am pleased to present Capital & Regional's Corporate Governance Report for 2020.

The primary focus of C&R in 2020 has been responding to the significant impact of the Covid-19 pandemic on the day-to-day operations of our centres and Snozone and the wider implications for the longer-term position of the business. The Board's activities during the year have reflected this, with more frequent meetings and significant time devoted to both operational updates and considering how the impacts of Covid-19 will interact and influence the longer-term structural changes going on within the retail industry.

The Board has also managed a significant amount of personnel changes over the last 18 months. Following the completion of the transaction with Growthpoint in December 2019, Norbert Sasse and George Muchanya joined the Board and Wessel Hamman stepped down. I joined the Board in March 2020 and, following the retirement of Hugh Scott-Barrett at the close of the 2020 AGM in May, assumed the role of Non-Executive Chairman.

In 2019, we committed to recruiting two additional independent Non-Executive Directors to the Board and I am pleased to report that we have made progress on this with Katie Wadey joining the Board in October 2020. Tony Hales, after nine years of service, will retire from the Board as Senior Independent Director at the AGM in May 2021 and I am delighted that Ian Krieger has agreed to take on the role of Senior Independent Director from that date. I would like to thank Tony for his invaluable contribution to the Board and the Company during a period of significant change.

In the current economic environment, the Board has postponed for the time being the appointment of a further independent Non-Executive Director, given the need to restrict costs in line with the scale of the Company. The Board will, however, keep this under review. I am satisfied that the Board comprises the right individuals who have the skills the Group requires and the ability to respond well to the challenges presented by the continually changing environment in which we operate.

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

DAVID HUNTER
CHAIRMAN



The Board remains committed to high standards of corporate governance, which it considers to be critical to effective management and to maintaining investor confidence.

DAVID HUNTER
CHAIRMAN



Corporate Governance Report

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Compliance Statement

Compliance with the UK Corporate Governance Code

The Company has throughout the year ended 30 December 2020 complied with the provisions of the 2018 UK Corporate Governance Code with the exception of (i) Provision 11, that at least half the Board are not considered to be independent and (ii) Provision 38, that Executive Director pension contributions are not aligned with the workforce.

As noted above, given the current economic environment, the Board has postponed further appointments to the Board, but will continue to keep Board composition under review. The recruitment of two further independent Non-Executive Directors would result in a large Board in comparison to the scale of the Group and increase operational costs. In the Company's view, the breadth of experience and knowledge of the Chairman and the Non-Executive Directors, and their detachment from the day-to-day issues within the Company provide a sufficiently strong and experienced balance with the executive members of the Board. The Board considers the current composition of the Board to be well balanced, with appropriate challenge provided by the independent Non-Executive Directors.

An explanation of the Company's reasoning in respect of Provision 38 is set out in the Directors' Remuneration Report on page 67.

Principle of the Code

Board Leadership and Company Purpose	<p>The Board is responsible for delivering the long-term sustainable success of the Group for the benefit of its shareholders, stakeholders and for the wider community. The Board is responsible for defining, monitoring and overseeing the culture of the organisation and ensuring that it is aligned with the Group's purpose and strategy.</p> <p>See pages 57 to 59</p>
Division of responsibilities	<p>The Board has well established division of responsibilities between the Chairman, Chief Executive, Senior Independent Director, Board and Committees.</p> <p>Terms of reference have been agreed and approved by the Board for all its Committees.</p> <p>See pages 59 to 61</p>
Composition, Succession and Evaluation	<p>The Board, via the Nomination Committee, keeps under review the composition of the Board and its Committees. The Nomination Committee is also responsible for succession planning and reviewing the policy on diversity and inclusions.</p> <p>The Board undertakes an annual review of its effectiveness.</p> <p>See page 61 and the Nomination Committee Report on page 62</p>
Audit, Risk and Internal Control	<p>The Board, via the Audit Committee, ensures the Group is managed appropriately, that robust financial controls are in place, and policies and procedures are in place to manage risk, and oversee internal controls.</p> <p>See pages 63 to 65 for the Audit Committee Report</p>
Remuneration	<p>The Board, via the Remuneration Committee, ensures that policies are designed to support strategy and promote long-term sustainable success.</p> <p>See pages 66 to 83 for the Remuneration Report and Policy</p>

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.

BOARD LEADERSHIP AND COMPANY PURPOSE

Role of the Board

The Board has a collective responsibility to promote the long-term sustainable success of the Company for the benefit of its shareholders, stakeholders 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, stakeholder considerations and governance issues play a key part in its decision-making and there is a schedule of key matters that are not delegated. Regular Board and Committee meetings are scheduled throughout the year, ensuring that Directors allocate sufficient time to discharge their duties effectively. 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.

Purpose

Our purpose is to invest in, manage and enhance retail property through the creation of dynamic environments tailored to their local community. We define and lead community shopping through the creation of vibrant retail spaces and exceptional customer and guest experience. The Board receives regular updates on the operational performance of the Group's centres against key KPIs, including footfall and leasing activity and feedback on guest surveys, providing insight into the demand and engagement within each community. The Board reviews all proposed developments and the annual business plans outlining the remerchandising strategy and key leasing initiatives for each centre. Directors are also encouraged to visit centres outside of formal Board visits to gain a better understanding of the environment and guest experience.

Board Activity

Key strategic matters discussed in 2020 included:

Strategy	<ul style="list-style-type: none"> ■ Reviewed strategic options for the further growth and development of the business, and held a half day strategy meeting in June 2020 which included presentations from external presenters on wider industry trends ■ Received updates on property cycle and sector trends
Risk and Risk Management	<ul style="list-style-type: none"> ■ Considered the emerging and ongoing risks associated with the Covid-19 pandemic and its impact on business operations ■ Reviewed the actions undertaken by Management to provide a Covid-19 safe environment at our shopping centres, Snozone and other business locations ■ Reviewed the Group's principal risks and the risk matrix and internal control systems ■ Via the Board's Audit Committee met with the Company's valuers twice in the year
Financial Performance	<ul style="list-style-type: none"> ■ Reviewed the Group's performance against budget and peers and assessed the impact of Covid-19 on the Group's income, cash flows and property valuations. ■ Approved the annual business plan and budget ■ Approved interim and full-year results ■ Reviewed the dividend policy
Governance	<ul style="list-style-type: none"> ■ Discussed the results of the Board evaluation ■ Received regular updates from the Chairs of the Audit, Remuneration, Nomination and ESG Committees ■ Received briefings on key governance and regulatory developments
Stakeholders	<ul style="list-style-type: none"> ■ Received updates on interaction with and feedback from shareholders ■ Reviewed employee engagement survey results and updates on company culture ■ Received updates on key HR matters ■ Received updates on operational procedures introduced in light of Covid-19 to support retailer customers and guests and to ensure centres remained Covid-secure.

Corporate Governance Report

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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 as part of its engagement with the wider workforce. The Board is of the view that the culture is open, supportive and transparent, is led from the top, and works across the business.

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. Social distancing and Covid-19 restrictions limited the opportunities to meet with shareholders in person in 2020 and key meetings were held remotely. The Chairman, Senior Independent Director and Committee Chairs hold meetings with institutional shareholders, when required, to discuss key issues. 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.

In-person activities were limited in 2020 but key engagement included:

- Shareholders invited to attend the full year and interim results presentations via video conference
- Post-results investor road shows covering investors in London, Edinburgh, Amsterdam and South Africa held via video conference
- Participated in a number of industry conferences
- Hosted investor tours at our centres when allowed under Government restrictions
- Provided regular updates to the market throughout the year

Workforce Engagement

The Executive Directors hold 'Townhall' meetings following each scheduled Board meeting to update all employees on the decisions taken and provide an opportunity for employees to ask any questions they may have. In 2020 the frequency of Townhall meetings was increased to provide regular updates to employees while the majority of the workforce worked remotely. The Townhall meetings are well attended by employees in the Support Office and by centre teams. The ESG Committee also reviews the

outputs of the employee engagement surveys "C&R Pulse" and the "Team Survey" at Snozone on a regular basis.

Laura Whyte is the Non-Executive Director responsible for workforce engagement. In 2020 we further defined the purpose and key accountabilities of role. These include:

- Learning about employee experiences and perspectives on current challenges facing the business
- Sharing those views at Board meetings to inform broader decision-making
- Ensuring the Board takes appropriate steps to evaluate the impact of proposals and developments on employees and consider relevant steps to mitigate any adverse impact
- Providing feedback to employees, through the Senior Leadership Team, on Board decisions that will impact them directly

In addition to these responsibilities, the Non-Executive Director attends Townhall meetings as well as social events held at the Support Office and centres. Attendance on an ad hoc basis at the All About You and Diversity and Inclusion Committees is also encouraged. They review and monitor feedback and insights driven by our employee surveys and is consulted on the topics covered.

In 2020, this included reviewing employee feedback regarding returning to work, following the relaxation of Government guidance on working from home in August 2020. Employees were asked to share their views and concerns about returning to the office and information regarding their personal circumstances, including whether they were shielding, what care responsibilities they had and their ability to travel to centres safely. Employee concerns were taken into account prior to the finalisation of operational and communication plans and positive feedback was received on the measures put in place from those who returned to the office in September. As a member of the Remuneration Committee, Laura is also briefed on any remuneration matters affecting employees and is able to provide feedback to the Remuneration Committee on any concerns raised by employees.

In a normal year, the Board would generally undertake one or two visits to operational locations during the year and would hold at least one Board meeting at a C&R location other than the Support Office. In January 2020, the Board visited The Mall, Walthamstow. As well as undertaking a tour of the centre, the Board met with the Walthamstow management team and a senior member of the local authority. The Board also received updates on the rebuilding of the area of the centre that had been impacted by the fire in July 2019 and on the residential development project. Due to Government restrictions imposed in 2020 it was not possible to undertake further site visits as planned.

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 boardroom and also enables 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.

Conflicts of interest

Directors are required to report actual or potential conflicts of interests to the Board for consideration and the Company maintains a register of authorised conflicts of interest. The Chairman notes the Register and reminds Directors' of their duties under the Companies Act 2006 relating to the disclosure of any conflicts of interest at the beginning of each Board meeting.

Directors' interests in the shares of the Company and the terms of their appointment are disclosed on page 82.

Independent Advice

Directors can raise concerns at Board meetings and have access to the advice of the Company Secretary. There is an established procedure for Directors, in relevant circumstances, to obtain independent professional advice at the Company's expense. No such requests were made in 2020.

Directors' and Officers' Liability Insurance is maintained for all Directors.

DIVISION OF RESPONSIBILITIES

Board balance and independence

Details of the Directors, including their qualifications, experience and other commitments, are set out on pages 52 and 53. The Board currently comprises the Chairman, two Executive Directors and seven Non-Executive Directors.

The Board reviews the independence of its Non-Executive Directors on an annual basis. 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 Homestead Group of companies, a significant shareholder of the Company, and has served on the Board for more than nine years. The Board has concluded that all other Non-Executive Directors continue to demonstrate their independence.

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

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

Chairman

- Provide effective leadership and maintain a culture of openness, debate and constructive challenge
- Set the agenda, style and tone of Board meetings and ensure Directors receive timely, accurate and clear information to assist decision-making
- Monitor the Board's effectiveness
- Oversee new Director inductions and the ongoing training and development of the Board

Chief Executive

- Day-to-day responsibility for managing the business of the Group
- Recommend the Group's strategy to the Board and implement the agreed strategy across the Group
- Provide regular updates to the Board on all operation matters of significance
- Deliver the Group's ESG strategy
- Ensure effective communication with the Group's shareholders and stakeholders

Senior Independent Director

- Act as a sounding board to the Chairman
- Act as an intermediary for Non-Executive Directors when necessary and available to shareholders if they wish to raise concerns outside of the usual communication channels
- Evaluate the Chairman's performance as part of the annual Board evaluation process

Non-Executive Directors

- Provide independent judgement, knowledge and commercial experience to discussions and decision-making
- Provide constructive challenge to Executive Directors and scrutinise the performance of management against key objectives
- Provide oversight of the Group's strategy
- Manage the agenda and deliverables of the Board's Committees

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Board and Committee Structure



Audit Committee Meets at least three times per year Further information on pages 63-65	Chairman – Ian Krieger Members – Tony Hales, Katie Wadey, Laura Whyte
Disclosure Committee Meets as required	Chairman – Lawrence Hutchings Members – David Hunter, Stuart Wetherly
Nomination Committee Meets at least once a year Further information on page 62	Chairman – David Hunter Members – Tony Hales, Ian Krieger, Laura Whyte
Remuneration Committee Meets at least twice per year Further information on pages 66-83	Chairman – Tony Hales Members – Ian Krieger, Katie Wadey, Laura Whyte
ESG Committee Meets at least twice per year Further information on pages 42-43	Chairman – Laura Whyte Members – Lawrence Hutchings, Katie Wadey

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

Board and Committee Meetings

The number of meetings of the Board and its Committees during 2020, and individual attendance by Directors, is set out below.

	Board			Committees			
	Scheduled	Ad Hoc	Total	Audit	Remuneration	Nomination	ESG
Number of meetings	6	4	10	4	2	3	4
H Scott-Barrett (resigned 20 May 2020)	1/1	2/2	3/3	-	-	-	-
D Hunter (appointed 9 March 2020)	5/5	4/4	9/9	-	-	2/2	-
L Hutchings	6/6	4/4	10/10	-	-	-	4/4
S Wetherly	6/6	4/4	10/10	-	-	-	-
T Hales	6/6	4/4	10/10	4/4	2/2	3/3	-
I Krieger	6/6	4/4	10/10	4/4	2/2	3/3	-
G Muchanya	6/6	4/4	10/10	-	-	-	-
L Norval	6/6	4/4	10/10	-	-	-	-
N Sasse	5/6	4/4	9/10	-	-	-	-
K Wadey (appointed 20 October 2020)	3/3	1/1	4/4	0/0	0/0	-	1/1
L Whyte	6/6	4/4	10/10	4/4	2/2	3/3	4/4

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

Time Commitment

The Nomination Committee considers the time commitments of proposed candidates prior to appointment to ensure that they are able to dedicate sufficient time to the role. Directors' external commitments are reviewed on a regular basis to ensure they continue to devote sufficient time to the role. All Directors are required to obtain prior approval before taking on any additional external appointments. Directors are expected to attend all Board and relevant Committee meetings and attendance in 2020 is set out in the table above.

The Board schedules five meetings each year as a minimum, and arranges further meetings as the business requires, ensuring sufficient time is allocated to discharge their duties. During the year, the Board held six scheduled meetings, four ad hoc meetings and an additional half-day strategy session. Directors also made themselves available for additional meetings and update calls during the year to discuss time-sensitive matters and the ongoing response to the Covid-19 pandemic.

COMPOSITION, SUCCESSION AND EVALUATION

Details of the Directors, including their skills and experience, are outlined on pages 52 and 53.

Board Succession

Succession planning is led by the Nomination Committee. Further information is provided on page 62.

Induction and Professional Development

Induction training, managed by the Chairman and Company Secretary, is given to all new Directors. It consists of an introduction to the Board and senior management, visits to our shopping centres, an induction pack, briefings on governance requirements and their legal and regulatory obligations as a Director, and access to independent advisers. Ongoing training requirements are reviewed on a regular basis and undertaken individually, as necessary.

The Non-Executive induction programme is delivered through:

- one-to-one meetings with members of the Senior Leadership Team;
- meetings and briefing sessions with key advisers;
- site visits to centres, including meeting with on-site teams;
- attendance at Committee meetings; and
- access to reference materials.

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 subcommittees.

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. There had been a smooth transition following the changeover from Hugh Scott-Barrett to David Hunter as Chairman and a strong working relationship developed between the Chairman and Chief Executive. Directors provided sufficient participation and challenge and demonstrated a collaborative and constructive mindset. The strategy also received a high level of support and the Board acknowledged that the community shopping centre focus had provided relative resilience in 2020. The established Board and Committee structure ensured that the governance requirements of the business were met.

Recommendations from the 2020 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
- Peer Group – Further work to identify and understand potential comparators in different markets to increase insights from operators outside of C&R's traditional peer group
- Board diversity, 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 Senior Independent Director seeks feedback from the other Directors to assist in evaluating the performance of the Chairman. 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 Board is satisfied that the internal evaluation process is robust and that the manner in which the evaluation is carried out encourages a healthy debate on areas of potential improvement. 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.

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 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 or its Directors, to conduct an external assessment and a review of possible candidates for the role. Following a detailed selection process, the Committee recommended and the Board approved the appointment of David Hunter as Non-Executive Director with effect from 9 March 2020. David assumed the role of Chairman at the close of the AGM on 20 May 2020.

As outlined in the 2019 Annual Report, the Board committed to appointing two new independent Non-Executive Directors over the course of 2020, subject to normal social interaction resuming. Despite the severe restrictions in place during the majority of 2020, Katie Wadey was appointed as Non-Executive Director on 20 October 2020. The Committee again engaged Odgers Berndtson to conduct an external search and review of possible candidates as part of the comprehensive selection process led by the Chairman.

Board Composition and Succession

Tony Hales, Senior Independent Director, will retire from the Board at the AGM on 20 May 2021, after nine years of service. During the year, the Committee met to discuss Board succession planning and the Committee agreed that Ian Krieger would be appointed Senior Independent Director at the close of the 2021 AGM. It was also agreed that Laura White would succeed Tony Hales as Chair of the Remuneration Committee, again with effect from the 2021 AGM.

Mindful of the Code requirements regarding independence, the Board remains committed to the principle of recruiting one or more further independent Non-Executive Directors. However, in the current economic environment, the Board has postponed for the time being the appointment of a further NED given the need to restrict costs in line with the scale of the Company. The Board will however keep this under review.

Diversity Policy

The Nomination Committee, and the Board, recognises the importance of diversity in its broadest sense, including gender, ethnicity, culture, socioeconomic 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.

In 2020, the Company established a Diversity and Inclusion Committee led by the Group Finance Director, Stuart Wetherly. The Committee is made up of a cross-section of individuals from across the Capital & Regional Group covering a wide spectrum of roles, background, seniority and experience. The Committee is responsible for monitoring the existing working environment to ensure it is inclusive and to explore ways of further improving this both through internal and external engagement. The Committee is in the process of developing Group-wide objectives to measure progress over the coming months and years.

Audit Committee Report



IAN KRIEGER
CHAIRMAN OF THE
AUDIT COMMITTEE

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

The other members of the Committee are Tony Hales, Katie Wadey and Laura Whyte, all 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 four times and discharged its responsibilities by:

- a) reviewing the Group's draft Annual Report and financial statements and its interim results statement prior to discussion and approval by the Board;
- b) reviewing the continuing appropriateness of the Group's accounting policies;
- c) considering management's approach to the adoption of IFRS 16 and the impact on the accounting treatment of the Group's lease arrangements;
- d) reviewing Deloitte LLP's plan for the 2020 Group audit and approving their terms of engagement and proposed fees;
- e) reviewing reports on internal control reviews on subsidiary entity reconciliation processes, Travel and Expenses processes, and Fire Risk (Cladding) prepared by management;
- f) assessing whether a stand-alone internal audit function was required;
- g) considering the effectiveness of the external audit process, the effectiveness and independence of Deloitte LLP as external Auditor and recommending to the Board their reappointment;
- h) reviewing management's biannual Risk Review report and the effectiveness of the material financial, operational and compliance controls that help mitigate the key risks;
- i) reviewing the effectiveness of the Group's whistleblowing policy;
- j) reviewing and updating the Group's policy for the award of non-audit work to its external Auditor;
- k) considering management's approach to the viability statement in the 2020 Annual Report;
- l) meeting with the responsible individuals from the Group's independent valuers, CBRE Limited and Knight Frank LLP, to review and challenge their valuations of the Group's investment properties;
- m) meeting with Deloitte LLP without management;
- n) reviewing ongoing REIT regime compliance;
- o) considering management's approach progressing the insurance claim in relation to the fire in 2019 at The Mall, Walthamstow;
- p) reviewing reports on the delivery of business critical systems transformation projects; and
- q) carrying out an annual performance evaluation exercise and noting the satisfactory operation of the Committee.

Audit Committee Report

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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 2020 the value of the Group's investment property assets was £527.0 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 2020 the Audit Committee met with the valuers, considered their independence and qualifications and reviewed and challenged the valuations for both the year end and interim results dates to understand the basis for them and the rationale for movements in the context of both the individual properties, the impact of Covid-19 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 management's assessment of compliance for the year and correspondence with HMRC, including the granting of a six-month extension to 30 June 2021 for meeting the minimum PID distribution requirement for the year ended 30 December 2019. On consideration of all of this, the Committee was satisfied that the Group remained compliant with REIT regulations for the period under review.
- Going concern and covenant compliance - The Committee reviewed, challenged and concluded upon the Group's going concern review and consideration of its viability statement. This process included giving due consideration to the appropriateness of key judgements, assumptions and estimates underlying the budgets and projections that underpin the review and a review of compliance with key financial covenants and ongoing discussions with the Group's lenders. The Committee also assessed the non-recourse nature the Group's loan facilities and the opportunity to cure breaches of financial covenants or provide for the eventual surrender of assets, should the Directors choose not to cure in the event that the lenders do not grant further covenant modifications. Sensitivity analysis was reviewed as part of the process given the highly volatile market environment driven by the impact of Covid-19.
- Impairment of receivables and inter-company investments – Management performs an annual review of inter-company investments and receivables to determine the values to be maintained in the Plc Company only and individual subsidiary balance sheets. Management also performed a review at the period end of outstanding trade receivables, assessing on a tenant by tenant basis the need for provision of outstanding amounts. The Committee considered the movement over the year and the key assumptions, particularly in the case of investments where balances were held with reference to value in use as opposed to net assets of the underlying entity.

Auditor Rotation and Tender Process

Deloitte LLP were reappointed 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 2020 audit was the third 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. It considers 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)

Risk Management and internal Controls

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 report on financing. Year-end and interim financial statements are reviewed by the Audit Committee and discussed with the Group's Auditor, Deloitte, before being submitted to the Board for approval;
- Review and approval of the Group's risk matrix twice a year by the Group's Senior Leadership Team, the Audit Committee and the Board as detailed 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.

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

During the year the Board, through the Audit Committee, reviewed the effectiveness of the material financial, operational and compliance controls that mitigate the key risks (as disclosed in the Managing Risk section on page 34). A statement of the Directors' responsibilities regarding the financial statements is on page 88.

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 subsidiary entity reconciliation processes, Travel and Expenses processes, and Fire Risk (cladding).

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 and the existing arrangements remain appropriate.

Whistleblowing

The Group has in place a whistleblowing policy which encourages employees to report any malpractice or illegal acts or omissions or matters of similar concern by other employees or former employees, contractors, suppliers or advisers. The policy provides a mechanism to report any ethical wrongdoing or malpractice or suspicion thereof. The Audit Committee, on behalf of the Board, reviews the process annually and reports to the Board on the process and any reports arising from its operation.

Fair, Balanced and Understandable

The Committee has reviewed the contents of the Annual Report and Financial Statements 2020 and concluded that the disclosures, and the processes and controls underlying its production, were appropriate and recommended to the Board that the Annual Report and Financial Statements 2020, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

IAN KRIEGER

CHAIRMAN OF AUDIT COMMITTEE

Directors' Remuneration Report

INTRODUCTION



TONY HALES CBE
CHAIRMAN OF THE
REMUNERATION COMMITTEE

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 December 2020. The Covid-19 pandemic presented unprecedented challenges and significantly affected the business in 2020. The three national lockdowns and the series of restrictions significantly impacted our financial performance, share price and dividend policy. In light of this, our approach to remuneration has been prudent. We ensured that a consistent approach was taken across the business and that executive remuneration and reward reflected the shareholder experience.

The Committee met two times during 2020 as well as holding informal meetings and other correspondence to discuss wider remuneration issues. In addition to the other Committee members, Ian Krieger, Katie Wadey and Laura Whyte, all 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.

Board Policy

We presented our Remuneration Policy to shareholders at the 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 2020, with the Committee applying downward discretion to the CIP award. No changes are proposed to the Remuneration Policy for 2021.

Board Changes

As shareholders will be aware, there were three changes to the Board during the year. Hugh Scott-Barrett stepped down as Non-Executive Chairman at the conclusion of the 2020 AGM. David Hunter was appointed as a Non-Executive Director on 9 March 2020 and assumed the role of Chairman from the conclusion of the 2020 AGM on 20 May 2020. No exit payments were made to Hugh Scott-Barrett and David's remuneration terms are in line with our policy, with his fee as Chairman in 2020 being at the equivalent level to that paid to Hugh Scott-Barrett during 2019. Katie Wadey was appointed as a Non-Executive Director on 20 October 2020. Katie's remuneration is in line with the agreed policy for Non-Executive Director fees.

2020 Company Performance and Combined Incentive Plan (CIP)

The operating environment during 2020 was very challenging due to the impact of the Covid-19 pandemic and Government restrictions limiting our retailer customers' ability to trade. A number of retailers also launched Company Voluntary Arrangements (CVAs) or Administrations. There also continued to be an uncertain political and economic environment due to the potential of a 'No-deal' Brexit, until a deal was announced on 24 December 2020. While the Group's relative performance benchmarked well against industry peers, both NRI and Adjusted Profit fell. The Group, however, continued to make progress with cost control and operational performance was relatively strong with footfall outperforming peers and the national index. Despite the challenges faced by the Group in 2020, progress continued to be made on delivering the strategy.

Reflecting the above, the ongoing economic uncertainty as a result of the Covid-19 pandemic in 2021, and the wish of both Executive Directors for any bonus to be waived, the Committee agreed that any potential formulaic CIP outturn would be scaled back to nil. The Committee also considered the remuneration of the wider workforce, where no bonuses had been awarded in 2020. The Committee considered the overall result to be an appropriate and balanced outcome.

The Committee recognised the exceptional efforts made by the Executive Directors during an extremely difficult year for the Group and C&R's employees, retailer customers, guests, shareholders and other stakeholders and wished to thank them for their efforts and for waiving any right to a possible bonus.

The Committee continues to believe that the CIP provides the best mechanism to motivate and retain Executive Directors. For 2021, the Committee will set targets of 80% financial and 20% strategic which reflect the key priorities of the business over the next 12 months and the challenging economic headwinds facing the UK retail business community. As per 2020, the Committee will provide full disclosure of the targets and outcomes in the 2021 Remuneration Report and, as per previous years, will exercise downward discretion on CIP outcomes if they do not reflect corporate performance, the shareholder experience or create reputational issues from either an internal or external stakeholder perspective.

Long Term Incentive Plan (LTIP)

During the year, the performance period for the 2017 LTIP award ended. The performance criteria were not met, resulting in nil awards vesting.

Executive Director Salary Increases

No salary increases have been awarded for 2021, in line with the wider workforce. The fees paid to Non-Executive Directors will also remain the same in 2021. All other benefits, including pension contributions, remain the same and in line with Policy.

Pension

The Committee remains conscious of the focus on pension contributions made to Executive Directors and the expectation that contributions will be equalised with those of the wider workforce by the end of 2022, in line with corporate governance best practice. Under the policy approved in 2019, company pension contributions for future Executive Directors will be set in line with the wider workforce, currently 4-8% of salary. The Committee has reviewed the pension arrangements for existing Executive Directors and believe that the current contributions of between 8% and 15% of base salary remain appropriate in the context of their overall remuneration packages and are not proposing a reduction at this time. The Committee will keep this under review and explore ways to narrow the gap between executive pensions and the wider workforce.

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.

Mindful of the significant impact of Covid-19 would have on C&R's employees and families, in March 2020 the Executive and Non-Executive Directors decided to take a voluntary 20% reduction in salary or fees for the months of April, May and June 2020. The funds saved through this reduction were used to support C&R employees most financially impacted by Covid-19.

Committee Changes

Katie Wadey joined the Committee following her appointment, in October 2020. I will be retiring from the Board at the close of the 2021 AGM in May and Laura Whyte will succeed me as Chair of Remuneration Committee, with effect from the 2021 AGM.

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

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

Salary			
Pension	Fixed compensation	Median	
Benefits			Total = Median or above for above median performance
Combined Incentive Plan	Performance-based compensation	Median or above for above median performance compensation	

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

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

The Committee addressed the following factors when determining the remuneration policy and practices, as recommend by the UK Corporate Governance Code:

Clarity	The Remuneration Policy and its application in the year is clearly disclosed in the Annual Report. The Committee engages with shareholders on remuneration matters, and is updated on workforce pay and benefits across the Group.
Simplicity	The remuneration structure comprises fixed and variable remuneration, with variable remuneration granted under a single combined scheme, the CIP, clearly outlined in the Remuneration Policy.
Risk	The CIP Rules provide discretion to the Committee to reduce award levels. Awards are subject to malus and clawback provisions. The Committee has overriding discretion to reduce the formulaic outcome of the CIP.
Predictability	The range of possible outcomes under the CIP are outlined on page 74.
Proportionality	CIP awards are determined based on a proportion of base salary and stretching targets set to incentivise Executive Directors. The Committee has overriding discretion to reduce the formulaic outcome of the CIP.
Alignment to culture	The Committee ensures that personal performance measures under the CIP incentivise behaviours consistent with the Company's culture, purpose and values.

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

Our Directors' Remuneration Policy was approved at the 2019 AGM for a period of up to three years, receiving an 87.8% vote in favour.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
<p>Base salary</p> <ul style="list-style-type: none"> ■ To aid recruitment, retention and motivation of high quality people ■ To reflect experience and importance of role 	<p>Reviewed annually effective 1 January to reflect:</p> <ul style="list-style-type: none"> ■ 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 with 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 	<p>The maximum increase applicable in any year is capped at 10% of base salary.</p>	n/a
<p>Pension</p> <ul style="list-style-type: none"> ■ To help recruit and retain high-quality people ■ To provide an appropriate market-competitive retirement benefit 	<p>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.</p>	<p>Executive Directors are eligible to receive a pension allowance equivalent to up to 15% of basic salary.</p> <p>Lawrence Hutchings receives a pension allowance of 15% of basic salary.</p> <p>Stuart Wetherly receives a pension allowance of 8% at the top of the range of pension contributions paid to the workforce of 4% - 8%.</p> <p>For new appointments, the Committee will ensure that pension contributions are in line with that of the workforce.</p>	n/a
<p>Benefits</p> <ul style="list-style-type: none"> ■ To aid recruitment and retention ■ To provide market competitive benefits ■ To support physical, mental and emotional wellbeing 	<p>The Company offers a package to Executive Directors including:</p> <ul style="list-style-type: none"> ■ private medical insurance; ■ critical illness cover; ■ life insurance; ■ permanent health insurance; and ■ holiday and sick pay. <p>Benefits are brokered and reviewed annually.</p>	No maximum	n/a

Directors' Remuneration Report

Policy CONTINUED

Purpose and link to strategy	Operation	Opportunity	Performance metrics
<p>Combined incentive plan</p> <ul style="list-style-type: none"> ■ 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 	<p>The plan is reviewed annually to ensure bonus opportunity, performance measures and weightings are appropriate and support the stated Company strategy.</p> <p>One third of the award is paid in cash after one year.</p> <p>Two thirds of the award is deferred into shares.</p> <p>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.</p> <p>Up to 100% of deferred shares will lapse if median relative TSR performance against the peer group is not achieved.</p> <p>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:</p> <ul style="list-style-type: none"> ■ 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 <p>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.</p> <p>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.</p>	<p>The plan provides a combined annual awards of up to 250% of salary for Executive Directors / 300% for the Chief Executive</p> <p>Targets calibrated so maximum pay-out represents exceptional performance</p> <p>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.</p>	<p>Performance targets set annually based on a 100% Group financial and strategic performance targets.</p> <p>2021 objectives will be weighted 80% on financial performance and 20% strategic and operational measures.</p> <p>Financial metrics may typically include metrics such as profit, net rental income and cost management.</p> <p>Operational and strategic metrics may include metrics such as footfall and strategy implementation.</p> <p>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.</p>

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Executive shareholding <ul style="list-style-type: none"> To support alignment of Executive Directors with shareholders 	<p>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.</p> <p>Deferred or other unvested share awards not subject to performance conditions can count towards the guideline in line with corporate governance best practice.</p> <p>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.</p>	n/a	n/a
Non-Executive Director remuneration <ul style="list-style-type: none"> To reflect experience and importance of role 	<p>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.</p> <p>Details of the fees can be found on page 77. The Senior Independent Director and individuals who are members of both the Audit and Remuneration Committees receive an additional fee per annum.</p> <p>Non-Executive Directors do not receive any variable remuneration element or receive any other benefits.</p> <p>Non-Executive Directors are reimbursed for all reasonable travelling and subsistence expenses (including any relevant tax) incurred in carrying out their duties</p>	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 shareholders, 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 a comparator group of 28 property companies was used, as disclosed in the 2018 Remuneration Report. The relative size of Capital & Regional in comparison to the constituents was factored into the benchmarking exercise performed. In addition, consideration was also given to the upper quartile benchmarks for the FTSE Small Cap. The comparator group was 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.

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 12 months from the Company and from the Executive Director. Copies of the Directors' service agreements are available to view, upon appointment, at the Company's registered office.

Exit Payment Policy

When considering termination payments, the Committee takes into account the best interests of the Company and the individual's circumstances including the reasons for termination, contractual obligations, and CIP scheme rules. The Remuneration Committee will ensure that there are no unjustified payments for failure on an Executive Director's termination of employment. The policy in relation to leavers 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 prorated for time in service to termination as a proportion of the performance period, and will, subject to performance, be paid at the normal time in the normal manner (i.e. in cash / deferred awards as appropriate).
- Typically for other leavers, rights to awards under the CIP will be forfeited.

For leavers during the deferral period:

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

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.

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.

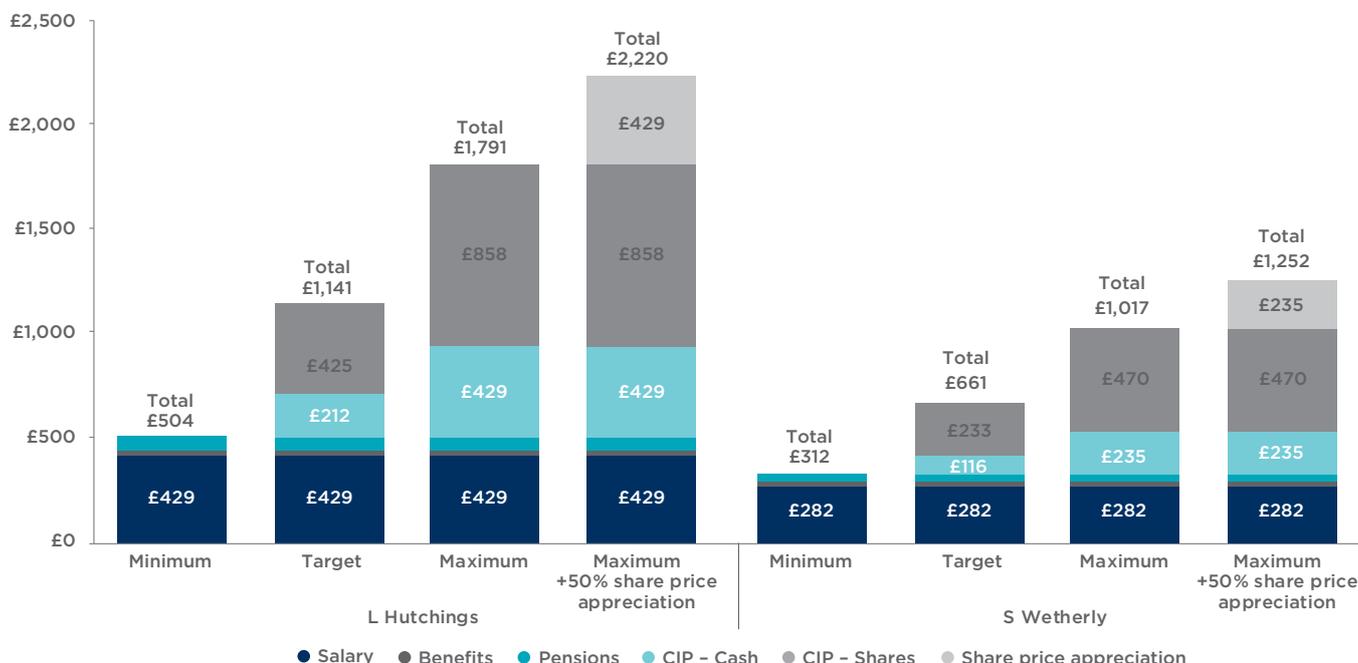
Directors' Remuneration Report

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

2020 Remuneration Report

This section sets out how the Directors' Remuneration Policy was implemented during 2020. Where stated, disclosures regarding Director's remuneration have been audited by the Company's external auditor Deloitte. This section, together with the Annual Statement, is subject to an advisory vote at the 2021 AGM.

The Remuneration Committee

The Committee met two times during 2020 as well as holding informal meetings and other correspondence to discuss wider remuneration issues. Committee members include Tony Hales (Chairman), Ian Krieger, Katie Wadey and Laura Whyte, all 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. The Committee also reviews the remuneration of the senior management below Board level. It also makes recommendations to the Board on matters that require shareholder approval.

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

Advisers

In 2020, the Committee received advice from independent remuneration consultants PwC LLP on an ad hoc basis. PwC LLP's fees for this advice were £9,612, which were charged on a time/cost basis. No other services were provided by PwC LLP during the course of 2020.

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

The Committee is satisfied that the members of the PwC LLP team do not have connections with the Company or its Directors which might impair their independence.

Summary of Performance Year Ended 30 December 2020 (audited)

	2020	2019
Net Rental Income	£34.1m	£49.3m
Adjusted Profit ¹	£10.3m	£27.4m
Adjusted Earnings per share ^{1, 2}	9.5p	36.7p
IFRS Loss for the period	£(203.4)m	£(121.0)m
Total dividend per share ²		21p
Net Asset Value (NAV) per share ²	150p	361p
EPRA NTA per share ²	158p	364p
Group net debt	£345.1m	£336.9m
Net debt to property value	65%	46%

Notes

- 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, and other non-operational items. A reconciliation to the equivalent EPRA and statutory measures is provided in Note 9 to the condensed financial statements.
- Per share amounts have been restated to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

Directors' Remuneration Report

2020 Remuneration Report CONTINUED

Single Total Figure of Remuneration for Directors (audited)

The table below sets out the remuneration received/receivable in relation to the year ended 30 December 2020.

£'000	Salary/fees ¹		Taxable benefits ²		Other benefits ²		Pension		Annual bonus		LTIP vesting ³		Total fixed pay		Total variable pay		Total pay		
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	
Executive Directors																			
L Hutchings	407	425	3	3	7	8	64	64	-	218	-	-	481	500	-	218	481	718	
S Wetherly ⁴	268	222	2	1	5	4	23	18	-	118	-	8	298	245	-	126	298	371	
TOTAL	675	647	5	4	12	12	87	82	-	336	-	8	779	745	-	344	779	1,089	
Chairman and Non-Executive Directors																			
D Hunter ⁵	95	-	-	-	-	-	-	-	-	-	-	-	95	-	-	-	95	-	
H Scott-Barrett ⁶	51	140	-	-	-	-	-	-	-	-	-	10	51	140	-	10	51	150	
T Hales ⁷	51	53	-	-	-	-	-	-	-	-	-	-	51	53	-	-	51	53	
W Hamman ⁸	-	40	-	-	-	-	-	-	-	-	-	-	-	40	-	-	-	40	
G Muchanya ⁹	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
I Krieger ⁷	46	48	-	-	-	-	-	-	-	-	-	-	46	48	-	-	46	48	
L Norval	41	42	-	-	-	-	-	-	-	-	-	-	41	42	-	-	41	42	
N Sasse ⁹	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
K Wadey ^{7,10}	10	-	-	-	-	-	-	-	-	-	-	-	10	-	-	-	10	-	
L Whyte ⁷	46	48	-	-	-	-	-	-	-	-	-	-	46	48	-	-	46	48	
TOTAL	340	371	-	-	-	-	-	-	-	-	-	10	328	371	-	10	328	381	
TOTAL ALL	1,015	1,018	5	4	12	12	87	82	-	336	-	18	1,119	1,116	-	354	1,119	1,470	

Notes

- Executive and Non-Executive Directors took a voluntary 20% reduction in salary or fees for the months of April, May and June 2020.
- Taxable benefits include private medical care and critical illness cover; other benefits include life insurance and permanent health insurance. 2019 benefits for S Wetherly have been restated.
- 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.
- S Wetherly was appointed a Director on 11 March 2019.
- D Hunter was appointed a Director on 9 March 2020 and Chairman on 20 May 2020.
- H Scott-Barrett retired as Chairman on 20 May 2020.
- T Hales, I Krieger, K Wadey 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.
- W Hamman resigned on 9 December 2019.
- G Muchanya and N Sasse, both appointed on 9 December 2019 as Growthpoint's representatives, do not receive a fee.
- K Wadey was appointed a Director on 20 October 2020.

Basic Salary Increases for Executive Directors

No Executive Director salary increases have been awarded in 2021, in line with the wider workforce.

	2021	%	2020 ¹	%	2019	%	2018	%	2017	%	2016	%
	£'000		£'000		£'000		£'000		£'000		£'000	
L Hutchings	429	-	429	1.0	425	11.0	383	2.0	375	-	-	-
S Wetherly	282	-	282	2.5	275	-	-	-	-	-	-	-
C Staveley	-	-	-	-	-	-	305	2.0	299	2.0	293	4.3
H Scott-Barrett	-	-	-	-	-	-	-	-	427	2.0	418	2.0
K Ford	-	-	-	-	-	-	-	-	315	2.0	308	2.0
M Bourgeois	-	-	-	-	-	-	-	-	-	-	241	4.3

1. L Hutchings and S Wetherly took a voluntary 20% reduction in salary for the months of April, May and June 2020, the actual base salary received in 2020 was £407k and £268k respectively.

Non-Executive Director Fees

Non-Executive Director fees will remain at £140,000 for the Chairman and £42,873 for Non-Executive Directors in 2021. 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.

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.

Combined Incentive Plan (CIP) (audited)

The number of awards and the performance periods for all outstanding CIP awards are summarised in the table below. The Company's Clawback provisions apply during the holding period where the level of vesting may be reduced, including to nil. Awards granted in 2020 relate to 2019 performance, as disclosed in the 2019 Remuneration Report.

Name	Date of award	No. of awards	Type of award	Face value at date of award £'000 ¹	Dividend equivalent shares awarded in the year	Threshold/maximum vesting share price	End of performance period	Holding period
L Hutchings	27.04.2020	171,899	Nil cost option	436	19,302	1/3 of shares subject to median relative TSR performance ²	01.01.2023	2 years
						1/3 of shares subject to median relative TSR performance ²	01.01.2024	1 year
						1/3 of shares subject to median relative TSR performance ²	01.01.2025	-
S Wetherly	27.04.2020	92,691	Nil cost option	235	10,408	1/3 of shares subject to median relative TSR performance ²	01.01.2023	2 years
						1/3 of shares subject to median relative TSR performance ²	01.01.2024	1 year
						1/3 of shares subject to median relative TSR performance ²	01.01.2025	-

1. Calculated based on average Market Value of a share over the final nine Dealing Days to 30 December 2019: 253.67 pence

2. Shares will vest subject to the performance underpin of median relative Total Shareholder Return against a retail property comparator group.

Dividend equivalents:

Whenever a dividend or other cash distribution is paid by the Company in respect of shares, the number of shares subject to each Unvested Share Award (as at the time the dividend or other cash distribution is paid) shall be increased by such number of whole shares (rounded down to the nearest whole number) as outlined in the CIP Rules.

Directors' Remuneration Report

2020 Remuneration Report CONTINUED

2020 achievement of objectives:

	Maximum CIP opportunity as % of salary	% of objectives achieved	Effective % of maximum achieved	Cash bonus payable £'000	Deferred share award £'000
L Hutchings	300%	n/a	n/a	nil	nil
S Wetherly	250%	n/a	n/a	nil	nil

The operating environment during 2020 was very challenging due to the impact of the Covid-19 pandemic and Government restrictions limiting our retailer customers' ability to trade. A number of retailers also launched Company Voluntary Arrangements (CVAs) or administrations. There also continued to be an uncertain political and economic environment due to the potential of a 'No-deal' Brexit, until a deal was announced on 24 December 2020. While the Group's relative performance benchmarked well against industry peers, both NRI and Adjusted Profit fell. The Group, however, continued to make progress with cost control and operational performance was relatively strong with footfall outperforming peers and the national index. Despite the challenges faced by the Group in 2020, progress continued to be made on delivering the strategy.

Reflecting the above, the ongoing economic uncertainty as a result of the Covid-19 pandemic in 2021, and the wish of both Executive Directors for any bonus to be waived, the Committee agreed that any potential formulaic CIP outturn would be scaled back to nil. The Committee also considered the remuneration of the wider workforce, where no bonuses had been awarded 2020. Given the decision to waive any award, no targets or performance outcomes have been published. The Committee considered the overall result to be an appropriate and balanced outcome.

2021 CIP Objectives

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	10%
Net Rental Income (wholly owned)	10%
Arrears collection	10%
Cost management	20%
Balance sheet resilience	30%
Total Financial:	80%
Operating metrics	10%
Footfall against benchmark	
Leasing performance	
Strategy implementation	10%
Total Operational and Strategic:	20%

For 2021, given the exceptionally high level of current volatility as a result of Covid-19, the Committee will implement six-month targets where possible, whereby if the annual target represents 20% of the maximum award, 10% will apply to the first half target and 10% to the second half target. The full-year pay-out will be determined at the end of the year.

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 2021 Directors Remuneration Report.

Long-Term Incentive Plan (LTIP) (audited)

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 2020.

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	Qualified for vesting	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 ³	200	See note 1 below	nil	-	19.04.20	2 years
	18.04.18	1,429,906 (142,990)	Nil cost option	765 ⁴	200	See note 1 below	-	-	18.04.21	2 years
S Wetherly ⁵	23.08.16	226,890 (22,689)	Nil cost option	135 ⁶	n/a	See note 1 below	52,294 ⁷ (5,229)	8 ⁷	23.08.19	2 years
	19.04.17	238,757 (23,875)	Nil cost option	142 ³	n/a	See note 1 below	nil	-	19.04.20	2 years
	18.04.18	273,813 (27,381)	Nil cost option	146 ⁴	n/a	See note 1 below	-	-	18.04.21	2 years

Notes:

1. The performance conditions for the August 2016, April 2017 and April 2018 issues are outlined below. Straight-line vesting applies for all LTIP issues in between threshold and maximum vesting.

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. Calculated based on the closing share price at issue of 59.5 pence.
4. Calculated based on the closing share price at issue of 53.5 pence.
5. The awards were granted when S Wetherly was an employee of the Group but not an Executive Director.
6. Calculated based on the closing share price at issue of 59.5 pence.
7. Calculated based on the closing share price at vesting of 14.5 pence. 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%

Directors' Remuneration Report

2020 Remuneration Report CONTINUED

Vesting of April 2017 LTIP issue

The performance period for the April 2017 LTIP issue ended during 2020. Nil awards qualified for vesting as the performance conditions were not met.

The actual performance against target of the April 2017 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	Below target	0%
Total Property Return relative to the IPD UK Retail Quarterly Property Index	Below index	0%
	Total	0%

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.

Deferred Bonus Share Scheme Awards (audited)

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

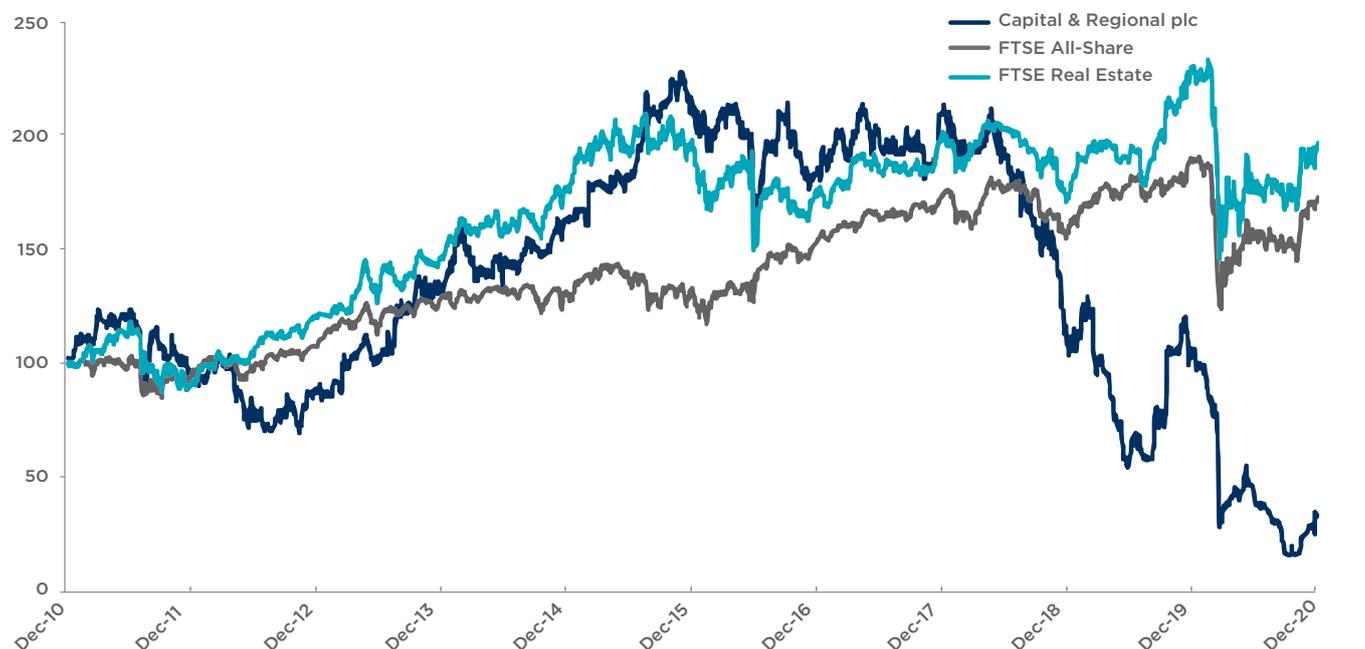
¹ Calculated based on the closing share price of 25.45 pence on 28 March 2019.

Exit Payments and Payments to Past Directors (audited)

No exit payments were awarded to Directors in 2020. Neither were any payments made to past Directors.

Performance Graph

The graph below illustrates the Company's Total Shareholder Return (i.e. share price growth plus dividends paid) performance compared to the FTSE All Share and FTSE 350 Real Estate indices as these indices provide a measure of a sufficiently broad equity market against which the Company considers that it is suitable to compare itself. The graph shows how the total return on a £100 investment in the Company made on 30 December 2010 would have changed over the ten-year period measured, compared with the total return on a £100 investment in the comparable indices



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

	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000
Total remuneration (L Hutchings)	n/a	n/a	n/a	n/a	n/a	n/a	393	752	718	481
Total remuneration (H Scott-Barrett)	536	765	651	833	796	2,112	564	n/a	n/a	n/a
Annual bonus (% of max) (L Hutchings)	n/a	n/a	n/a	n/a	n/a	n/a	45%	53%	51%	-
Annual bonus (% of max) (H Scott-Barrett)	71%	69%	40%	85%	70%	70%	n/a	n/a	n/a	n/a
LTIP vesting (% of max) (L Hutchings)	n/a	-	-	-						
LTIP vesting (% of max) (H Scott-Barrett)	-	-	-	-	-	91.85%	35.26%	n/a	n/a	n/a

Annual Change in Pay for Directors Versus the Wider Workforce in 2020

The percentage change in the remuneration of Directors between 2019 and 2020 compared to that of employees generally is included below. The year-on-year movement in salary for Directors and employees reflects the annual review implemented in January 2020. No bonuses were paid to employees and no incentive payments made to Executive Directors in respect of 2020. Non-Executive Directors do not receive any benefits.

2020	Employee Group ¹	Executive Directors					Non-Executive Directors				
		L Hutchings	S Wetherly	D Hunter ²	T Hales	I Krieger	G Muchanya ³	L Norval ¹	N Sasse ³	K Wadey ²	L Whyte
Salary	1%	1%	2.5%	0%	1%	1%	-	1%	-	-	1%
Bonus	(100)%	(100)%	(100)%	-	-	-	-	-	-	-	-
Benefits	No change	No change	No change	-	-	-	-	-	-	-	-

1. Calculated on a like-for-like basis with reference to employees of Capital & Regional plc and Capital & Regional Property Management who have been at the Company for the entirety of the current and prior years.
2. D Hunter and K Wadey were appointed on 9 March 2020 and 20 October 2020 respectively.
3. G Muchanya and N Sasse do not receive a fee.

Chief Executive Pay Ratio

The Company has fewer than 250 employees and is therefore not required to disclose the ratio between the Chief Executive's pay and the pay of other employees in the Company, as outlined in the Companies (Miscellaneous Reporting) Regulations 2018. However, the ratio of the Chief Executive's pay to the average employees' pay is taken into consideration when setting Executive remuneration and for full transparency we therefore disclose the ratio of the salary of the Chief Executive to the average employee salary (excluding Directors) which was 6.5:1 (£407,000:£62,623)¹.

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.

Relative Importance of Spend on Pay Compared to Distributions to shareholders

	2020 £m	2019 £m	%
Executive Director's remuneration	0.8	1.1	(27.3)%
Employee costs (per Note 7 of the financial statements)	8.7	11.2	(22.3)%
Dividends paid (total of Interim and Final Dividend for the respective year)	-	18.6	(100)%

Directors' Remuneration Report

2020 Remuneration Report CONTINUED

Directors' Service Agreements and Letters of Appointment

Name	Unexpired term of appointment	Date of service agreement	Notice period	Potential termination payment
Executive Directors				
L Hutchings	Rolling contract	13 June 2017	12 months	12 months' salary and benefits value
S Wetherly	Rolling contract	11 March 2019	12 months	12 months' salary and benefits value
Date of initial appointment				
Non-Executive Directors				
D Hunter	Rolling contract	9 March 2020	6 months	None
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
K Wadey	Rolling contract	20 October 2020	No notice	None

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

External Appointments

Executive Directors may accept external appointments as Non-Executive Directors of other companies and retain any related fees paid to them, subject to the approval of the Board in each case. During the year ended 30 December 2020, Stuart Wetherly served as Trustee and Honorary Treasurer of the London Wildlife Trust. No fee was received for this appointment.

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 regards 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 employees. In early 2021, the Chief Executive provided an update to all employees advising that no salary increases or bonuses would be awarded to Executive Directors, in line with the decision made in regards to the wider workforce and provided an opportunity for employees to raise any concerns.

Interests in Shares (audited)

The Directors and, where relevant, their connected persons (within the meaning of Section 252 of the Companies Act 2006) were beneficially interested in the ordinary share capital of the Company at the dates shown in the table. This excludes unvested LTIP share awards; these are disclosed separately on page 79.

	30 December 2020 Shares	30 December 2019 Shares ¹
D Hunter	71,285	-
H Scott-Barrett ²	243,428	354,000
L Hutchings	6,105	5,566
S Wetherly	22,174	20,289
T Hales	45,265	41,274
I Krieger	11,515	10,550
G Muchanya	-	-
L Norval	10,313,718	9,407,387
N Sasse	42,042	38,335
K Wadey	-	-
L Whyte	27,029	7,998

1. Restated to reflect the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

2. Shares held at date of retirement on 20 May 2020.

Louis Norval is beneficially interested in the shares registered in the name of MStead Limited and PDI Investment Holdings Limited. George Muchanya and Norbert Sasse, by virtue of being the nominated representative Directors of Growthpoint, are connected to the Growthpoint shareholdings but do not personally have a beneficial interest in any of these holdings.

There were no changes to Directors' shareholdings from 30 December 2020 to 24 March 2021, being the latest practicable date prior to the issue of this report.

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 Directors 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	3 year 6 months	200	No
S Wetherly	1 year 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.

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 corresponds with shareholders and also engages with ISS and the Investment Association.

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

Resolution	For	% For	Against	% Against	Total shares voted	% Shares voted	Votes withheld
To approve the Directors' Remuneration Policy	458,092,583	87.78%	63,784,926	12.22%	521,877,509	71.85%	25,932,411

Shareholder voting on the Directors' Remuneration Report, which was tabled at the 20 May 2020 AGM, was as follows:

Resolution	For	% For	Against	% Against	Total shares voted	% Shares voted	Votes withheld
To approve the Directors' Remuneration Report	81,544,194	98.13%	1,554,669	1.87%	83,098,863	79.99%	280,769

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 2 to 51 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 54 to 62.

The results for the year are shown in the Group income statement on page 100. Post balance sheet events are disclosed in Note 28 to the financial statements. The use of financial derivatives is set out in Note 18 to the financial statements.

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

Dividends

No interim dividend was paid in 2020 (2019: 1.82 pence per share).

In light of the current level of uncertainty and desire to maximise cash flexibility, the Group has taken the decision to not declare a Final dividend and will maintain this position at least until markets stabilise.

A UK REIT is expected to pay dividends (PIDs) of at least 90% of its taxable profits from its UK property rental business by the first anniversary of each accounting date. By agreement with HMRC the Group has an extension to the payment date of the balance of the 2019 PID, of approximately £7.6 million, to 30 June 2021 in order to meet its REIT distribution requirements for the financial year ending 2019. The Group has commenced discussions with HMRC in seeking a further extension to this deadline given the impact and uncertainties caused to the Group's business by Covid-19. If the Group were to not be granted an extension and not meet the minimum requirement then under REIT legislation, the Group will incur UK corporation tax payable at 19% whilst remaining a REIT. We estimate that this would result in a tax payment of approximately £1.4 million being required to be paid. However, this is subject to there being no legal impediment to distribution. At 30 December 2020 the Company does not have sufficient distributable reserves to declare a dividend. If this legal impediment to distribution subsists at the date for payment of the balance of the 2019 PID and the date of payment of the 2020 PID the Group will be deemed to have met the distribution requirement for those periods based on the provisions in CTA 2010 section 530.

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 52 to 53. Hugh Scott-Barrett's resignation was effective from 20 May 2020. David Hunter and Katie Wadey were appointed on 9 March 2020 and 20 October 2020 respectively. All other Directors served for the full year. David Hunter assumed the role of Chairman on 20 May 2020.

All current Directors will retire and, with the exception of Tony Hales, being eligible, offer themselves for re-election at the 2021 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 82. 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	Pages 77-80
Waiver of emoluments by a Director	Page 77
Waiver of future emoluments by a Director	Page 77
Non pre-emptive issues of equity for cash	n/a
Non pre-emptive issues of equity for cash by major subsidiary undertakings	n/a
Parent company participation in a placing by a listed subsidiary	n/a
Contracts of significance	n/a
Provision of services by a controlling shareholder	n/a
Shareholder waivers of dividends	Shares held by Employee Share Ownership Trust – see section below
Shareholder waivers of future dividends	Shares held by Employee Share Ownership Trust – see section below
Agreements with controlling shareholders	Page 86

Substantial Shareholdings

As at 30 December 2020 and at 24 March 2021 (the latest practicable date prior to the issue of this report) the Company has been notified of the following interests in its issued ordinary share capital:

	No. of shares	%
Growthpoint Properties Limited	58,261,066	52.10
Mstead Limited	5,742,052	5.14
Black Crane Asia Pacific Opportunities Fund	4,666,691	4.17
PDI Investment Holdings	4,536,568	4.06
Peens Family Holdings	4,451,416	4.04
ICAMAP Investments	3,709,726	3.32

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

Directors' Report

CONTINUED

Shares Held by Employee Share Ownership Trust

At 30 December 2020 the Capital & Regional Employee Share Ownership Trust held 38,070 shares in the Company. The shares held by the Trust are registered in the nominee name, Forest Nominees Limited, and a dividend waiver is in place to cover the entire holding.

Purchase of Own Shares

The Company did not make any purchases of its own shares during 2020 or up to 24 March 2021, being the latest practicable date prior to the issue of this report.

The Company was authorised by shareholders at the 2020 AGM held on 20 May 2020 to purchase up to a maximum of 10.0% of its ordinary shares in the market. This authority will expire at the 2021 AGM and the Directors will be seeking a new authority for the Company to purchase its ordinary shares. This will only be exercised if market and financial conditions make it advantageous to do so.

Share Capital

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. As at 30 December 2020 the Company's total issued share capital was 111,819,626 ordinary shares of 10 pence each, all with equal voting rights. The changes in the Company's issued share capital during 2020 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 2020, 6,270,782 of the Company's shares were held on the JSE share register representing 5.6% of the total shares in issue.

Controlling Shareholder

Growthpoint, through its nominees, holds 52.1% of the issued share capital of the Company. The Relationship Agreement, entered into on 17 October 2019, incorporates those terms required by the Listing Rules as a result of Growthpoint becoming a controlling shareholder. It remains effective as long as Growthpoint and any of its nominees hold at least 20% of the voting rights in the Company. The Relationship Agreement provides various rights, including the ability to appoint two Non-Executive Directors nominated by Growthpoint to the Board for as long as they own 20% or more of the issued ordinary capital in the Company and one Non-Executive Director to the Board if they own less than 20%, but not less than 15%. The Directors believe that the terms of the Relationship Agreement enable the Group to carry on its business independently of Growthpoint. A copy of the Relationship Agreement is available on the Company's website at capreg.com.

Change in Control

The Group's £39 million debt facility in respect of The Exchange, 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.

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

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

Articles of Association

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

Human Rights

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

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

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

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 2020 the total number of employees was as follows:

Employees	Male	Female	Total
Directors	8	2	10
Senior Leadership Team	4	2	6
Employees – Group	19	21	40
Employees – Assets	20	44	64
Employees – Snozone	58	38	96

Political Donations

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

Auditor's Information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. A resolution to 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 2021, 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 2021.

The Directors' Report was approved by the Board of Directors on 24 March 2021 and is signed on its behalf by:

STUART WETHERLY
COMPANY SECRETARY

24 March 2021

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 24 March 2021 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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent Company balance sheets;
- the consolidated and parent Company statements of changes in equity;
- the consolidated cash flow statement; and
- the related Notes 1 to 31 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 £3.4 million (2019: £7.5 million), which was determined on the basis of 2% (2019: 2%) of net assets. We applied a lower threshold of £0.52 million (2019: £1.4 million) for testing of all balances impacting Adjusted Profit (as defined in Note 1 of the Group financial statements), which is 5% (2019: 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% (2019: 98%) of net assets, 100% (2019: 100%) of revenue and 100% (2019: 100%) of 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

We have considered the impact of Covid-19 on our audit approach and key audit matters. 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and parent Company's ability to continue to adopt the going concern basis of accounting is discussed below.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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 £536.1 million at 30 December 2020 (30 December 2019: £770.9 million), comprising 80% (30 December 2019: 86%) of the Group's assets. The portfolio consists of seven shopping centres within the Group.

We assessed the fair value of the Group's property portfolio to be a significant area of focus due to the level and nature of the judgements and estimates that form inputs into the valuation process performed by the Group's independent valuers, such as yields and sustainability of the cash flows. The valuations are consequently based on increasingly subjective evidence in the current Covid-19 and retail climate.

Changes in these assumptions and judgements could lead to significant movements in property values and consequently unrealised gains or losses in the consolidated income statement.

There is also a risk of fraud in relation to the valuation of the property portfolio, where the use of valuation methodology and model, large volume of data involved and assumptions and judgements applied are more critical and could be subject to undue influence by management.

The accounting policy for investment property is set out in Note 1 to the Group financial statements including management's assessment of this as a key source of estimation uncertainty.

The Audit Committee's discussion of this key audit matter is set out on page 64. The investment property portfolio is disclosed in Note 10 of the Group financial statements.

How the scope of our audit**responded to the key audit matter**

- We obtained an understanding of the Group's relevant controls around investment property valuations.
- We evaluated the competence, capabilities and objectivity of the Group's independent valuers.
- We met with the Group's independent valuers appointed by management to value the property portfolio and challenged the significant judgements, assumptions applied and impact from Covid-19 in their valuation model.
- We analysed the individual property valuations to understand significant movements against prior year and comparative market evidence considered by the valuers.
- We documented a clear revised auditing standards approach including a detailed assessment of the model, data and assumptions used in the valuation.
- We considered contradictory evidence across the work performed.
- We evaluated the integrity of the methodology, model and data transfer.
- We tested the integrity of the information provided to the valuers by management pertaining to rental income, purchasers' costs and occupancy.
- We verified movements in the key judgements and assumptions and we benchmarked and discussed yields in detail with the valuers and our own in-house valuation specialists, who are members of the Royal Institution of Chartered Surveyors. We determined whether the trend and sentiment on each specific asset was in line with expectations relevant to that asset and its location, prospects and expected cash flows. Where possible, market evidence was also used to corroborate yield assumptions.
- To test the sustainability of the cash flows we have performed our audit procedures on revenue and expected credit losses. Additionally, we have tested specifically the void assumptions, tenant incentives, cash collection as well as variable income and car park income of each of the properties to conclude that the assumptions used in the assessment of sustainability of the cash flows are reasonable.
- We reviewed the associated disclosures within the financial statements and focus on any additional requirements that may be necessary, for example, the FRC's expectations in relation to sensitivity disclosures in Note 10 and narrative reporting around the impact of Covid-19.

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

Going concern and covenant compliance

Key audit matter description

As at 30 December 2020, Group's borrowings totalled £423.9 million (30 December 2019: £422.8 million). The Group also had cash and cash equivalents of £84.1 million (30 December 2019: £95.9 million), of which £60 million was maintained centrally and without any restriction (30 December 2019: £70 million).

The Group has seen, and expects there to continue to be, a significant reduction in rental income and pressure on ability to collect rents throughout the period of at least one year from the date when the financial statements are authorised for issue as a result of the ongoing trading restrictions due to the Covid-19 pandemic. As a result of the continuous impacts of the Covid-19 pandemic and sustained effect of the structural changes in the retail business, the property valuation impacts may be greater and quicker than anticipated.

We identified a key audit matter relating to the ability of the Group to meet the loan covenant requirements relating to loan to value and interest rate cover during the year and for a period of at least one year from the date when the financial statements are authorised for issue. There are waivers in place for all covenants at year end and extending to April 2021, however if these weren't in place, the covenants would be in a breach position. There is no certainty that short or long-term waivers for any covenants will continue to be granted by some or all lenders.

For some of the Group's asset-backed facilities, there is no longer headroom in the borrowing to property valuation ratio, and a downwards movement in property valuations could impact on this headroom even further. 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. Where covenant limits could be breached, we identified that there may not be sufficient headroom on available central unrestricted Group cash to cure all possible defaults, especially in a reasonable worst case scenario where property values fell by 15% from the year-end valuation.

Operationally, the Group has demonstrated sufficient cash to trade for the lookout period of 12 months and this would enable it to still operate as going concern. However, in the event that covenant waivers could not be obtained, as outlined above, and in the event of a default, the Group would need to take alternative courses of action to secure the cash position of the Group. This could involve the surrender of ring-fenced assets to the relevant lenders instead of curing the associated breach of covenant. This course of action is available due to the fact that none of the facilities are cross-default and any of the facilities can be in default without recourse to the other ring-fenced facilities in the Group.

Management's consideration of the going concern basis of preparation is set out in the Going Concern statement on page 39 and Note 1 together with a detailed presentation of the likely actions they could take to respond to potential covenant breaches and further mitigation actions available should the Group's lenders not provide waivers to covenant breaches if required. Management has adopted the going concern basis of accounting for the Group and parent Company. On the basis that the Group has sufficient operational cash and the ability to surrender any of the ring-fenced assets should covenant waivers not be obtained, and a cure of covenant breaches not be made, Management has concluded that there are no material uncertainties that may cast significant doubt over the Group's and parent Company's ability to adopt the going concern 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 64.

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 evaluated management's modelling of alternative scenarios taking into consideration projected capital expenditure, discount rates applied to future cash flows, current business and economic trends and significant developments during and subsequent to the year ended 30 December 2020.
- We assessed key loan documentation to understand the principal terms, including financial covenants and current waivers in place, and performed a review of the Group's existing and forecast compliance with debt covenants and any associated equity cures/ cash traps.
- We assessed the availability of further mitigating actions available to management as presented in Note 1 and assessed the sufficiency of the disclosures made in the annual report.
- We assessed the non-recourse and no cross default nature of the facilities in place.

Key observations

We concur with management's conclusion to prepare the Group and parent 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 flow model to support the carrying values of the investments is a key area of judgement and is identified as a key audit matter. In particular, this relates to the reasonableness of cash flow forecasts, long-term growth rates and the discount rates applied in the discounted cash flow calculations used to support investments held at above net asset value of the subsidiaries.

Investments had a carrying value of £166.4 million at 30 December 2020 (30 December 2019: £344.0 million), comprising 71% (30 December 2019: 79%) of the parent Company's assets. Intercompany debtors had a carrying value of £7.1 million at 30 December 2020 (30 December 2019: £94.0 million), comprising 3% (30 December 2019: 21%) of the parent Company's assets.

Investments are subject to an impairment review using discount rate of 17.8%. Management has assessed the recoverability of investments on the basis of nil growth. Management has posted an impairment of £219.3 million (2019: £215.8 million) as a result of comparing the carrying value of the investment against its recoverable amount.

The recoverability of the Group debtors of the parent Company is determined using the expected credit loss model. Following the assessment of intercompany debtors recoverability the £26 million provision has been booked in the parent Company's financial statements.

The accounting policies for both investments and intercompany debtors are set out in Note A to the parent Company financial statements including management's assessment of this as a key source of estimation uncertainty. The Audit Committee's discussion of this key audit matter is set out on page 64.

Independent Auditor's Report

To the members of Capital & Regional plc CONTINUED

How the scope of our audit responded to the key audit matter	<ul style="list-style-type: none"> ■ We obtained an understanding of the parent Company's key controls to address the risk of impairment of investments and intercompany debtor balances. ■ We challenged management's discounted cash flow model and the cash flow forecasts employed therein, including comparison of the input assumptions to externally and internally derived data with the involvement of our internal valuations specialists. The inputs considered included the cash flow projections, long-term growth rates and discount rates. ■ We also assessed whether the forecasts employed are consistent with those used to support other judgements in the financial statements. ■ We analysed the recoverability of the Group debtors of the parent Company and how expected credit loss model has been applied. ■ We assessed the disclosures included in the annual report.
Key observations	We concur with the level of impairment recognised by management for all investments. We consider that the carrying value of parent Company investment and intercompany debtor balances is appropriate.

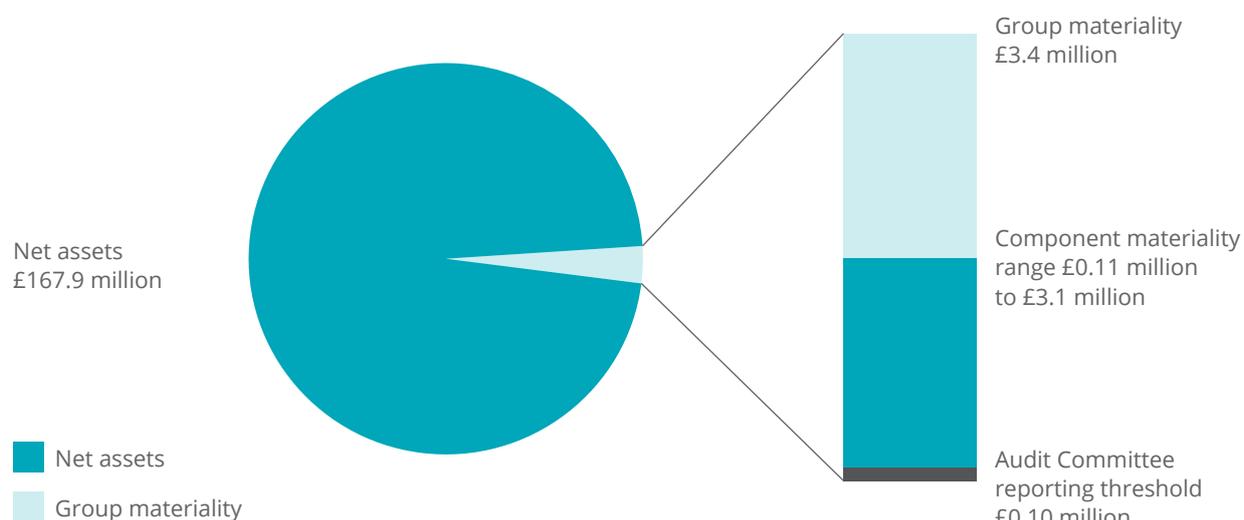
Our Application of Materiality

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 Company financial statements
Materiality	£3.4 million (2019: £7.5 million)	£3.1 million (2019: £6.75 million)
Basis for determining materiality	<p>We determined materiality to be 2% of net assets (2019: 2% of net assets).</p> <p>We applied a lower threshold of £0.5 million (2019: £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 (2019: 5% of Adjusted Profit).</p>	Parent Company materiality equates to 2% of net assets (2019: 2% of net assets), which is capped at 90% of Group materiality (2019: capped at 90% of Group materiality).
Rationale for the benchmark applied	<p>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.</p> <p>We applied a lower threshold of £0.5 million (2019: £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 and other users of the financial statements.</p>	We used net assets as a benchmark when determining materiality as it is considered to be the most critical financial performance measure for the parent Company as a holding company.



We applied a lower threshold of £0.5 million (2019: £1.4 million) for testing of all balances impacting Adjusted Profit (as defined in Note 1 to the Group financial statements), which is 5% (2019: 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 financial statements	Parent Company financial statements
Performance Materiality	70% (2019: 70%) of Group materiality	70% (2019: 70%) of parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: <ol style="list-style-type: none"> the changes in the business have been factored into the level of materiality; 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 £0.10 million (2019: £0.22 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.

Independent Auditor's Report

To the members of Capital & Regional plc CONTINUED

An Overview of the Scope of Our Audit

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

Our Group audit scope focused primarily on the audit work on the major lines of business. These major lines of business are wholly-owned assets, 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% (2019: 98%) of the Group's net assets, 100% (2019: 100%) of the Group's revenue and 100% (2019: 100%) of the Group's operating profit. This coverage corresponds with the full scope audit 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 3% and 90% (2019: 2% and 90%) of Group materiality, which corresponds to component materiality of between £0.11 million and £3.06 million (2019: between £0.18 million and £6.75 million).

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in this regard.

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.

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.

Extent to Which the Audit was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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 24 March 2021;
- 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 relevant internal specialists, including tax, IT, 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, 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 matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

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

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

Independent Auditor's Report

To the members of Capital & Regional plc CONTINUED

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.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 39;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 39;
- the Directors' statement on fair, balanced and understandable set out on page 65;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 34;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 65; and
- the section describing the work of the Audit Committee set out on pages 63 to 65.

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 Which We are Required to Address

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by Directors on 19 January 1998 to audit the financial statements for the year ending 25 December 1997 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 24 years, covering the years ending 25 December 1997 to 30 December 2020.

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 parent 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 parent 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 parent Company and the parent 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

24 March 2021

Consolidated Income Statement

For the year to 30 December 2020

	Note	2020 £m	2019 £m
Revenue	3	72.7	88.9
Expected credit loss		(7.3)	(1.7)
Cost of sales	4	(27.9)	(33.6)
Gross profit		37.5	53.6
Administrative costs	6	(12.0)	(8.8)
Loss on revaluation of investment properties	10a	(208.3)	(138.6)
Other gains and losses		1.6	(1.5)
Transaction costs in association with Partial Offer and equity raise		-	(2.2)
Loss on ordinary activities before financing		(181.2)	(97.5)
Finance income	5	0.4	0.4
Finance costs	5	(22.8)	(23.9)
Loss before tax	6	(203.6)	(121.0)
Tax credit	8a	0.2	-
Loss for the year	2a	(203.4)	(121.0)
<i>All results derive from continuing operations.</i>			
Basic earnings per share	9a	(188.3)p	(162.3)p
Diluted earnings per share	9a	(188.3)p	(162.3)p
EPRA basic earnings per share	9a	9.2p	35.4p
EPRA diluted earnings per share	9a	9.2p	35.4p

Comparative earnings per share figures have been multiplied by ten to adjust for the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

Consolidated Statement of Comprehensive Income

For the year to 30 December 2020

	2020 £m	2019 £m
Loss for the year	(203.4)	(121.0)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	-	-
Total items that may be reclassified subsequently to profit or loss	-	-
Total comprehensive expense for the year	(203.4)	(121.0)

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 (EPRA). These reflect the updated guidance issued by EPRA in October 2019; they are defined in the Glossary to the Financial Statements. EPRA Earnings and EPRA EPS are shown in Note 9 to the Financial Statements. EPRA net reinstatement value (NRV), net tangible assets (NTA) and net disposal value (NDV) are shown in Note 24 to the Financial Statements. We consider EPRA NTA to be the most relevant measure for our business.

Consolidated Balance Sheet

At 30 December 2020

	Note	2020 £m	2019 £m
Non-current assets			
Investment properties	10	536.1	770.9
Plant and equipment	11	2.5	2.2
Right of use assets	12	12.2	-
Fixed asset investments		0.9	1.2
Receivables	14	14.2	14.7
Total non-current assets		565.9	789.0
Current assets			
Receivables	14	21.3	15.4
Cash and cash equivalents	15	84.1	95.9
Total current assets		105.4	111.3
Total assets	2b	671.3	900.3
Current liabilities			
Trade and other payables	16	(30.9)	(35.7)
Total current liabilities		(30.9)	(35.7)
Net current assets		74.5	75.6
Non-current liabilities			
Bank loans	17a	(423.9)	(422.8)
Other payables	16	(0.2)	(1.8)
Derivatives	16	(8.9)	(3.4)
Obligations under finance leases	26	(39.6)	(61.5)
Total non-current liabilities		(472.6)	(489.5)
Total liabilities	2b	(503.5)	(525.2)
Net assets		167.8	375.1
Equity			
Share capital	19	11.2	10.4
Share premium	19	244.3	238.0
Merger reserve		60.3	60.3
Capital redemption reserve		4.4	4.4
Own shares reserve	21	-	-
Retained earnings		(152.4)	62.0
Equity shareholders' funds		167.8	375.1
Basic net assets per share	24	150.1p	361.1p
EPRA net reinstatement value per share	24	157.6p	363.5p
EPRA net tangible assets per share	24	157.6p	363.5p
EPRA net disposal value per share	24	139.4p	355.9p

Comparative per share figures have been multiplied by ten to adjust for the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

These financial statements were approved by the Board of Directors, authorised for issue and signed on their behalf on 24 March 2021 by:

STUART WETHERLY
GROUP FINANCE DIRECTOR

Consolidated Statement of Changes in Equity

For the year to 30 December 2020

	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 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
Balance at 30 December 2019	10.4	238.0	60.3	4.4	-	62.0	375.1
Loss for the year	-	-	-	-	-	(203.4)	(203.4)
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	-	-	(203.4)	(203.4)
Credit to equity for equity-settled share-based payments (Note 20)	-	-	-	-	-	0.4	0.4
Dividends paid, net of scrip	-	-	-	-	-	(4.3)	(4.3)
Shares issued, net of costs (Note 19) ⁴	0.8	6.3	-	-	-	(7.1)	-
Balance at 30 December 2020	11.2	244.3	60.3	4.4	-	(152.4)	167.8

Notes:

- ¹ These reserves are not distributable.
- ² The merger reserve of £60.3 million arose on the Group's capital raising in 2009 which was structured so as to allow the Company to claim merger relief under section 612 of the Companies Act 2006 on the issue of ordinary shares. The merger reserve is available for distribution to shareholders.
- ³ Own shares relate to shares purchased out of distributable profits and therefore reduce reserves available for distribution.
- ⁴ Scrip dividends paid, no impact on total equity.

Consolidated Cash Flow Statement

For the year to 30 December 2020

	Note	2020 £m	2019 £m
Operating activities			
Net cash from operations	22	17.9	37.5
Distributions received from fixed asset investments		1.5	2.3
Interest paid		(14.3)	(14.8)
Interest received		0.2	0.2
Cash flows from operating activities		5.3	25.2
Investing activities			
Disposals		4.9	-
Purchase of plant and equipment		(0.8)	(0.7)
Capital expenditure on investment properties		(15.6)	(12.7)
Cash flows from investing activities		(11.5)	(13.4)
Financing activities			
Dividends paid, net of scrip		(4.2)	(11.6)
Bank loans repaid		-	(11.0)
Issue of ordinary shares		-	74.7
Fixed payments under head leases		(1.4)	-
Cash flows from financing activities		(5.6)	52.1
Net (decrease)/increase in cash and cash equivalents		(11.8)	63.9
Cash and cash equivalents at the beginning of the year		95.9	32.0
Cash and cash equivalents at the end of the year	15	84.1	95.9

Notes to the Financial Statements

For the year to 30 December 2020

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 IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 inputs are unobservable inputs for the asset or liability.

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with International 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 2020:

IFRS 16 Leases

IFRS 16 replaces IAS 17 "Leases" and requires all operating leases in excess of one year, where the Group is the lessee, to be included on the Group's balance sheet, and the recognition of a right-of-use asset and a related lease liability representing the obligation to make lease payments. The right-of-use asset is assessed for impairment annually (incorporating any onerous lease assessments) and amortised on a straight-line basis, with the lease liability being amortised using the effective interest method. The Group has recognised, on the balance sheet, an asset for its lease of office premises and the leases of the Snozone business on its Basingstoke, Castleford and Milton Keynes sites, along with a corresponding liability. The transition to IFRS 16 has also impacted the presentation of our leasehold properties, previously presented as finance leases. As a result of IFRS 16 these have been remeasured to be based on minimum payments where applicable, in the case of our leasehold property in Blackburn, this has been remeasured to nil as there is no minimum payment. This has resulted in a day 2 adjustment of the lease asset and corresponding liability from £61.3 million to £35.6 million.

The Group has applied IFRS 16 using the modified retrospective approach and has not restated comparative information. The transition date of initial application of IFRS 16 for the Group was 31 December 2019.

For investment properties held under leases that are classified as lease liabilities, the properties are initially recognised at the lower of fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a lease liability. After initial recognition, leasehold properties classified as investment properties are held at fair value, and the obligation to the lessor is included in the balance sheet at the present value of the minimum lease payments. The minimum lease payment valuation is remeasured at each balance sheet date and the value of the Group's right-of-use asset is adjusted accordingly over the lease term.

1 Significant Accounting Policies CONTINUED

In the prior year, the Group had four operating leases, relating to office premises and the leases of the Snozone business on its Basingstoke, Castleford and Milton Keynes sites. These leases had non-cancellable future lease payments of £17.0 million. After discounting the future lease payments under IFRS 16, the liability on transition was amended to £14.4 million. The Group recognised a right-of-use asset of £14.4 million in property, plant and equipment and a lease liability of £14.4 million at the transition date. The impact at the transition date on the opening retained earnings is £nil. As at 30 December 2020, the net carrying value of the right-of-use asset was £12.2 million and lease liability was £13.0 million. The additional depreciation charge for the right-of-use asset recognised during the year was £2.2 million. The reduction in the lease liability in respect of principal repayments and interest was £1.4 million.

When measuring the lease liabilities for leases that were classified as operating leases, new lease liabilities acquired and lease extensions, the Group discounted lease payments using an incremental borrowing rate specific for each asset based on what the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. A discount rate of 3.92% has been used for the support office and 4.04% for Snozone leases. The interest rate has been determined using the effective interest rate.

The reconciliation of the opening balance sheet movement is as follows:

	Pre transition 31 December 2019 £m	IFRS 16 adoption 31 December 2019 £m	Post transition 31 December 2019 £m
Asset associated with head lease obligation	61.3	(35.6)	25.7
Right-of-use asset	-	14.4	14.4
Obligations under head leases	(61.3)	35.6	(25.7)
Obligations under lease liabilities	-	(14.4)	(14.4)

Accounting policy post transition

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs.

The right-of-use assets are amortised on a straight-line basis over the length of each lease. To assess for impairment of the right-of-use asset the Directors have considered whether the Group can reasonably expect to recover the costs of each lease through operation. No indication of impairment has been deemed to exist.

Notes to the Financial Statements

CONTINUED

1 Significant Accounting Policies CONTINUED

Accounting policy pre transition

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.

Critical accounting judgements

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

Going concern

Under the UK Corporate Governance Code, the Board needs to report whether the business is a going concern. In making its assessment of Going Concern, the Group has considered specifically the impact on the business of the significant disruption arising from Covid-19. At the time of writing, all of the Group's seven shopping centres are open, though a majority of tenants are unable to trade due to current government restrictions and rent collection for the first quarter of 2021 is currently running at 60%.

At 30 December 2020 the Group had total cash on balance sheet of over £75 million, which is equivalent to more than one year's gross revenue. Of this, £60.3 million was centrally held and free of any restrictions. This provides a 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 rationed capital expenditure projects to only those that immediately drive income improvements, or are of strategic importance, and we have suspended the dividend until such time as markets stabilise.

In making its assessment of Going Concern, the Group has run updated Group forecasts on both a base case and sensitised basis. In the latter, the Group has considered the impact of restrictions extending into the second half of 2021. The Group's analysis projects that the central cash maintained provides sufficient funds to cover this potential disruption.

The Group's four asset-backed loan facilities each have bespoke covenants as outlined on page 149. Covenants in respect of minimum interest cover ratios, both projected and historic, are tested quarterly. We have secured waivers or deferrals for all income covenants for the current quarter and are in constructive and detailed dialogue with the respective lenders on extending these further as detailed in the Financing section above. The earliest maturity on any of the Group's asset-backed loan facilities is February 2023.

In respect of The Mall and Ilford loan facilities, where the combined assets make up substantively all of the Group's Net Asset Value excluding cash, the central cash balance maintained by the Group at 30 December 2020, in addition to available cash within the relevant structures, provides sufficient funds to remedy the loan-to-value covenants if values fell by up to a further 15% across these assets by reference to the December 2020 valuations. This is if the Directors choose to take this approach, even without any further covenant relaxation. If valuations fell by in excess of 15% then the Group would be reliant on obtaining some form of covenant relaxation beyond the existing terms of the facility agreements but ongoing discussions with the Group's lenders leave Management confident that this would be obtained. All of the Group's four asset-backed facilities are non-recourse with no cross-default clauses and all facilities provide the Group with the opportunity to cure breaches of financial covenants.

In coming to its Going Concern assumption, the Group has also considered many of the other options available to generate or conserve additional cash to remedy loan-to-value covenants and to fund value accretive capital expenditure and letting initiatives. These include the potential disposal of assets – either in whole or part – the opportunity to crystallise value on the Walthamstow residential development, the option to effectively surrender ring-fenced assets to lenders and the ability to potentially issue new equity.

Having due regard to all of the above matters and after making appropriate enquiries including considerations of the impact of Covid-19 and sensitivities, 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.

1 Significant Accounting Policies CONTINUED

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 2020 was based. The assumptions on which the property valuation reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, the condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards UK 2014 (revised January 2020).

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.

Derivative financial instruments

Reliance upon the work undertaken at 31 December 2020 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 16 and 18e. Note 18b provides figures showing the Group's sensitivity to a 100bps increase or decrease in interest rate expectations.

Increase in credit risk

When measuring expected credit loss the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Due to the impact of Covid 19 on collection rates, there has been a significant increase in our assessed credit risk. Probability of default constitutes a key input in measuring expected credit losses (ECL). Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Basis of consolidation

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

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

Subsidiaries, 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.

Notes to the Financial Statements

CONTINUED

1 Significant Accounting Policies CONTINUED

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 = €1.1123 (2019: £1 = €1.1765). The principal exchange rate used for the income statement is the average rate for the year: £1 = €1.1248 (2019: £1 = €1.1403).

Property, plant and equipment

Group/central

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

Snozone

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided so as to write off the cost of the assets, less their estimated residual values, on a straight-line basis over their expected useful lives, which are given below as a general rule; however, as part of the day-to-day running of the business there may be some assets which fall outside of this, these assets are treated the same and are always depreciated on a straight-line basis over their expected useful lives. The expected useful lives of the assets are reassessed periodically in the light of experience.

Snow Equipment	20% – 100% or 1 – 5 years
Computer Equipment	20% – 50% or 2 – 5 years
Office Equipment	20% – 50% or 2 – 5 years
Operations Equipment	20% – 50% or 2 – 5 years

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.

1 Significant Accounting Policies CONTINUED

Leases

The Group as lessor

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

The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs.

The right-of-use assets are amortised on a straight-line basis over the length of each lease. To assess for impairment of the right-of-use asset the Directors have considered whether the Group can reasonably expect to recover the costs of each lease through operation. No indication of impairment has been deemed to exist.

Fixed asset investments

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

Financial instruments

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

Financial assets

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

Notes to the Financial Statements

CONTINUED

1 Significant Accounting Policies CONTINUED

Effective interest rate method

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

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

Trade receivables

Trade receivables are carried at the original invoice amount less provision for impairment (credit losses). Discounts and similar allowances are recorded on an accrual basis, consistent with the recognition of the related sales, using estimates based on existing contractual obligations, historical trends and the Group's experience. Long-term accounts receivables are discounted to take into account the time value of money, where material.

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

Cash and cash equivalents

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

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.

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.

1 Significant Accounting Policies CONTINUED

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. Lease incentives are capitalised and amortised over the length of the lease. Amortisation is offset against rental income.

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable, offset against the expense they are intended to compensate where applicable.

Finance costs

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

Notes to the Financial Statements

CONTINUED

1 Significant Accounting Policies CONTINUED

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.

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, 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

	Note	Shopping Centres £m	Snozone £m	Group/ Central £m	Total £m
Year to 30 December 2020					
Rental income from external sources	2b	55.6	-	-	55.6
Property and void costs		(21.5)	-	-	(21.5)
Net rental income		34.1	-	-	34.1
Net interest expense		(17.6)	(0.5)	0.6	(17.5)
Snozone income/Management fees ¹	2b	-	4.6	2.3	6.9
Management expenses		-	(4.3)	(6.5)	(10.8)
Investment income		-	-	0.1	0.1
Depreciation		-	(2.2)	(0.5)	(2.7)
Tax charge		-	-	0.2	0.2
Adjusted Profit/(loss)		16.5	(2.4)	(3.8)	10.3
Revaluation of properties		(208.3)	-	-	(208.3)
Profit on disposal		0.4	-	-	0.4
Loss on financial instruments		(5.0)	-	-	(5.0)
Share-based payments		-	-	(0.4)	(0.4)
Other items		-	-	(0.4)	(0.4)
(Loss)/profit		(196.4)	(2.4)	(4.6)	(203.4)
Total assets	2b	590.9	14.3	66.1	671.3
Total liabilities	2b	(482.9)	(16.0)	(4.6)	(503.5)
Net assets		108.0	(1.7)	61.5	167.8

¹ 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.

2a Operating Segments CONTINUED

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)	(6.8)	(15.5)
Investment income		-	-	0.2	0.2
Depreciation		-	(0.3)	(0.2)	(0.5)
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

2b Reconciliations of Reportable Revenue, Assets and Liabilities

Revenue	Note	Year to 30 December 2020 £m	Year to 30 December 2019 £m
Rental income from external sources	2a	55.6	63.0
Service charge income		11.7	14.6
Management fees	2a	2.3	2.3
Snozone income	2a	4.6	10.5
Revenue for reportable segments		74.2	90.4
Elimination of inter-segment revenue		(1.5)	(1.5)
Rental income earned by associates and joint ventures	2a	-	-
Revenue per consolidated income statement	3	72.7	88.9

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

Assets	Note	2020 £m	2019 £m
Wholly-owned assets		590.9	820.0
Snozone		14.3	3.9
Group/Central		66.1	76.4
Total assets of reportable segments and Group assets	2a	671.3	900.3

Liabilities	Note	2020 £m	2019 £m
Wholly-owned assets		(482.9)	(514.6)
Snozone		(16.0)	(2.0)
Group/Central		(4.6)	(8.6)
Total liabilities of reportable segments and Group liabilities	2a	(503.5)	(525.2)

Net assets by country

UK		166.9	375.8
Germany		0.9	(0.7)
Group net assets		167.8	375.1

3 Revenue

Revenue	Note	Year to 30 December 2020 £m	Year to 30 December 2019 £m
Gross rental income		43.5	49.6
Ancillary income		12.1	13.4
Service charge income	2a	55.6	63.0
External management fees	2b	11.7	14.6
Snozone income	2a	4.6	10.5
Revenue per consolidated income statement	2b	72.7	88.9

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 2020 £m	Year to 30 December 2019 £m
Property and void costs	(13.4)	(13.2)
Service charge costs	(10.2)	(13.1)
Snozone expenses	(4.3)	(9.0)
Total cost of sales	(27.9)	(35.3)

5 Finance Income and Costs

	Year to 30 December 2020 £m	Year to 30 December 2019 £m
Finance income		
Interest receivable	0.3	0.2
Income from fixed asset investments	0.1	0.2
Total finance income	0.4	0.4
Finance costs		
Amortisation of deferred loan arrangement fees	(1.0)	(1.0)
Interest payable on bank loans and overdrafts	(14.5)	(14.5)
Other interest payable	(0.4)	(0.3)
Finance lease costs	(1.9)	(3.4)
Loss in fair value of financial instruments:		
– Interest rate swaps	(5.0)	(4.7)
Total finance costs	(22.8)	(23.9)

6 Loss Before Tax

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

	Note	Year to 30 December 2020 £m	Year to 30 December 2019 £m
Variable lease payments not capitalised under IFRS 16		0.4	2.2
Impairment of receivables	14	7.3	2.0
Other gains and losses		1.6	1.5
Depreciation of plant and equipment	11	0.5	0.5
Depreciation of right-of-use assets	12	2.2	–
Staff costs	7	8.7	10.5
Auditor's remuneration for audit services (see below)		0.3	0.2
Transaction costs in association with Partial Offer and equity raise		–	2.2

Notes to the Financial Statements

CONTINUED

6 Loss Before Tax CONTINUED

Auditor's remuneration

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

	Year to 30 December 2020 £'000	Year to 30 December 2019 £'000
Fees payable to the Company's Auditor and its associates for the audit of the Company's annual financial statements	213	82
Fees payable to the Company's Auditor and its associates for other services to the Group – the audit of the Company's subsidiaries	73	73
Total audit fees for the Company and its subsidiaries	286	155
Audit-related assurance services - Review of Interim Report	45	45
Other assurance services	-	2
Consultancy services	-	-
Total non-audit fees	45	47
Total fees paid to Auditor and their associates	331	202

7 Staff Costs

	Note	Year to 30 December 2020 £m	Year to 30 December 2019 £m
Salaries		6.9	8.2
Discretionary bonuses		0.4	0.9
Share-based payments	20	0.4	0.1
		7.7	9.2
Social security		0.7	1.0
Other pension costs		0.3	0.3
		8.7	10.5

Staff costs amounting to £0.2 million (2019: £0.6 million) have been capitalised as development costs during the year.

Staff numbers

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

	Year to 30 December 2020 Number	Year to 30 December 2019 Number
CRPM/PLC	41	43
Shopping centres	87	61
Snozone	60	129
Total staff numbers	188	233

The monthly average number of total employees (including Executive Directors) employed within the Group during the year was 263 (CRPM – 41, Shopping centres – 87, Snozone – 135) compared to 369 in 2019 (CRPM – 45, Shopping centres – 80, Snozone – 244).

There were no employees (2019: Nil) employed by the Company during 2020.

The Group has received £1.2m in funds from HMRC for furloughed employees between April to December 2020 (CRPM - £nil, Shopping centres - £0.2m, Snozone - £1.0m). This has been credited against staff costs in the income statement.

8 Tax

8a Tax credit

	Year to 30 December 2020 £m	Year to 30 December 2019 £m
Current tax		
UK corporation tax	-	-
Adjustments in respect of prior years	-	-
Total current tax credit	-	-
Deferred tax		
Origination and reversal of temporary timing differences	0.2	-
Total deferred tax	0.2	-
Total tax credit	0.2	-

£nil (2019: £nil) of the tax charge relates to items included in other comprehensive income.

8b Tax credit reconciliation

	Year to 30 December 2020 £m	Year to 30 December 2019 £m
	Note	
Loss before tax on continuing operations	(203.6)	(121.0)
Expected tax credit at 19% (2019: 19%)	38.7	23.0
REIT exempt income and gains	(38.0)	(22.2)
Non-allowable expenses and non-taxable items	0.1	(0.6)
Excess tax losses	(0.6)	(0.2)
Actual tax credit	8a 0.2	-

8c Deferred tax

On 17 March 2020, the Finance Act 2020 was substantively enacted confirming that the main UK corporation tax rate will be 19% from 1 April 2020 and that it will remain at 19% for the year from 1 April 2021. Consequently, the UK corporation tax rate at which deferred tax is booked in the financial statements is 19% (2019: 17%). Prior to 17 March 2020 the previous substantively enacted rate was 17%. After the year end in the Budget on Wednesday 3 March 2021 it was announced that from 1 April 2023 the corporation tax main rate will be increased to 25% applying to profits over £250,000. This is not anticipated to have a material impact on the Group's results.

The Group has recognised a deferred tax asset of £0.2 million (30 December 2019: £nil). The Group has recognised deferred tax assets for the non-REIT profit entities in respect of head lease payments and capital allowances to the extent that future matching taxable profits are expected to arise.

No deferred tax asset has been recognised in respect of temporary differences arising from investments or investments in associates 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 £22.5 million (30 December 2019: £19.0 million) of unused revenue tax losses, all of which are in the UK. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future taxable profit streams and other reasons which may restrict the utilisation of the losses (30 December 2019: £nil). The Group has unused capital losses of £24.9 million (30 December 2019: £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.

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8 Tax CONTINUED

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.

A UK REIT is expected to pay dividends (PIDs) of at least 90% of its taxable profits from its UK property rental business by the first anniversary of each accounting date. By agreement with HMRC the Group has an extension to the payment date of the balance of the 2019 PID, of approximately £7.6 million, to 30 June 2021 in order to meet its REIT distribution requirements for the financial year ending 2019. The Group has commenced discussions with HMRC in seeking a further extension to this deadline given the impact and uncertainties caused to the Group's business by COVID-19. If the Group were to not be granted an extension and not meet the minimum requirement then, under REIT legislation, the Group will incur UK corporation tax payable at 19% whilst remaining a REIT. We estimate that this would result in a tax payment of approximately £1.4 million being required to be paid. However, this is subject to there being no legal impediment to distribution. At 30 December 2020 the Company does not have sufficient distributable reserves to declare a dividend. If this legal impediment to distribution subsists at the date for payment of the balance of the 2019 PID and the date of payment of the 2020 PID the Group will be deemed to have met the distribution requirement for those periods based on the provisions in CTA 2010 section 530.

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.

VAT

During the year the Group deferred VAT payments of £3.3 million under the government's deferral scheme. These will be repaid in instalments over the course of 2021.

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 2020			Year to 30 December 2019		
	Loss	EPRA	Adjusted Profit	Loss	EPRA	Adjusted Profit
Profit (£m)						
(Loss) for the year	(203.4)	(203.4)	(203.4)	(121.0)	(121.0)	(121.0)
Revaluation loss on investment properties (net of tax)	9b	208.3	208.3	-	140.0	140.0
(Profit)/loss on disposal (net of tax)	9b	(0.4)	(0.4)	-	0.5	0.5
Transaction costs on issue of new equity		-	-	-	2.2	2.2
Changes in fair value of financial instruments	9b	5.0	5.0	-	5.0	5.0
Share-based payments	2a	-	0.4	-	-	0.1
Other items		0.4	0.4	-	(0.3)	0.6
(Loss)/profit (£m)	(203.4)	9.9	10.3	(121.0)	26.4	27.4
Earnings per share (pence)	(188.3)	9.2	9.5	(162.3)	35.4	36.7
Diluted earnings per share (pence)	(188.3)	9.2	9.5	(162.3)	35.4	36.7

Comparative per share figures have been multiplied by ten to adjust for the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

None of the current or prior year earnings related to discontinued operations (2019: none).

9 Earnings Per Share CONTINUED

	Note	Year to 30 December 2020	Year to 30 December 2019
Weighted average number of shares (m)			
Ordinary shares in issue		108.0	746.2
Own shares held	21	-	(0.6)
Basic		108.0	745.6
Dilutive contingently issuable shares and share options		0.3	3.3
Diluted		108.3	748.9

At the end of the year, the Group had 678,919 (2019: 10,698,595 equivalent to approximately 1,069,859 shares after the 10:1 share consolidation completed on 15 January 2020) 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.

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

	Note	Year to 30 December 2020			Year to 30 December 2019		
		Revaluation movements £m	Profit on disposal of investment properties £m	Movement in fair value of financial instruments £m	Revaluation movements £m	Loss on disposal of investment properties £m	Movement in fair value of financial instruments £m
Wholly-owned		(208.3)	0.4	(5.0)	(140.0)	-	(5.0)
Associates		-	-	-	-	-	-
Joint ventures		-	-	-	-	(0.5)	-
Tax effect		-	-	-	-	-	-
Total	9a	(208.3)	0.4	(5.0)	(140.0)	(0.5)	(5.0)

9c Headline earnings per share

Headline earnings per share is an alternative performance measure as required by the JSE Listing Requirements. It has been calculated and presented in line with the JSE guidance.

	Year to 30 December 2020		Year to 30 December 2019	
	Basic	Diluted	Basic	Diluted
Profit (£m)				
(Loss) for the year	(203.4)	(203.4)	(121.0)	(121.0)
Revaluation loss on investment properties (including tax)	208.3	208.3	140.0	140.0
(Profit)/Loss on disposal (net of tax)	(0.4)	(0.4)	0.5	0.5
Transaction costs on issue of new equity	-	-	2.2	2.2
Other items	0.4	0.4	(0.3)	(0.3)
Headline earnings	4.9	4.9	21.4	21.4
Weighted average number of shares (m)				
Ordinary shares in issue	108.0	108.0	746.2	746.2
Own shares held	-	-	(0.6)	(0.6)
Dilutive contingently issuable shares and share options	-	0.3	-	3.3
	108.0	108.3	745.6	748.9
Headline Earnings per share (pence) Basic/Diluted	4.6	4.5	28.7	28.6

Comparative per share figures have been multiplied by ten to adjust for the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

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10 Investment Properties

10a Wholly-owned properties

	Note	Freehold investment properties £m	Leasehold investment properties £m	Total property assets £m
Cost or valuation				
At 30 December 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
Capital expenditure (excluding capital contributions)		4.2	9.8	14.0
Disposal		(4.6)	-	(4.6)
Valuation deficit ¹		(98.6)	(109.6)	(208.2)
IFRS 16 transition adjustment	1	-	(36.0)	(36.0)
At 30 December 2020		280.1	256.0	536.1

¹ £208.3 million per income statement and Note 2a includes letting fee amortisation adjustment of £0.1 million.

10b Property assets summary

	30 December 2020 £m	30 December 2019 £m
Investment properties at fair value as reported by the valuer	527.0	727.1
Add back of lease liabilities	25.3	61.5
Unamortised tenant incentives on investment properties	(16.2)	(17.7)
IFRS Property Value	536.1	770.9

As described in Note 1 Summary of Significant Accounting Policies, where the valuation obtained for investment property is net of all payments to be made, it is necessary to add back the lease liability to arrive at the carrying amount of investment property at fair value.

10c Valuations

External valuations at 30 December 2020 were carried out on all of the gross property assets detailed in the table above. The fair value was £527.0 million (2019: £727.1 million). The valuations at 30 December 2020 were carried out by independent qualified professional valuers from CBRE Limited and Knight Frank LLP in accordance with RICS standards. These valuers are not connected with the Group and their fees are charged on a fixed basis that is not dependent on the outcome of the valuations.

Real estate valuations are complex and derived from data that is not widely publicly available and involves a degree of judgement. For these reasons, the valuations are classified as Level 3 in the fair value hierarchy as defined by IFRS 13. The valuations are sensitive to changes in rent profile and yields.

The Group considers all of its investment properties to fall within "Level 3", as defined in Note 1. The table below summarises the key unobservable inputs used in the valuation of the Group's wholly-owned investment properties at 30 December 2020:

	Market value £m	Estimated rental value £ per sq ft			Equivalent yield %		
		Low	Portfolio	High	Low	Portfolio	High
Wholly-owned assets	527.0	7.8	12.0	21.2	6.2	8.3	12.7

10 Investment Properties CONTINUED**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	21.2	(20.2)	(16.9)	18.2	(32.7)	37.7
	Impact on valuations of 100bps change in equivalent yield					
	Increase £m	Decrease £m				
Wholly-owned assets	(61.8)	81.0				

11 Plant and Equipment

	30 December 2020 £m	30 December 2019 £m
Cost		
At the start of the year	5.9	5.3
Additions	0.8	0.7
Disposals	-	(0.1)
At the end of the year	6.7	5.9
Accumulated depreciation		
At the start of the year	(3.7)	(3.3)
Charge for the year	(0.5)	(0.5)
Eliminated on disposal	-	0.1
At the end of the year	(4.2)	(3.7)
Carrying amount		
At the end of the year	2.5	2.2

12 Leases

	Buildings £m
Right of use Assets	
Cost	
At 1 January 2020	14.4
Additions	-
Disposals	-
At 30 December 2020	14.4
Accumulated depreciation	
At 1 January 2020	-
Charge for the year	(2.2)
Disposals	-
At 30 December 2020	(2.2)
Carrying value	
At 30 December 2020	12.2

Lease commitments relate to the leasing of the Group's registered office and the leases of the Snozone business on its Basingstoke, Castleford and Milton Keynes sites

The maturity analysis of lease liabilities is presented in Note 26.

Notes to the Financial Statements

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12 Leases CONTINUED

	Year ended 30 December 2020 £m	Year ended 30 December 2019 £m
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	2.2	-
Interest expense on lease liabilities	0.6	-

13 Subsidiaries

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

14 Receivables

	30 December 2020 £m	30 December 2019 £m
Amounts falling due after one year:		
Financial assets		
Deferred tax	0.2	-
	0.2	-
Non-financial assets		
Unamortised tenant incentives	3.8	4.5
Unamortised rent-free periods	10.2	10.2
	14.2	14.7
Amounts falling due within one year:		
Financial assets		
Trade receivables (net of allowances)	14.7	6.5
Other receivables	2.7	1.3
Accrued income	0.2	1.1
Non-derivative financial assets	17.6	8.9
Non-financial assets		
Prepayments	1.5	3.5
Unamortised tenant incentives	0.8	1.2
Unamortised rent-free periods	1.4	1.8
	21.3	15.4

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 Group does not recognise revenue where collectability is not reasonably expected. In the case of rental income this relates to tenants who are insolvent and closed.

14 Receivables CONTINUED

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

2020	Not past due	1-30 days	31-60 days	61-90 days	>90 days	Total
Expected credit loss rate (%)	5.8	16.3	17.1	50.3	34.2	24.8 ¹
Estimated total gross carrying amount at default (£m)	3.1	7.6	0.6	1.3	10.4	23.0
Lifetime ECL (£m)	(0.2)	(1.2)	(0.1)	(0.6)	(3.6)	(5.7)
Adjustment for forward-looking estimate	(2.7)	-	-	-	-	(2.7)
Total expected credit loss	(2.9)	(1.2)	(0.1)	(0.6)	(3.6)	(8.4)
2019	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

	30 December 2020 £m	30 December 2019 £m
Allowances for credit loss		
At the start of the year	1.4	1.3
Additional allowances created	11.5	2.0
Utilised during the year	(2.6)	(0.3)
Unused amounts reversed	(1.9)	(1.6)
At the end of the year	8.4	1.4

15 Cash and Cash Equivalents

	30 December 2020 £m	30 December 2019 £m
Cash at bank and in hand	82.3	90.5
Security deposits held in rent accounts	0.7	0.7
Other restricted balances	1.1	4.7
	84.1	95.9

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 2020 were held in sterling other than £0.1 million which was held in euros (30 December 2019: £0.3 million).

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16 Trade and Other Payables

	30 December 2020 £m	30 December 2019 £m
Amounts falling due after one year:		
Financial liabilities		
Accruals	0.1	0.1
Other creditors	0.1	1.7
Non-derivative financial liabilities	0.2	1.8
Financial liabilities carried as fair value through profit or loss		
Interest rate swaps	8.9	3.4
	9.1	5.2
Amounts falling due within one year:		
Financial liabilities		
Trade payables	1.2	1.8
Accruals	8.3	12.0
Other creditors	11.1	11.8
Non-derivative financial liabilities	20.6	25.6
Non-financial liabilities		
Deferred income	7.1	9.3
Other taxation and social security	3.2	0.8
	30.9	35.7

The average age of trade payables is seven days (2019: 18 days). No amounts incur interest (2019: £nil).

17 Bank Loans

17a Summary of borrowings

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

		30 December 2020 £m	30 December 2019 £m
Borrowings at amortised cost			
Secured			
Fixed and swapped bank loans	17d	427.4	427.4
Variable rate bank loans	17d	-	-
Total borrowings before costs		427.4	427.4
Unamortised issue costs		(3.5)	(4.6)
Total borrowings after costs		423.9	422.8
Analysis of total borrowings after costs			
Current		-	-
Non-current		423.9	422.8
Total borrowings after costs		423.9	422.8

17 Bank Loans CONTINUED**Undrawn committed facilities**

	30 December 2020 £m	30 December 2019 £m
Expiring between two and five years	22.0	22.0
Expiring greater than five years	-	-

The Group has four secured loan facilities that make up the £427.4 million detailed in the table in Note 17a. The loans are all maintained in separate ring-fenced Special Purpose Vehicle (SPV) structures secured against the property interests and other assets within each SPV. There is no recourse to other Group companies outside of the respective SPV and no cross-default provisions. Each loan has a bespoke set of financial covenants, these are detailed by each facility on page 149.

The Group's revolving credit facility and the Hemel Hempstead capital expenditure facility were both undrawn at 30 December 2020 and 30 December 2019. Both facilities were cancelled in January 2021.

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.

17b Maturity of borrowings

	30 December 2020 £m	30 December 2019 £m
	Note	
From two to five years	262.4	262.4
Greater than five years	165.0	165.0
Due after more than one year	427.4	427.4
Current	-	-
	17a	427.4

17c Undrawn committed facilities

	30 December 2020 £m	30 December 2019 £m
Expiring between two and five years	22.0	22.0
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

	30 December 2020 £m	30 December 2019 £m
	Note	
Fixed and swapped rate borrowings		
Between 2% and 3%	39.0	39.0
Between 3% and 4%	388.4	388.4
	17a	427.4
Variable rate borrowings	17a	-
	427.4	427.4

Notes to the Financial Statements

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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 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

	Note	30 December 2020 £m	30 December 2019 £m
Statutory			
Debt before unamortised issue costs	17a	427.4	427.4
Cash and cash equivalents	15	(82.3)	(90.5)
Group net debt		345.1	336.9
Equity		167.8	375.1
Net debt to equity ratio		206%	90%

Categories of financial (liabilities)/assets

	Note	2020			2019		
		Carrying value £m	Gain/(loss) to income £m	Gain to equity £m	Carrying value £m	Gain/(loss) to income £m	Gain to equity £m
Financial assets							
Current receivables	14	17.6	-	-	8.9	-	-
Cash and cash equivalents	15	84.1	-	-	95.9	-	-
Interest rate swaps	16	-	-	-	-	-	-
Financial assets measured at amortised cost		101.7	-	-	104.8	-	-
Financial liabilities							
Current payables	16	(20.6)	-	-	(25.6)	-	-
Current borrowings	17a	-	-	-	-	-	-
Non-current payables	16	(0.2)	-	-	(1.8)	-	-
Non-current borrowings	17a	(423.9)	(1.0)	-	(422.8)	(1.0)	-
Interest rate swaps	16	(8.9)	(5.0)	-	(3.4)	(4.7)	-
Financial liabilities measured at amortised cost		(453.6)	(6.0)	-	(453.6)	(5.7)	-
Total financial (liabilities)/ assets		(351.9)	(6.0)	-	(348.6)	(5.7)	-

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.

18 Financial Instruments and Risk Management CONTINUED

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 2020 fair value £m liability
Interest rate swap	Hemel Hempstead	6 February 2023	£18,650,000	1.33%	(0.5)
Interest rate swap	Hemel Hempstead	6 February 2023	£8,237,000	1.30%	(0.2)
Interest rate swap	The Mall, Luton	30 December 2023	£96,500,000	1.14%	(3.1)
Interest rate swap	Four Mall assets	22 January 2024	£100,000,000	1.13%	(3.3)
Interest rate swap	The Exchange, Ilford	8 March 2024	£39,000,000	1.00%	(1.2)

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 2020 £m	Year to 30 December 2019 £m	Year to 30 December 2020 £m	Year to 30 December 2019 £m
Floating rate loans and cash - (loss)/gain	-	-	-	-
Interest rate derivatives - gain/(loss)	7.7	10.2	(7.7)	(10.2)
Impact on the income statement - (loss)/gain	7.7	10.2	(7.7)	(10.2)
Impact on equity - (loss)/gain	7.7	10.2	(7.7)	(10.2)

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 14 to the financial statements is considered to represent the Group's best estimate of the exposure to credit risk associated to trade receivables, calculated in accordance with IFRS 9. The Group recalculates expected credit losses each year, with reference to forward-looking information, changes in credit risk, including improvements, are identified as part of this process. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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

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18 Financial Instruments and Risk Management CONTINUED

18d Liquidity risk

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

The Group's objective in managing liquidity risk is to ensure that it has sufficient funds to meet all its potential liabilities as they fall due, both in normal market conditions and when considering negative projections against expected outcomes, so as to avoid the risk of incurring contractual penalties or damaging the Group's reputation. The Group maintains a rolling 18-month forecast of anticipated recurring and non-recurring cash flows under different scenarios. This is compared to expected cash balances and amounts available for drawdown on the Group's core revolving credit facility to ensure that any potential shortfalls in funding are identified and managed. The Group's primary means of managing liquidity risk are its cash reserves and its long-term debt facilities.

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

2020	Note	Effective interest rate %	Less than 1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Financial assets							
Current receivables	14		17.6	-	-	-	17.6
Cash and cash equivalents	15	0.3%	84.1	-	-	-	84.1
Non-current receivables	14		-	-	-	-	-
			101.7	-	-	-	101.7
Financial liabilities							
Borrowings – bank loans	17a	3.4%	-	-	(260.3)	(163.6)	(423.9)
Borrowings – other loans	17	2.3%	-	-	(0.1)	-	(0.1)
Current payables	16		(20.6)	-	-	-	(20.6)
Non-current payables	16		-	(0.1)	-	-	(0.1)
			(20.6)	(0.1)	(260.4)	(163.6)	(444.7)
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	14		8.9	-	-	-	8.9
Cash and cash equivalents	15	0.5%	95.9	-	-	-	95.9
Non-current receivables	14		-	-	-	-	-
			104.8	-	-	-	104.8
Financial liabilities							
Borrowings – bank loans	17a	3.3%	-	-	(132.8)	(290.0)	(422.8)
Borrowings – other loans	17	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)

18 Financial Instruments and Risk Management CONTINUED

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

	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
2020							
Borrowings – fixed bank loans	(14.6)	(14.6)	(40.6)	(244.6)	(176.7)	-	(491.1)
Borrowings – other fixed loans	-	-	-	-	-	-	-
Non-interest bearing	(20.6)	(0.1)	-	-	-	-	(21.7)
	(35.2)	(14.7)	(40.6)	(244.6)	(176.7)	-	(511.8)

	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
2019							
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)

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.

	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
2020							
Net settled							
Interest rate swaps	(3.3)	(2.9)	(2.6)	(0.1)	-	-	(8.9)
	(3.3)	(2.9)	(2.6)	(0.1)	-	-	(8.9)

	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
2019							
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)

Notes to the Financial Statements

CONTINUED

18 Financial Instruments and Risk Management CONTINUED

18e Fair values of financial instruments

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

	Note	Notional principal £m	2020 Book value £m	2020 Fair value £m	2019 Book value £m	2019 Fair value £m
Financial liabilities not at fair value through income statement						
Sterling denominated loans	18a		(427.4)	(438.9)	(427.4)	(431.8)
Total on balance sheet borrowings			(427.4)	(438.9)	(427.4)	(431.8)
Group share of associate borrowings			-	-	-	-
Total see-through borrowings	18a		(427.4)	(438.9)	(427.4)	(431.8)
Derivative assets/(liabilities) at fair value through income statement						
Interest rate caps			-	-	-	-
Interest rate swaps	13	427.4	(8.9)	(8.9)	(3.4)	(3.4)
Total on balance sheet derivatives			(8.9)	(8.9)	(3.4)	(3.4)
Total see-through derivatives			(8.9)	(8.9)	(3.4)	(3.4)

The fair value of borrowings has been estimated on the basis of quoted market prices. Details of the Group's cash and deposits are disclosed in Note 15 and their fair values are equal to their book values. All of the above financial instruments are measured, subsequent to initial recognition, at fair value. All instruments were considered to be Level 2, as defined in Note 1. There were no transfers between Levels in the year.

19 Share Capital

	Number of shares issued and fully paid		Nominal value of shares issued and fully paid	
	2020 Number	2019 Number	2020 £m	2019 £m
Ordinary shares of 10p each				
At the start of the year	103,884,038	726,389,117	10.4	7.3
Shares issued	7,935,588	312,451,263	0.8	3.1
Total called-up share capital	111,819,626	1,038,840,380	11.2	10.4

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 2020, 6,270,782 (2019: 58,738,414) 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 2019			1,038,840,380	10.4	238.0
15 January 2020 – 10:1 share consolidation	n/a	(934,956,355)	103,884,025	-	-
24 June 2020 – new shares issued	10.0	7,935,601	111,819,626	0.8	6.3
Carried forward at 30 December 2020			111,819,626	11.2	244.3

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. This is subsequently updated at each reporting date.

	Year to 30 December 2020 £m	Year to 30 December 2019 £m
Income statement charge		
Equity-settled share-based payments – 2008 LTIP & CIP	0.4	0.1

The figures above exclude a National Insurance credit in the year of £nil (2019: credit of £nil).

	Number of Options		
	LTIP	Deferred Bonus Share Scheme	CIP
Movements during the year			
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	–
Granted during the year	–	–	294,300
Exercised during the year ¹	(234)	(22,504)	–
10:1 share consolidation adjustment	(7,388,369)	(253,261)	–
Forfeited during the year	(441,670)	–	–
Outstanding at 30 December 2020	378,983	5,636	294,300
Exercisable at the end of the year	5,403	–	–

¹ The weighted average share price of the options exercised under the deferred bonus scheme during the year was 106.6p (2019: 27.7p equivalent to 276.5p restated for the 10:1 share consolidation that took place in January 2020). The weighted average share price of the options exercised under the LTIP is 55.9p (2019: 26.7p equivalent to 266.7p restated for the 10:1 share consolidation).

All options in the tables above have a nil exercise price.

LTIP 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.

Notes to the Financial Statements

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21 Own Shares Held

The own shares reserve represents the cost of shares in the Company purchased in the market. At 30 December 2020, the Capital & Regional plc 2002 Employee Share Trust (the "ESOT") held 38,070 (2019: 608,694 – equivalent to 60,869 shares after the 10:1 share consolidation that completed on 15 January 2020) 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 2020 was £26,725 (2019: £0.2 million).

22 Reconciliation of Net Cash from Operations

	Note	Year to 30 December 2020 £m	Year to 30 December 2019 £m
(Loss) for the year		(203.4)	(121.0)
Adjusted for:			
Income tax charge	8a	(0.2)	-
Finance income		(0.4)	(0.4)
Finance expense		22.8	23.9
Finance lease costs (head lease)		(0.2)	(3.4)
Loss on revaluation of wholly-owned properties		208.3	138.6
Depreciation of other fixed assets		2.7	0.5
Other (gains) and losses		(1.6)	2.7
Decrease/(increase) in receivables		(4.9)	(0.4)
(Decrease)/increase in payables		(5.6)	(3.1)
Non-cash movement relating to share-based payments		0.4	0.1
Net cash from operations		17.9	37.5

23 Changes in Liabilities Arising from Financing Activities

2020	Note	Opening	Financing cash flows	Non-cash changes		30 December 2020
				Fair value adjustments	Other changes	
Bank loans	17a	422.9	-	-	1.0	423.9
Interest rate swaps	16	3.4	-	5.0	0.5	8.9
Finance lease liabilities		61.5	-	-	(22.9)	38.6
Total liabilities from financing activities		487.8	-	5.0	21.4	471.4

2019	Note	Opening	Financing cash flows	Non-cash changes		30 December 2019
				Fair value adjustments	Other changes	
Bank loans	17a	432.9	(11.0)	-	1.0	422.9
Interest rate swaps	16	0.2	-	3.2	-	3.4
Finance lease liabilities		61.6	-	-	(0.1)	61.5
Total liabilities from financing activities		494.7	(11.0)	3.2	0.9	487.8

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. On 24 October 2019 EPRA published an update to their guidelines, including three new net asset metrics to replace the previous triple net asset and net asset measures. These new metrics are also shown below:

	30 December 2020			30 December 2019
	Net assets £m	Number of shares million	Net assets per share	Net assets per share
Basic net assets	167.8	111.8	150.1p	361.1p
Own shares held	-	-		
Dilutive contingently issuable shares and share options	-	0.3		
Fair value of fixed rate loans (net of tax)	(11.5)	-		
EPRA triple net assets	156.3	112.1	139.4p	355.9p
Exclude fair value of fixed rate loans (net of tax)	11.5			
Exclude fair value of see-through interest rate derivatives	8.9			
Exclude deferred tax on unrealised gains/capital allowances	(0.2)			
EPRA net assets	176.5	112.1	157.4p	363.5p

	30 Dec 2020			30 Dec 2019		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to shareholders	167.8	167.8	167.8	375.1	375.1	375.1
Exclude fair value of financial instruments	8.9	8.9	-	3.5	3.5	-
Include fair value of fixed interest rate debt	-	-	(11.5)	-	-	(4.4)
Net asset value	176.7	176.7	156.3	378.6	378.6	370.7
Fully diluted number of shares	112.1	112.1	112.1	104.2	104.2	104.2
Net asset value per share	157.6p	157.6p	139.4p	363.3p	363.3p	355.8p

The number of ordinary shares issued and fully paid at 30 December 2020 was 111,819,626 (30 December 2019: 103,884,025 following adjustment for the 10:1 share consolidation completed on 15 January 2020). There have been no changes to the number of shares from 30 December 2020 to the date of this announcement.

Comparative per share figures have been multiplied by ten to adjust for the impact of the 10 for 1 share consolidation that completed on 15 January 2020.

25 Return on Equity

	30 December 2020 £m	30 December 2019 £m
Total comprehensive income attributable to equity shareholders	(203.4)	(121.0)
Opening equity shareholders' funds plus time weighted additions	375.1	437.5
Return on equity	(54.2)%	(27.7)%

Notes to the Financial Statements

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26 Lease Arrangements

The Group as lessee

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable leases related to land and buildings, which fall due as set out below. These leases relate to its office premises and the Snozone business' Basingstoke, Castleford and Milton Keynes sites, as well as three leasehold investment properties.

	2020 £m	2019 £m
Lease payments		
Within one year	(3.8)	(2.3)
Between one and five years	(14.6)	(9.5)
After five years	(100.7)	(66.7)
	(119.1)	(78.5)

Lease payments are denominated in sterling and have an average remaining lease length of 27 years (2019: 28 years) excluding head leases, rentals are fixed for an average of 2 years (2019: 2 years). The Group's three leasehold investment properties are variable based on a percentage of performance, with a minimum payment per year of £1.1m for Luton and £0.3m for Walthamstow (2019: £1.1m and £0.3m respectively).

The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2020 was of 3.92% for the support office and 4.04% for Snozone leases and 5.50% on the head leases.

The aggregate lease liability recognised in the statement of financial position at 1 January 2020 and the Group's operating lease commitment at 30 December 2019 can be reconciled as follows:

	£m
Operating lease commitment at 31 December 2019	17.0
Effect of discounting lease commitments	(2.5)
Obligations under head leases	25.6
	40.1

The Group has recognised £nil (2019: £nil) as an expense relating to short-term leases and leases of low value assets, applying paragraph 6 of IFRS 16

The Group as lessor

The Group leases out all of its investment properties under operating leases for average lease terms of 6 years (2019: 7 years) to expiry. The leasing arrangements are summarised in the portfolio information on page 146. 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 2020	4.4	35.2	81.0	35.6	15.1	6.8	39.3	213.0
30 December 2019	5.4	42.5	106.2	51.6	23.2	12.0	59.3	294.8

27 Capital Commitments

At 30 December 2020, the Group's share of the capital commitments of its associates, joint ventures and wholly-owned properties was £3.6 million (2019: £3.9 million) relating to capital expenditure projects.

28 Events After the Balance Sheet Date

In January 2021 the Group agreed to cancel its undrawn £15 million revolving credit and £7 million Hemel Hempstead capital expenditure facilities.

On 4 January 2021 the prime minister announced the commencement of a national lockdown with all but essential retailers required to close. As at 4 March 2021, 31% of shops were open and trading.

Snozone

On 12 January 2021 Snozone received confirmation that HMRC had accepted the principle of an outstanding VAT claim. Snozone now expects that it may realise approximately £1.2 million through this claim. No amounts were recognised within the year end accounts on the basis recovery was uncertain at the year end date.

On 9 February 2021 Snozone took over the operations of the ski slope in the Xanadu Shopping Centre in Madrid, acquiring the operating entities for a nominal value of €2.

On 3 March 2021 Snozone were advised that they are likely to recover £2.5 million in respect of a business continuity claim to compensate for the impact of Covid-19. No amounts were recognised within the year end accounts on the basis recovery was uncertain at the year end date.

29 Related Party Transactions

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

	Fee income		Net amounts receivable from	
	Year to 30 December 2020 £m	Year to 30 December 2019 £m	As at 30 December 2020 £m	As at 30 December 2019 £m
Kingfisher Limited Partnership (Redditch)	0.5	0.7	0.1	0.1

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

Property Management incentive arrangements

CRPM will earn an additional equity return from Kingfisher Limited Partnership if distributions result in a geared return in excess of a 15% IRR. The Group will bear 12% of the cost by virtue of its investment in the Partnership. No performance fee has been recognised during the year (2019: 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 2020 £m	Year to 30 December 2019 £m
Short-term employment benefits	1.0	1.3
Post-employment benefits	0.1	0.1
Share-based payments	0.4	0.1
	1.5	1.5

In both years the highest paid Director was the Chief Executive whose remuneration is disclosed in the Directors' Remuneration Report on page 76.

Notes to the Financial Statements

CONTINUED

30 Dividends

The dividends shown below are gross of any take-up of scrip offer.

	Year to 30 December 2020 £m	Year to 30 December 2019 £m
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
Final dividend per share for year ended 30 December 2019 of 11p	11.4	-
Amounts recognised as distributions to equity holders in the year	11.4	11.6

31 Ultimate Controlling Party

Growthpoint Properties Limited ("Growthpoint") holds 52.1% 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 2020

	Note	2020 £m	2019 £m
Non-current assets			
Investments	C	124.8	344.0
Current assets			
Receivables – amounts falling due within one year	D	5.5	93.9
Cash and deposits		59.6	0.1
Total current assets		65.1	94.0
Current liabilities			
Trade and other payables	E	(20.0)	(18.7)
Total current liabilities		(20.0)	(18.7)
Net current assets		45.1	75.3
Net assets		169.9	419.3
Equity			
Share capital		11.2	10.4
Share premium		244.3	238.0
Merger reserve		60.3	60.3
Capital redemption reserve		4.4	4.4
Retained earnings		(150.3)	106.2
Shareholders' funds		169.9	419.3

The loss for the year attributable to equity shareholders was £245.1 million (2019: £104.0 million loss).

These financial statements were approved by the Board of Directors, authorised for issue and signed on their behalf on 24 March 2021 by:

STUART WETHERLY
GROUP FINANCE DIRECTOR

Statement of Changes in Equity

For the year to 30 December 2020

	Non-distributable			Distributable			Total £m
	Share capital £m	Share Premium £m	Capital redemption reserve £m	Retained earnings £m	Retained earnings £m	Merger reserve £m	
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
Retained loss for the year	-	-	-	-	(245.1)	-	(245.1)
Total comprehensive loss for the year	-	-	-	-	(245.1)	-	(245.1)
Dividends paid, net of scrip	-	-	-	-	(4.3)	-	(4.3)
Shares issued, net of costs	0.8	6.3	-	-	(7.1)	-	-
Balance at 30 December 2020	11.2	244.3	4.4	-	(150.3)	60.3	169.9

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 30 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 2020

A Accounting Policies

The domicile and legal form of the entity, its country of incorporation and the address of its registered office can be found in Note 1 of the consolidated financial statements. A description of the nature of the entity's operations and its principal activities can be found in the strategic report on pages 3 and 4 of the consolidated financial statements.

The Company's separate financial statements for the year ended 30 December 2020 are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The main accounting policies have been applied consistently in the current year and the preceding year.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, 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 (2019: 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 expected credit loss under IFRS 9. Where there is an indication that an investment is impaired, an impairment review is carried out by comparing the carrying value of the investment against its recoverable amount, which is the higher of its estimated value in use and fair value. This review involves accounting judgements about the future cash flows from the underlying associates and, in the case of CRPM, estimated asset management fee income less estimated fixed and variable expenses. Disclosure of accounting policy for expected credit losses can be found in Note 1 to the Group financial statements.

B Loss for the Year

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

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

Notes to the Company's Separate Financial Statements

For the year ended 30 December 2020 CONTINUED

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	(818.4)	(12.9)	(831.3)
Impairment of investments	(219.2)	-	(219.2)
At the end of the year	(1,037.6)	(12.9)	(1,050.5)
Carrying value			
At the end of the year	123.8	1.0	124.8

Investments are subject to an impairment review using a discount rate of 17.8%. Impairment is recognised after comparing the carrying value of the investment against its recoverable amount, which is the higher of its estimated value in use and fair value less costs to sell.

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

D Receivables

	2020 £m	2019 £m
Amounts falling due within one year		
Amounts owed by subsidiaries	5.4	94.0
Taxation and social security	0.1	(0.1)
	5.5	93.9

Amounts owed by subsidiaries are stated after impairment of £26.3 million and are unsecured and repayable on demand. Impairment is recognised after comparing the carrying value of the investment against its recoverable amount, which is the higher of its estimated value in use and fair value. Interest is charged at 3.5% above Bank of England base rate per annum.

E Trade and Other Payables

	2020 £m	2019 £m
Amounts falling due within one year		
Amounts owed to subsidiaries	19.1	14.5
Trade payables	-	0.3
Accruals and deferred income	0.9	3.9
	20.0	18.7

Amounts owed to subsidiary companies are unsecured and repayable on demand. Interest is charged at 3.5% above Bank of England base rate per annum.

F Subsidiaries at 30 December 2020

	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.

Notes to the Company's Separate Financial Statements

For the year ended 30 December 2020 CONTINUED

F Subsidiaries at 30 December 2020 (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.

CRPM is Capital & Regional Property Management Limited, a subsidiary of Capital & Regional plc, which earns management and performance fees from the Mall assets and certain associates and joint ventures of the Group.

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

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

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

Debt is borrowings, excluding unamortised issue costs.

EPRA earnings per share (EPS) is the profit / (loss) after tax excluding gains on asset disposals and revaluations, movements in the fair value of financial instruments, intangible asset movements and the capital allowance effects of IAS 12 "Income Taxes" where applicable, less tax arising on these items, divided by the weighted average number of shares in issue during the year excluding own shares held.

EPRA net disposal value represents net asset value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

EPRA net reinstatement value is net asset value adjusted to reflect the value required to rebuild the entity and assuming that entities never sell assets. Assets and liabilities, such as fair value movements on financial derivatives, are not expected to crystallise in normal circumstances and deferred taxes on property valuation surpluses are excluded.

EPRA net tangible assets is a proportionally consolidated measure, representing the IFRS net assets excluding the mark-to-market on derivatives and related debt adjustments, the mark-to-market on the convertible bonds, the carrying value of intangibles as well as deferred taxation on property and derivative valuations.

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

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

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

Interest cover is the ratio of Adjusted Profit (before interest, tax, depreciation and amortisation) to the interest charge (excluding amortisation of finance costs and notional interest on head leases).

Like-for-like figures, unless otherwise stated, exclude the impact of property purchases and sales on year-to-year comparatives.

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

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

Net Administrative Expenses to Gross Rent is the ratio of Administrative Expenses net of external fee income to Gross Rental income, including the Group's share of Joint Ventures and Associates

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

Net initial yield (NIY) is the annualised current rent, net of revenue costs, topped-up for contractual uplifts, expressed as a percentage of the capital valuation, after adding notional purchaser's costs.

Net debt to property value is debt less cash and cash equivalents divided by the property value.

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

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.

Glossary of Terms

CONTINUED

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)

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Balance sheet					
Property assets	536.1	770.9	898.2	930.6	838.5
Other non-current assets	29.8	18.1	21.3	18.1	17.1
Investment in joint ventures	-	-	-	-	-
Investment in associates	-	-	-	7.4	13.9
Cash at bank	84.1	95.9	32.0	30.2	49.1
Assets classified as held for sale	-	-	-	-	13.9
Other net current (liabilities)/assets	(9.6)	(20.3)	(21.8)	(17.4)	(362.9)
Bank loans greater than one year	(423.9)	(422.8)	(432.9)	(422.2)	(26.2)
Other non-current liabilities	(48.7)	(66.7)	(63.8)	(65.3)	(65.8)
Net assets	167.8	375.1	433.0	481.4	477.6
Financed by					
Called-up share capital	11.2	10.4	7.3	7.2	7.0
Share premium account	244.3	238.0	166.5	163.3	158.2
Other reserves	64.7	64.7	64.7	64.6	64.3
Retained earnings	(152.4)	62.0	194.5	246.3	248.1
Capital employed	167.8	375.1	433.0	481.4	477.6
Return on equity					
Return on equity	(54.2)%	(27.7)%	(5.3)%	4.7%	(0.9)%
(Decrease)/increase in NAV per share + dividend	(57.2)%	(37.2)%	(5.5)%	3.7%	(0.8)%
Total shareholder return	(68.0)%	(2.0)%	(46.5)%	12.7%	(12.3)%
Year end share price ¹	70.2p	25.4p	27.6p	59p	55p
Total return					
Total comprehensive (expense)/income	(203.4)	(121.0)	(25.6)	22.4	(4.4)
Net assets per share					
Basic net assets per share ¹	150.1p	36p	60p	67p	68p
EPRA triple net assets per share ²		36p	59p	66p	67p
EPRA net assets per share ²		36p	59p	67p	68p
EPRA Net reinstatement value	157.6p	363.3p	591.0p	665.9p	674.6p
EPRA Net tangible assets	157.6p	363.3p	591.0p	665.9p	674.6p
EPRA net disposal value	139.4p	355.8p	593.4p	661.9p	667.7p
Gearing	255%	114%	101%	89%	76%
Income statement					
Group revenue	72.7	89.0	91.0	89.2	87.2
Gross profit	37.2	53.6	56.1	55.7	54.7
(Loss)/profit on ordinary activities before financing	(181.2)	(97.5)	(9.7)	40.0	28.1
Net interest payable	(22.4)	(23.5)	(15.8)	(17.6)	(32.6)
(Loss)/profit before tax	(203.6)	(121.0)	(25.5)	22.4	(4.5)
Tax (charge)/credit	0.2	-	(0.1)	-	0.1
(Loss)/profit after tax	(203.4)	(121.0)	(25.6)	22.4	(4.4)
Adjusted Profit	10.3	27.4	30.5	29.1	26.8
Adjusted Earnings per share ¹	9.5p	36.7p	42.0p	41.0p	38.0p
Interest cover	2.0	3.2	3.4	3.2	3.1
Earnings per share¹					
Basic	(188.3)p	(162.3)p	(35.4)p	32.0p	(10)p
Diluted	(188.3)p	(162.3)p	(35.4)p	31.0p	(10)p
EPRA	(9.2)p	(3.5)p	4.0p	3.9p	4p
Dividends per share		21.0p	2.42p	3.64p	3.39p

¹ Prior year numbers have not been adjusted for the 10:1 share consolidation subsequent to year end. A multiple of ten must be applied to arrive at the comparative figures

² EPRA net asset metrics no longer in use

Portfolio Information (Unaudited)

At 30 December 2020

Physical data

Number of properties	7
Number of lettable units	766
Size (sq ft – million)	3.5

Valuation data

Properties at independent valuation (£m)	527.0
Adjustments for head leases and tenant incentives (£m)	9.1
Properties as shown in the financial statements (£m)	536.1
Revaluation loss in the year (£m)	208.3
Initial yield	7.9%
Equivalent yield	8.6%
Reversion	6.4%

Lease length (years)

Weighted average lease length to break	4.8
Weighted average lease length to expiry	6.4

Passing rent (£m) of leases expiring in:

2021	9.0
2022	5.9
2023-2025	10.1

ERV (£m) of leases expiring in:

2021	9.2
2022	5.3
2023-2025	8.8

Passing rent (£m) subject to review in:

2021	3.4
2022	4.1
2023-2025	5.9

ERV (£m) of passing rent subject to review in:

2021	2.8
2022	4.0
2023-2025	5.3

Rental Data

Contracted rent (£m)	53.1
Passing rent (£m)	51.7
ERV (£m per annum)	55.0
ERV movement (like-for-like)	(15.1)%
Occupancy	92.1%

EPRA Performance Measures (Unaudited)

At 30 December 2020

	Note	2020	2019
EPRA earnings (£m)	9a	9.9	26.4
EPRA earnings per share (diluted)	9a	9.2p	3.5p
EPRA reinstatement value (£m)	24	176.7	378.6
EPRA net reinstatement value per share	24	158p	363p
EPRA net tangible assets (£m)	24	176.7	378.6
EPRA net tangible assets per share	24	158p	363p
EPRA net disposal value (£m)	24	156.3	370.7
EPRA net disposal value per share	24	139p	356p
EPRA vacancy rate (UK portfolio only)		7.8%	2.8%
		2020	2019
EPRA net initial yield and EPRA topped-up net initial yield		£m	£m
Investment property		527.0	727.1
Less developments		-	-
Completed property portfolio		527.0	727.1
Allowance for capital costs		(2.7)	(8.7)
Allowance for estimated purchasers' costs		34.9	48.0
Grossed up completed property portfolio valuation		559.2	766.4
Annualised cash passing rental income		55.4	62.9
Property outgoings		(12.7)	(12.8)
Annualised net rents		42.7	50.1
Add: notional rent expiration of rent-free periods or other lease incentives		0.7	2.0
Topped-up annualised rent		43.4	52.1
EPRA net initial yield		7.6%	6.5%
EPRA topped-up net initial yield		7.8%	6.8%

EPRA Performance Measures (Unaudited) CONTINUED

At 30 December 2020

	2020 £m	2019 £m
EPRA cost ratios		
Cost of sales (adjusted for IFRS head lease differential)	34.4	36.0
Administrative costs	12.0	8.8
Service charge income	(11.6)	(14.6)
Management fees	(0.8)	(0.8)
Snozone (indoor ski operation) costs	(6.5)	(9.0)
Less inclusive lease costs recovered through rent	(2.5)	(2.0)
EPRA costs (including direct vacancy costs)	25.0	18.4
Direct vacancy costs	(3.9)	(3.3)
EPRA costs (excluding direct vacancy costs)	21.1	15.1
Gross rental income	55.6	63.0
Less ground rent costs	(1.9)	(2.8)
Share of joint venture and associate gross rental income less ground rent costs	-	-
Less inclusive lease costs recovered through rent	(2.5)	(2.0)
Gross rental income	51.2	58.2
EPRA cost ratio (including direct vacancy costs)	48.8%	31.6%
EPRA cost ratio (excluding vacancy costs)	41.1%	25.9%

Covenant Information (Unaudited)

Wholly owned assets

Facility	Borrowings £m	Default covenant	30 December 2020
Four Mall assets	260.0		
Loan to value		No greater than 70%	Passed
Historic interest cover		No less than 175%	Waived
Projected interest cover		No less than 150%	Waived
Luton	96.5		
Loan to value		No greater than 70%	Passed
Debt yield		No less than 8%	Waived
Historic interest cover		No less than 250%	Waived
Projected interest cover		No less than 200%	Waived
Hemel Hempstead	26.9		
Loan to gross development value		No greater than 60%	Deferred
Debt to net rent cover		No greater than 9:1	Deferred
Historic interest cover		No less than 175%	Deferred
Projected interest cover		No less than 200%	Deferred
Ilford	39.0		
Loan to value		No greater than 70%	Passed
Historic interest cover		No less than 225%	Waived
Projected interest cover		No less than 225%	Waived

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