C&R CAPITAL & REGIONAL

Supporting community living

Annual Report and Accounts
for the year ended 30 December 2021

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.

Capital & Regional owns and/or manages shopping centres in Blackburn, Hemel Hempstead, Ilford, Luton, Maidstone, Redditch, Walthamstow and Wood Green.

Capital & Regional manages these assets through its in-house expert property and asset management platform.

Our centres are aligned to the needs and aspirations of their respective local community and form a critical part of the local infrastructure. Capital & Regional has a strong track record of delivering retail and leisure asset management initiatives across its portfolio of tailored, in-town, community shopping centres.

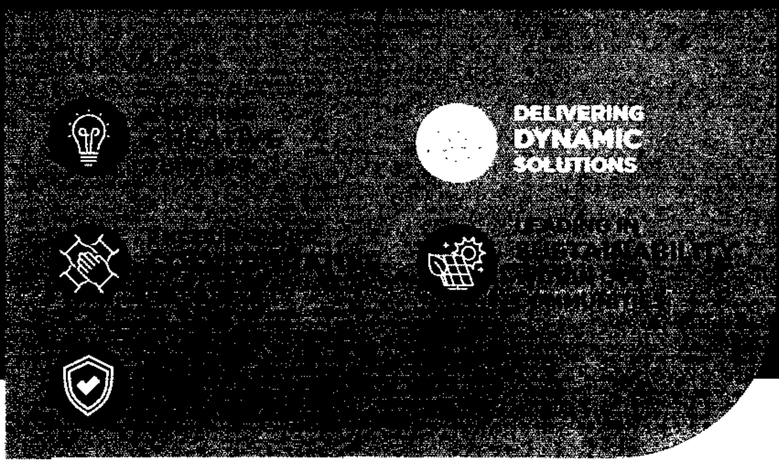
Capital & Regional is listed on the main market of the London Stock Exchange and has a secondary listing on the Johannesburg Stock Exchange.

Our Purpose

We invest, manage and enhance retail property through the creation of dynamic environments tailored to the local communities. As a specialist owner and manager of shopping centres, we invest in the retail assets in our portfolio to unlock their full value.

Our Vision

To define and lead community shopping centres, through our passionate creation of vibrant retail spaces and exceptional customer and guest experience. To develop and deliver 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. To be more than just places to shop, but to operate essential hubs for the local community.



Highlights

Revenue
2021 £70.0m
2020 £72.7m

Net Rental Income
2021 £29.0m
2020 £3[illegible]m

Adjusted Profit[1]
2021 £8.1m
2020 £11m

Adjusted Earnings per share[1]
2021 6.8p
2020 [illegible]

IFRS Loss for the period
2021 £(26.4)m
2020 [illegible]

Basic Earnings per share[2]
2021 (22.0)p
2020 [illegible]

Total dividend per share[3]
2021 –
2020 –

Net Asset Value (NAV) per share[2]
2021 102p
2020 [illegible]

EPRA NTA per share[2]
2021 102p
2020 [illegible]

Group net debt
2021 £185.3m
2020 [illegible]

Net debt to property value
2021 49%
2020 [illegible]

[illegible] our key performance indicators [illegible]

Use of Alternative Performance Measures (APMs)
[illegible]

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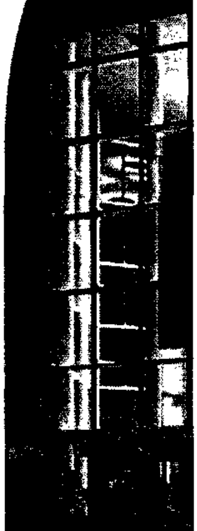
Our Community Shopping Centre Approach

At a time of significant structural change within our sector, we see the growing relevance and continuing resilience of our community centre strategy.

We have been proactive and continue to reposition and remerchandise our centres to remain relevant to our communities over the medium to longer term.

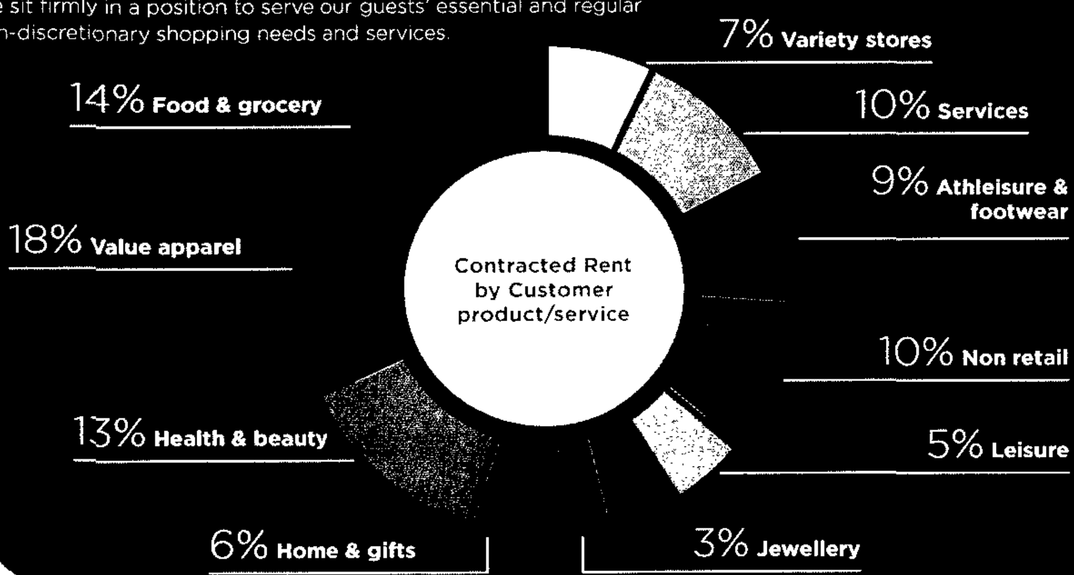
Our integrated multi-disciplinary management platform continues to deliver sector-leading results and is critical to asset-level performance. In a competitive environment, being successful at local level is all about our communities and placing them at the heart of everything that we do.

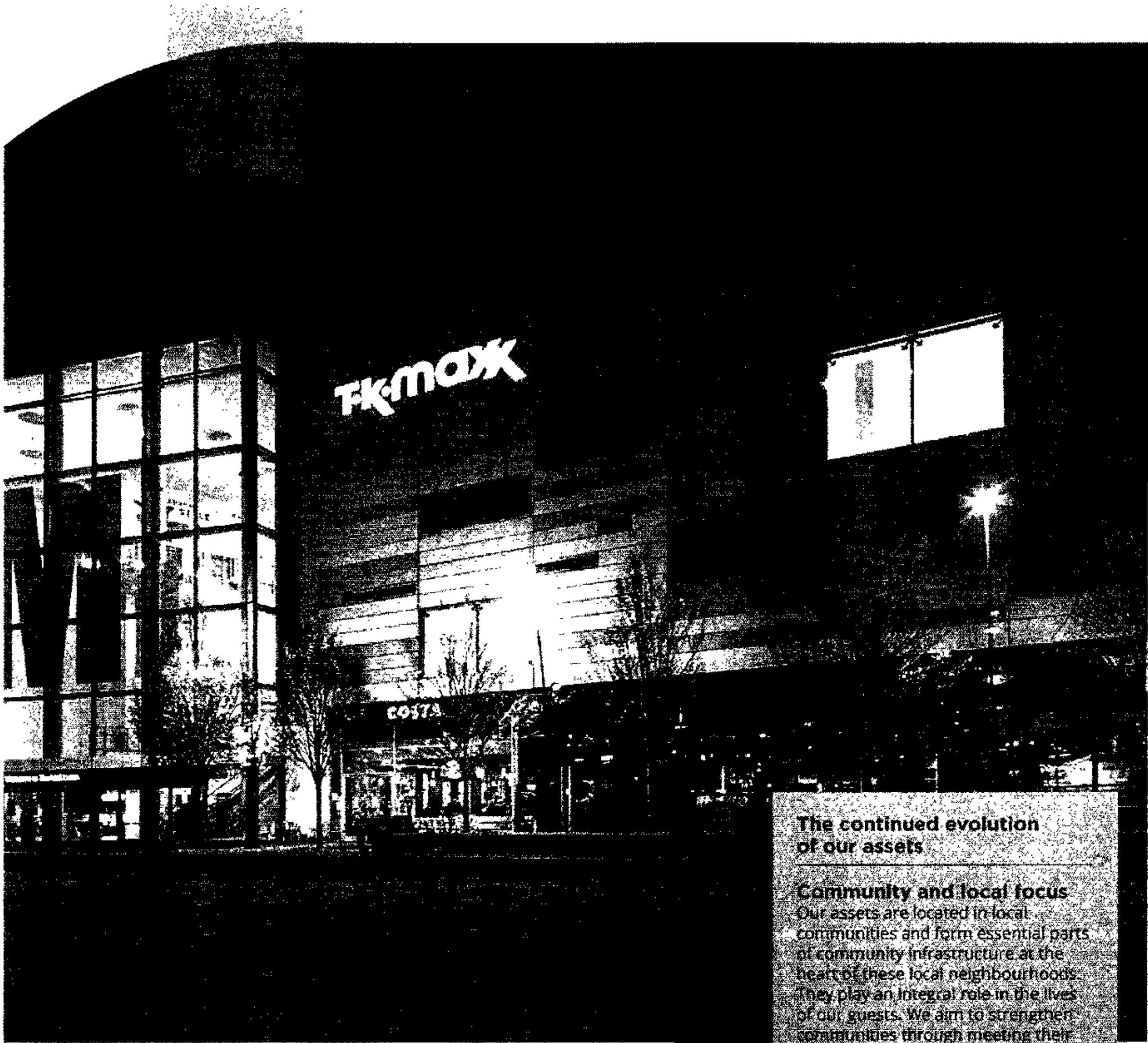
In our minds, the key to driving footfall and a wider recovery is our customer or community proposition.



Our customer product and service offerings

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





The continued evolution of our assets

Community and local focus
Our assets are located in local communities and form essential parts of community infrastructure at the heart of these local neighbourhoods. They play an integral role in the lives of our guests. We aim to strengthen communities through meeting their everyday needs and supporting the causes that matter to them.

Remerchandising retail offer
Our ability to evolve that offer and to accelerate remerchandising toward the shift from discretionary to non-discretionary retail and services.

Role of the store
The rise of online shopping has caused questions to be asked of where the future of physical retail lies. We sit firmly in a position to serve our guests' essential and regular non-discretionary shopping needs and services.

Diversification of uses
Frequent repeat footfall and high conversion rates coupled with affordable occupier costs makes our centres great for a variety of non-traditional occupier partners.

Our difference

[illegible]

01

Dominant community locations
Our centres are at the heart of the community, with strong transport links and are ideally positioned to serve their communities.

02

Diversified income streams
Our mixed use community hubs provide a diversified tenant base and income streams.

03

Strength of community links
Enables us to respond to community needs quickly and effectively.

04

Experienced management
We have a diverse and experienced management team.

CAL

Our Portfolio

1 The Mall, Blackburn
- Leasehold covered shopping centre on three floors
- 580,000 sq ft
- 115 lettable units

Principal occupiers:
Primark, Boots, Next, Wilko, Pure Gym, Blackburn with Darwen Council

2 The Exchange, Ilford
- Predominantly freehold covered shopping centre on three floors
- 310,000 sq ft
- 78 lettable units

Principal occupiers:
Next, H&M, TK Maxx

3 The Mall, Maidstone
- Freehold covered shopping centre on three floors
- 430,000 sq ft
- 86 lettable units

Principal occupiers:
Matalan, Pure Gym, Boots, Sports Direct, Wilko, Iceland

Investment Assets represent the asset pools where the Group retains net equity. Managed Assets represents assets where the current debt values in the non-recourse SPV structures exceed the respective property value and therefore the Group has negative equity and the substance of the Group's role is as a manager.

Centre Characteristics

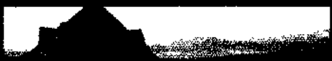
01
Dominant strategic locations in the heart of growing towns

02
Easily accessible with strong transport links

03
London/ South East bias

04
Accretive asset management opportunities (including leisure, [illegible] medical and office uses)

05
Snozone leisure [illegible]



4 17&Central, Walthamstow

- Leasehold covered shopping centre on two floors
- 290,000 sq ft
- 60 lettable units

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

6 The Marlowes, Hemel Hempstead

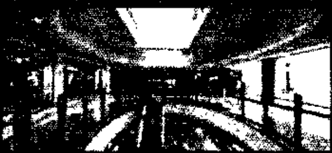
- Freehold covered shopping centre and high street parades
- 340,000 sq ft
- 85 lettable units

Principal occupiers:
Sports Direct, Pure Gym, Wilko, Tesco Express

Kingfisher Shopping Centre, Redditch

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

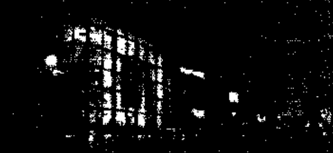
Principal occupiers:
The Range, Primark, Next, TK Maxx, Vue Cinema, H&M



5 The Mall, Wood Green

- Freehold partially open shopping centre on two floors
- 630,000 sq ft
- 88 lettable units

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



7 The Mall, Luton

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

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

9 Snozone Leisure Business

- 100% subsidiary
- Largest indoor ski slope operator in the UK
- Operating at Milton Keynes, Yorkshire and a dry indoor slope in Basingstoke, and in Snozone Madrid
- In existence since 2000 and has taught over 4 million people to ski or snowboard

Portfolio Statistics

Total sq ft
3.5m sq ft

Total number of car parking spaces
8,250

Average dwell time
66minutes

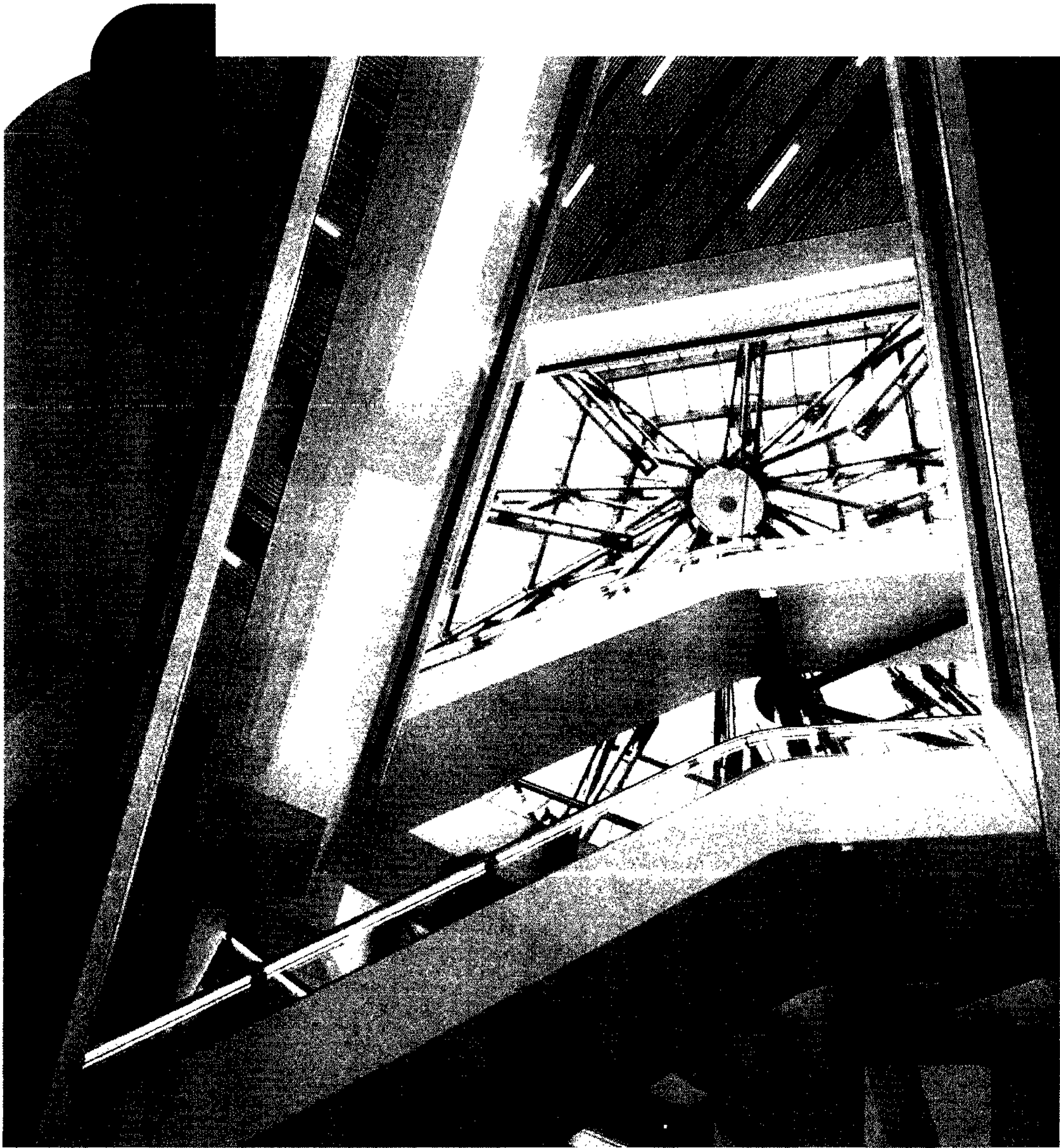
Total number of retail units
654

Average rent
c.£12psf

Estimated retail conversion rate
73%

Chairman's Statement

2021 was inevitably another very difficult year for most retailers and retail landlords. Against that backdrop, the Company's performance was resilient.



The Board is well aware of the importance to shareholders of dividends. The financial circumstances in 2021 did not permit payment of a dividend, but as we emerge from the pandemic in our newly recapitalised position, we intend to resume dividend payments with the announcement of our Interim Results in the summer 2022.

Tony Hales retired from the Board at the AGM after more than nine years of service, including a period as Senior Independent Director, and Louis Norval stepped down in December 2021 after 12 years as a major shareholder and supporter of the business. My thanks to both for their exceptional service.

My Board colleagues were outstandingly supportive throughout the year, particularly in the run up to the recapitalisation where a number of meetings or calls were required at short notice.

Finally, on behalf of the Board I wish to record our appreciation of the exceptional performance of all management and staff, on site and in our support office, during a very difficult year. The improved position of the Company at the end of 2021 is directly attributable to them.

DAVID HUNTER
CHAIRMAN

13 April 2022

Read more about **Board activity during the year** on page 69

The Market Backdrop

Macroeconomic trends

Covid-19 & Our Communities

The impact of Covid-19 on our communities and shopping destinations continued to be felt across the year. Lockdown rules took effect over the first quarter of the year, which materially impacted non-essential businesses' ability to trade and shopper movement. While such restrictions eased thereafter, the majority of the year encompassed some form of restrictions on social distancing and gatherings, together with working from home guidance.

Our centres, in the heart of local communities, have continued to play a pivotal role in serving the needs of their communities. Our focus on essential, everyday needs and services, with increasing food and supermarket anchoring has provided a resilient occupier base, with one-third of our retail customers able to trade throughout lockdowns. Centres have been able to provide convenient and safe shopping environments, together with providing access to essential services.

Despite the well-publicised structural changes that retail has been navigating in recent years, coupled with the obvious benefits that online channels provided during lockdown and working from home periods, it was encouraging to see the speed at which our retail customers reopened stores post the easing of lockdown. Over 99% of our retailers forced to close through lockdown rules reopened, highlighting the obvious importance these business place on a physical presence in our centres and communities.

Footfall has been recovering steadily but remains behind pre-pandemic levels. Social distancing measures in place across our centres impacted the volume of guests we were able to host, combined with continued cautiousness from the population while the risks of virus infection remained prevalent. However, lower visitor numbers have been balanced with different shopper spending profiles, with less frequent visits offset by a higher propensity to spend when visiting. Many retailers, as a consequence, are reporting sales levels that are back at, or ahead of, pre-pandemic levels.

Where trading ability was compromised during lockdown periods, we proactively sought to provide rental support where business needs were greatest. This risk-sharing partnership was successful and as operating arrangements eased over the year, we were able to revert smoothly to more normalised contractual arrangements. Over the course of 2021, we have collected over 90% of rent and service charge sums to which we are contractually entitled, with ongoing collection levels starting to recover towards pre-pandemic levels.

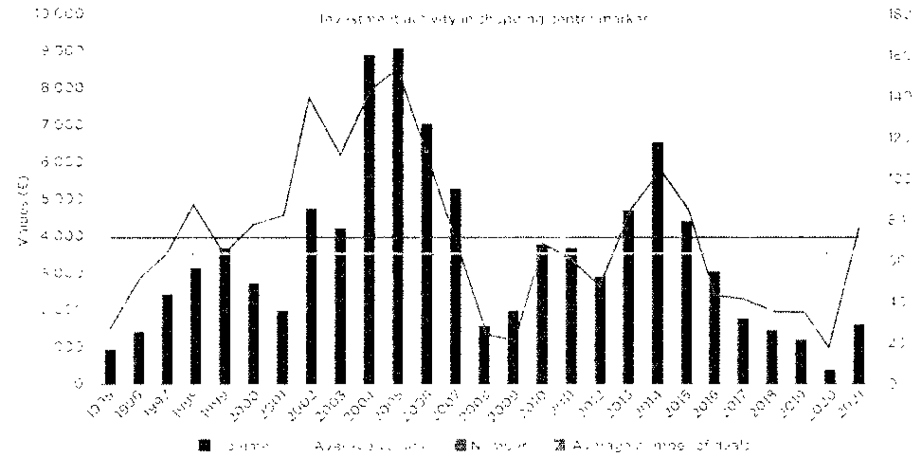
Our Investment Market

Except for food store performance, all retail investment sectors have experienced challenging conditions since the last market peak in 2017. Structural uncertainties compounded by the impact of Covid-19 had a detrimental impact on investor sentiment, with limited investment activity and heavy consequent write-downs in asset values.

Throughout 2021, sentiment and investor confidence improved as the outlook around Covid vaccinations and avoidance of further lockdowns became more positive. Government and landlord support measures enabled many retail and leisure occupiers to navigate the lockdown periods, with limited retail administrations and CVAs. Consequently, investment volumes have rebounded, with increasing evidence of yield and value stabilisation.

Total deal volumes across the retail sector, as a whole, were estimated at £7.43bn over the year, reflecting a 69% improvement to 2020 equivalent numbers and only 3.5% below the 10-year average. The retail warehousing sub-sector showed particularly strong signs of recovery, with yields tightening markedly and investment volumes at £3.39bn accounting for approaching half of all retail investment activity. Demand for

Following the weakest year in shopping centre investment transaction volumes for 25 years in 2020, 2021 saw an encouraging bounceback.



Source: Savills Research

food stores remained strong with investors continuing to be attracted to the secure income and defensive qualities this sub-sector offered and its resilience to structural change and online penetration at [illegible] levels [illegible] to, for example, fashion brands.

Following the weakest year in shopping centre investment transaction volumes for 25 years in 2020, 2021 saw an encouraging bounceback. Turnover at £1.5bn, represented a recovery to levels typically seen in the three years immediately preceding the pandemic, albeit still well below historic long term averages. Deal volumes showed a dramatic improvement, with 74 transactions completed over the year.

Average shopping centre transaction values over 2021 equated to £20m, well below the long term trend of £50m, but largely following the trends seen over the last 3–4 years. This has been driven by a number of factors, but principally the write down in asset valuations since the last cycle peak in 2017, a lack of bank lending and a focus on smaller assets, where a new pool of opportunistic equity investors have been actively acquiring with underlying repurposing and redevelopment strategies.

As the year progressed, there were increasing signs of confidence in the shopping centre market illustrated by a far greater depth of assets both being brought to the market and successfully transacting and a noticeable uptick in lot size within both a £50–75m and £100–150m range – transaction levels that had been largely absent over the last 3–4 years. This has continued into 2022 and investors are able to underpin values as evidence. Trends in benchmark shopping centre yields have consequently responded to a more active market, with the second half of 2021 seeing stability in most yield groups – a clear improvement on the yield expansion witnessed over the first half of the year.

The Market Backdrop

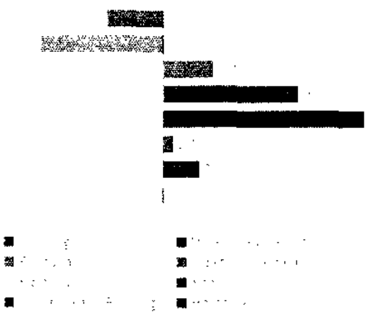
Macroeconomic trends

Shopping centre valuations showed increasing signs of stability as 2021 progressed with some centres seeing modest value improvement. These trends are nevertheless very asset specific and there remain material performance differentials between those assets that can demonstrate strong underlying fundamentals around location and purpose, occupancy and tenant mix, income stability and asset management potential with those that do not.

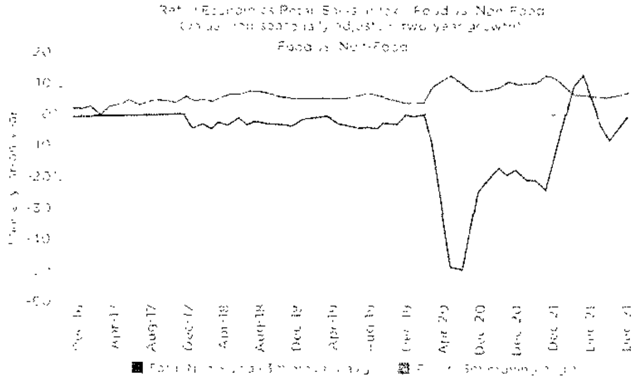
Our Consumer Trends

[illegible]

[illegible]



We continue to focus our leasing activity on enhancing our supermarket and fresh food options at every centre. We opened a new [illegible] in Luton and have an ongoing pipeline of [illegible] projects focused on increasing food space and [illegible] in this [illegible]. Growth in food sales has been consistently strong year on year, [illegible] a stable essential service provision in each of our communities, driving [illegible] and complementary leasing activity.



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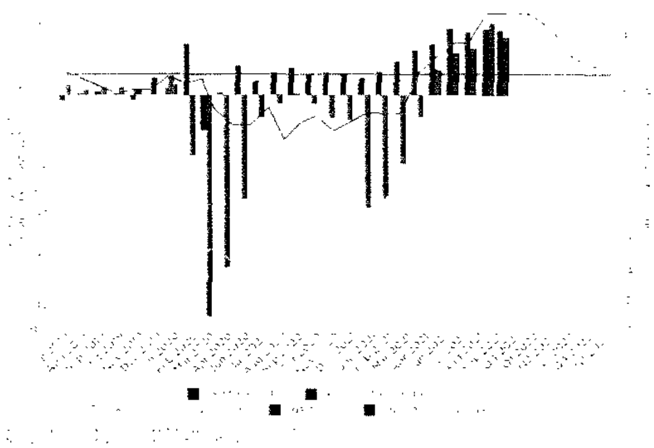
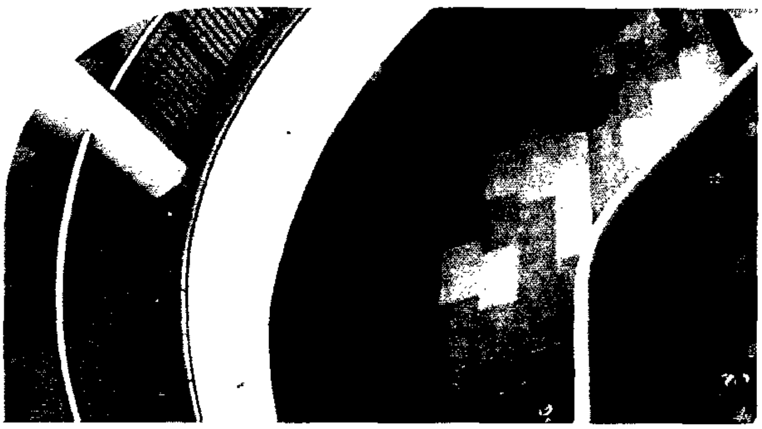




We remain confident, but not complacent, in our strategy and approach.

Our Occupational Markets

We have seen continued resilience in occupational levels across our centres, but have not been immune to the structural changes facing physical retail, with the pace of change driven by the pandemic requiring a corresponding increase in pace in our remerchandising strategy.

The failure of Debenhams during the first half of the year had a material impact on our occupancy levels, with stores in three of our centres. We were already anticipating a need to remerchandise away from these less relevant formats and have made early positive progress in reconfiguring and repurposing elements of these spaces to a range of different offers, more focused to community needs and typically paying rental levels that are on a rent per sq. ft. basis a material step up from previous department store terms.

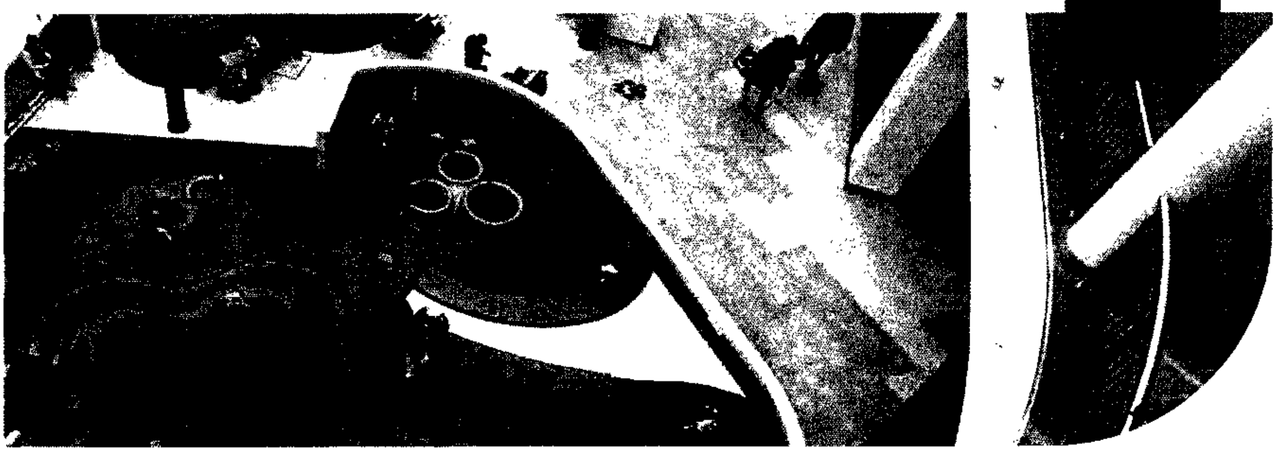
Nearly all retail stores across the portfolio were quick to reopen following lockdown and, as consumer confidence rebounds, we have seen an uptick in leasing volumes at levels that are above 2019 equivalent levels. This trend aligns with research from Local Data Company showing an improvement in the net balance of openings/closures, driven primarily by growth in convenience retail over the first half of 2021.

We have seen a wider range of new community-aligned occupiers taking significant space across our portfolio, with notable occupiers including job centres and NHS medical facilities. We have seen increased demand from food and leisure offers, health and beauty and a range of independent businesses providing a wide spectrum of offers and a point of difference.

The investment we have made in our commercial team is enhancing our leasing activity in this area, with strong local demand from mall kiosk operators, providing a rapidly growing pipeline of interesting uses and brands to complement our in-line retail units. Supported by our retail delivery team, with design and operational support, these entrepreneurial businesses provide a point of differentiation to their communities and the opportunity to evolve and grow into longer-term occupiers of retail space.

We remain alert to the wider economic challenges that our retail customers face in the short term, including supply chain challenges, inflationary pressures and the tapering off of government pandemic support. We maintain close linkages with our customers to understand their business needs and pressures and the support we can give to assist growth. We remain confident, but not complacent, in our strategy and approach. We have underlying confidence in the resilience of our affordable occupancy cost model, with rents averaging £12-15 per square foot and a merchandise mix that is increasingly focused on essential everyday goods and service provisions.

Read more about how we manage risk on pages [illegible]



Strategy

Debt restructuring transaction

We took steps to strengthen the platform of the business, to allow us to take advantage of market recovery opportunities, enabling management to focus on delivering and scaling the core community centre strategy.

Refocused

New classification into Investment & Managed Assets

- Investment Assets (where Group has net equity): The Mall – Blackburn, Maidstone, Walthamstow, Wood Green, and The Exchange – Ilford
- Managed Assets (where Group has no net equity): The Marlowes, Hemel Hempstead, and The Mall, Luton

Restructured

- Agreement to acquire outstanding RBS balance of £100m of the Mall debt facility for £81m, with TIAA part-funding the acquisition by providing an additional facility of £35m
- Agreement in principle on The Exchange – Ilford's debt facilities subject to additional capex injection by Capital & Regional

Recapitalised

Capital raised to part fund the purchase of Mall debt facility.

- Fully underwritten £30m Open Offer at 56p, representing a (10.4%) discount to 30-Day VWAP and a (2.4%) discount to last close
- Growthpoint, (52% shareholder) irrevocably undertook to take up its Open Offer entitlement in full and fully underwrote the issue
- Post-transaction, LTV on Investment Assets and Central Cash and Operations reduced to 49.7%

Long-term strategy

[illegible]

Our long-term strategy is focused on our Community Centres vision.

Our vision

We aim to define and lead community shopping centres through our passionate creation of vibrant retail spaces and exceptional customer and guest experience. To develop and deliver 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. To be more than just places to shop, but to operate hubs for the local community.

Define

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

Focus

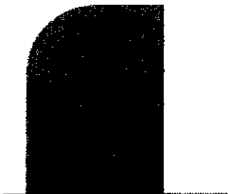
We have refocused our business and resources with a revised management platform and operational structure that puts our centres at the heart of what we do.

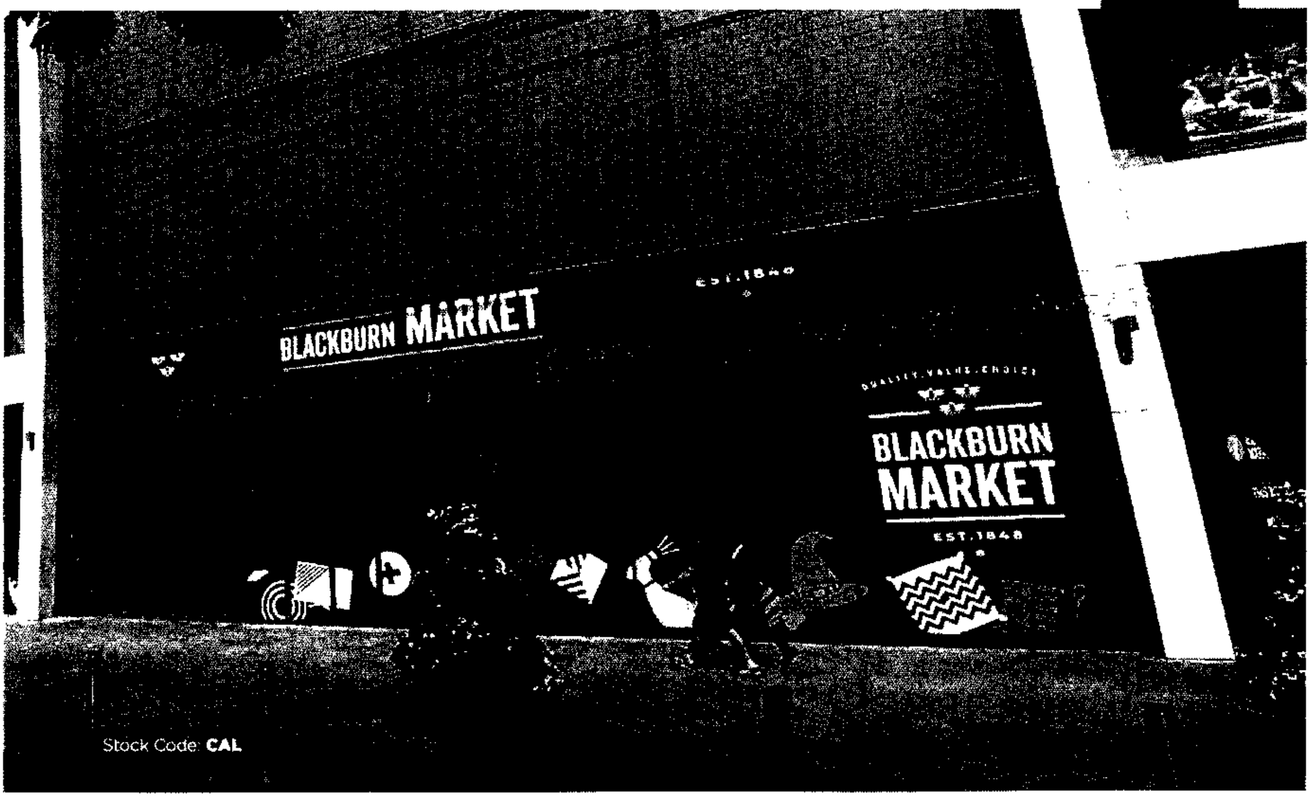
Position

Actively remerchandise centres to increase exposure to growth and under-represented categories, responding to consumer demand and differentiating 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 revenue and shareholder returns.





Long-term strategy

Define

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* to being a local employer of choice.

Progress
In line with our decision to reclassify our assets, we have highlighted the centres with the potential for clear value accretion from direct investment.

Throughout the year, we undertook a rebranding of our Walthamstow centre to align its image to reflect the community it serves. The new name 17&Central, is the result of continued efforts by the business to differentiate itself from other centres in the market and to remain relevant and appealing to the local community.

We have been working to define and realise value from spaces that go underutilised across the portfolio, such as our car parks through forging a partnership with innovative partners like REEF technologies, ensuring that we *maximise community exposure to modern* goods and services.

Future Focus
Realising 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.

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.

Continuing to ensure the assets we manage and operate are the right ones to deliver our community centre strategy and are accretive for the business remains a key focus. The decision to re-classify both Luton and Hemel Hempstead reflect this. The executive team are looking at the best outcomes for these two assets and *seeking out further opportunities to grow the* Group's asset pool.

Position

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.

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.

Progress

With continued decline of the department store model and increased pressures 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.

We have made progress this year by continuing to evolve the balance of our shopping centres through active remerchandising. We have completed a number of lettings in the "Grab and Go" food space and opened a new Lidl supermarket at Luton. Pharmacy is now one of our largest income segments with the two market leaders amongst our top occupiers list.

Further highlights include:

- A new Job Centre in Ilford, replacing a portion of the former Debenhams space;
- Two further deals with the Department of Work and Pensions at Blackburn and Wood Green; and
- Developing a new food hall in Walthamstow.

We continue to maintain affordable £12 per sq ft average rents to allow for tailoring to local communities. We are seeing continuing demand for space, exemplified by having completed more leasing transactions in 2021 than in 2019 and 2020 combined.

Future Focus

Our leasing focus remains aligned to our community merchandising pillars as we emerge from the Covid-19 pandemic. We continue our ongoing focus to deliver remerchandising and repositioning opportunities by reducing our portfolio exposure to at-risk categories, such as fashion and department stores, to different uses.

We believe in growing the next generation of retailers and are proud of the support and guidance we are able to provide through our investments. By working with these retailers, we are encouraged to think and operate differently.

We will continue to be mindful of the projects we plan for investment, balancing prudent capital management with commitments to those projects that will deliver optimum performance.

Strategy

Long-term strategy

Focus

Overview
Our centres are at the heart of what we do. Our business and resources are focused on enabling the strong management platform and operational structure to facilitate timely, *responsive and optimal decision-making in* the delivery of our overarching community centre strategy.

Progress
The implementation of key systems in the finance and property investment departments that had started in 2020, continued through 2021, placing significant demands on key finance staff in the business. Moving into year-end processes following implementation has been challenging, but overall, the new systems have resulted in highly positive and enhanced productivity. Robust controls and processes *had been developed to preserve the quality of* decision-making and speed of execution.

We're investing in our leasing capability and bringing different skill sets into our business to assist. We are recruiting individuals from non-traditional real estate backgrounds, and they are actively out on the ground in our local trade areas, sourcing retailers that fit with our research and data-driven knowledge of our local communities.

Future Focus
Our people and systems are the backbone of the business. We are constantly assessing areas for investment in our in-house management platform, our people, our systems and data insight as this remains essential to the successful delivery of, and growth of, our community strategy.

Enhance

Overview
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
We have continued to work with our existing portfolio to realise potential sales and recycle the resultant capital into redevelopment initiatives across the schemes. Highlights include:

- The exchange and completion of Maidstone House office sale to local authority at the Mall, Maidstone.
- A multi-phased comprehensive masterplan for redeveloping the Exchange, Ilford centre in response to this dynamic London borough evolving to become the heart of Redbridge. This is expected to deliver key improvements to the net operating income *and overall merchandising mix and* customer proposition.

Future Focus
Our people and resources are critical to the delivery of our community shopping centre strategy. We will aim to maximise the value of our *assets through capital expenditure* investment programmes planned to deliver a capital return over and above the income enhancement. This will put the Group in a position to proactively respond and grow as the market stabilises.

Share Code: CAL

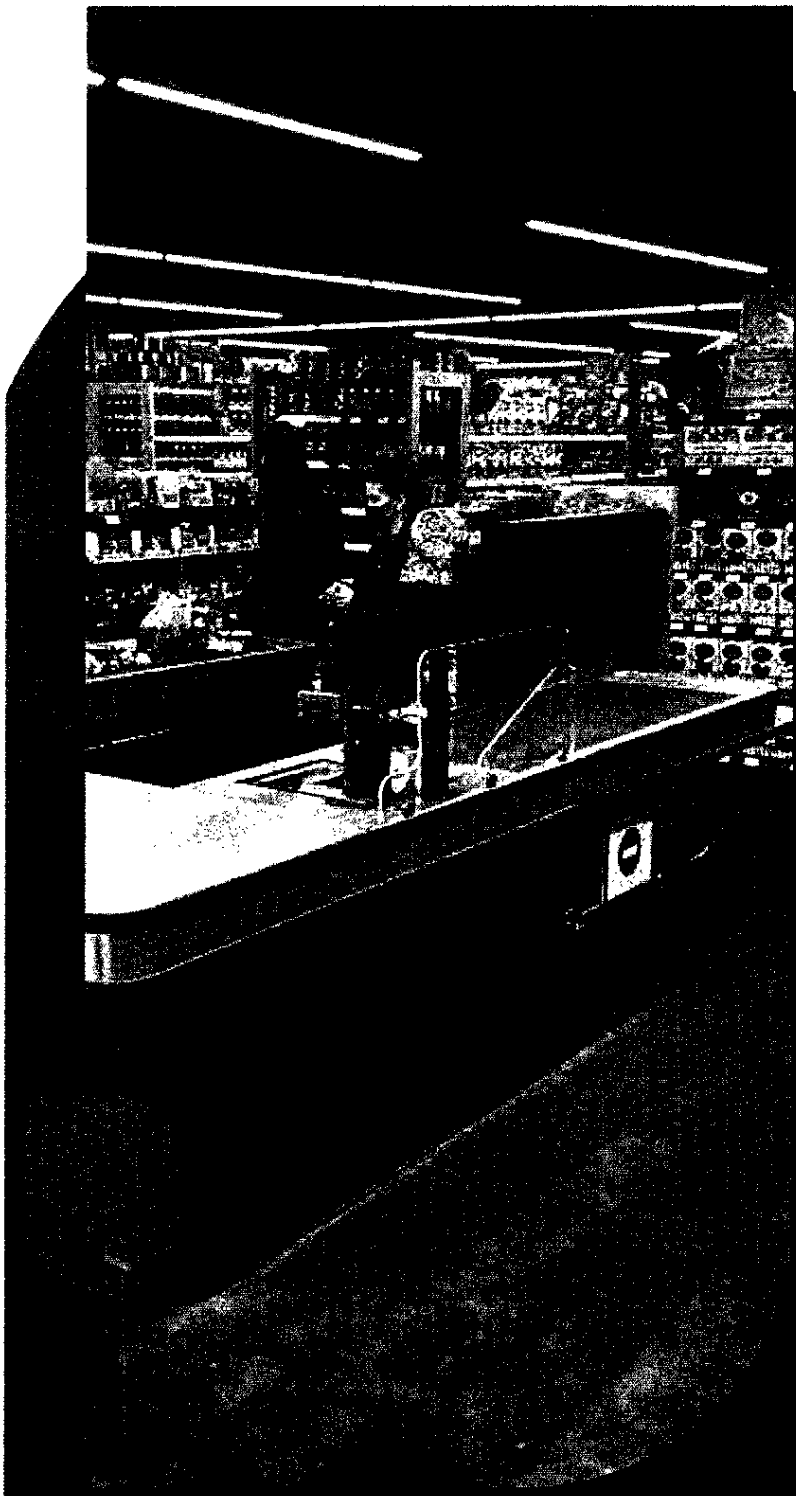
Strategy in Action

Rebranding The Mall, Walthamstow to 17&Central

We have completed an exciting transformational rebranding of The Mall, Walthamstow to 17&Central, which has breathed new life into this rapidly growing London town ahead of the exciting planned mixed-use extension to the scheme.

The introduction of the new rebranding has enhanced guest experience and positioned the centre to connect with our community strategy, providing goods and services that meet the evolving needs of a diverse and growing local community.

A key part of these plans is the introduction of a new food court. In the wake of the fire at the centre in 2019, we took the initiative to repurpose and replace the former food court with a more tailored offering that would be more relevant to the evolving and diverse community. In order to make it relevant, we are engaging with high-quality occupiers to provide a new food hall, bar and community space incorporating competitive socialising, potential mixed leisure areas, such as fitness studios workspaces. This will maximise the use of the space and potential revenue, support footfall and encourage complementary merchandising opportunities.



Enhancing grocery anchors

In line with our Community Centre strategy, we continue to evolve our remerchandising with a pivot to more grocery anchors and reducing our exposure to at-risk discretionary retail sectors.

At Luton, we expanded our grocery representation with the opening of a new unit for Lidl in October 2021, complementing Tesco as the second supermarket within the scheme. We are conscious of finding the right balance between national brands and local independent retailers, who have a deep understanding of their community. With this in mind, we have also brought in to the Luton centre a local Polish delicatessen, Delikatesy Smaczek.

These retailers support our community strategy, generate footfall and frequency of visit, driving retailer sales and thus enabling us to achieve better leasing outcomes across the centre.

Our Business Model

Community shopping centres are our specialism. Our core strength is enhancing through repositioning, managing and acquiring these types of assets.

The impact of Covid-19 has increased uncertainty in a sector already undergoing significant structural change. Valuations declined in the first six months of the year but have shown signs of stabilising in the second half and capital values per sq ft are at levels that increasingly support accretive repositioning opportunities across a widening range of uses.

Key resources →

01
Experienced and agile management

Through our expert management platform, we seek to generate and grow sustainable income and drive capital value growth by combining active asset management with operational excellence.

02
Strong capital structure

We have continued to prioritise the preservation of cash. 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.

03
Close relationships with communities

The utilisation of partnerships with research/benchmarking firms like CACI, alongside input from centre teams with regular engagement with retailers and local communities ensure our relevance to the communities in which we operate.

04
Diversified income streams

The ability to evolve the Community proposition offer and to accelerate remerchandising into the shift from discretionary to non-discretionary retail and services.

Key activities →

Identify the right assets

Community shopping centres are our core strength. Assets that typically meet our potential investment criteria are those that are underperforming in their catchment but have significant asset management opportunities.

Assess product offering against local community needs and expectations

Establish strategic and comprehensive 3–5 year asset masterplans for each centre

Engage specialist teams to ensure accelerated delivery with focus on optimal performance

Post implementation reviews to refine processes and to inform future decision-making

Underpinned by our ESG focus and our values

Our ESG focus

→

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. In light of this focus, the Group has assessed its portfolio and reclassified two assets, Hemel Hempstead and Luton, as a result of them meeting the criteria to be classed as "Held for Sale". Although neither asset has been sold at the time of writing, it is likely to occur during the year.

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, we believe that our assets and management expertise will afford Capital & Regional with an exciting opportunity as a potential consolidator of community and mixed-use retail assets in the UK.

Value for stakeholders

Shareholders

By investing in diversified income streams and maintaining close links to our communities this will drive long term sustainable growth which will result in sustained shareholder return. As a UK REIT, this is an essential component.

Retailer Customers and Occupiers

By leveraging our experienced management platform and frequent repeat footfall and high conversion rates coupled with affordable occupancy costs.

Our Employees

We are a performance-led culture and by creating a dynamic and positive work environment, we will ensure the opportunity for staff to achieve the best from their careers. It will also allow for continuous development and training opportunities.

Our Communities & Guests

Ultimately, our business model aims to provide attractive retail and leisure environments, which are continually reviewed to enhance guest experience. We are passionate about creating vibrant community hubs for our guests, which also support local employment opportunities.

Our Suppliers

We work with a wide range of suppliers over the long term in order to make our business stronger delivering a competitive edge.

Our values

INSPIRING CREATIVE THINKING

ENCOURAGING COLLABORATIVE ENGAGEMENT

DELIVERING DYNAMIC SOLUTIONS

ACTING WITH INTEGRITY

LEADING IN SUSTAINABILITY WITHIN OUR COMMUNITIES

Key Performance Indicators

Financial

Adjusted profit[1]

2021	£8.1m
2020	£11.0m
2019	£27.4m
2018	£30.5m
2017	£29.1m

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
[illegible]

Progress during the year
[illegible]

[illegible]

Link to strategy [illegible]

Link to risks 2 9

Adjusted profit per share[1,2]

2021	6.8p
2020	10.2p
2019	36.7p
2018	42.3p
2017	41.0p

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
[illegible]

Progress during the year
[illegible]

[illegible]

Link to strategy [illegible]

Link to risks 2 9

Dividend per share[2]

2021	0p
2020	0p
2019	21.0p
2018	24.2p
2017	36.4p

Why we use this as an indicator
This is the cash return to be delivered to investors in respect of the year [illegible]

How this links to our strategy
[illegible]

Progress during the year
[illegible]

Link to strategy [illegible]

Link to risks 2 4 9

Net rental income

2021	£29.0m
2020	£34.1m
2019	£49.3m
2018	£51.9m
2017	£51.6m

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

How this links to our strategy
[illegible]

Progress during the year
[illegible]

[illegible]

Link to strategy [illegible]

Link to risks 2 6 9

EPRA net tangible assets per share[2]

2021	102p
2020	157p
2019	364p
2018	506p
2017	465p

Why we use this as an indicator
[illegible]

How this links to our strategy
[illegible]

Progress during the year
[illegible]

Link to strategy [illegible]

Link to risks 1 2

Net debt to property value

2021	49%
2020	65%
2019	46%
2018	48%
2017	46%

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

How this links to our strategy
[illegible]

Progress during the year
[illegible]

Link to strategy [illegible]

Link to risks 1 2 3

Non-Financial

[illegible]

2020	C&R -41.6%	[illegible]
2019	C&R 3.2%	[illegible]
2018	C&R +1.2%	[illegible]
2017	C&R +0.1%	[illegible]

Why we use this as an indicator
Footfall is an important measure of a centre's popularity with customers. [illegible] 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 [illegible] demand and future trading performance.

Progress during the year
Footfall started the year significantly impacted by Covid-19 and the closure of non-essential retail in the first quarter of the year. Overall it improved for 2021 against 2020 primarily due to the increase in operating months with the reopening of non-essential retail from April 2021.

[illegible]

Link to strategy
[illegible]

Link to risks
2 9

[illegible]

2020	92.1%
2019	97.2%
2018	97.0%
2017	97.3%

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
Occupancy has started to recover, having increased by 0.6% since the end of 2020 and having been 89.7% at 30 June 2021. The impact of the closure of Debenhams in the first quarter caused the drop during the year. New lettings at Blackburn, Ilford and Luton in the former Debenhams space has driven approximately 2% of the improvement to the year ended 2021.

Link to strategy
Define Position

Link to risks
2 5 9

Risk key
1 [illegible]
2 [illegible]
3 [illegible]
4 [illegible]
5 [illegible]
6 [illegible]
7 [illegible]
8 [illegible]
9 [illegible]
10 [illegible]

Notes
[illegible]

CAL

Chief Executive's Review

Strong leasing performance is driving a recovery in occupancy and rent collection is trending back to pre-pandemic levels.

[illegible]

As we look forward towards navigating a path of recovery, it is comforting to see greater clarity emerging in our operating environment, especially around digital disruption and the impact of online retailing.

[illegible]

We have also continued our programme of growing the representation of grocery and pharmacy across our portfolio, with these sectors anchoring both our strategy and our centres. As a mark of progress, it is pleasing to see Boots and Superdrug are now among our top five retailers by income.

In addition, we have expanded our personal services offering, including leading local hair and beauty salons, and our level of professional services, with the first of our NHS facilities due to open in Wood Green in 2022. This is an area where we plan to expand further, and we have a number of other NHS medical and diagnostic centres in varying stages of planning across our portfolio. These facilities provide essential services to our communities and form a key part of our drive towards creating sustainable "15-minute neighbourhoods".

Our Snozone leisure business was impacted by the restrictions again this past year and the team responded well, continuing to work tirelessly to mitigate the financial impact and provide the safest environment for our guests. The Xanadu, Madrid ski slope we added to the business in February 2021 has performed in line with expectations, despite Madrid being subject to further restrictions throughout the year. We are actively exploring a further expansion of Snozone in the ski and leisure sectors, leveraging the expertise and quality of the team.

During 2021, we appointed external property and sustainability experts, JLL, to help formalise and prioritise the additional actions we need to take to meet our ESG targets and address the pressing issue of the climate crisis. With JLL's support, we are developing our net zero carbon strategy to produce a pathway in line with the UKGBC's best practice recommendations and the BBP Climate Change Commitment, quantifying and prioritising the necessary emission reductions out to our net zero carbon target year and beyond. The net zero carbon pathway will be published later this year and will provide us a clear and actionable implementation plan, mapped against our operations and businesses. We are currently undertaking a business-level and portfolio risk assessment to identify the climate-related risks most material to our business. This will support a greater understanding of the impacts and opportunities of these risks and inform our first response to the Task Force on Climate-related Financial Disclosures (TCFD) this year.

We accept there is much we need to do to improve the impact of our assets on the climate change agenda and we are more committed than ever in our 40-plus-year history to achieving that objective. Our communities expect and deserve nothing less. Our own team at Capital & Regional, covering more than 150 people, remains vitally important to us and at the heart of that is our commitment to having a diverse and inclusive workplace.

Read more about **our engagement with stakeholders** on pages 44 to 45

Future focus

Looking forward, we are confident in our community centre positioning, which is focused on "needs" or "essential" retail and services. The recent early signs of a stabilisation in our valuations, supported by a considerable increase in investment market activity as investors return to the sector, coupled with our robust income and occupancy performance, is cause for further optimism.

Furthermore, the strong levels of leasing we have achieved throughout the year, with more leases agreed than in the previous two years combined, on average above ERV, are a strong indication that retailers, as well as our customers, continue to recognise that affordable well-located, designed and managed local physical retail is an essential part of neighbourhood infrastructure. With this in mind, we believe that our community centre strategy is as relevant today as it was when we first announced this change of direction in 2017.

The renewed positive backdrop and an increasing return to normal daily life post-Covid gives us the confidence to begin investing further capital into the right areas of our centres, accelerating their remerchandising and repositioning in line with our community centre model. We will continue to explore options to realise value through partial sales of non-core assets, like the Maidstone office building or Walthamstow residential site, and to partner with experts in their sectors including residential or car parking, which add value to our assets and stakeholders.

It remains our intention to continue as a REIT, and as such resuming dividends, whilst being prudent and conscious of our balance sheet and the capital needs of our assets and business.

We are looking forward to 2022 and playing our part in rebuilding our communities, economic, business and stakeholder value post pandemic.

Thank you to all our shareholders for your support this past year.

LAWRENCE HUTCHINGS
CHIEF EXECUTIVE
13 April 2022

Operating Review

Impact of Covid-19

All seven of the Company's community shopping centres remained open and trading [illegible] essential services to the communities [illegible] strategy. Restrictions on trading [illegible] 6 January 2021 until 12 April 2021 [illegible] our strategic focus on [illegible] discretionary and essential goods and services has mitigated the worst of that impact and provides the business with a sound platform for the future.

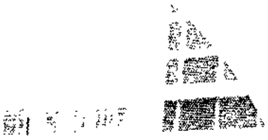
Our overriding priority during this time has been the health, safety and protection of our colleagues, guests and customers. At all times, we have taken all available precautionary measures, while rigorously following the latest official government guidelines and advice across our portfolio. Access to our centres has been closely monitored through additional staff and existing footfall technology. When restrictions have been in place, we have carefully controlled visitor capacity to maintain social distancing and to protect visitors, occupiers and staff.

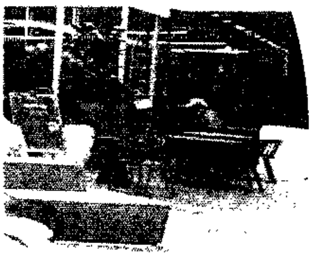
New lettings, renewals and rent reviews

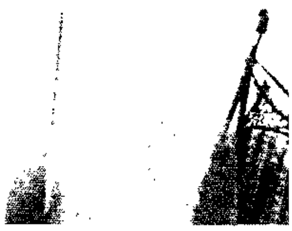
	12 months to December 2021	12 months to December 2020
New lettings		
Number of new lettings	**89**	40
Rent from new lettings (£m)	**£4.0m**	£1.2m
Renewals settled		
Renewals settled	**54**	23
Total resulting annual rent (£m)	**£1.2m**	£1.3m
Combined new lettings and renewals		
Comparison to previous rent[1]	**+7.3%**	+22.1%
Comparison to ERV at December 2020[1]	**+15.6%**	+5.6%

1. For lettings and renewals (excluding development deals and CVA variations) with a term of 5 years or longer which do not include turnover rent or service charge restrictions.

All seven of the Company's community shopping centres remained open and trading within the government-enforced restrictions throughout the pandemic.







143 new lettings and renewals were completed during the period at a combined average premium to previous rent of 7.3%, which is even more pleasing given the significantly disrupted trading environment. This level of transactions was also significantly above the 66 deals completed in 2019 and the 65 in 2020, meaning we completed more deals than in the previous two years combined.

This increase in deal volumes is a result of the [illegible] investment we have undertaken in our in-house leasing platform to specifically and strategically target local independent operators. Through our on-the-ground ties to our local communities, we have seen [illegible] the trend of [illegible] growth amongst this group and have correspondingly been able to reposition space that has not historically been income producing, providing the [illegible] physical location while also expanding our offering of essential local services.

A key focus of leasing activity in 2021 has been on repurposing our centres to alternative community uses in line with our strategy. This includes new lettings to the Department for Work and Pensions for Job Centres at Blackburn and Ilford, where they have taken space in [illegible] of the former Debenhams units, as well as at Walthamstow. At Wood Green, we signed a [illegible] lease agreement with Whittington Health NHS Trust to open a state of the art Community Diagnostics Centre and also agreement deals for new health and beauty clinics to different independent local operators at Luton, Walthamstow and Wood Green.

We also [illegible] a number of [illegible] in "Grab and Go" food space including new units to Jamaica Blue at Ilford, Sizzle & Stone at Wood Green and Miss Millie's and Subway at Walthamstow. In Wood Green we signed deals with REEF Technology for dark kitchens and last mile logistics [illegible], reflecting our ability to maximise the utilisation of space at our centres in new ways, and in Luton, we opened a new Lidl supermarket in October 2021.

As referenced above, we have made good progress re-letting the three Debenhams stores in our portfolio after they ceased trading in March 2021. At Blackburn, the Job Centre letting comprises approximately 15,000 sq ft of the space and we are exploring options to potentially upsize an existing tenant into the remainder. At Luton, furniture specialist VFM opened in October 2021 taking the entire former Debenhams unit, covering costs with a turnover top-up.

At Ilford, we are in process of dividing up the unit across its three floors. The majority of the top floor space has been converted into a 22,000 sq ft Job Centre that opened in early February 2022 and we expect to sign an agreement for lease imminently with a major national retailer to relocate from elsewhere in the centre to take the middle floor.

We are also close to signing an agreement for lease with the NHS for a community healthcare centre at The Exchange, Ilford. This will be a flagship project, providing a new 20,000 sq ft purpose-built facility that is expected to open to the public in 2024.

Rental income and occupancy

	30 December 2021	30 December 2020
Occupancy (%)	92.8	92.1
Contracted rent (£m) – like for like	50.9	50.6
Passing rent (£m) – like for like	48.2	49.6

[illegible]

Occupancy is 0.7% higher than at the end of 2020 and has increased by 3.1% since 30 June 2021, with the impact of the new lettings at Blackburn, Ilford and Luton in the former Debenhams stores [illegible] approximately [illegible] of the improvement.

Allowing for the disposals of the [illegible] Hempstead and Maidstone House (Maidstone) properties during the year, passing rent fell by 2.8% but contracted rent marginally increased. There is over £1 million of contracted rent that is due to convert to passing rent during the first quarter of 2022.

Operational performance

In total, there were 47.7 million shopper visits across the portfolio during 2021. This was 3% higher than in 2020 and outperformed the national index by 5.7%, reflecting the relative strength of the convenience based and relevant offering we have been strategically building for our communities over the last number of years. Due to government imposed lockdown measures shopper visits in 2021 were 36% lower than 2019, driven particularly by the period up to 12 April 2021 when the pandemic restrictions were at their most stringent.

Up until 12 April 2021, the date on which non-essential retailers were able to re-open, approximately one third of leased units were open and trading and footfall was at approximately 30% of the equivalent weeks in 2019. Since then, footfall has typically fluctuated to between 70% and 80% of 2019, with the improving momentum seen in the autumn months tempered by the outbreak of the Delta and Omicron variants towards the end of the year. Footfall in the two months to the end of February 2022 has been equivalent to approximately 76% of the corresponding weeks in 2019.

Operating Review

Rent collection

Rent collection remained a significant area of focus for our team during 2021. Our retailer customers' ability to trade was impacted throughout the year by the government-enforced restrictions, especially in the first half of 2021. The Government's extension of the [illegible] also [illegible] the measures that would normally be available to us as a last resort to protect our contractual position. We therefore proactively dedicated significant resource to this effort, [illegible] across the business to engage with and build on our tenant relationships at all levels. [illegible] the [illegible] we have worked [illegible] with our retailers to understand the specific impact of Covid-19 on their individual businesses [illegible] come to agreements that both 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 modest concession to the tenant in return for settling the remainder of their arrears and the full amount of their [illegible] obligations.

[illegible] of the 2021 financial year, we have received or agreed formal payment plans for [illegible] of the rent billed. Total concessions granted [illegible] the year equate to £2.5 million [illegible] representing approximately 5[illegible] of the [illegible] rent [illegible]. In the year-end accounts we have [illegible] provisions for more than half of the [illegible] outstanding.

Rent [illegible] for the first quarter of 2022, [illegible] monthly [illegible] for January and February 2022 [illegible] [illegible] the table below [illegible].

	Rent collection [illegible] to [illegible] December 2021		Rent collection Q1 2022	
	£m		£m	
Rent collected	45.0	88.1%	10.1	[illegible]
Payment plans	2.3	4.5%	–	
Total	47.3	92.6%	10.1	[illegible]
Outstanding	0.9	1.8%	0.5	[illegible]
Bad Debt	0.3	0.7%	–	
Rent concessions	2.5	4.9%	0.1	[illegible]
Total billed	51.0	100%	10.7	100%

[illegible]

Capital expenditure investment

In light of the COVID-19 pandemic and balance sheet pressures, we have prudently focused capital expenditure on those projects delivering immediate income returns or those with strategic priority.

[illegible] £8.0 million was invested during 2021, with primary projects being the progression of the Walthamstow residential opportunity (£4.2 million), the creation of a new [illegible] unit at Luton (£1.7 million) in the year, car park upgrade works to support the introduction of RBBF at Luton and Wood Green (£0.5 million), and £[illegible] million across Blackburn and Ilford to form the new Job Centres out of the former Debenhams units. The rebuild of the area at Walthamstow affected by the fire in July 2019 completed in Q1 2021 and included the creation of a new mezzanine food court level.

Walthamstow residential opportunity

We are now in the final stages of clearing the remaining pre-conditions on the Walthamstow residential opportunity to facilitate the land receipt of c.£20 million payable by our residential partner Long Harbour.

At the end of 2021, planning consent was confirmed following the expiry of the statutory Judicial Review period. The consent enables phased development of 495 high-rise build-to-rent residential apartments to be developed by Long Harbour, [illegible] low-rise private sale residential apartments, 4[illegible] sq ft of commercial floor space and a new station entrance to the Victoria Line underground station. Since the year end, we have concluded terms that deliver vacant possession on all units required to unlock the development site and have commenced enabling works to relocate affected utilities and infrastructure. We have also agreed the principal form of the development agreement and headlease documentation with the local authority. We anticipate achieving full unconditionality with Long Harbour in the coming weeks which will trigger the release of the capital payment to us and an anticipated start on site for the high-rise residential construction by mid-year 2022.

Strategic residential development partnership

In September 2021, we announced that we have signed an exclusivity agreement with a subsidiary of Far East Consortium International Limited (FEC) to work together to identify and develop new residential opportunities across the Group's portfolio of shopping centres. FEC is an international real estate conglomerate that is listed in Hong Kong and active across Australia, Singapore, Hong Kong and the UK, with a strong track record in residential development.

While the primary aim of the partnership is to facilitate projects that will enhance asset values and/or generate potential land receipts for real estate in the current Capital & Regional portfolio, we have also been assessing opportunities for new projects where the collective expertise and resources of the partnership can be deployed.

We are pleased with how the partnership is progressing and a number of options are currently being explored.

Snozone

Due to government lockdown restrictions in the UK, which only began to ease from 12 April 2021, Snozone was unable to operate during its peak trading period in the first quarter of the year. The requirement to maintain social distancing measures [illegible] from mid-July 2021 limited slope capacity [illegible]. Trading was further impacted by [illegible] restaurants not being able to open and catering [illegible] being offered during the period [illegible]. [illegible] restrictions lifted in the second half of the year, [illegible] back to around [illegible] of the equivalent levels for 2019 [illegible] the end of the year as concerns over the Omicron variant heightened.

Results for the period were supported by the receipt of a £2.5 million insurance payment under [illegible] has maintained since 2017. A renegotiation and extension of the Snozone leases at its Yorkshire and Milton Keynes sites has reduced the annual cash payments by approximately £0.55 million.

In 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 €2.00. The slope in Madrid has traded throughout the period, although social distancing restrictions in Spain reduced footfall by approximately half and, in similarity to the UK, corporate and school activity was much reduced.

Snozone recorded an EBITDA for the year of £0.3 million (2020: loss of £1.7 million), supported by the insurance payment.

Snozone's IFRS loss of £0.3 million (2020: loss of £2.4 million) was adversely impacted relative to prior years due to the renegotiated Yorkshire and Milton Keynes leases which, under IFRS 16, resulted in a significantly increased depreciation and amortisation charge of £2.5 million (2020: £2.2 million; 2019: £0.3 million) due to the annual cash rent reducing. The loss for the year was mitigated, however, by a £1.4 million VAT rebate following the successful pursuit of a historic claim that delivered a favourable ruling over the treatment of revenue related to lift passes. This will have an ongoing benefit of approximately £0.25 million per annum.

Financial Review

The Group has taken the decision not to declare a final dividend. It is the Company's intention to resume paying dividends from the second half of the financial year ending 2022.

	2021	2020	Change
Profitability			
Statutory Revenue	£70.0m	[illegible]	[illegible]
Net Rental Income[1] (NRI)	£29.0m	[illegible]	[illegible]
Adjusted Profit	£8.1m	£11.0m	[illegible]
Adjusted Earnings per share (Basic)	6.8p	[illegible]	[illegible]
IFRS Loss	£(26.4)m	[illegible]	[illegible]
Basic Earnings per share	(22.0)p	[illegible]	[illegible]
EPRA cost ratio (excluding vacancy costs)	47.8%	[illegible]	[illegible]
Net Administrative Expenses to Gross Rent	27.7%	[illegible]	[illegible]
Investment returns			
Net Asset Value	£168.4m	[illegible]	[illegible]
Net Asset Value (NAV) per share	102p	150p	[illegible]
EPRA NTA per share	102p	[illegible]	[illegible]
Dividend per share	–	[illegible]	
Financing[3]			
Group net debt	£185.3m	[illegible]	[illegible]
Group net debt to property value	49%	[illegible]	-16 pps
Average debt maturity	5.4 years	[illegible]	+1.0 years
Cost of debt	3.74%	3.41%	+32 bps

[illegible]

Adjusted Profit - 30 December 2021: £8.1 million (30 December 2020: £11.0 million).

Use of Alternative Performance Measures (APMs)

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

Alternative performance measure used	Rationale
Adjusted Profit	Adjusted Profit is used as it is considered by management to provide the best indication of trading profits and hence the ability of the business to fund dividend payments. Adjusted Profit excludes revaluation of properties, profit or loss on disposal of properties or investments, gains or losses on financial instruments, charges in respect of long term incentive awards and other non-operational one-off items. Adjusted Profit includes EBITDA from Snozone (see definition below). This is a change during the year arising from the adoption of IFRS 16 and the signing of new lease agreements on Snozone's two UK sites. We consider that the combination of these two factors means that Snozone's statutory profit or loss alone provides a [illegible] reflection of Snozone's trading performance and hence we introduced this additional Alternative performance measure. The key difference between Adjusted Profit and 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. Adjusted Earnings per share is Adjusted Profit divided by the weighted average number of shares in issue during the year excluding own shares held. A reconciliation of Adjusted Profit to the equivalent EPRA and IFRS measures is included in Note [illegible] to the condensed financial statements.
Like-for-like amounts	Like-for-like amounts are presented as they measure operating performance adjusted to remove the impact of properties that were only owned for part of the relevant periods. For the purposes of comparison of capital values, this will also include assets owned at the previous period end but not necessarily throughout the prior period. In the current year the like-for-like figures have been adjusted for the impact of the disposal of the Edmonds Parade and Maidstone House properties within the Hemel Hempstead and Maidstone shopping centre assets that were completed in June 2021 and December 2021 respectively.
Net Debt	Net debt is borrowings excluding unamortised issue costs, less cash at bank. Cash excludes cash held on behalf of third parties (e.g. in respect of service charges or rent deposits).
Net debt to property value	Net debt to property value is debt less cash and cash equivalents divided by the property value.
Net Rent or Net Rental Income (NRI)	Net Rental Income is rental income from properties less provisions for expected credit losses, property and management costs. It is a standard industry measure. A reconciliation to statutory turnover is provided in Note 3 to the financial statements.
Snozone EBITDA (change in 2021)	Snozone EBITDA is based on net profit. It excludes Depreciation, Amortisation, (notional) Interest, Tax and non operational one-off items. It includes rent expense based on contractual payments adjusted for rent-free periods. This provides a measure of Snozone trading performance which removes the profiling impact of IFRS 16 that would otherwise see a significantly higher charge in early years of a lease and significantly lower net charge in later years. A reconciliation to the IFRS net profit is included within Note 2 to the financial statements.

Reporting Segments

In its Interim Results for the six months ended 30 June 2021, the Group made a change to its reportable segments reflecting the position of its shopping centre investments and mirroring new information being reported to the Board. As a result, it split out what was previously referred to as Shopping Centres into "Shopping Centres – Investment Assets" and "Shopping Centres – Managed Assets". Shopping Centres – Investment Assets incorporates the centres at Ilford and within the MetLoan facility, namely Blackburn, Maidstone, Walthamstow and Wood Green. These represent the asset pools where the Group retains net equity and is focused on long term solutions for the loan positions potentially involving the investment of further capital.

Shopping Centres – Managed Assets incorporates Hemel Hempstead and Luton where the current loan balances in the non recourse SPV structures exceed the respective property values and therefore the Group has negative equity and the substance of the Group's involvement is as a manager. This split has been reflected in the presentation of the results at the year end with the prior-year comparatives amended on the same basis.

Financial Review

Reclassification as assets and liabilities held for sale

As at 31 December 2021 the Group concluded that the two assets which were reclassified as 'Managed Assets' within the Group's half year results at 30 June 2021, Hemel Hempstead and Luton, met the criteria to be reclassified as "Held for Sale". This conclusion was reached as the Group, following close dialogue with the respective lenders of the vehicles, had decided to seek to dispose of whole or part of the investments or assets as at that date. While no transaction has been agreed as at the time of results, it is viewed as highly probable that it will be concluded within 12 months of the balance sheet date.

In the Group's accounts, this has resulted in all assets and liabilities associated with the respective investments being reclassified to separate lines of "Assets classified as held for sale" and "Liabilities classified as held for sale". The reclassification has been measured at the lower of expected net sale proceeds and current carrying value. [illegible]

The following are the amounts in the year end balance sheet:

Amounts in £m	Hemel Hempstead	Luton	Total
Assets classified as held for sale	21.9	124.5	146.4
Liabilities classified as held for sale	(34.5)	(131.3)	(165.8)
Net liability in respect of held for sale	(12.6)	(6.8)	(19.4)

[illegible]

Profitability

Components of Adjusted Profit and reconciliation to IFRS Profit

Amounts in £m	Year to December 2021	Year to December 2020
Shopping Centres – Investment Assets: Net Rental Income	**21.5**	[illegible]
Shopping Centres – Investment Assets: Interest payable	**(10.8)**	[illegible]
Shopping Centres – Investment Assets: Contribution	**10.7**	8.6
Shopping Centres – Managed Assets: Contribution	**2.1**	[illegible]
Snozone EBITDA (indoor ski operation profit/loss)	**0.8**	[illegible]
Central Interest net of investment income	**(0.2)**	0.1
External management fees	**2.4**	2.3
Central operating costs	**(6.8)**	(7.0)
Variable overhead	**(0.9)**	-
Current Year Tax credit	**-**	0.2
Adjusted Profit	**8.1**	11.0
Adjusted Earnings per share (pence)	**6.7p**	10.2p
Reconciliation of Adjusted Profit to statutory result		
Adjusted Profit	**8.1**	11.0
Property revaluation	**(49.2)**	[illegible]
(Loss)/Profit on disposal	**(2.5)**	0.4
Snozone depreciation and amortisation	**(2.5)**	(2.2)
Snozone notional interest (net of rent expense within EBITDA)	**0.5**	1.5
Gain/(loss) on financial instruments	**5.9**	(5.0)
Corporation Tax charge in lieu of dividends	**(3.1)**	-
VAT rebate within Snozone	**1.4**	-
Long-Term incentives	**(0.9)**	[illegible]
Gain on discounted loan purchase (net of costs)	**18.4**	-
Other items (including transaction costs)	**(2.5)**	[illegible]
Loss for the period	**(26.4)**	[illegible]

[illegible]

Adjusted Profit – 30 December 2021: £8.1 million (30 December 2020: £11.0 million)

Shopping Centres – Investment Assets Net Rental Income was £2[illegible] million compared to £20.2 million in 2020 driven by lower bad debt charge net of rent concessions of approximately £[illegible] million. Interest payable reduced reflecting the reduction in debt following the restructuring of the Mall loan facility that completed in November 2021.

Shopping Centres – Managed Assets Contribution fell from £7.[illegible] million to £[illegible] million primarily as a result of the 2020 numbers including a £[illegible] million benefit from a [illegible] premium in respect of a major unit in Luton.

Snozone EBITDA was £[illegible] million compared to [illegible] million loss in 2020. Snozone was unable to trade in the UK until the 17 April 2021 and social distancing requirements [illegible] there after. [illegible] supported by the benefit of a £[illegible] million pandemic insurance [illegible].

Central operating costs [illegible] from £[illegible] million to £[illegible] million [illegible] improvements in the central cost structure. Variable overheads [illegible] increases which were [illegible] in 2020.

Adjusted Earnings per Share for the period were [illegible] pence (30 December 2020: [illegible] pence) reflecting the fall in Adjusted Profit and the higher number of shares for part of the year following the equity raise completed in November 2021.

IFRS loss for the period – 30 December 2021: £26.0 million (30 December 2020: Loss of £204.1 million)

The key elements driving the overall loss for the period of £26.[illegible] million outside of Adjusted Profit were:

- Property revaluation loss of £49.2 million (2020 – £208.[illegible] million). The rate of decline in property valuations slowed in the first half of the year relative to 2020. Valuations were then broadly stable in the second half of 2021 as detailed in the Property Portfolio Valuation section below.
- The loss on disposal of £2.5 million (2020 profit of £0.4 million) relates to the difference between the sale prices of the Edmonds Parade and Maidstone House offices assets and the valuation at the start of the period.
- The gain on financial instruments of £5.9 million (2020 – loss of £5.0 million) is a result of the revaluation of interest rate swaps reflecting movements in future interest rate expectations.
- A £[illegible] million Corporation Tax charge arising from the Company having not met the minimum PID distribution requirements following the suspension of the dividend since June 2020.
- A receipt of £1.[illegible] million in Snozone following a favourable ruling over the VAT treatment of revenue related to lift passes.
- The £[illegible] million gain (after costs) on the discounted loan purchase arose from acquiring £[illegible] million of debt in respect of the Group's Mall loan facility for an accumulated amount of £[illegible] million.

[illegible] our financial performance [illegible] pages [illegible]

Dividends

No interim dividend was paid in 2021 (2020: nil).

Mindful of having recently raised new equity and to help reduce debt levels and maximise cash flexibility, the Group has taken the decision not to declare a final dividend. It is the Company's intention to resume paying dividends from the second half of the financial year ending 2022 in line with its previous dividend policy which was to distribute on a semi-annual basis (in the approximate proportions of 45/55 and in that order in respect of each financial year) not less than approximately 90 per cent of the Company's EPRA earnings.

A UK REIT is expected to pay dividends (PIDs) of at least 90 per cent of its taxable profits from its UK property rental business by the first anniversary of each accounting date. As a consequence of not having paid a dividend since the final dividend for the year ending 30 December 2019, which was paid in June 2020, the Group did not meet the minimum PID distribution requirement for 2019 or 2020. The Group had agreed with HMRC a 12-month extension to the 2019 deadline until the end of 2021 but, having not paid a dividend during 2021, the Group paid £2.5 million in December 2021 to settle the tax outstanding on the estimated shortfall of approximately £13 million in respect of the 2019 and 2020 financial years. This brings the Group effectively up to date in its REIT compliance.

At 30 December 2021, the Company does not have sufficient distributable reserves to declare a dividend. The Company plans to undertake a capital reduction exercise for which it will seek shareholder approval at the 2022 AGM in order to create sufficient distributable reserves.

Financial Review

Balance Sheet

Property portfolio valuation

Property at independent valuation	30 December 2021 £m	30 December 2021 NIY %	30 December 2021 NEY %	30 December 2020 £m	30 December 2020 NIY %	30 December 2020 NEY %
Blackburn	38.2	12.10%	13.24%	40.6	13.17%	12.23%
Maidstone	36.2	10.44%	11.22%	46.0	10.67%	10.75%
Walthamstow	100.4	5.84%	6.55%	106.6	5.17%	6.15%
Wood Green	148.9	7.33%	6.88%	158.0	6.71%	6.43%
Ilford	56.4	5.86%	7.99%	60.0	5.30%	7.49%
Investment Assets	**380.1**	**7.78%**	**8.64%**	411.2	7.28%	7.09%
Luton	82.5	11.00%	11.05%	92.5	9.6	9.50%
Hemel Hempstead	10.5	12.49%	18.20%	23.3	10.00%	12.69%
Managed Assets	**93.0**	**10.60%**	**12.63%**	115.8	9.80%	10.65%

[illegible]

[illegible]

Mall debt restructuring and equity raise

[illegible]

[illegible]

[illegible]

- [illegible]
- [illegible]
- [illegible]

[illegible]

Net Asset Value

[illegible]

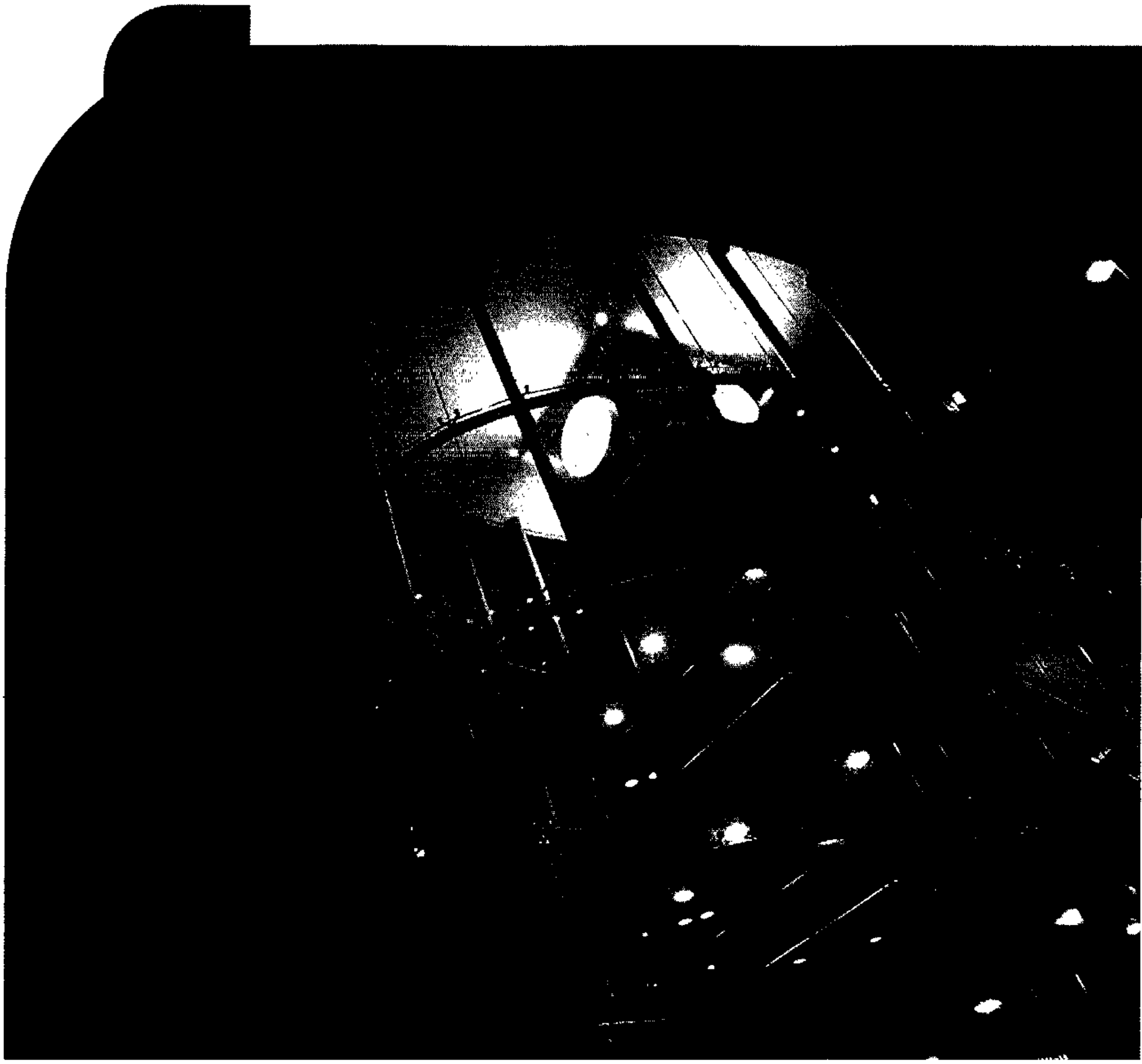
Financing

[illegible]

[illegible]

30 December 2021	Debt[1] £m	Cash[2] £m	Net debt £m	Loan to value %	Net debt to value %	Average interest rate %	Fixed %	Duration to loan expiry Years	Duration with extensions Years
The Mall	200.0[4]	(17.2)	182.8	52%	36%	3.93	82.5	5.1	6.1
Ilford	39.0	(4.0)	35.0	69%	62%	2.75	100	2.2	2.2
Central Cash	-	(32.5)	(32.5)	-		n/a	n/a	n/a	n/a
On balance sheet debt	**239.0**	(53.7)	**185.3**	63%	49%	3.74	85	4.6	5.4

[illegible]



The Mall

Following the restructure that completed in November 2021, the Mall facility consists of two tranches both held with TIAA:

- Facility A – £165 million fixed rate loan at 3.45%
- Facility B – £35 million floating rate loan at SONIA +6%.

The two facilities mature in January 2027 but have one-year conditional extension options. Facility B, which was drawn to assist with funding the acquisition of the previous RBS facility, has no early repayment penalties. The loan was reduced by £7.1 million to £27.9 million on 11 January 2022 using the proceeds from the Maidstone House disposal that were received in late December 2021.

As part of the November 2021 restructuring of the facility, TIAA provided a waiver of all financial covenants for two years until November 2023. Cash trap provisions within the loan agreement have also been modified for 18 months until May 2023.

Ilford

The Group has a £39 million facility secured on the Ilford Exchange shopping centre with Dekabank Deutsche Girozentrale. The loan is fixed at an all-in rate of 2.76% and is due to mature in March 2024.

The Group has an existing covenant waiver that expires in April 2022. Discussions are well-advanced with the lender to agree a longer-term modification of the covenants, covering at least the next 18 months, linked to funding the major asset management initiatives at the asset, being the planned medical centre and the re-letting of the Debenhams anchor unit.

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 2021, 7,690,574 of the Company's shares were held on the JSE share register, representing 4.7% of the total shares in issue.

STUART WETHERLY
GROUP FINANCE DIRECTOR

Risk Management Approach

The Audit Committee is delegated the authority for overseeing the effectiveness of the risk management process by the Board and is accountable for reporting on the identification of principle and emerging risks to the business. Ultimate responsibility for the oversight of risk management within the Group remains with the Board. The Board defines the risk appetite of the Group, establishes a risk management strategy and is responsible for maintaining a robust internal controls system. The Board formally reviews and signs off the Group's risk register on a six monthly basis. Emerging risks are considered as part of this process or on an ad hoc basis in instances such as the outbreak of the Covid-19 pandemic where the risk is of sufficient significance to require a separate discussion.

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.

At every half-year and year-end, the members of senior leadership undertake a comprehensive risk and controls review involving interviews with relevant management teams. This considers a review of both the existing identified risks and any new or emerging risks that may have been identified during the period. The output of this process is an updated risk map and internal control matrix for each component of the business, which is then amalgamated into the Group risk map and matrix that is reviewed by the senior leadership team. Formal submission is then made to the Audit Committee for review, before going to the Board for final sign off. The process for the half-year and full-year 2021 review 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 2021.

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.

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.

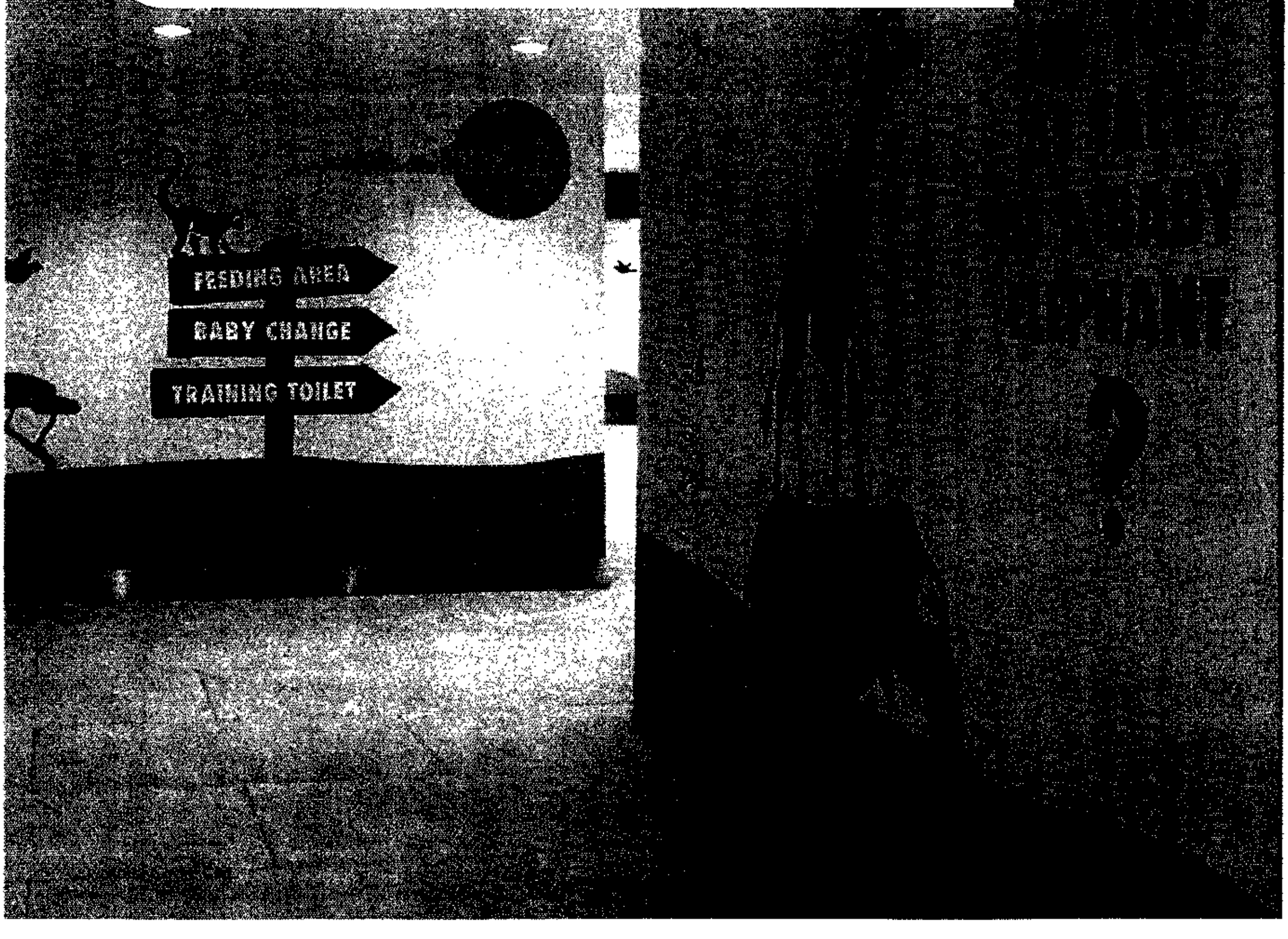
Employees
Responsible for complying with risk management procedures and internal control measures, and provide feedback to operational management on day-to-day risk management.

bottom up

Overall, the principal risks broadly remain unchanged at 30 December 2021 but the pervasive and ongoing impact of the pandemic has increased the significance and likelihood of further Economic Environment risk due to macroeconomic factors, particularly with regards to rising inflation, income tax and energy market volatility. The potential significance of People & Skills risk is viewed to have increased reflecting the growing strain on the retail sector and changing priorities of the UK workforce. Responsible Business risk had been renamed as Environmental, Social & Governance risk to align with the shift in focus of the ESG Committee. We consider the potential significance has increased reflecting the growing focus on environmental matters and reporting. The potential significance and likelihood of Treasury and Business Disruption risk, while remaining high risks, were both considered to have reduced relative to their June 2021 position reflecting the recent restructuring of the Mall debt facility, reducing Group LTV, and the operating platform that has been established to mitigate major incidents in response to Covid-19. Investment Market risk, although remaining a higher significance, has been lowered to have reduced in likelihood to reflect the signs of stabilisation of the portfolio's asset values.

Potential emerging risks have also been considered, including the effects of climate change on our operations and supply chain and the impact of mandatory TCFD Disclosures on regulatory reporting. This has led to pulling out Climate-related risk as its own individual principal risk. Covid-19 remains a potential risk and sits within our Business Disruption from a Major Incident 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.



Managing Risk

1. Property investment market risks

Risk
The increased weakened economic environment and poor sentiment in commercial and/or retail real estate markets has led to low transactional evidence across the industry with *reduced investor confidence and the* gradual decline in valuations.

Valuations can be inherently subjective leading to a degree of uncertainty and the risk that property valuations may not reflect the price received on sale

Impact
Small changes in property market yields or future cash flow assumptions can have a significant effect on valuations

The impact of leverage could magnify the effect on the Group's net assets and we risk of breaching loan covenants with our lenders. This could result in the default of facilities and should we not be able to cure these, we run the risk of security being enforced.

Highly volatile trading environments have the potential to increase the speculation on Property valuations and are open to a wider range of possible outcomes.

Mitigation
Regularly monitoring market direction, comparable property valuations in the market and recent transactions.

Adequate and timely forward planning of investment decisions.

We engage multiple experienced, external valuers who understand the specific properties and whose output is reviewed and challenged by internal specialists.

Regular reviews and consideration of strategies to reduce debt levels, if appropriate.

Trend relative to last year
↓

2. Impact of the economic environment

Risk
The Group is sensitive to tenant insolvency and distress, which can have increased pressure on rent levels. There is also risk of prolonged low tenant demand for space.

Impact of Covid-19 has had a negative effect on general retail sales increasing risk of administrations and insolvencies.

Macroeconomic risks in relation to rising inflation, income tax and the volatility of the energy market (and associated costs of energy) are likely to negatively impact consumer spending, which will impact retailing, particularly discretionary spending.

Rising inflation will also put pressure on the Group's cost base and operating margins

Impact
Economic pressure on consumer spending will likely impact the levels of footfall across the centres and have a knock on effect on discretionary retail tenants.

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

Mitigation
A key part of our Group strategy is to ensure a large, diversified tenant base that is made up of primarily non-discretionary retail.

Review of tenant covenants before new leases are signed.

The offering of long-term leases as standard and maintaining active and personable credit control processes that foster positive relationships with tenants.

Regular dialogue between the support office and general managers across the portfolio, who have ad hoc discussions with tenants, to understand the issues facing tenants and customers.

Managing void units though temporary lettings and other mitigation strategies.

Trend relative to last year
↑

3. Treasury risk

Risk
The Group is at risk of not being able to fund the business or to refinance existing debt on economic terms, particularly during periods of low lending market appetite.

Breach of the assets loan covenants resulting in defaults on debt and the potential for accelerated maturity and/or lenders taking control of secured assets.

Exposure to rising or falling interest rates, which could affect liabilities on property sales and refinancing.

Impact
The Group may not be able to meet financial obligations when they come due, causing limitation on financial and operational flexibility.

The cost of financing could be prohibitive.

Unremedied breaches of loan covenants can trigger demand for immediate repayment of loan facilities.

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.

Options of asset sales and assessing the cost of breaking debt is considered before undertaking property transactions.

All the Groups facilities are non-recourse and outside of SPV structures.

Trend relative to last year
↓

Key

↑ Increase → [illegible] ↓ [illegible]

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 wider changes in tax legislation and potential 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 causing significant financial loss.

Failure to comply with tax or regulatory requirements could result in loss of REIT status, financial penalties, loss of business or reputational damage

Mitigation

Constantly monitoring the Group's REIT compliance and consideration of the effects of major decisions on REIT status.

Expert advice is taken on tax positions and checks conducted on any unusual matters that may arise.

Maintaining regular dialogue with the tax authorities and business groups.

Actively keep key staff up to date with regulation and ensure necessary policies and procedures are in place.

Expert advice taken on complex regulatory matters.

Trend relative to last year

→

5. People & Skills

Risk

As a small business, there is a relatively small number of key individuals whose skills are depended on to operate the business effectively. Retaining these individuals cannot be guaranteed.

The attraction of new talent to the business with the right expertise cannot be guaranteed.

Impact

The loss of key individuals or an inability to attract new employees with the appropriate expertise could compromise the business's ability to operate efficiently.

Mitigation

Paying current and new employees market salaries and offering competitive incentive packages, including the use of incentive plans.

Promoting positive working environments and culture in line with staff expectations.

Effectively maintaining a Succession plan for key positions and departments.

Trend relative to last year

↑

6. Development risk

Risk

The costs involved with development projects overrunning and delays leading to extended completion times past expected deadlines

The threat to the Group's property assets of competing in town and out-of-town retail and leisure schemes.

Impact

Increased costs and reputational damage which may lead to planned value not being realised

Competition with other schemes may reduce footfall and reduce tenant demand for space and effect the levels of rents that can feasibly be achieved.

Mitigation

Use of experienced external project coordinators to oversee developments with staged execution to key milestones and updates to be monitored by steering committees with the Group.

Implemented well-defined approval processes for new development projects and guidance provided for setting key milestones.

Partnered with external agencies to raise awareness of new planning proposals, which are fought, as necessary, in accordance with relevant planning laws.

Maintain close working relationships with local councils and promote willingness to support the community.

Maintain the flexibility to invest in marketing strategies to continue relevance in the market.

Trend relative to last year

→

Managing Risk

7. Business disruption from a major incident

Risk

Major incidents occur at any of the of the business's sites having a significant impact upon trading.

This includes specific incidents to a centre or trading location or a situation such as Covid-19 that impacts trading on a national scale.

Impact

Such events could cause a reduction in earnings and additional costs.

Exposure to reputational damage if the business acts, or is perceived to have acted, in a negligent manner.

The impact of the pandemic has had a significant impact on customer behaviour and habits. There is a risk that consumer habits have permanently changed and will impact business KPIs such as footfall and leasing

Mitigation

Trained operational personnel at all sites and documented major incident procedures.

Regular update meetings on operational procedures reflecting current threats and major incident testing runs.

Ensuring centres and support office are compliant with Covid-19-secure requirements.

Regular liaison with the police and environmental health officers.

Insurance for business disruption and rebuild is always maintained across the portfolio.

Disaster recovery sites have been mapped and are maintained in the event of immediate needs.

Trend relative to last year

↓

8. Environmental, Social & Governance

Risk

The Group's activities may have an adverse impact on the environment and the communities in which we operate

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 relevant 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 and actions considered by the Board, through regular reports from the ESG Committee and its designated sub-committees.

Appointed ESG specialist to assist the business in mapping out its ESG roadmap and key milestones.

Specialist health and safety compliance manager in place with internal bespoke health and safety system to enable incident reporting and monitoring.

EPC rating certificates are completed across the portfolio.

Ensuring centres and support office are compliant with Covid-19-secure requirements.

Ensuring retailers comply with Covid-19-secure requirements with periodic inspections to ensure tenant compliance.

Trend relative to last year

↑

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.

Increased use of CVAs by retailers as a means of restructuring or cost reduction

Impact

Changes in consumer shopping habits towards online shopping and home delivery could reduce footfall and therefore potentially reduce tenant demand and the levels of rents which can be achieved.

Financial loss from tenants, use and reliance on CVAs to both write off arrears and reset lease agreement terms.

Mitigation

Strong location and dominance of shopping centres (portfolio is weighted to London and Southeast 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.

Maintaining positive retailer relationships and providing for honest and open dialogue.

Monitoring key business metrics such as footfall, retail trends and shopping behaviour.

Trend relative to last year

→

Key

↑ Increase → ↓

10. IT and Cybersecurity

Risk

Failure of, or, as a result of malicious attack on, the Group's information technology hardware and software systems.

Failure to continually keep up with best practice and invest in new technology.

Impact

Loss of operating capacity, business time or reputational damage.

Data breaches resulting in reputational damage, fines or regulatory penalties.

Mitigation

IT Security Governance Policy in place aligned with ISO27001.

Ongoing investment in technology infrastructure with key IT applications hosted off site.

Systems in place to prevent and react to malicious attack.

Regular penetration testing carried out by a specialist security company.

Cyber Essentials Plus certified.

Information security training programmes in place to regularly upskill all employees. A strong password policy is in place to keep employees safe.

Maintenance of a disaster recovery site in the event of critical systems failures.

Insurance for all IT hardware and software is maintained at all times.

Trend relative to last year

→

11. Climate-related

Risk

In light of the introduction of TCFD Disclosure requirements, the impact of climate change has become a Board-level issue.

As a result of COP26, the world stage is focused on combatting climate change and businesses that fall behind on their efforts to mitigate their effect on the climate run the risk of becoming non investable.

Impact

The Group's failure to act on environmental issues could lead to reputational damage, deterioration in customer and community relationships, or limit investment opportunities. Climate-related risks extend to the global supply chain, business disruption from extreme weather events.

Failure to comply with regulations could result in financial exposure.

Mitigation

Environmental policy in place and consistent with ISO14001.

Management of and compliance with the Carbon Reduction Commitment and compliance with the Carbon Trust.

Engaged with external agency, JLL, to assist with setting out framework to assess climate-related risks.

Separate risk matrix to be created specifically on climate-related risks that will feed into Group risk review and ESG Committee reporting to the Board.

Nominated individual from SLT to take oversight responsibility of climate-related issues.

Board has oversight of TCFD climate-related goals and targets through quarterly ESG reporting.

Trend relative to last year

New

12. Health & Safety

Risk

The risk that the Group's staff, customers or guests suffer illness, injury or fatality at one of the Group's operations.

Impact

If found to be as a result of failing processes or negligence, the Group and/or individuals in management positions could face criminal charges, financial loss and reputational damage.

Mitigation

Regular risk assessments.

Sharing of information with local Health & Safety Executive.

Capacity limits agreed with Health & Safety Executive and reviewed with external lawyers.

Training for staff by Health & Safety Executive.

Insurance review meetings with insurance brokers.

Ensuring sites are compliant with COVID-Secure requirements.

Trend relative to last year

New

Managing Risk

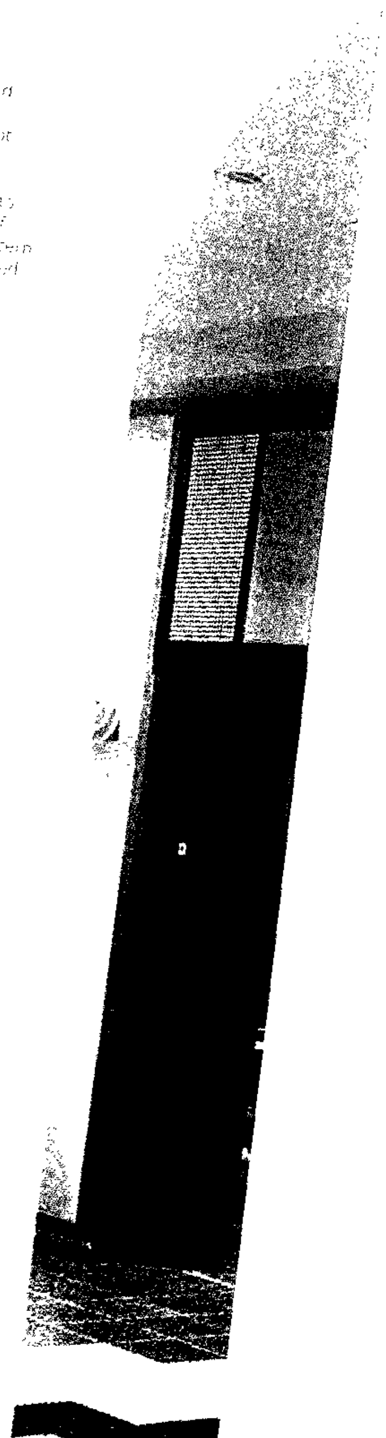
Going concern

Under the UK Corporate Governance Code and IAS 1 'Presentation of Financial Statements' 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 [illegible] the business of the significant disruption arising from Covid-19 as well as the [illegible] of the structural trends that were already underway in the retail industry.

[illegible]

Viability statement

[illegible]




Jamaica Blue
EST. 1992
PLEASE ORDER & PAY AT THE COUNTER

Our Stakeholders

With a focus on shopping centres with a community focus, inevitably our stakeholders are at the heart of our strategy and business model. Setting our strategic outlook and in turn [illegible] our long-term success as a business relies on engaging with all our stakeholders to understand their changing needs. Decisions made by the Board will not satisfy the broad and varied desires of the Group's stakeholders [illegible] the interests and impacts of our stakeholder groups conflict. The Board aligns decision making to the Company's purpose, values and strategy. The Board remains committed to considering the impact of key decisions on the Group's stakeholder groups and to ensure open dialogue.

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 has due regard to the likely consequences of decisions in the long term. As the strategy of the Company [illegible] long term returns and, as such, the long term is firmly within the sights of the Board when decisions are made, the interests of stakeholders, the impact [illegible] have on [illegible] communities [illegible] and the environment [illegible] the ESG Report on pages 48 to 57, maintaining high standards of business conduct [illegible] governance report on pages 87 to 110, and acting fairly at all times.

[illegible] key stakeholders, how we engage with them, and consider the [illegible] are set out below.

Our People

What matters

- Opportunities for career and personal development
- [illegible] pay and benefits
- [illegible] and diverse [illegible] [illegible]
- [illegible]
- [illegible] work
- [illegible]

How we engage

- [illegible] staff emails [illegible] Town Hall meetings
- Posters and communications
- Whistleblowing procedures
- Employee surveys [illegible] provide [illegible] for further clarification of needs and desires
- Wellbeing Committee
- Regular one to one performance reviews between line manager and employee to ensure [illegible] personal satisfaction
- Provision of necessary equipment to work [illegible] work is in place
- Designated NED, Laura Whyte, attends staff events throughout the year to gain insight and report on this back to the Board

How we respond

- The Board receives periodic reports on a range of people matters
- Although postponed for the most part of the year, the Board usually has the opportunity to meet with staff at all levels in the organisation when making site visits across our business. The Board are keen to resume this as soon as possible
- The Board reviews employee engagement through employee surveys and follows up the actions taken
- The Board considered the impact on [illegible] when making strategic decisions

➔ Read more about how we engage with our people on pages 55 to 58

Our Community

What matters

- Outstanding customer service
- Robust [illegible] security [illegible]
- [illegible]
- [illegible] a [illegible] market
- [illegible]
- [illegible] health and safety of [illegible] visitors and [illegible]
- Having a positive impact on [illegible] and [illegible] managed [illegible] enhance their surroundings
- [illegible]
- Open communication and involvement on development opportunities

How we engage

- Investment in data to understand consumer and [illegible] trends
- Regular [illegible] surveys
- Regular audits of facilities management and operational standards
- Strong engagement with local and central government and Business Improvement Districts
- Partnerships with industry organisations such as [illegible] and [illegible]
- Supporting local charities and organisations through our [illegible] programme

How we respond

- The [illegible] ESG Committee [illegible] and provides regular updates at Board meetings
- The Board reviews and approves the Modern Slavery Statement
- Changing consumer and market trends [illegible] discussions and decision making
- The Board reviews and [illegible] developments [illegible] and receives regular updates on ongoing [illegible] matters and community outreach programmes

➔ Read more about how we engage with our community on pages 60 to 63

Our Shareholders and business partners

What matters
- Robust financial outcomes
- Delivering income and capital growth
- Dividend payments
- ESG performance

How we engage
- AGM, 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 for analysts and advisers
- Feedback from shareholder meetings is shared with the Board and forms part of boardroom discussions

Read more about how we engage with our shareholders on pages on page 71

The Environment

What matters
- Awareness of the environmental impact of our [illegible]
- Reduction of CO_2 emissions and energy and water consumption
- Reducing waste, in particular plastic waste, and diverting waste from landfill

How we engage
- Develop and implement various sustainability schemes across our centres
- Engage with our retailers to increase awareness and education
- 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 with the environment on pages 49 to 55

Principal decisions

Reducing Group Debt

[illegible]

[illegible]

[illegible]

[illegible]

Consideration of stakeholders

With regards to the capital raising, the Board were particularly keen to ensure that all shareholders could participate, being the reason for moving forward with the Open Offer structure. Due care was given to the potential dilutive value of the capital raise on existing shareholders and careful consideration was given to the price at which the new equity was raised and it being around the same level as the prevailing share price to mitigate the impact on those shareholders who chose not to participate.

The Board were committed to bringing the Group back to a stable platform to allow for growth. If the Mall debt restructure and capital raise had not gone ahead, it would likely have cast uncertainty over the future of the business, and in turn, employee and stakeholder stability.

Clearly, the potential disposal of two of the Group's assets could have a significant impact on key stakeholders. The decision to pursue sale transactions was made following detailed discussions with the respective lenders and reflecting the capital constraints of the business and based on the challenging economic rationale for investing further equity. The Board remain committed to seeking out the most beneficial resolution for the assets from both an economic perspective and in respect of the communities that the assets serve and the Group's employees who are involved in managing and running these centres.

[illegible] our efforts to refocus, restructure and recapitalise [illegible]

Principal decisions

Final Dividend for Year Ended 2021

[illegible]

As a result of the significant reductions to the Group's revenues and therefore cash flows during the Covid-19 pandemic, coupled with restrictions in the Group's banking facilities, the Company paused cash dividend payments in 2020. As a result of restructuring the Mall debt facility, restrictions on passing cash flows up to the Company from the Mall Facility will be removed. [illegible] assuming retail income returns to a normalised basis, the Company should be capable of distributing limited cash dividends to shareholders during the second half of the financial year ending 31 December 2022.

The Company's aim is to target a sustainable dividend pay-out ratio and distribute on a semi-annual basis in approximate proportions of [illegible] and [illegible] that [illegible] each financial year [illegible] approximately [illegible] of the Company's EPRA earnings in line with the Company's requirements to distribute at least 90% of its taxable profits under the REIT regime. The Board considered that the Company's REIT status was dependent on resuming the dividend given that considerable shortfall in meeting the Company's minimum PID requirement had been accumulated since 2019. As the pandemic continued to place pressure on business operations and in light of the recent capital raise on the Mall debt restructuring the Board thought it prudent to postpone the revival of the dividend and to retain considerable cash reserves in an effort to aim off for further disruption and to fund any capital expenditure that would add value to the portfolio.

The Group paid £[illegible] million in December 2021 to settle the tax outstanding on the estimated PID shortfall of £13.0 million in respect of the 2019 and 2020 financial years. This brought the Group up to date with its PID obligations, and HMRC confirmed it would not view the failure to meet the minimum PID distribution requirements as a serious breach of the REIT legislation, confirming its ongoing REIT compliance.

Consideration of stakeholders

The primary consideration for shareholders was in relation to the Company's objective to return to operating in line with UK REIT requirements and resuming the distribution of cash dividends in respect of the second half of the financial year ending 2022.

The Group maintain an ongoing dialogue with HMRC on its REIT status and around the requirements to remain compliant. Ensuring the Group operates as an efficient and compliant REIT member is paramount.

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, and restructuring plans across the Group and employee support and wellbeing.

Read more about this on page 33

ESG Report

Introduction

Throughout 2021, we made strides at Capital & Regional (C&R) to further embed sustainability principles throughout our business and ensure that operating responsibly continues to be at the heart of who we are and what we do.

Today, there is a ribbon of ESG that flows throughout the entire business. It's not just one separate area. In everything we do, we challenge ourselves to make sure we consider the ESG impact.

SARA JENNINGS
DIRECTOR OF GUEST & CUSTOMER EXPERIENCE

Environmental, Social and Governance Committee

Laura Whyte
NON-EXECUTIVE DIRECTOR - CHAIR

Katie Wadey	**Lawrence Hutchings**
Sara Jennings	**Nick Phillips**
Kate Thursfield	**Nikki Jones**
Alanna Henry	**Stefan Fletcher**

↑ ENVIRONMENT COMMITTEE
↑ [illegible]
↑ COMMUNITY COMMITTEE

Environment

2021 has seen us continue our focus on increasing efficiencies, reducing consumption and expanding the adoption of renewable energy sources.

→ Read more about on pages 52 to 55

-2% reduction in electricity consumption

2,377 trees planted by Snozone, resulting in the reforestation of **3** hectares of land and an offset of **600 tCO_2**

Recycling points at every Snozone, shopping centre and Support Office

-41% reduction in natural gas consumption

Highlights for 2021

People

In 2021, we continued to engage, develop and reward our employees and provide them with a work environment that supports their mental health and wellbeing. We improved our training opportunities and focused on staying connected through increased communication.

→ Read more about on pages 56 to 58

22 participants in the Snozone Cycle to Work scheme

4 C&R employees became mentors to young people through STEP NOW

12 employees completed the Mental Health First Aider course

Community

In 2021, our centres have continued to play a key role as a community hub, supporting communities with Randox testing terminals and through the launch of our Community Wheel of Support initiative that actively assists local projects to improve the communities we serve.

→ Read more about on pages 60 to 63

Supporting local businesses

As part of Haringey's Good Economy Recovery plan, Mall Wood Green offered a vacant unit to Made in Haringey, an 8-week pop-up shop for local makers and creatives

163 hours hosting community events (40% above target)

Best Sporting Venue

Snozone was voted "Best Sporting Venue" for children and students learning outside the classroom at the School Travel Awards

Our strategy

Putting ESG at the core

[illegible]

[illegible]

- [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible]

[illegible]

Mapping our future

We are proud of our achievements to date and recognise that to drive a just transition we must continue to actively engage with our stakeholders and forge partnerships with industry experts and support regional and global initiatives. For instance, we are members of the Better Buildings Partnership (BPP) and signatories of the World Green Building Council's (WGBC) Net Zero Carbon Buildings Commitment.

During 2021, C&R appointed external property and sustainability experts JLL to help establish and prioritise the actions needed to meet our ESG targets and address the pressing issues of the climate crisis.

We are developing our net zero carbon strategy to produce a pathway in line with the UK Green Building Council's (UKGBC) best practice recommendations and the BPP's Climate Commitment, quantifying and prioritising the necessary emission reductions out to our net zero carbon target year and beyond. The net zero carbon pathway will be published later in 2022 and will provide a clear and actionable implementation plan, mapped against our operations and businesses.

In 2022, we are also undertaking a business-level and portfolio risk assessment to identify the climate-related risks most material to Capital & Regional. This will support a greater understanding of the impacts and opportunities of these risks and inform our first response to the Task Force on Climate-related Financial Disclosures (TCFD) this year.

We are committed to

Inspiring thinking

Acting with integrity

Encouraging engagement

Delivering solutions

Leading in sustainability within our communities

United Nations Sustainable Development Goals (SDGs)

To help us deliver a positive impact as a business, we have aligned our sustainability strategy to the United Nations SDGs, a globally recognised framework that forms a shared global agenda for environmental improvement, social empowerment and greater equality.

This framework will support us in tackling the biggest global challenges. Our strategy is aligned with the seven SDGs that are most material to our business operations. These are:

1 No Poverty — We want to end poverty in all its forms, everywhere.

We'll do this by recruiting, training and employing local community members; continuing to implement our national minimum wage (NMW) policy, ensuring our third party suppliers pay their staff fairly and at NMW levels; and by ensuring staff have access to essential health care services as part of their benefits

3 Good Health and Well-being — We want to ensure healthy lives and promoting wellbeing for everyone, of all ages.

We'll do this by rolling out our Wellbeing and Mental Health Policy across the business; implementing and monitoring all our Health & Safety procedures and policies; launching our Human Rights Policy; and by ensuring all employees, direct or indirect, have safe working conditions and access to health services.

4 Quality Education — We want to promote lifelong learning opportunities for all.

We'll do this through our Community Wheel of Support initiative; by continuing to partner with Step Now and giving employees continuous opportunities to improve their job skills. Through education@snozone, Snozone will support the curriculum in and out of school with their "good citizenship" programmes and holiday camps.

5 Gender Equality — We want to promote gender equality and empower all women and girls.

We'll do this by being members of Real Estate Balance; at Snozone, by supporting Sports England's This Girl Can campaign; and by establishing a zero-tolerance policy towards all forms of violence at work, including verbal and/or physical abuse; levelling up where there are gender imbalances.

8 Decent Work and Economic Growth — We want to promote sustainable economic growth and decent work for all.

We'll do this through our Modern Slavery Champion Programme, Stronger Together; by supporting local charities who work with disadvantaged members of society; by offering apprenticeship opportunities across the business; and by developing career mentoring initiatives for the youth in our communities.

11 Sustainable Cities and Communities — We want to provide inclusive, safe and resilient spaces for all.

We'll do this by continuing to manage our buildings responsibly; ensuring access to affordable housing is included within our residential developments; and by ensuring we maintain access to public spaces to improve wellbeing and community cohesion.

13 Climate Action — We recognise we have to take urgent action to combat the impact of the climate crisis.

To this end, we will play our part in driving a just transition; we will continually review the capital investment plan for each venue and centre, including switching to renewable energy, water recycling and waste reduction; spearhead community green initiatives and ensure each centre/venue understands the requirements to reach net zero by 2040.

Environmental Sustainability

Reforesting the world

In August 2021, in a further effort to offset our carbon footprint and to help restore and regenerate nature in areas where biodiversity transformation is needed, Snozone partnered with Tree Nation in their mission to reforest areas of the world where it is needed. Not only does this offset Snozone's carbon emissions, it also helps restore and regenerate nature in areas where biodiversity transformation is needed.

Snozone gifts two trees for every membership purchased and for every rebooking made after a Level 3 lesson. Snozone's website is also now carbon neutral as one tree is planted for every 44,000 website hits. Snozone planted 2,377 trees in 2021 (since commencing this initiative in October), which resulted in the reforestation of over 3 hectares of land and a total offset of 600 tons of carbon dioxide.

In 2022, we are looking at expanding this partnership across our shopping centres.

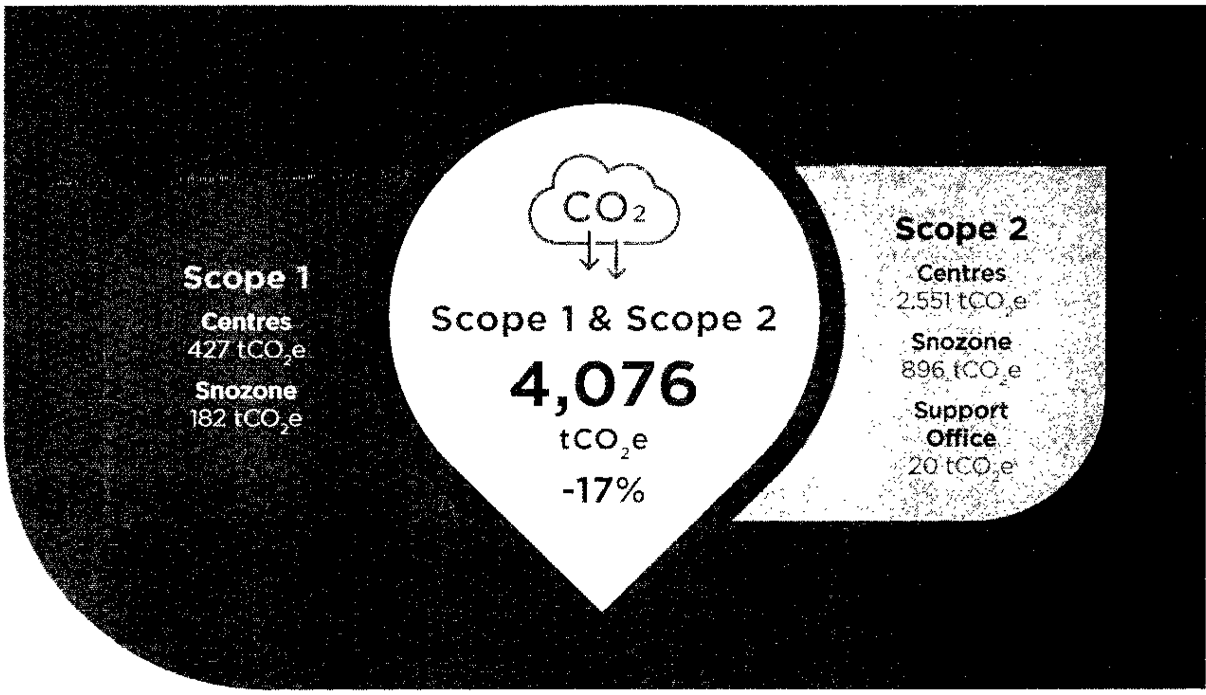
[illegible]

Energy, water and waste reduction

Despite the ongoing impact of the pandemic, we made significant strides against our environmental targets, including energy reduction, reducing our Scope 1 and 2 emissions, and setting waste reduction targets for each shopping centre.

[illegible]

capreg.com



Across all our assets, our electricity is now from 100% renewable sources, using wind and solar power, and despite cooling requirements Snozone produces zero emissions from refrigerants. We also made great strides in tackling emissions where we don't have direct impact or control (Scope 3 emissions) particularly by actively engaging and supporting our suppliers. At our Snozone venues, we assessed the frequency of our deliveries and identified smarter ways of ordering to cut food and beverage deliveries by 50%, to just twice a week. We are also looking more broadly at the issue of transport to and from our centres, for example, General Managers in our shopping centres are looking to increase the number of electric charging points in the car parks, while at Snozone Madrid these are set to double. Also at Snozone, the Cycle to Work scheme has been playing an important role in reducing the environmental impact from employee commuting and at the same time encouraging our people to be more active. The number of participants increased by 13% in 2021, which has had a significant health and wellbeing impact on our people. We aim to increase this to 25% in 2022 and are launching a similar scheme for all our C&R centres this year.

In terms of water consumption, C&R observed an increase of 16% across the Group against 2020. This reflects increased footfall in our centres and increased operations in Snozone. However, water consumption has decreased 29% from 2019 pre-pandemic operations. Tackling water efficiency across our portfolio will remain a priority in 2022.

A key commitment within C&R's core sustainability value, introduced in 2021, is to develop innovative and engaging ways of working that promote circular economy principles through reducing waste and improving recycling across our portfolio. Setting waste reduction targets across our shopping centres led to significant achievements including zero waste sent to landfill from our centres in 2021.

Management teams at each centre have made significant progress in engaging with visitors, for example by introducing and promoting recycling points and across all our centres, taking part in The Great Big Green Week. We have also removed waste bins from employee desks and left central banks of waste and recycling bins at our Support Office to encourage our people to actively think greener. At each of our Snozone venues, we appointed a member of the team to be an ESG Officer. Having a champion has proved to be very effective, with Officers talking to guests, coming up with new ideas and ensuring those strategies are implemented and monitored. One successful initiative saw all plastic cutlery and sauce sachets removed from the restaurants at our venues and plastic packaging from our clothing supplier removed for the sale of merchandise in our Snozone shops.

We will continue to drive efficiencies across all our assets to align with our 4% annual reduction targets.

Environmental Sustainability

The Great Big Green Week

Sustainability took centre stage at all of our shopping centres when we took part in The Great Big Green Week, the campaign to protect people and the planet.

The Great Big Green Week, running from 18-26 September, was a nationwide celebration of action on climate change through The Climate Coalition. Over 5,000 events took place across the country, with more than 200,000 taking part in their community online.

Each of our centres planned activities to support and raise awareness throughout the week including:

- Offering free promotional space to green businesses, including KeepCup, and hosting a recycling exhibition;
- Encouraging guests to swap plastic bags and water bottles to branded re-usable options;
- Introducing a water dispenser post;
- Building planters and introducing a beehive on a centre rooftop;
- Litter picking pledges from staff; and
- Launching sustainability graphics in a number of centres.

We also played our part by setting up central zones with recycling stations, engaging displays and strong educational and informational messaging.

Pathway to net zero

C&R's overarching goal is to achieve net zero. To this end, with the support of industry experts, we are developing a net zero pathway encompassing our transition plan which will define short, medium and long term targets including reduction for our Scope 1, 2 and 3 emissions, recommended measures and investment requirements for improvement.

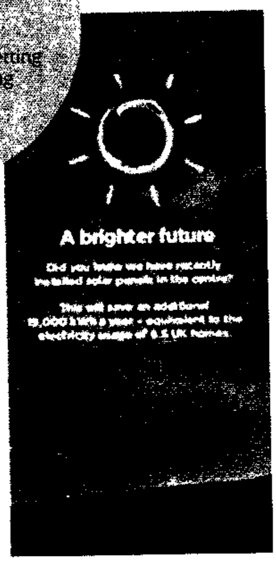
[illegible]

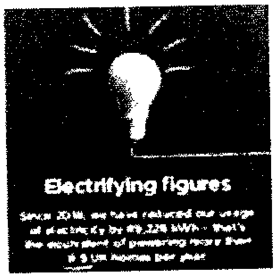
The pathway we develop will be aligned with latest climate science and industry best practice and guidance, including the UKGBC's definition of net zero and the BBP Climate Change Commitment. [illegible] of the BBP [illegible] Net Zero Working Group, ESG Measurement & Benchmarking Groups and the Owner Occupier Forum. C&R will formally sign the BBP Climate Change Commitment once our net zero pathway is published in 2022.

Our net zero carbon pathway will quantify and prioritise the necessary emission reductions to our target year of 2040 and beyond. It will be clearly mapped against all aspects of the property [illegible] in the short, medium and long term with a detailed timeline to ensure that we meet every milestone along the way.

Climate risk management

In addition to developing a net zero pathway, we are conducting a detailed assessment of climate risk governance at C&R and the climate related risks posed to the business and portfolio. By formalising our climate related risks into our risk management framework, we can integrate the risks and [illegible] expenditure and increasing revenues [illegible] to begin reporting in line with the best practice recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), one of our key [illegible]





Other targets include:

- Developing a new ESG risk matrix that incorporates identified climate related risks
- Regularly conducting climate risk assessments, i.e. annually across the portfolio, before acquisitions and major capex expenditures
- Defining climate related minimum standards/risk thresholds to guide business strategy, investment decisions and tenancy requirements
- Defining and tracking climate related metrics and targets; and
- Engaging with tenants to improve environmental performance data collection and transparency.

With a clear and robust net zero carbon pathway, an actionable plan and a robust risk management strategy, C&R will be well positioned to strengthen its disclosure approach, increased transparency and improved reporting, particularly through our commitments to WGBC and BPR.

Environmental data

Energy Consumption (kWh)	2018	2019	2020	2021	% difference 2020-2021
Natural Gas (Scope 1)					
Centres	4,521,258	4,556,731	4,629,788	**2,329,556**	(50)%
Snozone	1,600,517	1,691,856	988,968	**993,191**	0%
Support Office	n/a	n/a	n/a	**n/a**	n/a
Natural Gas (Scope 1) Total	6,121,775	6,248,587	5,618,756	**3,322,747**	(41)%
Purchased Electricity (Scope 2)					
Centres	18,086,216	16,012,429	12,795,437	**12,015,267**	(6)%
Snozone	4,850,913	4,789,855	3,826,241	**4,217,762**	10%
Support Office	97,200	96,096	96,096	**96,096**	0%
Purchased Electricity (Scope 2) Total	23,064,329	20,898,380	16,721,774	**16,329,126**	(2)%
Renewable Electricity Consumption	19,574	9,861	4,299	**6,160**	44%
Total Scope 1 & Scope 2 kWh	29,185,098	27,146,967	22,240,531	**19,651,873**	(12)%
Scope 1 & 2 Emissions (tCO_2e)					
Natural Gas (Scope 1)					
Centres	832	838	851	**427**	(50)%
Snozone	294	311	182	**182**	0%
Support Office	n/a	n/a	n/a	**n/a**	n/a
Scope 1 Total tCO_2e	1,126	1,149	1,033	**609**	(41)%
Purchased Electricity (Scope 2)					
Centres	5,120	4,093	2,962	**2,551**	(14)%
Snozone	1,382	1,224	891	**896**	(1)%
Support Office	28	25	22	**20**	(9)%
Scope 2 Total tCO_2e	6,529	5,340	3,875	**3,467**	(11)%
Total Scope 1 & Scope 2 tCO_2e	7,655	6,490	4,908	**4,076**	(17)%
Intensity					
Scope 1 and 2 $kgCO_2e$/sq ft	1.57	1.33	1.01	**0.84**	

[illegible]
[illegible]
[illegible]
[illegible]
[illegible]
[illegible]
[illegible]

CAL

People

As a responsible business, we want to engage, develop and reward our employees and provide them with a work environment that supports their mental health and wellbeing. We want to offer that positive experience to all, embracing and reflecting the diversity of our workforce

Wellbeing in the workplace

[illegible]

[illegible]

[illegible]

[illegible]

Diversity and Inclusion

We believe that our differences are good strength. We're committed to making C&R a welcoming environment for everyone.

[illegible]

[illegible]

[illegible]

36

managers received Stress & Mental Wellbeing training

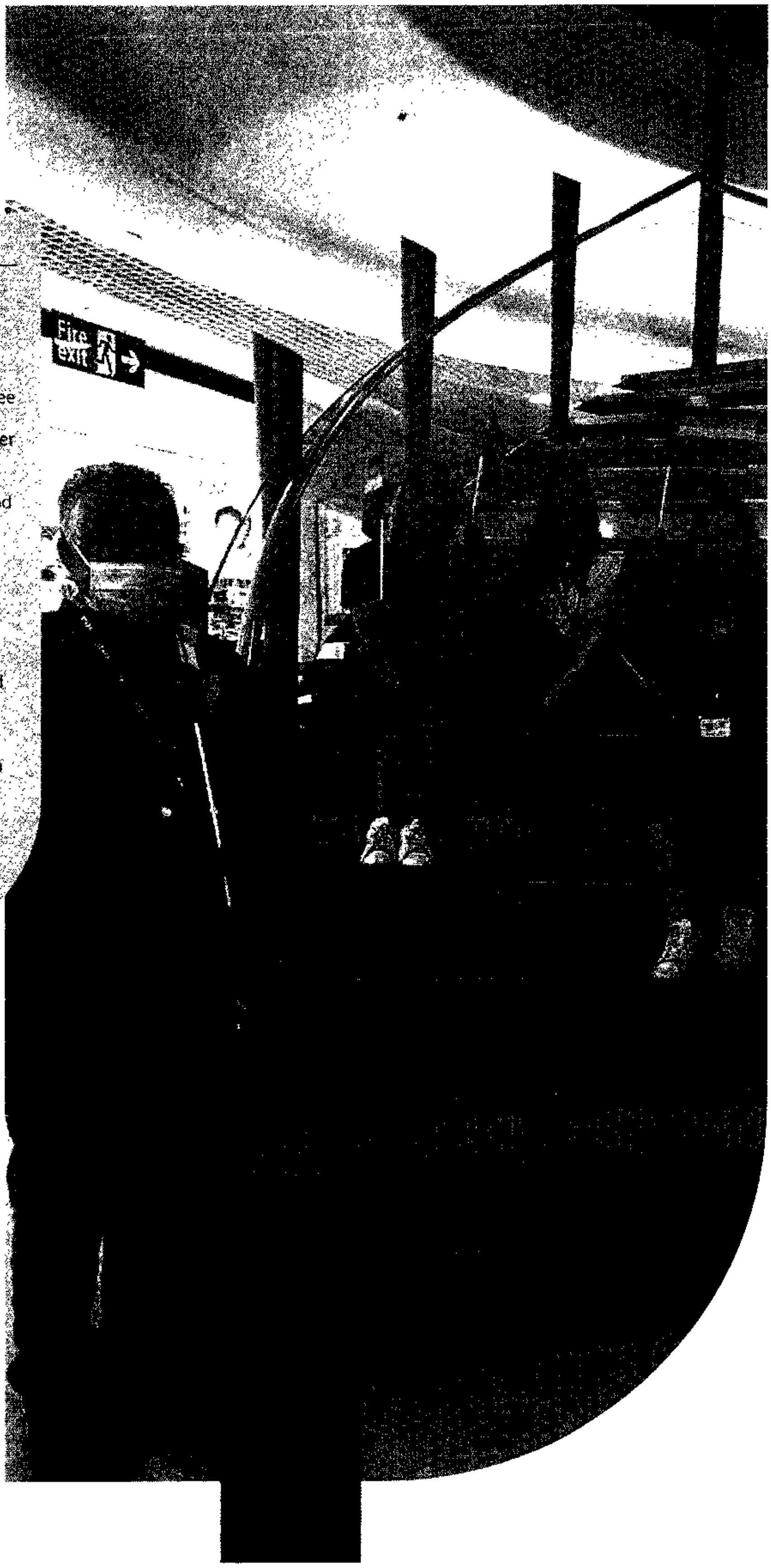
12

employees completed the Mental Health England First Aider course

All About You

The All About You Committee has gone from strength to strength in 2021, running a calendar of events that connect teams across the business, whether working remotely or on-site. The Committee has a dedicated section on our CARTER intranet site with a number of sections covering information and support on areas such as fitness, self care, mindfulness, food and family.

During 2021, the All About You Committee hosted a number of events including virtual competitions and escape rooms, bingo, a virtual café and support during Mental Health Awareness Week. In November 2021, we held a shared lunch at the Support office, with the centres joining via video link. We also had a Christmas-themed virtual event in December, which colleagues very much appreciated and enjoyed. A support bank of advice, with tips on everything from meditation to healthy eating, is available to all employees via our intranet portal.



Read more about how we engage with our people on page 72

People

Over 50%

of front-facing teams have received training in at least one World Host course

Employee Engagement

To encourage employees to get the best out of themselves and their careers, we believe we need to drive a performance management culture. In 2021 we developed a new performance review framework, underpinned by ongoing monitoring and assessment, to develop a culture of greater accountability. [illegible]

[illegible]

[illegible]

[illegible]

Health & Safety

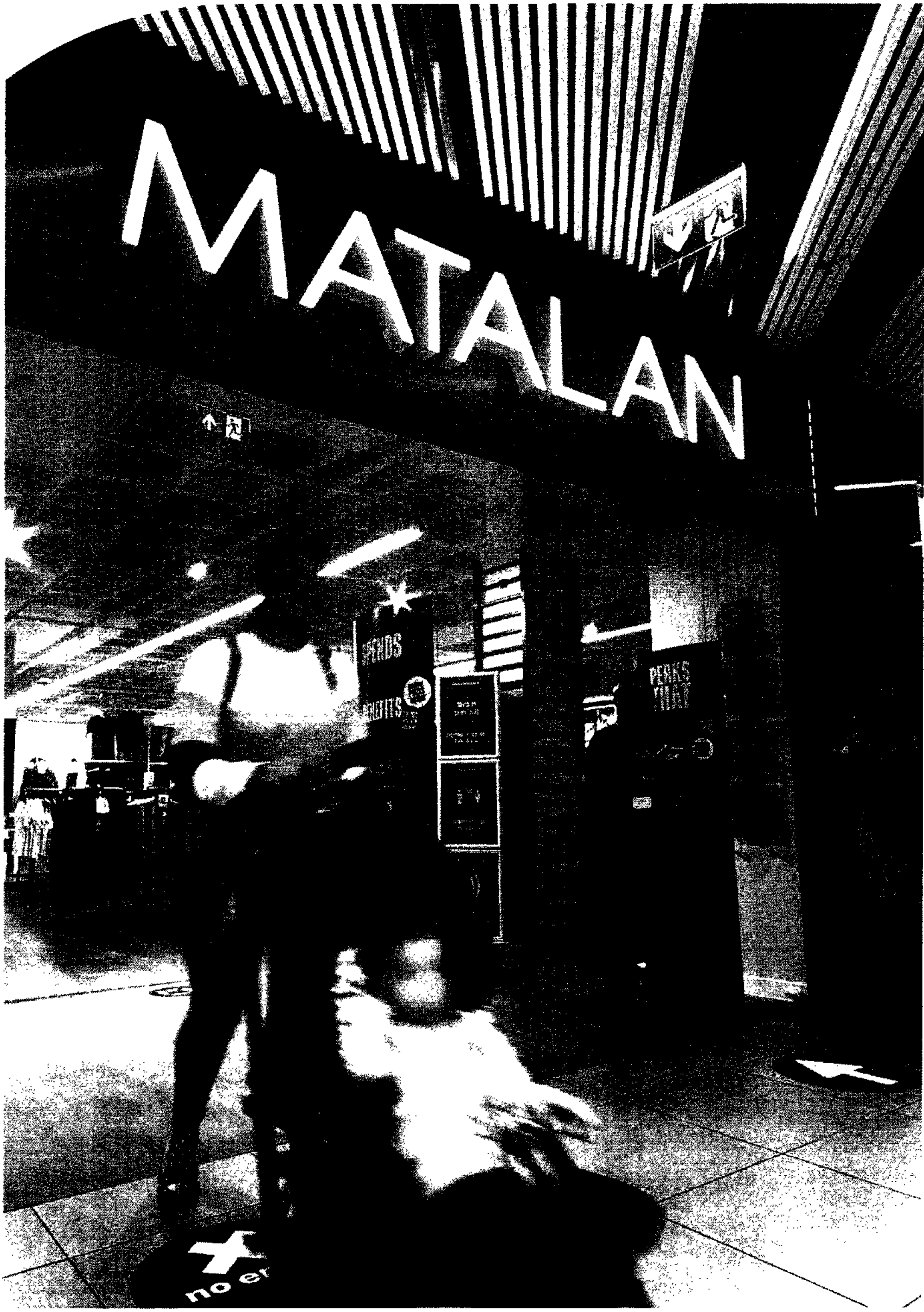
The challenges presented by Covid-19 during 2020 allowed us to become a more agile business and as the pandemic inevitably progressed throughout 2021, we continued to monitor and closely follow government guidance. [illegible]

[illegible]

This Girl Can

Since 2016, Snozone has been a proud champion of This Girl Can, Sport England's campaign to get women and girls re-engaged in sport. Studies show that, after the age of 14, a disproportionate number of girls drop out of participation in sports for a variety of reasons and pressures, often not returning or coming back until their early 40s.

Snozone deliberately markets with a female-first approach throughout all its online channels and platforms and showcases women and girls of all abilities, not only those enjoying snow sports but also working across a number of departments within the Snozone business in the pursuit of trying to further dismantle barriers to entry in this sector. The number of female coaches at Snozone has substantially increased over the years, re-enforcing this commitment.


MATALAN

Community

Charities supported
167

Hours of volunteering
1,149

Raised in 2021
£113k

C&R's shopping centres and Snozone venues are at the heart of the local community, providing spaces for people to shop, eat, work and relax. We want to create a safe, inclusive experience for all our visitors, as well as actively contributing to the local communities in which we operate as a responsible, socially aware business.

Community Wheel of Support

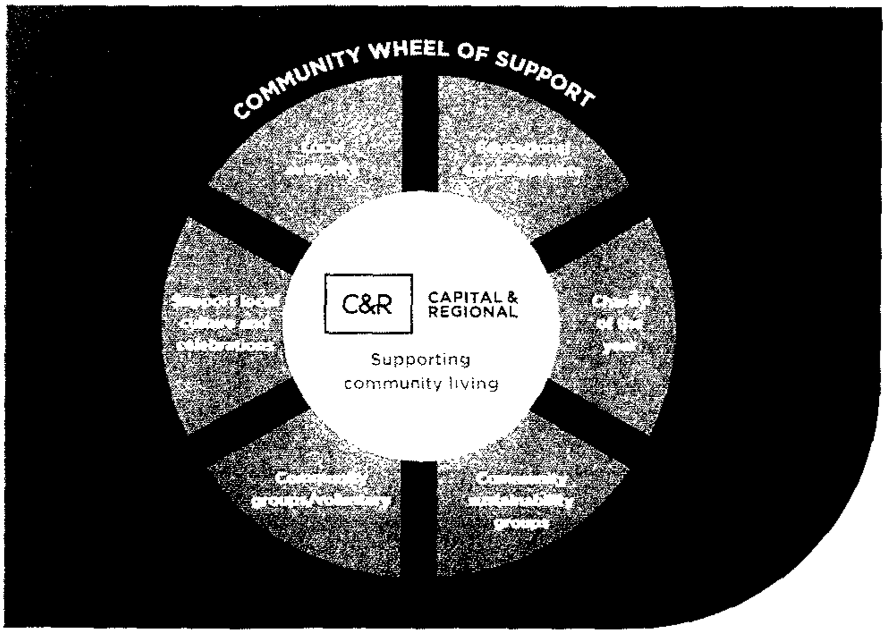
Our social impact work continues to support community living. In 2021 we created the Community Wheel of Support initiative, a [illegible] objective which [illegible] to improve their community as we [illegible]. As part of this initiative, we encouraged our centres to choose between four and six spokes on the wheel representing a community stakeholder.

These could include:

- Local culture and celebrations
- Local authorities
- Educational establishments
- Nominating a charity of the year
- Community sustainability groups
- Community/voluntary groups

All our shopping centres took part in the Community Wheel of Support initiative, driving outstanding impact and engagement across their local communities. Each centre was invited to present their projects and impact at the [illegible]. The Mall Wood Green's Community Wheel of Support was selected by the senior leadership team to be featured in the Annual Report. The strategy was formulated through careful research on the local area's needs, discussions with key stakeholders and staff, as well as observation of important ESG trends. Five key areas were identified to make the campaign a success, as outlined in the case study below.

From supporting charities to creating new community groups, fundraising to community investment in the form of sponsorship or donations, C&R has a broad spread of activities to support communities, using that form part of our KPIs each year. In 2021 we exceeded seven out of nine targets. The two areas in which we didn't [illegible] were heavily impacted by Covid-19 restrictions.



CASE STUDY

The Mall Wood Green's Community Wheel of Support

Haringey Council & Wood Green Business Improvement District (BID)
2021 saw The Mall Wood Green work on a number of key projects with Haringey Council, partnering with the Regeneration team and Wood Green BID to improve the look and feel of the local area. These projects included offering the use of vacant units to local entrepreneurs to host pop-up shops, support during the Covid-19 pandemic, the development of a space to grow food within the community and the creation of a mural by a local artist contributing to the local area and promoting arts and culture.

Mental Health & the Environment
The Mall Wood Green worked with local charity, CIC Grow N22, to create a rooftop garden, designed to link in with existing green spaces on the High Road to create a green corridor for wildlife. The centre team also undertook an extensive litter pick in a bid to improve Wood Green's green spaces and pledged to spend 40 hours litter picking to commemorate the centre's 40th birthday in May 2021.

Celebrating Diversity
The Mall Wood Green wanted to ensure that Haringey's LGBTQI+ community felt supported and represented during Pride month. The Mall created the #loveislove staircase as a joyful central feature in the main atrium of the centre in support of a store manager who had previously suffered a series of incidents of homophobic abuse. The centre also expanded their code of conduct, introducing a zero-tolerance approach to incidents of abuse resulting in an immediate ban and implemented a buddy system for affected retail workers to share experiences and support each other.

Education and Employment
The Mall Wood Green signed up to a 26-week pilot to become Young Careers Champions working with recruitment business REED, Wood Green BID and local retailers to provide:

- Careers talks, focusing on different routes into employment and myth-busting preconceptions about the property and retail industries
- Interview practice
- On-site engagement including tours of the centre and explaining how the business works
- An apprenticeship for a local student.

In addition, to combat period poverty in the local area, The Mall Wood Green introduced a scheme whereby anyone can visit the Guest Lounge to collect a "package from Florence" and be given a free period pack, no questions asked. This scheme has been well-received by guests and has helped to break the stigma around the issue.

Charity of the Year
The Godwin Lawson Foundation has been The Mall Wood Green's chosen charity since 2019. The organisation was set up to commemorate Godwin Lawson, who died, a victim of knife crime at just 17 years old. The centre has supported the organisation through a number of initiatives such as fundraising, promoting the anti-knife crime campaigns and holding engagement sessions with the Tottenham Hotspur Foundation's NCS programme, where 30 young people created presentations over the summer to pitch fundraising and awareness campaigns to the centre team.

Community

Charitable funding

Each centre in the C&R portfolio runs its own fundraising programme. These are planned and delivered at a local level in accordance with local needs and concerns. We also provide venues for charities to benefit from the high level of footfall [illegible] in the Mall [illegible] For example [illegible] we gave a free unit to the charity Level Trust, an inspiring charity that helps families with the costs [illegible] to help provide all children in [illegible] with an equal chance to learn.

[illegible] 2021, our Snozone team helped [illegible]

[illegible]

[illegible]

Volunteering

Despite the impact of the ongoing Covid-19 restrictions, our people continued to give their time to their local communities through volunteering in 2021 and this has become a key focus for 2022. We're currently working on plans for a volunteering initiative to be run across all shopping centres with the opportunity for the Support Office to go out and volunteer in the communities along with members of the centre teams.

Inclusive spaces

[illegible]

[illegible]

[illegible]

Our focus is on being better local citizens consistent with our community centre strategy

education@snozone

Snozone believes in supporting the school curriculum and operates a number of initiatives under the banner education@snozone.

Snozone is an assessment centre for the snow sports components of GCSE & A Level PE and BTEC Sport. We also operate school holiday camps which [illegible] including skiing, sledging and snowboarding; also feature 'warmside' activities such as sign language lessons, conversational French & Spanish lessons and a first aid course for children called Mini Medics. Towards the end of 2021, Snozone's UK venues were awarded accreditation to deliver The Duke of Edinburgh bronze award.

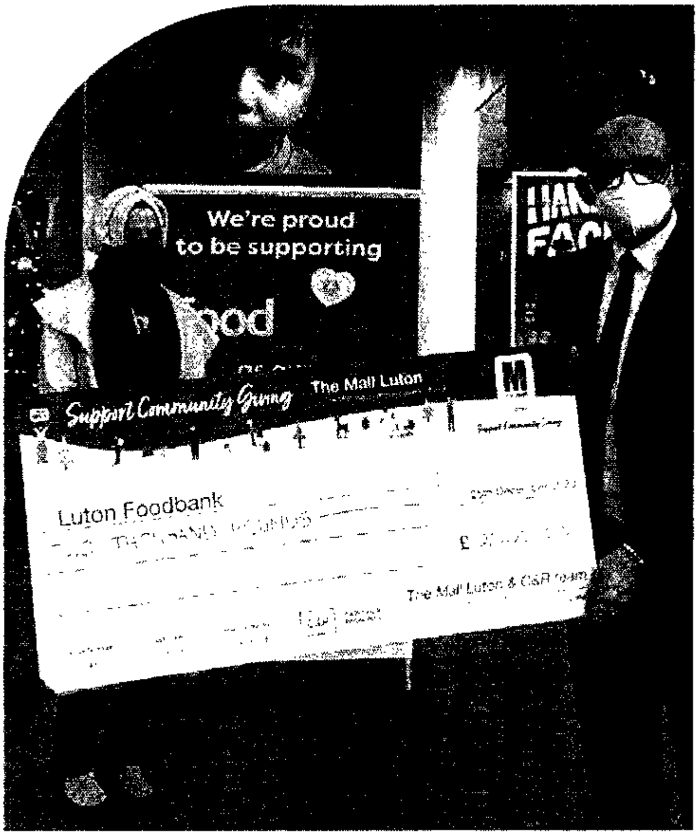
We also offer visits to engineering students and deliver talks on how Snozone's plant and machinery operates. Additionally, we deliver talks to Year 13 students on how Snozone operates as a business as a component of GCSE Business Studies. This is all rounded off by a fun sledging session on the slopes.

In May 2021, in recognition of the education programme, Snozone was named Best Sporting Venue for [illegible] independently voted for by teachers. The [illegible] included the venues and stadia of Manchester [illegible] and the former Olympic stadium, now known [illegible]

Luton Life

This local podcast focuses on areas of interest to the Luton community. During 2021, The Mall Luton has worked with Luton Life to help raise awareness of the charities it supports. Episode 1, for example, featured the Luton Food Bank, which has been the centre's Charity of the Year for three years running. Interviews with representatives from the charity and from people who had suffered from being unable to afford food highlighted the real issues affecting local people. The centre's support for Luton Food Bank was reinforced with a "tap & donate" initiative and a food drop-off point.

In episode 4 of Luton Life, host Sophie Sulehria spoke to Jane Malcolm, Chief Executive of Level Trust, raising awareness of the struggles some families in Luton have meeting the costs of education.



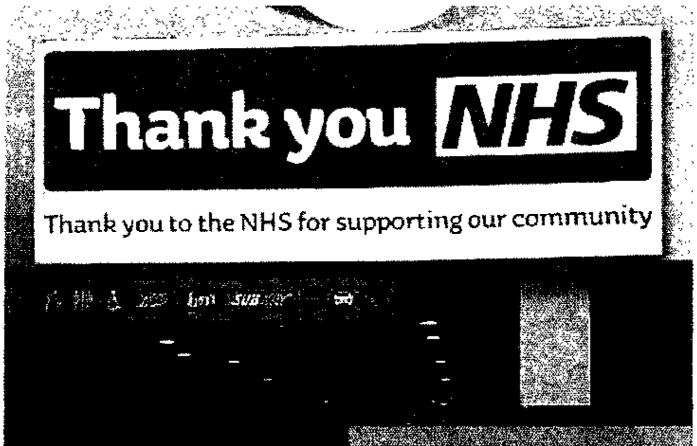
Wellbeing in the community

Operating at the heart of the community, our centres are ideally placed to offer essential services that can help community health and wellbeing. At The Mall Wood Green, C&R has signed an agreement with Whittington Health NHS Trust to open a state-of-the-art Community Diagnostics Centre (CDC), the first of 40 new CDCs in the UK to be opened by the NHS in a range of settings across England. The centre will open in summer 2022 across two ground floor units and will initially offer x-ray, ultrasound, ophthalmology and phlebotomy services.

Local environments

We believe in the importance of vibrant, successful and active town centres in helping communities thrive. Working with government and expert industry bodies, we continue to evolve our asset master plans 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.

As part of the Walthamstow masterplan, for example, we worked collaboratively with the local community and stakeholders to adopt branding that belonged to and would reflect the unique identities of all the people we serve. As well as a colourful new look, The Mall changed its name to 17&Central, something the local community can take pride in.



Thank you NHS

To reflect the incredible work done by the NHS during the pandemic, Snozone has offered all NHS staff and carers a free weekly 1-hour pass to any C&RS venues, any day of the week. This has been in place all through 2021 and we plan to maintain it throughout 2022. To date, NHS staff have enjoyed 8,000 free hours of skiing and snowboarding.

Directors

Committee membership:

(A) Audit Committee

(R) Remuneration Committee

(N) Nomination Committee

(E) [illegible]

Chair of Committee

[illegible]

[illegible]

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 additionally appointed Company Secretary in April 2013. He was later 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
None

Non-Executive Directors*

David Hunter

Chairman

Appointed: [illegible]

(N)

Relevant skills and experience
[illegible]

External Appointments
[illegible]

Ian Krieger

Non-Executive*

Appointed: [illegible]

(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. 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

Norbert Sasse

Non-Executive

Appointed: 2019

George Muchanya

Non-Executive

Appointed: [illegible]

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 markets experience. He is a board member of all major Growthpoint subsidiaries and investments in South Africa, Australia and the United Kingdom.

External Appointments

Growthpoint Properties Limited

Growthpoint Properties Australia Limited

Globalworth Real Estate Investments Limited

Relevant skills and experience

George is part of Growthpoint's Group Executive Committee and sits on the boards of some of Growthpoint's international companies. Working alongside the Group CEO and the South African CEO of Growthpoint, George has been key 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 [illegible].

External Appointments

Globalworth Poland Real Estate N.V.

Growthpoint Investec African Property Management Limited

Globalworth Real Estate Investments Limited

Katie Wadey

Non-Executive*

Appointed: 2020

A R E

Laura Whyte

Non-Executive*

Appointed: 2015

E R A N

Relevant skills and experience

Katie is the Innovation Director of Holland & Barrett. 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, [illegible], Tesco, British Gas and Barclays Bank.

External Appointments

Hammersmith & Fulham Youth Zone

Transform Housing and Support (Trustee)

[illegible] Group Limited

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

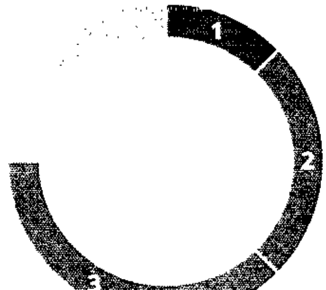
External Appointments

XLVets UK Ltd (Chair)

British Horseracing Authority

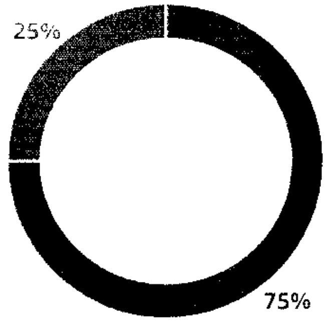
The Old Royal Naval College, Greenwich (Trustee)

Board composition (number of Directors)



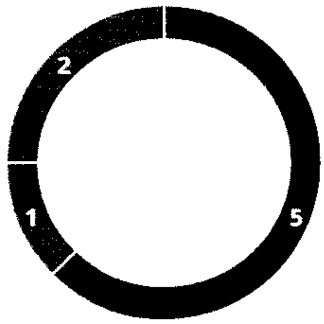
- Chairman
- Executive Directors
- Independent Non-Executive Directors
- Non-Executive Directors (not independent)

Board gender split (%)



- Male
- Female

Board tenure (number of Directors)



- 1-3 years
- 3-6 years
- 6-9 years

Senior Leadership Team

Lawrence Hutchings
Chief Executive

Sara Jennings
Director of Guest and Customer Experience

Sara began her retail career working for House of Fraser in Store Management before joining C&R in [illegible]. 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 [illegible] shopping centres.

James Ryman
Investment Director

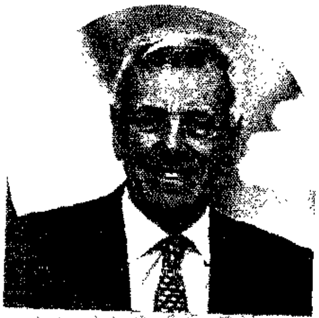
James joined Capital & Regional in [illegible] and prior to that qualified as a Chartered Surveyor at [illegible] where he spent [illegible] years specialising in all aspects of shopping centre asset management, latterly running the [illegible] Asset Management team. As Investment Director, James is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

Stuart Wetherly
Group Finance Director and Company Secretary

Nick Phillips
Managing Director, Snozone

Nick joined C&R in 2013 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 north west. He then went on to hold a number of positions with Lidl and Whitbread PLC as David Lloyd Leisure's Regional Director for the south of England before becoming [illegible] Director for the UK & Europe.

Corporate Governance Report



By leading the Group through a £30 million capital raising via Open Offer and restructuring the Company's balance sheet, the business has been put on a much more stable footing.

Chairman's introduction

I am pleased to present Capital & Regional's corporate governance report for 2021.

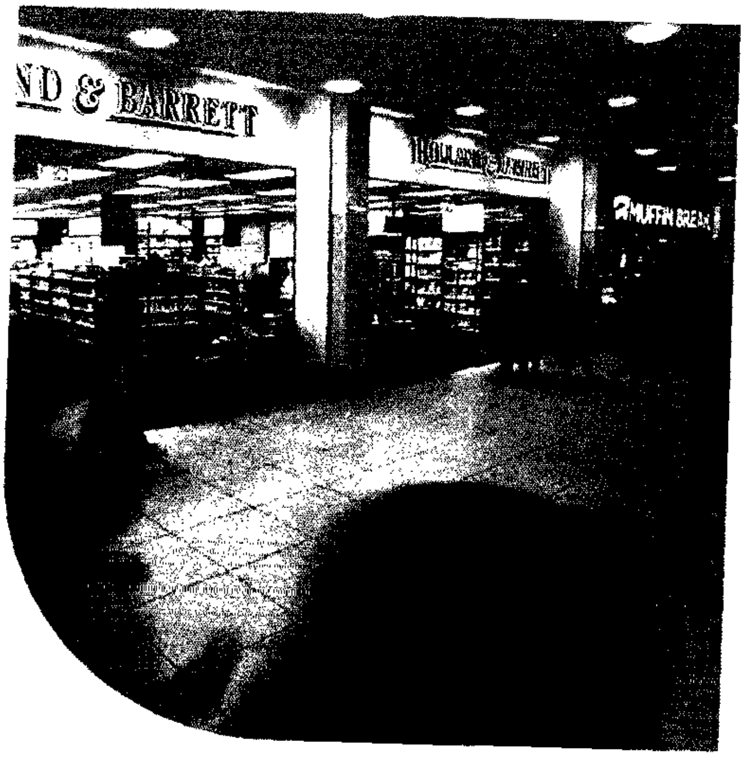
The primary focus of C&R in 2021 was navigating the significant impact of the Covid-19 pandemic on the day-to-day operations of our Centres and Snozone. By leading the Group through a £30 million capital raising via Open Offer and restructuring the Company's balance sheet through the Mall Debt transaction, the business has been put on a much more stable footing. The Board's activities during the year have reflected this, with more frequent meetings and significant time devoted to execution of the transaction and to operational updates and considering the impacts of Covid-19 and its influence on the longer term structural changes going on within the retail industry.

In 2021, there were two changes in personnel to the Board. At the AGM in May 2021, Tony Hales retired from the Board and his role of Senior Independent Director after nine years of service. I would like to thank Tony for his invaluable contribution to the Board and the Company during a period of significant change. Ian Krieger has taken over the role of Senior Independent Director from the same date.

In December 2021, Louis Norval stepped down from the Board after 12 years as a Non-Executive Director. Louis had been a Director since his involvement in the recapitalisation of the Group post the global financial crisis in 2009 and played a pivotal role in that transaction which set the course of the Company to become a focused specialist REIT. Louis has been a highly supportive shareholder and insightful board member for over a decade and we look forward to an ongoing relationship with him as a shareholder in the Company.

The Board remains committed to high standards of corporate governance.

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 is embedded throughout our business, delivers this and will continue to evolve and improve to keep pace with changes in best practice and regulation.



Compliance Statement

Compliance with the UK Corporate Governance Code

Governance Code

The Company has, throughout the year ended 31 December [illegible], applied the principles and complied with the provisions of the 2018 UK Corporate Governance Code except for (i) Principle G, Provision 11 – that at least half the Board, excluding the Chair, [illegible] considered to be independent Non-Executive Directors and (ii) Principle P, Provision 38 – that executive director pension contributions are not aligned with the workforce.

In light of recent stress on the Group's balance sheet, the Board has postponed further Non-Executive Director appointments for the time being. The Board will continue to keep its composition under review and remains committed to maintaining the appropriate combination of Directors that promotes [illegible] and robust decision making. In order to fully comply with Principle G of the 2018 Corporate Governance Code, the Board would need to recruit one further independent Non-Executive Director. This would result in a large Board number [illegible] the current scale and complexity of the Business. In the Company's view, the [illegible] of experience and knowledge brought to the Board by the Chairman and Non-Executive Directors, particularly the independent Non-Executive Directors, coupled with [illegible] day-to-day issues [illegible] Company [illegible] for [illegible] decision making. The Board [illegible] current composition to be effective in holding the Executives and the management team [illegible].

[illegible] Principle P, Provision 38 [illegible] the Directors' Remuneration Report on pages 87 to 90.

Principle of the Code	How we have applied the Code	Further information
Board leadership and company purpose	The Board has [illegible] responsibility for [illegible] the long-term sustainable success of the Group and also has the responsibility to ensure that [illegible] key [illegible] and that the [illegible] and [illegible]. [illegible] the purpose of the business [illegible] and [illegible] platform [illegible] this purpose [illegible] across the business.	For more [illegible] Strategic [illegible] page [illegible] For more [illegible] Purpose and Strategy [illegible] pages 12 to 14 [illegible]
Division of responsibilities	The Board and its [illegible] Committees have [illegible] established responsibilities that are set out in the Schedule of Matters Reserved for the Board and Terms of Reference for each Committee respectively. The division of responsibilities between the Chairman, tasked with ensuring the effectiveness of the Board, and the Chief Executive, who is responsible for the leadership of the Group's business, has been clearly defined. All divisions of responsibilities have been agreed and approved by the Board.	For more [illegible] Division of Responsibilities, see pages [illegible]
Composition, succession and evaluation	The Board, as a whole, keeps under review the composition of the Board and its Committees. Appointments to the Board are recommended by the Nomination Committee. The Nomination Committee is also responsible for ensuring adequate succession planning is in place for Board and senior management positions. The Nomination Committee is also responsible for reviewing the Group's policy on Diversity and Inclusion. The Board undertakes an annual review of its own effectiveness.	For more on Composition, Succession and Evaluation, see pages [illegible] and 73 to 75
Audit, risk and internal control	The Board delegates and receives updates from the Audit Committee in respect of monitoring the integrity of financial statements and ensuring robust systems and adequate controls are in place to manage risk. The Board has also tasked the Audit Committee with monitoring and maintaining the Group's relationship with the external audit firm.	For more on the Group's Risk management, see pages 36 to 42 For more on Audit and Internal Controls, see pages 80 to 85
Remuneration	The Board, through the Remuneration Committee, ensures that remuneration policies and practices are designed to support the Group's strategy and promote long-term sustainable success. The Remuneration Committee ensures that formal and transparent policies are in place for determining Director and senior management remuneration.	For more on Remuneration, see pages 8[illegible] to 103

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.

Task Force for Climate-Related Financial Disclosures

In accordance with LR 9.8.6(8), details of the Group's pathway to compliance with the requirements of the Task Force for Climate Related Financial Disclosures (TCFD) are provided in the ESG Report on page 50. The Board is aware of the importance in reducing the Group's impact on climate to further mitigate its direct link to financial risk.

Board Leadership and Company Purpose

Board Activity

Main activities undertaken during the financial year

Strategy

- Reviewed strategic options for the further growth and development of the business
- Received updates on property cycle and sector trends
- Assessed and ultimately approved the equity raise and recapitalisation and restructuring of the Mall debt facility
- Continued to monitor management's progress on positioning the asset portfolio to increase exposure to resilient customer categories in line with changing consumer demands

Risk & Risk Management

- 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
- Through the Board's Audit Committee, met with the Company's valuers twice in the year
- Identified a new emerging risk category; climate related risk, in response to growing regulation around this area

Financial Performance

- 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

- 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

- Received updates on interaction with and feedback from shareholders
- Received reports on the re-opening of customer units across the centres, during the first half of the year whilst under government lockdown measures from January to April 2021
- Reviewed employee engagement survey results and updates on company culture
- Received updates on key HR matters
- Received updates on operational procedures to support retailer customers and guests ensuring centres remained Covid-secure

Read more about **our strategy** on pages 12 to 19

Read more about **our Board evaluation process** on pages [illegible]

CAL

Corporate Governance Report

Board Leadership and Company Purpose

Aligning purpose, values, strategy and culture & the role of the Board

The Board of Directors of Capital & Regional plc takes on the collective responsibility to promote the long-term sustainable success of the Company for the benefit of its shareholders, stakeholders and for the wider community. They achieve this by setting a clear Company purpose and strategy that aligns to the desired culture and values of the Group. The Board ensures that it reviews and approves key policies and decisions, particularly in relation to culture. It also approves the business plans which include the key merchandising and leasing [illegible] against the strategy [illegible] basis, ensuring it remains [illegible] the long term vision for the Group. As a premium listed company, the Board is ever mindful of governance and compliance with laws and regulations when taking decisions. It retains ultimate responsibility for approving business development opportunities, including major investments and disposals, ensuring these are aligned to long term strategy.

The Board, with the support of the Company Secretary, meets regularly [illegible] quarterly [illegible] throughout the year [illegible] discharge their duties effectively. 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.

The Board delegates the day-to-day management of the business to the Executives. However, a Schedule of Matters Reserved for the Board is maintained to ensure material matters, such as significant transactions, are brought to the Board for approval. The Executive Directors take operational decisions and also approve certain transactions within defined [illegible] of the Delegation of Authority, which forms part of the Schedule of Matters Reserved for the Board.

The Board delegates certain responsibilities to its four Committees, which operate within specified terms of reference that are reviewed annually. The Committee Chairs report on all proposed actions in relation to their delegated authorities to ensure that the Board retains overall accountability. [illegible] on page 73 and in the Committee reports on pages 78 to 88.

As a premium listed company, the Board is ever mindful of governance and compliance with laws and regulations when taking decisions.

During 2021, the Board took decisive action to ensure the future of the Group, in light of the accelerated structural changes in the retail trading environment caused by the impact of Covid-19.

Purpose

The Group's primary 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.

Strategy

The Group strategy is coming into its fifth year since its launch in 2017. The Board continues to believe that community shopping centres, actively remerchandised to increase exposure to growth and resilient non-discretionary retailer offerings with a best-in-class management platform remains a robust strategy for delivering shareholder return in the medium term.

During 2021, the Board took decisive action to ensure the future of the Group, in light of the accelerated structural changes in the retail trading environment caused by the impact of Covid-19. The stress on the Group's balance sheet needed to be addressed in order to bring the capital structure back to an appropriate level and to preserve the strength of the platform to take advantage of market recovery opportunities, enabling the Board and management to focus on delivering and scaling the core community centre strategy. This was done through refocusing the portfolio into Investment and Managed assets, by reclassifying the Group's Managed Assets as "Held for Sale", restructuring a key loan facility, and recapitalising the business through a fully underwritten capital raising. More information on this can be found in the CEO's Statement on pages 24 to 25 and in the GFD's Financial Review on pages 30 to 35.

Monitoring and assessing our 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 via regular Townhall meetings.

The Board's agenda is managed to ensure that the value which the Company generates is preserved over the long term, with key stakeholder considerations and governance issues playing a fundamental part in its decision-making.

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 also receives regular people updates on the Company's culture and whether it is embracing the values of inspiring creative thinking, encouraging collaborative engagement, acting with integrity and delivering dynamic solutions.

The Board of Directors are also encouraged to visit centres outside of formal Board visits to engage with employees and to gain a deeper understanding of the trading environment and the differences in guest experiences across the assets.

Shareholder relations

The Company encourages regular dialogue with its shareholders at the AGM, corporate functions and property visits. The Company also attends roadshows, 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 2021 and key meetings were largely 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 2021 but key engagement included:

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

Board Leadership and Company Purpose

Employee and Workforce engagement

The Board has received regular updates from Laura Whyte, Non Executive Director responsible for workforce engagement and Chair of the ESG Committee, on staff engagement throughout the year.

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 2021, Townhall meetings were maintained at an increased frequency of every fortnight to provide regular updates to employees while the majority of the Support Office 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 'Best Team Survey' on a regular basis.

Laura Whyte is the Non Executive Director responsible for workforce engagement. The purpose of the role and key responsibilities of the role include:

- Learning and understanding employee views [illegible] business;
- Sharing these views at Board meetings to inform decision making;
- Ensuring the Board takes appropriate steps to evaluate the impact of proposals and developments on employees and consider [illegible]; and
- Providing feedback to employees through the Senior Leadership Team on Board decisions that will impact them directly.

In addition to these responsibilities, Laura periodically attends Townhall meetings and has an open invitation to join the All About You and Diversity and Inclusion Committees. Laura reviews and monitors feedback and insights driven by our employee surveys and is consulted on the topics covered. As Chair 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.

During 2021, feedback was sought from employees regarding returning to working from the office following the relaxation of Government guidance. 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. Concerns raised regarding the impact on mental health and wellbeing due to periods of isolation were also addressed through the introduction of a series of webinars delivered by a qualified mental health professional.

Employee concerns were taken into account prior to the finalisation of operational and communication plans.

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, however, circumstances have dictated that all Board meetings during 2021 were held remotely.

The Board remains committed to recommencing visits to operational locations when circumstances allow as it appreciates that 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 the Directors to engage with teams at all levels in the business. Such activities give a real insight into how the culture and values of the business work in a day to day setting.

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 104.

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 2021. Directors' and Officers' Liability Insurance is maintained for all Directors.

Division of Responsibilities

Governance framework

Board
Key Responsibilities

- Collectively responsible for promoting the long-term sustainable success of the Group for the benefit of its stakeholders through the creation of long-term sustainable shareholder value and contribution to wider society.
- Setting the Group's strategic direction and overseeing management's execution of the strategy.
- Responsible for establishing Group purpose and values, and for ensuring that our culture and behaviours are both appropriate and consistent.

→ Further information on **Audit Committee** pages 80 to 85

→ Further information on **Remuneration Committee** pages 86 to 104

→ Further information on **Nomination Committee** pages 78 to 79

→ Further information on **ESG Committee** pages 48 to 50

Audit Committee
Key responsibilities

- Reviews the clarity, completeness and appropriateness of disclosure in the Group's Financial Statements and reports findings to the Board.
- Advises the Board on whether the Annual Report is fair, balanced and understandable.
- Monitors, reviews and recommends to the Board the need for an Internal Audit function.
- Recommends the appointment of the external auditors and reviews their effectiveness, independence and fees.
- Reviews and approves the Group's arrangements and policy for its workforce to raise concerns, in confidence, about possible wrongdoing.
- Delegated by the Board to monitor the internal controls and risk management process. Ultimate approval remains with the Board.

Remuneration Committee
Key responsibilities

- Makes recommendations to the Board on the Group's Executive Director Remuneration Policy.
- Oversees the Group's Remuneration Scheme.
- Reviews and recommends to the Board the Group's Remuneration Policy.

Disclosure Committee
Key responsibilities

- Identifies Inside Information.
- Decides on how and when to disclose Inside Information in accordance with the Disclosure Policy and having regard in particular to information previously disclosed by the Company.

ESG Committee
Key responsibilities

- Sets the ESG strategy and ensures that it remains fit for purpose
- Benchmarking and measuring the Group against national and global industry standards in relation to its ESG strategy and goals.
- Ensures that there are appropriate policies in place to support the Group's ESG framework
- Assists on other matters related to ESG as may be referred to it by the Board

Nomination Committee
Key responsibilities

- Reviews the structure, size and composition of the Board and Board Committees to ensure that they are appropriately balanced in terms of diversity, knowledge, skills and experience
- Reviews and recommends appointments to the Board and to other senior leadership positions

Corporate Governance Report

Division of Responsibilities

Board balance and independence
Details of the Executive Directors including their qualifications, experience and other commitments are set out on pages 64 to 65. The Board currently comprises the Chairman, two Executive Directors and five 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, who resigned from the Board in December 2021, was similarly not considered independent as he acted on behalf of a substantial shareholder of the Company. 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 separation of responsibilities between the 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

- Responsible for the effective leadership of the Board of Directors in the effective directing of the Company.
- Stimulate a culture of openness and ensure that time is made for debate and constructive challenge.
- [illegible] and take the lead on its annual effectiveness review.
- Set the annual work plan for the Board and [illegible] of each meeting of the Board.
- Ensure Directors receive timely, accurate and clear information in order for them to make informed collective decisions.
- Oversee the induction process for new Directors and the ongoing training and development of the Board.

Chief Executive

- Responsible for the day-to-day operations and management of the Group's business.
- Develop and recommend the Group's strategy to the Board and to implement the agreed strategy across the Group.
- Deliver financial performance in line with the agreed budgets.
- Report regularly to the Board on all operational matters.
- Accountable for recruitment, management and development of the Senior Leadership Team.
- 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.
- Serve 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 of the Chairman, Chief Executive or other Executive Directors.
- Lead the evaluation of the Chairman's performance, as part of the annual Board evaluation process.

Non-Executive Directors

- Remain independent of management and to be free from any business or other relationships that could compromise their independence.
- 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 management's success in delivering the agreed strategy within the risk appetite and control framework agreed by the Board.
- Responsible through the Board Committees for managing the delegated tasks given to them by the Board.

Board and committee meeting attendance

The number of meetings of the Board and its Committees during 2021 and individual attendance by Directors is set out below.

	Board			Committees			
	Scheduled	Ad-Hoc	Total	Audit	Remuneration	Nominations	ESG
Number of meetings	5	4	9	4	5	1	4
D Hunter	5/5	4/4	9/9			1/1	
L Hutchings	5/5	4/4	9/9	–	–		4/4
[illegible]	5/5	[illegible]	[illegible]				
I Krieger	5/5	4/4	9/9	4/4	5/5	1/1	–
G Muchanya	5/5	4/4	9/9			–	
N Sasse	5/5	4/4	9/9	–			–
K Wadey	5/5	4/4	9/9	4/4	2/2	–	4/4
L Whyte	4/5	4/4	8/9	4/4	5/5	1/1	4/4
T Hales (retired 20 May 2021)	2/2	2/2	4/4	2/2	5/5	1/1	–
L Norval (resigned 16 December 2021)	5/5	4/4	9/9	–	–	–	–

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 2021 is set out in the table above.

The Board schedules five meetings each year, and arranges further meetings as and when the business requires it, ensuring sufficient time is allocated to discharge their duties. During the year, the Board held five scheduled meetings and four ad-hoc meetings, the latter primarily related to the equity raise and restructuring transaction. 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

The Chairman, supported by the Company Secretary, ensures all new Directors are provided with induction training.

Composition

Details of the Directors including their skills and experience are outlined on pages 64 to 65.

Board succession

Succession planning is led by the Nomination Committee. Further information is provided on pages 78 to 79.

Induction and professional development

The Chairman, supported by the Company Secretary, ensures all new Directors are provided with induction training. Comprehensive packs are provided containing the most recent Board and Committee materials, recent analyst reports, key business policies and relevant company KPIs.

New Directors are introduced to the Board and senior management through one-to-one meetings combined with visits to our shopping centres to learn the trading environments and to meet the operational teams.

Briefings on governance requirements and their legal and regulatory obligations as a Director [illegible] and they are made [illegible] to [illegible] and understand [illegible]. Ongoing training [illegible] on a regular basis and undertaken individually as necessary.

Board evaluation

Stage 1

Led by the Chairman, all Directors of the Board complete a detailed questionnaire covering:

- Performance of the Board, as a whole, and as individuals;
- Processes that determine the Board's effectiveness (including the Board composition and skills gaps, experience, independence and knowledge of the persons on the Board and decision-making);
- Company culture, strategy and risk management; and
- Performance of the Board's Committees.

The Senior Independent Director arranges for one-to-one meetings with each Director of the Board to review and discuss the performance of the Chairman.

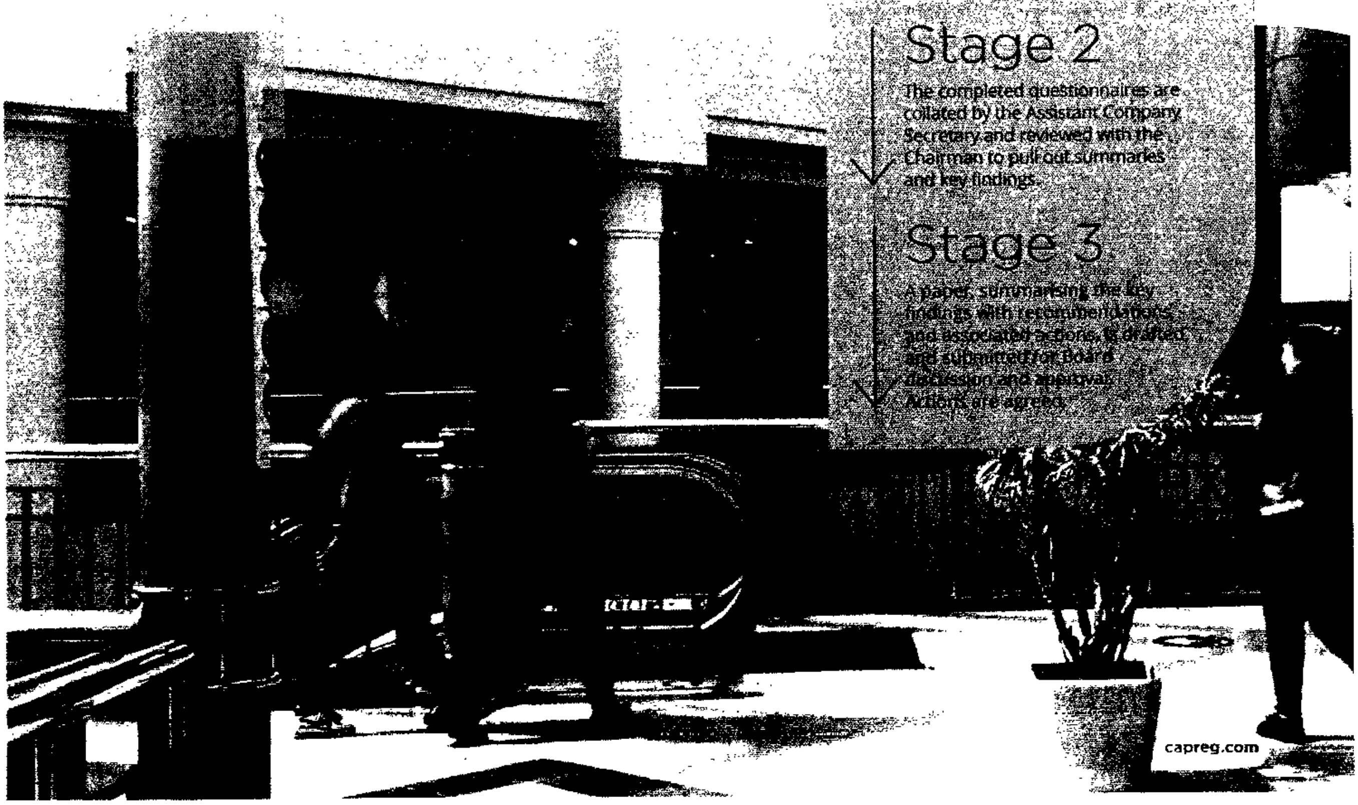
The Chairman meets with the Non-Executive Directors without the presence of the Executive Directors to evaluate the performance of the Chief Executive.

Stage 2

The completed questionnaires are collated by the Assistant Company Secretary and reviewed with the Chairman to pull out summaries and key findings.

Stage 3

A paper, summarising the key findings with recommendations and associated actions, is drafted and submitted for Board discussion and approval. Actions are agreed.



Progress has been made since the 2020 Board evaluation on growing the essential non-discretionary customer categories across the portfolio in line with the community centre strategy.

The review for 2021 took place at the January 2022 Board Meeting. The Board continues to engage and provide for robust and collective decision-making. The Board was comfortable that the Company had the appropriate controls, processes and approach to risk management.

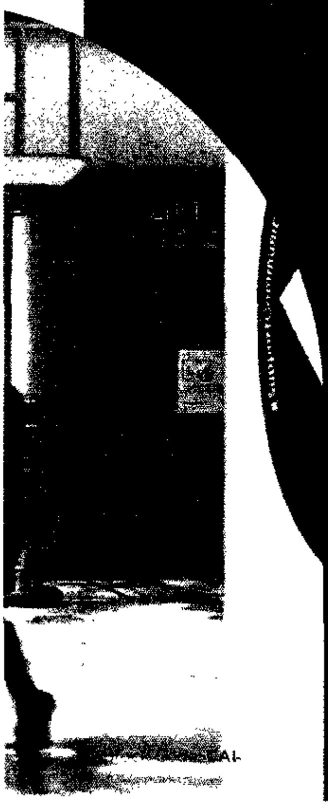
Management reporting on key operational challenges and key performance indicators were thought to be transparent and allowed for effective analysis of the Group's performance against the budget and business plans.

The Board acknowledged the continued resilience in the community shopping centre focus and further reshaping of tenant mixes across the Group's assets. However, it was highlighted that devoting more time to strategy development was necessary.

The Directors agreed that the established Board and Committee structure ensured that the governance requirements of the business were properly considered and reflected in the decision-making process. An emphasis was placed on ensuring the ESG requirements, particularly around climate-related disclosures, were more regularly considered and reviewed.

The Chief Executive evaluates the performance of the Group Finance Director. Subsequently, the results are discussed by the Remuneration Committee and relevant consequential changes are made if required.

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 Annual General Meeting continue to perform effectively, both individually and collectively as a Board, and that each demonstrate commitment to their roles.



Area of focus for 2022

Strategy:

The Board is keen to review the Group's current strategy and the progress that has been made to date in fulfilling it. The Board believe the Group is in a pivotal stage and efforts should be made to assess and agree the future direction of business to enable growth and enhanced stakeholder return.

Peer Group:

Further work will be carried out by the Board to identify and understand potential comparators in different markets/jurisdictions to increase insights from operators outside of the Group's traditional peer group.

People and succession planning:

The Board identified a need for increased focus on the one of the businesses key stakeholders; its employees, and the related operational challenges they are likely to face in the coming year. Succession planning at Board and at Senior Leadership level will be key to ensuring the success of the Group, with a need to increase visibility of progress at the Board level.

Nomination Committee Report

David Hunter
Chair of the Nomination Committee

Other members:


Ian Krieger


Laura Whyte

Meetings held: 1

The Committee conducted a review of the Board and Committee membership. The Committee was satisfied in each case that the Board and relevant Committee had the requisite skills, experience, knowledge and diversity.

The Nomination Committee is chaired by David Hunter, Chair of the Board of Directors. The other members of the Committee are Ian Krieger and Laura Whyte, both independent Non-Executive Directors.

Responsibilities

The Nomination Committee meets as required to select and recommend to the Board suitable candidates for both Executive and Non-Executive appointments. 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 stand down for re-election at the next Annual General Meeting in order to continue in office. All existing Directors retire by rotation every year.

Activities of the Committee during the year

Following the announcement that Tony Hales would step down as Non-Executive Director at the 2021 Annual General Meeting, the Committee conducted a review of the Board and Committee membership. The Committee was satisfied in each case that the Board and relevant Committee had the requisite skills, experience, knowledge and diversity.

As part of the annual Board evaluation process, all Board members were asked to consider the composition of the Board and highlight any areas that were not being suitably covered. The output of this exercise has fed into succession planning for future recruitment to the Board.

The Committee is mindful of the Code requirement regarding independence. However, given the size of the Company and [illegible] several changes that the business has faced, the Board has not supported the appointment of any further Non-Executive Directors in an effort to restrict costs. Given the scale of the Company, [illegible] independent [illegible] is currently provided by the sitting Non-Executive Directors. The Committee 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, social economic background, disability, sexuality and diversity of thought, perspective and experience.

Although the Company does not fall within the FTSE 350, the Committee, and indeed the Board, is supportive of the Davies Report, Hampton Alexander Report and subsequent Parker Review recommendations. At the financial year-end, the Board had 25% female representation (2020: 20%) which, although an improvement on the previous year, has not yet met the Hampton-Alexander target of at least one third female representation on the Board. The Board has met the Parker Review target of one ethnic minority Director on the Board as at 31 December 2021.

The Committee seeks to ensure that all suitable candidates available are taken into account when drawing up shortlists of candidates for possible appointments. The Committee continues to engage 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.

As a business, we are committed to maintaining a diverse workforce at all levels across the Company, and more information on how we do this, including a description of the policies relating to diversity and how they have been implemented, can be found in the ESG Report on pages 51 and 56 to 58.

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 are in the process of developing Group-wide objectives to measure progress over the coming months and years.

Audit Committee Report

Ian Krieger
Chair of the Audit Committee

Other members:

Katie Wadey

Laura Whyte

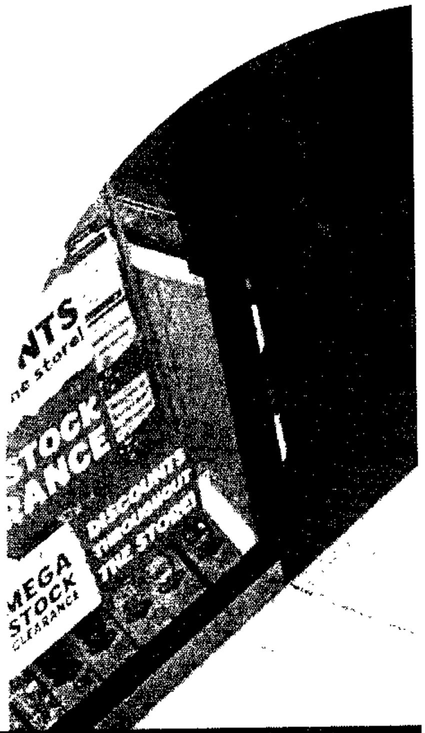
Meetings held: 4

The Committee has recommended to the Board that the Annual Report and Financial Statements 2021, taken as a whole, is fair, balanced and understandable.

The Audit Committee is chaired by Senior Independent Director and Independent Non-Executive Director Ian Krieger, a Chartered Accountant with recent and relevant financial experience required by the 2018 UK Corporate Governance Code. The other members of the Committee are Katie Wadey and Laura Whyte, both independent Non-Executive Directors. All members of the Board are able to attend Committee meetings by standing invitation. Stuart Wetherly, Group Finance Director, [illegible] 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, Deloitte LLP. The Company's Chairman, Chief Executive and remaining two Non-Executive Directors also attended meetings during the year. Other senior members of Finance and representatives from Deloitte LLP attended meetings by invitation.

Responsibilities

The Committee's role is to assist the Board in discharging its duties and responsibilities for ensuring the integrity of financial reporting, advising the Board on whether the Annual Report is fair, balanced and understandable, internal controls and the appointment, remuneration and relationship management of the Company's 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 for 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 2021 Annual Report and financial statements and the 2021 interim results statement prior to discussion and approval by the Board;

b. reviewing the continuing appropriateness of the Group's accounting policies including management's approach to the reassessment of IFRS 16, the impact of the changes in lease agreements within Snozone, the impact on the accounting treatment of the Group's lease arrangements and the presentation of the Group's Adjusted Profit metric;

c. reviewing Deloitte LLP's plan for the 2021 Group audit, approving their terms of engagement and proposed fees and reviewing and updating the Group's policy for the award of non-audit work to its external Auditor;

d. reviewing the Company's ongoing REIT regime compliance;

e. reviewing reports on internal control tests and assessing whether a stand-alone internal audit function was required;

f. 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;

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

h. reviewing the effectiveness of the Group's Whistleblowing Policy;

i. considering management's approach to Going Concern in respect of the year-end results announcement, the Annual Report and the half-year results and the viability statement in the Annual Report;

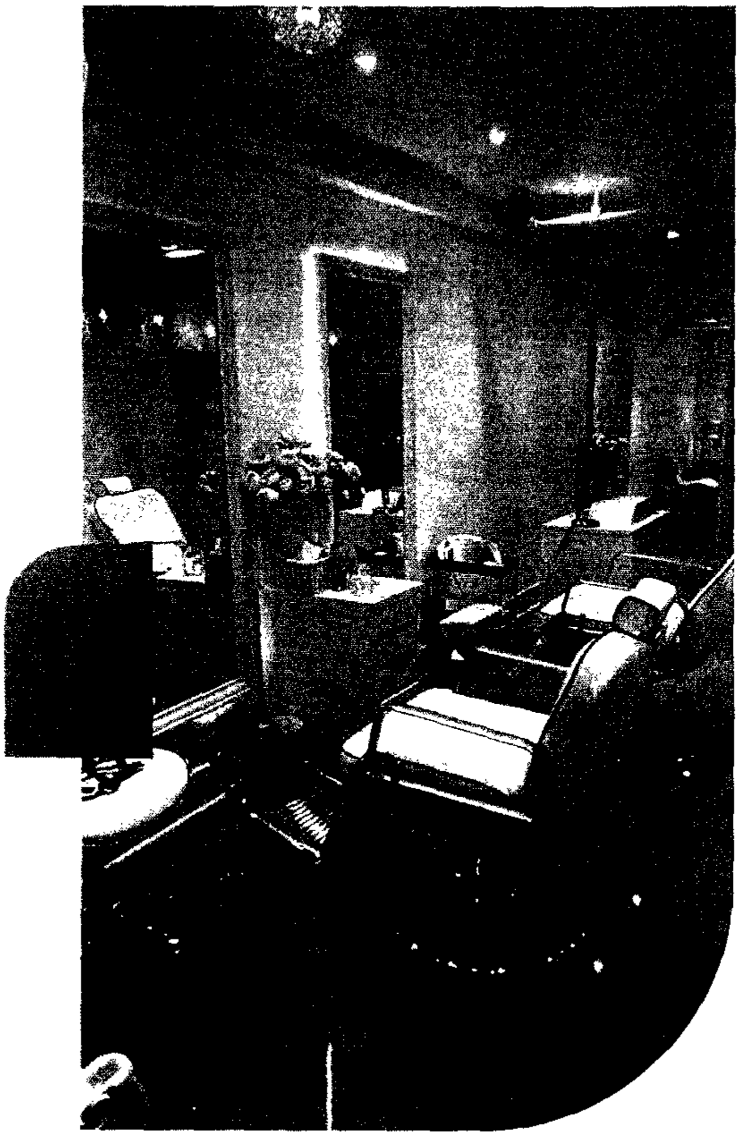
j. meeting with the responsible individuals from the Group's independent valuers, CBRE Limited and Knight Frank LLP to review and challenge their valuations of the Group's investment properties;

k. meeting with Deloitte LLP without management present;

l. reviewing reports on the delivery of business critical systems transformation projects; and

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

Audit Committee Report



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 2021, the value of the Group's investment property assets was £473.1 million (see Note 10b of the financial statements for further details). The Group saw a further decline in property values in the first half of the year but a stabilisation in the second six months. The valuation of investment property is inherently judgemental and involves a reliance on the work of independent professional qualified valuers. During 2021, 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. The valuation judgements were deemed to be in compliance with the RICS Red Book.

REIT regime compliance

The Committee continued to monitor and consider the Group's compliance with the REIT regulations and the potential of being expelled from the REIT regime would have a significant effect on the financial statements. As a consequence of not having paid a dividend since June 2020, the Group did not meet the minimum PID distribution requirement for 2019 or 2020. The Group had agreed with HMRC a 12-month extension to the 2019 deadline until the end of 2021 but having not paid a dividend during 2021, the Group paid £2.5 million in December 2021 to settle the tax outstanding on the estimated shortfall of £13.0 million in respect of the 2019 and 2020 financial years effectively bringing the Group's compliance up to date. On consideration of all of this, the Committee was satisfied that the Group remained compliant with REIT regulations for the period under review.

Management override of controls

The Committee reviewed the risk of material misstatement due to fraud through management overriding of established controls, particularly around key judgements and estimates made by management in relation to the valuation of the investment property portfolio, financial reporting process, accounting of significant unusual transactions and the review of top-side adjustments. The financial statements were assessed for bias in accounting judgements and management was asked about any known fraud situations. Journal entries and any unusual activity in this regard was investigated. Board minutes were assessed for any instances of override of controls being discussed. The Committee found no issues of note.

[illegible] Going Concern [illegible]

[illegible] the reclassification of the Group's assets [illegible]

Reclassification of assets and liabilities as held for sale

The Committee reviewed the position of the Group's investments in the Hemel Hempstead and Luton properties. At 30 June 2021, the Committee reviewed the rationale for changing the Group's Operating Segments to split what was previously its Shopping Centre segment between "Shopping Centres – Investment Assets" and "Shopping Centres – Managed Assets". The Committee concluded that it was appropriate to present such a split noting it was reflective of the economic position of the respective investments and of internal reporting. At 30 December 2021, the Committee reviewed the conclusion that the two assets met the criteria to be reclassified as "Held for Sale". This conclusion was reached as the Group, following close dialogue with the respective lenders of the vehicles, had decided to seek to dispose of whole or part of the investments or assets as at that date. The Committee agreed that the treatment was appropriate.

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. The use of reasonable scenarios and sensitivity analysis by management in response to the impact of Covid-19 was reviewed as part of the process given the highly volatile market environment.

IFRS 3 Business combinations

The Committee reviewed management's conclusions that the acquisition of two Spanish entities; Snozone SLU and Ocio y Neive SLU, on 9th February 2021 met the definition of Business Combination under IFRS 3. The SPA agreement was assessed to ensure the transaction had been conducted in line with the terms and conditions agreed. The fair value assumptions were cross checked against the net book value of the acquired assets. No significant differences in respect of the book value of the assets had been identified. In line with the requirements of IFRS 3, goodwill had been accounted for through the Profit & Loss account. The Committee found no issues of note.

Impairment of receivables and inter-company investments

Management perform an annual review of inter-company investments and receivables to determine the values to be maintained in the plc 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.

Audit, Risk and Internal Control

Audit Committee Report

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 10 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 31 December 2023. The Committee plans to run a tender process during 2022 [illegible]

[illegible]

Effectiveness of the external Auditor

[illegible]

It was determined that the overall work completed had been to a high standard, with Deloitte LLP having developed a good understanding of the Group. Strong working relationships had been maintained between the Committee and management and the lead audit engagement partner and their team.

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 the external Auditor for non-audit services, which was reviewed in October 2017, precludes the external Auditor from being engaged to perform valuation work, accounting services or any [illegible] 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, the only non-audit services performed by Deloitte LLP during the year were its review of the Half Year Report, for which a fee of £[illegible] was charged.

Risk Management and internal controls

The Board delegates the responsibility for monitoring a sound system of internal control and risk management to the Audit Committee [illegible]

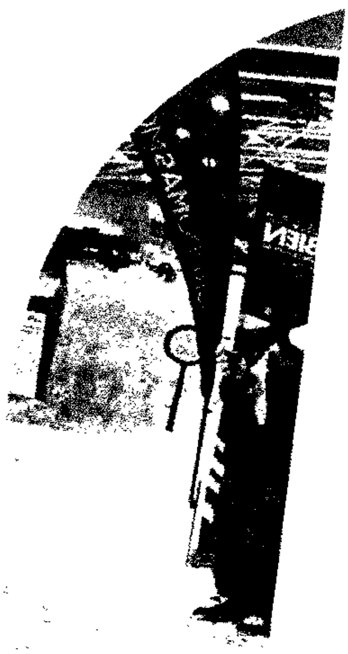
[illegible]

[illegible]

- [illegible]
- [illegible] by the Audit Committee [illegible] 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 on pages 35 to 42 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.

[illegible] 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 37. A statement of the Directors' responsibilities regarding the financial statements is on page 110.



Read more about the independent auditor's report [illegible]

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, where deemed appropriate.

In accordance with the Committee's terms of reference, the Committee conducted the annual review of the need to establish an internal audit function in October 2021. It was determined that the current size and complexity of the Group did 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 Group's process provides staff with options to contact members of senior management, the Group's Senior Independent Director and the Group's external audit partner.

Strong working relationships had been maintained between the Committee and management and the lead audit engagement partner and their team.

The Audit Committee, on behalf of the Board, reviews the established processes on an annual basis and last reviewed the policy in October 2021. The Committee reports to the Board on the process and any updates arising from its operation.

Fair, balanced and understandable

The Committee has reviewed the contents of the Annual Report and Financial Statements 2021 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 2021, 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

13 April 2022

Ian K

Remuneration

Annual Statement

Laura Whyte
Chair of the Remuneration Committee

Other members:


Ian Krieger


Katie Wadey

Meetings held: 5

Dear Shareholder,

As Chair of the Remuneration Committee and on behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021.

The Covid-19 pandemic continued to have an [illegible] impact on [illegible] and retail [illegible] with the first three months of the year in national lockdown. The [illegible] of the wider economy and [illegible] changes accelerated by Covid-19 [illegible] impact [illegible] performance, share price and dividend policy during the year. However, the Company has [illegible] made significant progress to stabilise the business. The Company undertook a restructuring of its largest loan facility in parallel with a £50 million capital raise, which together [illegible] helped to materially improve the Group's overall loan to value ratio.

Our approach to remuneration has been measured and balanced, seeking to ensure that a consistent approach is taken across the business and that Executive remuneration and reward is well-aligned with shareholder objectives and experience.

The Committee met five times during 2021 to discharge its responsibilities. In addition, informal meetings and other correspondence took place to discuss wider remuneration issues. In addition to the other Committee members, Ian Krieger and Katie Wadey, both Independent Non-Executive Directors, the Chief Executive and other Non-Executive Directors are invited to attend meetings as required. In accordance with the Corporate Governance Code 2018, no Director was included in the decision making process for their own remuneration or [illegible] present at any meeting where the same was being discussed.

Board Policy

Our existing Remuneration Policy was presented to shareholders at the Company's Annual General Meeting in 2019 receiving strong support with a vote in favour of [illegible]. The policy is due to expire at this year's Annual General Meeting on [illegible] May 2022. The [illegible] recommendation from the Committee is [illegible] revised Remuneration Policy for shareholder approval at the 2022 AGM.

The Board is proposing to [illegible] the Combined Incentive Plan structure [illegible] in 2019.

Board changes

[illegible] changes to the Board [illegible] Tony [illegible] retired by [illegible] Non-Executive Director, Senior Independent Director and [illegible] of the Remuneration Committee at the 2021 AGM. Ian Krieger was appointed to the role of Senior Independent Director and Laura Whyte as Chair of the Remuneration Committee from the conclusion of the 2021 AGM on 2[illegible] May 2021. [illegible] 31 December 2021. No exit payments were made to Tony Hales or [illegible]. Ian Krieger [illegible] the same additional fee for being appointed Senior Independent Director that had previously been paid to Tony Hales. Both Ian's and Tony's own remuneration are in line with the agreed policy for Non-Executive Director fees.

2021 Company performance and Combined Incentive Plan (CIP)

While all the Company's centres remained open for the full year, the operating environment during 2021 was significantly disrupted by the Covid-19 pandemic. This was most pronounced at the end of 2020 and in the first quarter of the year with the full national lockdown which was longer in duration than the lockdown in 2020 at the start of the pandemic and covered part of the crucial Christmas and new year sales period. Covid-19 remained a factor throughout the whole 12 months with various levels of restrictions in place at most times. This led to sustained pressure on the retail sector, which in turn had an adverse effect on retail property [illegible] the number of retailer failures and restructurings, including our largest tenant, Debenhams [illegible] contracted rent, rent collection and ultimately valuations through both lower income and further expansion in rental yields for retail assets.

While the Group's relative performance benchmarked well against industry peers, both NRI and Adjusted Profit fell. The Group continued to ensure prudent cost control and operational performance was relatively strong with footfall outperforming the prior year and the national index. Despite the challenges faced by the Group in 2021, progress continued to be made on delivering non-discretionary goods and services in pursuit of the Community Centre strategy, including completing more leasing deals during 2021 than in 2019 and 2020 combined.

The combination of these factors put significant pressure on the balance sheets of many companies within the retail property sector, leading to a majority of remedial actions being taken. The Company's 'Refinance, Restructure and Recapitalisation' project that was completed in the second half of the year was viewed positively by key stakeholders in the context of [illegible] pursued by others.

The Board believes that [illegible] performed exceptionally during the year to protect shareholder [illegible] external pressures.

After Committee review, the formulaic outturn of the 2021 CIP for the year stood at 71.4%. However, in acknowledgement of a challenging year for the business, the Committee determined that downward discretion to reduce the formulaic outturn to an award of 65% of the maximum opportunity under the CIP would be more appropriate based on the objectives set. The Committee considered the overall result to be an appropriate and balanced outcome noting that, while results in absolute terms had seen a decline in NRI and Adjusted Profit, significant progress had been made in the year operationally, and it was appropriate to recognise the exceptional efforts made by the Executive Directors in completing the equity raise and refinancing of the Mall loan facility, which have significantly recapitalised the business and secured its ongoing operations. The Committee also considered the bonuses paid to the wider workforce [illegible] that the total bonus pool provided [illegible] in line with the award made in 2019.

The Committee continues to believe that the CIP provides the best mechanism to reward and retain Executive Directors. For 2022 the Committee will set 70% [illegible] financial [illegible] key priorities of the business over the next 12 months and [illegible] property [illegible] management. As per 2021, the Committee will provide full disclosure of the targets and outcomes in the 2022 Remuneration Report and will exercise

See [illegible] Director remuneration [illegible]

Annual Statement

downward discretion on CIP outcomes if the Committee view that 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 April 2018 LTIP award ended on 19 April 2021. Adjusted [illegible] Property Return and TSR [illegible] performance [illegible] were not met, resulting in nil award [illegible].

[illegible]

Retention Award

[illegible]

Having reviewed the performance of the Chief Executive and Group Finance Director during a [illegible] due to Covid-19 and its enduring effects on the business [illegible], the Board considered the Chief Executive Officer and the Group Finance Director [illegible] exceptional leadership.

The resolution tabled at the AGM passed with strong support with 93.[illegible] of votes cast in favour.

Executive Director salary increases

[illegible]

Pension

[illegible]

Workforce and senior management pay

[illegible]

Committee changes

[illegible]

Committee aims

[illegible]

LAURA WHYTE
CHAIR OF REMUNERATION COMMITTEE

Directors' Remuneration 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 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, type 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; and
- Ensure that the incentive structure does not raise environmental, social or governance risks through compliance with our ethics and standards of operating.

How the Committee sets remuneration

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

The Committee benchmarks remuneration against our selected comparator group of companies and seeks to ensure that Directors' fixed compensation is around the median of 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 believes that by setting a remuneration package that is competitive with the comparator group, 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 recommended 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 of 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 95.
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.

Directors' Remuneration Policy

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

This section of the report contains details of the Directors' Remuneration Policy that will govern the Company's future remuneration payments. The Policy is intended to apply for three years from the approval of the Policy. The Policy described in this part is subject to approval by shareholders at the Company's AGM on Thursday 19 May 2022. The results of the shareholder vote will be displayed on the Company's website immediately after the 2022 AGM, alongside a copy of the Policy.

The Policy was determined following a review of the existing structure provided by the Group's remuneration advisers, PwC. This was discussed with the Committee, Executive Management and the Board including the representatives from the Company's largest shareholder, Growthpoint. Following the decision to effectively retain the same structure as has been in operation, a short consultation with other key stakeholders and major shareholders was undertaken before concluding on the policy that is to be presented for approval at the Annual General Meeting.

Purpose & link to strategy	Operation	Opportunity	Performance metrics
Base salary • To aid recruitment, retention and motivation of high quality people • To reflect experience and importance of role	Reviewed annually with effect 1 January to reflect: • general increases throughout the Company [illegible] • benchmarking against [illegible] market comparison [illegible] • Salary increases will normally be aligned to the average increase awarded to the wider workforce • [illegible]	The maximum increase applicable in any year is capped at 10% of base salary	n/a
Change	No change	No change	No change
Pension • To help recruit and retain high quality people • To provide an appropriate market competitive retirement benefit	The Company does not operate a defined benefit pension scheme. Pension benefits are paid either into defined contribution [illegible] or as a cash supplement. Lawrence Hutchings received a pension allowance of 15% of base salary in 2021. From 2022 onwards, he will receive 15% of base salary. Stuart Wetherly receives a pension allowance of 8% at the top of the range of pension contributions paid to the UK workforce of 1–8%. From 1 January 2023 Lawrence and Stuart's pension contributions will be 8% of salary, in line with the range of contributions paid to the wider workforce.	Executive Directors are [illegible] a pension allowance equivalent to up to 15% of base salary. For new appointments the Committee will ensure that pension contributions are in line with that of the workforce of 1–8%.	n/a
Change	No change	Lawrence Hutchings' pension will reduce to 8% from 1 January 2023	No change
Benefits • To aid recruitment and retention • To provide market competitive benefits • To support physical, mental and emotional wellbeing	The Company offers a package of executive benefits in line with local market including but not limited to: • private medical insurance • critical illness cover • life insurance • permanent health insurance; and • holiday and sick pay. Benefits are benchmarked and reviewed annually.	No maximum	n/a
Change	No change	No change	No change

Purpose & link to strategy	Operation	Opportunity	Performance metrics
Combined Incentive Plan (CIP) • To incentivise delivery of short-term business targets and individual objectives based on annual KPIs • To recognise performance while controlling costs in reaction to the market context or company events • To reinforce delivery of long term business strategy and targets • To align participants with shareholders' interests • To retain Directors over the longer term	The plan is reviewed annually to ensure bonus opportunity, performance measures and weightings are appropriate and support the stated Company strategy. All measures and targets will be reviewed and set annually by the Committee at the beginning of the financial year and levels of award determined by the Committee after the year end are determined based on achievement of performance against the stipulated measures and targets. One third of the award is paid in cash after one year. Two thirds of the award is deferred into shares. Deferred shares will vest in three equal tranches in years three, four and five and will be subject to the achievement of a performance underpin. Vested deferred shares will be subject to an additional holding period to the fifth anniversary of the date of grant. [illegible] shares can be sold to pay tax. Up to 50% of deferred shares will lapse if median relative TSR performance against the peer group is not achieved. Malus and clawback provisions apply, such that the Committee has the discretion to reduce or reclaim awards that have been paid or vested in any of the following situations: • C&R's financial statements or results being materially restated due to the Executive's misbehaviour • 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 Flexi Shares placed under a Share Award relating to a Bonus Award was based on error, or inaccurate or misleading information; and/or • failure of risk management; and/or • corporate failure. In line with UK corporate governance best practice, the Committee will retain the discretion to adjust the payment and vesting outcomes (both upwards and downwards) under the CIP to reflect the overall corporate performance and shareholder experience. The maximum combined incentive award potential in any year (300% of salary) will be adjusted downwards to reflect the year-on-year reduction in the profit outturn (if any) or if the shareholder return over the same period has been negative. The Committee retains the discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate.	The plan provides a combined annual awards of up to 250% of salary for Executive Directors and [illegible] for the Chief Executive. Targets calibrated so maximum payout represents exceptional performance. The maximum combined incentive award potential in any year may be adjusted downwards to reflect the year-on-year reduction in the profit outturn (if any) or if the shareholder return over the same period is negative.	Performance targets set annually based on a 100% Group financial and strategic performance targets. Key objectives will be weighted 70% on financial performance and 30% strategic and operational measures. Financial metrics may typically include metrics such as profit, net rental income and cost management. Operational and strategic metrics may include metrics such as tactical and strategy implementation. Shareholder performance where relevant for individual objectives, [illegible] 50%. 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.
Change	No change	No change	Financial performance will be 70%, strategic and operational performance will be 30%.

Directors' Remuneration Policy

Purpose & link to strategy	Operation	Opportunity	Performance metrics
Long-Term Retention Award • Aligns the Executive Directors' interests with those of shareholders. • Rewards and helps retain/recruit Executives	A cash based one off Long-Term Retention Award has been implemented by the Company to incentivise the retention of the Executive Directors. The Award was approved by shareholders via a General Meeting on 1 November 2021. A one-off award was granted to Lawrence Hutchings and Stuart Wetherly on 1 November 2021 which will vest on 30 September 202[illegible]. The award is not subject to additional performance measures outside of continued employment [illegible] the attainment of the [illegible] the Executive Directors. It is intended as a method of retention of key individuals within the business and [illegible] performance measures. Clawback provisions will apply to the Long-Term Retention Award [illegible] two years [illegible] a Long-Term Retention Award that: • there has been a material misstatement [illegible] in the results of the Company; • [illegible]; • [illegible]; • the award [illegible] Remuneration Committee's opinion [illegible]; • the award holder has committed an act which in the Remuneration Committee's opinion has caused the Company or business in which the relevant Director is employed to suffer a material failure of risk management; and/or • the Company enters into [illegible] administration or insolvency [illegible] arrangement. Malus provisions will apply, to allow the Remuneration Committee to reduce the payment under a Long-Term Retention Award if any of the circumstances set out above occur prior to the payment of the Long-Term Retention Award.	Lawrence Hutchings will receive a cash award of £[illegible] Stuart Wetherly will receive a cash award of £[illegible] [illegible] employment [illegible] participant [illegible] by the [illegible] percentage. [illegible] the Policy and [illegible]	Continued employment and not subject to disciplinary or performance procedures
Change	Awards approved at General Meeting on 1 November 2021		
Executive shareholding • To support alignment of Executive Directors with shareholders	All Executive Directors are expected to build a shareholding of at least 2 x basic annual salary value based on current market value or the aggregate purchase price of the shares over a five year period. Deferred or other unvested share awards not subject to performance conditions can count towards the guideline in line with corporate governance best practice. There is a 200% basic salary post cessation of employment shareholding requirement for two years.	n/a	n/a
Change	No change	No change	No change

Purpose & link to strategy	Operation	Opportunity	Performance metrics
Non-Executive Director Remuneration • To reflect experience and importance of role	The Chairman and Non-Executive Directors' fees are set by the Board taking into account the time commitment, responsibilities, skills and experience and roles on Board Committees. The fees are reviewed annually. Details of the fees can be found on page 98. The Senior Independent Director and individuals who are members of both the Audit and Remuneration Committees receive an additional fee per annum. Non-Executive Directors do not receive any variable remuneration element or receive any other benefits. Non-Executive Directors are reimbursed for all reasonable travelling and subsistence expenses (including any relevant tax) incurred in carrying out their duties.	n/a	n/a
Change	No change	No change	No change

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 came into effect; (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.

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.

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.

Directors' Remuneration Policy

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 is summarised in the table below.

Salary and benefits
Executive Directors are on notice periods of 12 months. In cases of an Executive leaving this can be served or settled with a payment in lieu of notice.

Combined Incentive Plan (CIP)
For leavers during the award year

- Typically, for good leavers, rights to awards under the CIP will be pro-rated for time in service to termination as a proportion of the performance period, and will, subject to performance, be paid at the normal time in the normal manner (i.e. in cash/deferred awards as appropriate).
- Typically for other leavers, rights to awards under the CIP will be 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 pro-rating (over the deferral period) for good leavers and to accelerate the vesting and/or release of awards if it considers it appropriate.
- Typically for other leavers, rights to deferred awards will be forfeited.

Long-Term Retention Awards
If, prior to the payment date, a participant ceases to be employed by the Group, his Long-Term Retention Award will lapse with immediate effect. Where, however, a participant ceases employment as a "good leaver", any Long-Term Retention Award held by that individual will not lapse and may be retained to the extent that the Remuneration Committee in its discretion determines taking into account such factors as the Remuneration Committee in its discretion determines including the period of time that the participant was employed from the award date.

Such retained Long-Term Retention Award will vest on the normal payment date (unless the Remuneration Committee in its discretion determines that it will be settled earlier) and in the normal manner subject to the other conditions applying to the Long-Term Retention Award being met.

A participant will be a good leaver if their employment ceases: a) due to death; b) due to injury, ill-health or disability (in each case evidenced to the satisfaction of the Remuneration Committee); c) due to redundancy or upon the transfer out of the Group of a company or business by which the participant is employed; or d) in any other circumstance that the Remuneration Committee determines (other than dishonesty, fraud, misconduct or any other circumstance that justifies the summary dismissal of the participant).

If, prior to the payment date, a participant has given or received notice to terminate their employment with the Group, his Long-Term Retention Award will not be paid unless the Committee is satisfied that the participant has performed satisfactorily and to have met the reasonable expectations of the role for which they are employed during the period from the date of the award to the payment date.

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 non-executive positions outside the Group providing they do not involve a significant commitment and do not cause conflicts 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.

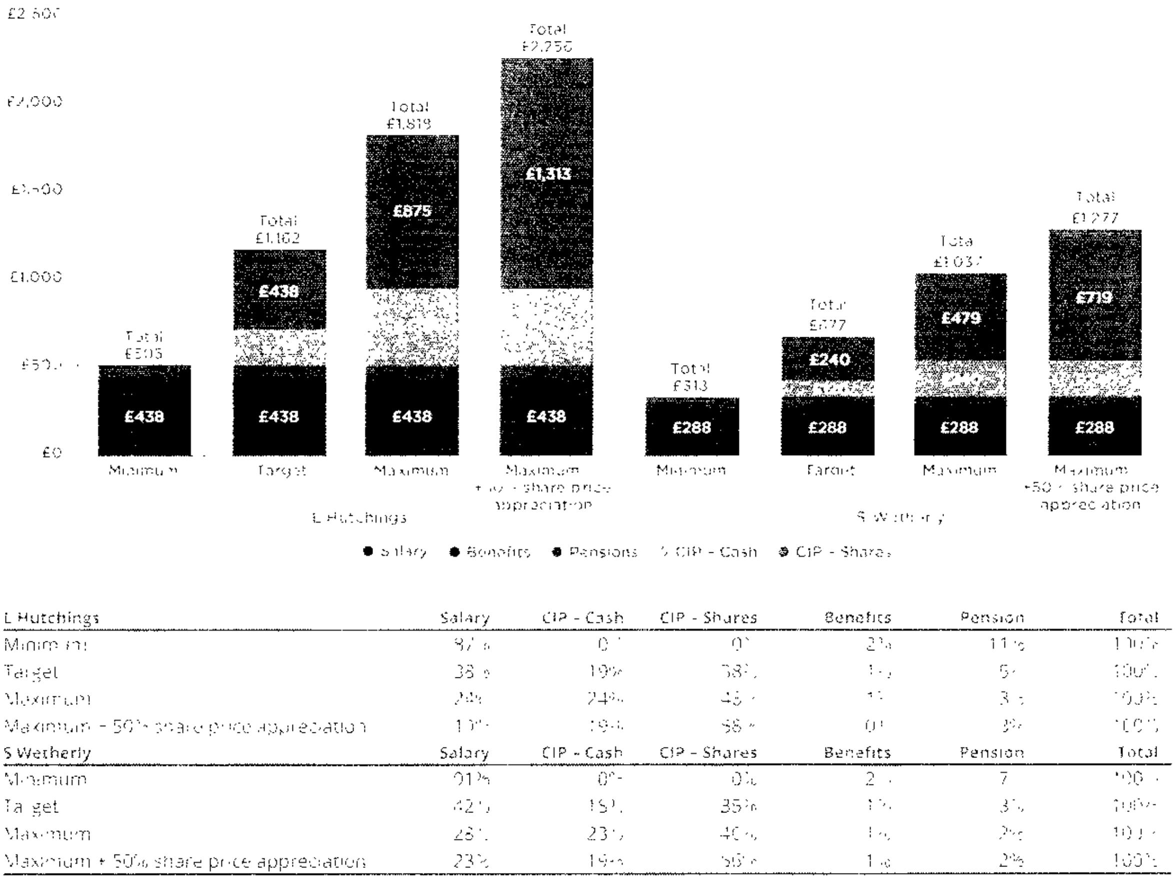
Senior management

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.

Total compensation

- The minimum scenario is based on nil incentive 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.
- The Long Term Retention Award has been excluded from these calculations.

All figures in £'000



L Hutchings	Salary	CIP - Cash	CIP - Shares	Benefits	Pension	Total
Minimum	87%	0%	0%	2%	11%	100%
Target	38%	19%	38%	1%	5%	100%
Maximum	24%	24%	48%	1%	3%	100%
Maximum + 50% share price appreciation	16%	19%	58%	0%	3%	100%
S Wetherly	**Salary**	**CIP - Cash**	**CIP - Shares**	**Benefits**	**Pension**	**Total**
Minimum	91%	0%	0%	2%	7%	100%
Target	42%	19%	35%	1%	3%	100%
Maximum	28%	23%	46%	1%	2%	100%
Maximum + 50% share price appreciation	23%	19%	56%	1%	2%	100%

Consultation and shareholders' views

During 2021, the Committee undertook a consultation with its largest shareholders before implementing the Retention Awards that were proposed at the General Meeting in November 2021. The vote passed with 93.6% of votes in favour.

Following the decision to essentially retain the same CIP structure as has been in operation, a short consultation with other key stakeholders and major shareholders was undertaken in early 2022 before concluding on the policy that is to be presented for approval at the Annual General Meeting.

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.

Remuneration

Directors' Remuneration Report

[illegible]

The Remuneration Committee

The Committee met five times during 2021 as well as holding informal meetings and other correspondence to discuss wider remuneration issues. Committee members include Laura Whyte (Chair), Ian Krieger and Kate Whitley, all independent Non-Executive Directors. All members of the Committee attended each meeting in the year. 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 [illegible]

Advisers

[illegible]

[illegible]

[illegible]

Summary of performance year ended 30 December 2021 (unaudited)

	2021	2020
Net Rental Income	£29.0m	[illegible]
Adjusted Profit	£8.1m	[illegible]
Adjusted Earnings per share	6.8p	[illegible]
IFRS loss for the period	£(26.4)m	£(205.4)m
Total dividend per share	-	
Net Asset Value (NAV) per share	102p	[illegible]
EPRA NAV per share	102p	[illegible]
Group net debt	£185.3m	[illegible]
Net debt to property value	49%	[illegible]

[illegible]

[illegible]

Single total figure of remuneration for Directors (audited):

The table below sets out the remuneration received/receivable in relation to the year ended 31 December 2021

£000	Salary/Fees		Taxable benefits		Other benefits		Pension		Total fixed pay		Annual bonus		Other		Total variable pay		Total pay	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
I Hutchings	429	407	4	3	2	7	64	64	499	481	279	–	1,000		1,279	–	1,778	481
S Wetherly	282	268	2	2	1	5	23	23	308	298	153		500	–	653	–	961	298
Total	711	675	6	5	3	12	87	87	807	779	432	–	1,500		1,932		2,739	779
D Hunter	140	95	–		–		–		140	95	–		–				140	95
R Hales	21	51	–		–		–		21	51	–	–	–		–		21	51
G Mulligan	–		–		–	–	–	–	–	–	–		–	–			–	–
I Krieger	51	46	–	–	–	–	–	–	51	46	–		–				51	46
L Norval	43	41	–	–	–	–	–	–	43	41	–	–	–		–		43	41
V Simms	–	–	–		–		–		–		–						–	–
K Whatley	48	10	–		–		–		48	10	–	–	–	–			48	10
L Whyte	48	46	–		–		–	–	48	46	–	–	–				48	46
H Scott-Barrett	–	51	–		–		–		–	51	–				–	–	–	51
Total	351	340	–		–	–	–	–	351	340	–	–	–		–	–	351	340
Total all	1,062	1,015	6	5	3	12	87	87	1,158	1,119	432		1,500		1,932	–	3,090	1,119

Executive and Non-Executive Directors took a voluntary 20% [illegible] salary [illegible] for [illegible] months of April, May and June 2020. Taxable benefit [illegible] paragraph [illegible] of Schedule [illegible] Regulations.

Taxable [illegible] Taxable [illegible] paragraph [illegible] Schedule [illegible] Regulations.

[illegible] as a Director on 20 May 2021 [illegible]

[illegible] Whatley and L Whyte [illegible] £5,000 per [illegible] Senior [illegible] Director.

[illegible] 9 December 2019 [illegible]

D Hunter [illegible] Non-Executive Director [illegible] 2020 and Chairman [illegible] 2020.

K Whatley was appointed a Non-Executive Director on 20 October 2020.

Entries for 2021 represent [illegible] of the Company [illegible] shares subject to relative TSR performance.

A [illegible] cash based award was granted to [illegible] £1,000,000 and Stuart Wetherly £500,000 on 1 November 2021, which will vest [illegible] on 30 September 2023.

Basic salary increases for Executive Directors

Executive Directors have been awarded a pay rise of 2% in line with the blanket increase provided to the wider workforce.

	2022 £'000	%	2021 £'000	%	2020 £'000	%	2019 £'000	%	2018 £'000	%	2017 £'000	%
I Hutchings	438	2.0	429		429	1.0	425	1	383	2.0	375	
S Wetherly	288	2.0	282		282	2.5	275		–	–	–	
C Staveley	–		–	–	–	–	–	–	305	2.0	299	2.0
H Scott-Barrett	–	–	–	–	–	–	–		–	–	427	2.0
K Ford	–	–	–	–	–	–	–	–	–	–	315	2.0

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

Directors' Remuneration Report

Non-Executive Director fees

Non-Executive Director fees will increase by [illegible] in line with the increase provided to the salaries of Executive Directors and the wider workforce. This will result in a fee of £142,800 for the Chairman and [illegible] for Non-Executive Directors in [illegible]. No increase will be applied to the additional £5,000 per annum for being a member of the Audit and Remuneration Committees nor the additional [illegible] fee per annum paid to the Senior Independent Director.

[illegible] in accordance with the terms of the [illegible] Relationship Agreement, do not receive a fee as Non-Executive Directors.

Combined Incentive Plan (CIP) (unaudited)

[illegible]

Name	Date of Award	No. of awards	Type of award	Face value at date of award £000	Threshold/Maximum vesting share price	End of performance period	Holding period
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] relative TSR performance	[illegible]	2 years
					[illegible] relative TSR performance	[illegible]	1 year
					[illegible] relative TSR performance	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] relative TSR performance	[illegible]	2 years
					[illegible] relative TSR performance	[illegible]	1 year
					[illegible] relative TSR performance	[illegible]	-

[illegible]

[illegible]

[illegible]

Dividend equivalents:

[illegible]

2021 Combined Incentive Plan and achievement of objectives (audited):

	Maximum CIP opportunity as % of salary	% of objectives achieved	Effective % of maximum achieved	Cash bonus payable £'000	Deferred share award £'000
L Hutchings	300%	65%	195%	279	558
S Wetherly	250%	65%	163%	153	305

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

The annual Combined Incentive Plan criteria for 2021 were determined with a weighting of 80% for Financial Objectives and 20% on Operational and Strategic objectives.

Group Objectives: Financial Targets (80%)

	Threshold		Maximum			
Performance Measure	% of bonus	Required performance	% of bonus	Required performance	Actual achieved	Payout as % of max.
Adjusted Profit	2.5%	H1 – £[illegible]m H2 – £4.2m	10%	H1 – £5.[illegible]m H2 – £[illegible]m	H1 – £2.5m H2 – £[illegible]m	4.1%
Net Rental Income	2.5%	H1 – £15.6m H2 – £14.7m	10%	H1 – £16.0m H2 – £17.3m	H1 – £13.1m H2 – £15.6m	[illegible]
Rent Collection including deferrals	[illegible]	88%	10%	95%	[illegible]	5.8%
Cost Management (Central Costs)	5%	[illegible]	20%	[illegible]	£7.5m	10.6%
Balance Sheet management based on reducing the Group's Net Debt to Value ratio	[illegible]	[illegible]	30%	[illegible]	Net LTV [illegible]	[illegible]
Total	20%		80%			51.4%

Group Objectives: Operating Metrics (10%)

Performance Measure	% of bonus	Required performance	Actual achieved	Payout as % of max
Operating metrics	10%	5% based on Footfall outperforming the national index by at least 0.5%	Outperformed the national index by 5.[illegible]%	10%
		5% based on leasing performance against ERV and Previous Passing Rent	[illegible] new leases and renewals signed at average premium to previous rent of 7.3% and to ERV of 15.6%	
Total	10%			10%

Directors' Remuneration Report

Group Objectives: Implementation of Strategy (10%)

In assessing the performance against strategy the Committee considered the following:

- Completion of equity raise and debt restructuring – acquired £100 million of debt for £81 million, partly funded by new debt of £35 million meaning an effective discount of 29%. Loan restructuring agreed as part of the transaction providing extended loan term and two year covenant waivers. New equity underwritten by Growthpoint at an approximate 10% discount to the 30 day VWAP and in line with the previous day's closing share price hence relatively mitigating the dilutive impact to shareholders who did not participate. Transaction was favourably received by equity analysts and key stakeholders and shareholders.
- *Walthamstow residential receipt – completed the critical milestone of planning consent facilitating the anticipated capital receipt in Q2 2022.*
- Remerchandising in line with Community Centre strategy – relet part or whole of all three Debenhams units within the portfolio, [illegible] Wood Green. Opened new Lidl supermarket [illegible]
- Disposal of non-core assets – further reduced leverage by completing the disposal of [illegible] and Maidstone [illegible] offices in Maidstone in line with prevailing book value.

In consideration of the significant progress made, most notably in respect of the completion of equity raise and debt restructuring, the Committee concluded to award a maximum payout of 10%.

Overall Committee Assessment of Combined Incentive Plan Payment

The Committee [illegible] considered the performance against the financial targets and determined that the formulaic outturn would be 51.1% out of a maximum of 80%. The Committee then reviewed performance against the Operating Metrics and noted that [illegible] payment of 10% out of 10%. Finally [illegible] implementation of strategy [illegible] resulting in a payment of 10% out of 10%. Taking into account the challenges faced during the year, whilst the Committee [illegible] 71.1% [illegible] The Committee [illegible] of maximum was awarded.

CIP Objectives

The Committee will continue to set stretching performance targets based on the Group's key financial performance metrics which form at least 70% of the metrics used. The remaining 30% will be subject to strategic and operational targets, providing a link between financial and strategic outturns.

	% of max
Adjusted Profit	15%
Net Rental Income	15%
Rent collection	10%
Cost management	15%
Balance sheet resilience	15%
Total Financial:	**70%**
Operating metrics	10%
Footfall against benchmark	
Leasing performance	
Strategy Implementation including ESG performance	20%
Total Operational and Strategic:	**100%**

Payout levels for threshold performance will remain unchanged at a minimum of 25% of the CIP and maximum payout will represent 'exceptional performance'. Target performance levels of payout 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 2022 Directors' Remuneration Report.

Long-Term Incentive Plan (audited):

Vesting of April 2018 LTIP issue

The performance period for the April 2018 LTIP issue ended during 2021. [illegible] awards qualified for vesting as the performance conditions were not met.

The actual performance against target of the April 2018 issue was:

Performance condition	Calculation	Conclusion	Vesting
Total Shareholder Return relative to the FTSE 350 Real Estate Index	Total Shareholder Return relative to FTSE 350 Real Estate (3 Years to 16 April 2021) Threshold – outperform index Maximum – Index + 12% Actual – C&R [illegible]%, Index [illegible]	Below index	0%
Average Annual Growth in Adjusted Profit Per Share	Adjusted Profit per Share (Financial Years 2018–2020) Threshold – 5% per annum average growth Maximum – [illegible]% Actual – [illegible]	Below target	0%
Total Property Return relative to the IPD UK Retail Quarterly Property Index	Relative Property Return to the UK IPD (3 Years from 31 December 2017) Threshold – outperform index Maximum – Index + 1.2% Actual – C&R [illegible], Index [illegible]	Below index	0%
		Total	0%

In relation to the April 2016 LTIP issue, Stuart Wetherly exercised [illegible] share options on 17 December 2021 at nil cost. [illegible] shares were sold to settle the tax liability crystallising resulting in a net increase in Stuart's holding of 2,[illegible] shares.

No LTIP awards were left outstanding at the year ended 31 December 2021.

Long-Term Retention Award (audited):

The number of awards and the performance period for all outstanding Retention Awards are summarised below.

November 2021 Award

[illegible] 2021 with the sole condition of remaining in continued employment and not being subject to disciplinary or performance procedures at the payment date.

Stuart Wetherly was granted a cash award of £500,000 on 1 November 2021 with the sole condition of remaining in continued employment and not being subject to disciplinary or performance procedures at the payment date.

The November 2021 cash-based Long-Term Retention Awards will be paid once the awards vest and become payable on 30 September 2023.

The Company's Clawback provisions will apply where the level of vesting may be reduced, including to nil. Malus provisions will apply to allow the Remuneration Committee to reduce the payment under a Long-Term Retention Award if any of the circumstances set out above occur prior to the payment of the Long-Term Retention Award.

Deferred Bonus Share Scheme awards (audited):

Exercise of May 2019 Deferred Bonus Share Scheme issue

Lawrence Hutchings exercised 5,636 share options on 17 December 2021 at nil cost. 2,649 shares were sold to settle the tax liability crystallising resulting in a net increase in Lawrence's holding of 2,987 shares.

No Deferred Bonus Share awards were left outstanding at the year ended 31 December 2021.

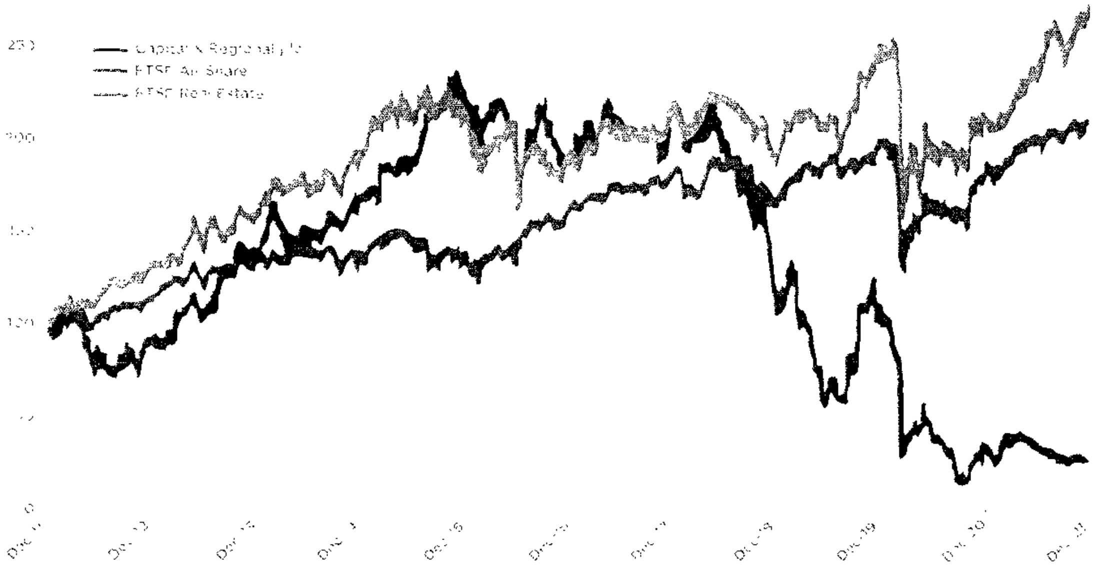
Exit payments and payments to past Directors (audited)

No exit payments were awarded to Directors in 2021. Neither were any payments made to past Directors.

Directors' Remuneration Report

Performance graph

The graph below illustrates the Company's Total Shareholder Return (i.e. share price growth plus dividends paid) performance compared to the FTSE All Share and FTSE 350 Real Estate indices as these indices provide a measure of a sufficiently broad equity market against which the Company considers that it is suitable to compare itself. The graph shows how the total return on a £100 investment in the Company made on 30 December 2011 would have changed over the ten year period measured, compared with the total return on a £100 investment in the comparative 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.

	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000
Total remuneration (L Hutchings)	n/a	n/a	n/a	n/a	n/a	593	752	715	481	**778**
Total remuneration (H Scott Barrett)	635	651	653	795	[illegible]	564	–	–		–
Annual bonus (% of max) (L Hutchings)	n/a	n/a	n/a	n/a	n/a	45%	[illegible]	[illegible]		**65%**
Annual bonus (% of max) (H Scott Barrett)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	n/a	n/a	n/a	n/a	**n/a**
LTIP vesting (% of max) (L Hutchings)	n/a	n/a	n/a	n/a	n/a	n/a		–	–	–
LTIP vesting (% of max) (H Scott Barrett)	–		–	–	[illegible]	[illegible]	n/a	n/a	n/a	**n/a**

Annual change in pay for Directors versus the wider workforce in 2021

The percentage change in the remuneration of Directors between 2019 and 2021 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 2021. No bonuses were paid to employees and no [illegible] payments [illegible] to Executive Directors in respect of 2020. Non-Executive Directors do not receive any benefits.

		Executive Directors		Non Executive Directors							
2019	Employee Group	L Hutchings	S Wetherly	H Scott Barrett	T Hales	I Krieger	G Muchanyuka	L Norval	N Sasse	L Whyte	W Hammond
Salary	[illegible]	[illegible]	n/a	n/a	2[illegible]	2[illegible]	-	No change	-	2[illegible]	No change
Bonus	[illegible]	([illegible])	n/a	-	-	-					
Benefits	No change	No change	No change	-	-	-	-				-

	Employee	Executive Directors		Non-Executive Directors							
2020	Group	L Hutchings	S Wetherly	D Hunter	T Hales	I Krieger	G Muchanyuka	L Norval	N Sasse	K Wadey	L Whyte
Salary	[illegible]	1[illegible]	2.5[illegible]	n/a	1[illegible]	1[illegible]		1[illegible]		n/a	[illegible]
Bonus	(100%)	(100%)	(100%)				-	-	-	-	-
Benefits	No change	No change	No change				-	-	-		-

	Employee	Executive Directors		Non-Executive Director					
2021	Group	L Hutchings	S Wetherly	D Hunter	I Krieger	G Muchanyuka	N Sasse	K Wadey	L Whyte
Salary					-	-			
Bonus	n/a	n/a	n/a	-			-	-	-
Benefits	No change	No change	No change		-	-	-		

[illegible] Capital & Regional plc and Capital & Regional Property Management [illegible]
[illegible]
[illegible] 2020 [illegible]
[illegible] and N Sasse [illegible]

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 [illegible] 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 [illegible] (£[illegible]: £58,28[illegible]).

Calculated with reference to employees of Capital & Regional plc and Capital & Regional Property Management.

Relative importance of spend on pay compared to distributions to shareholders

	2021 £m	2020 £m	%
Executive Directors remuneration[1]	**1.2**	0.[illegible]	5[illegible]%
Employee costs (per Note [illegible] of the financial statements)	**11.1**	[illegible].7	2[illegible]%
Dividends paid (total of Interim and Final Dividend for the respective year)	–	–	-

1 L Hutchings and S Wetherly took a voluntary 20% reduction in salary for the months of April, May and June 2020 and [illegible] the [illegible] Incentive Plan were waived in 2020.

Directors' Remuneration Report

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 201[illegible]	12 months	12 months' salary and benefits value
S Wetherly	Rolling contract	11 March 2019	12 months	12 months' salary and benefits value
Non Executive Directors		Date of initial appointment		
D Hunter	Rolling contract	9 March 2020	6 months	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 Watney	Rolling contract	20 October 20[illegible]	No notice	None

Non Executive Directors [illegible] rolling contracts [illegible] notice period [illegible] All Directors [illegible] stand for re-election annually and Board [illegible] Copies of the Directors' service agreements are available for inspection upon application at the Company's registered office.

External appointments

Executive Directors [illegible] external appointments [illegible] Non Executive Director of other companies [illegible]

Workforce engagement

[illegible] the Company's 2022 AGM.

The Committee [illegible] the remuneration of the members of the Group Senior Leadership Team and is therefore able to ensure that the remuneration decisions made [illegible] the Executive Directors are made with consideration [illegible] management and other employees. The Committee also reviews the proposed pay awards and bonus payments made to the wider workforce to ensure alignment and consistency with the principles [illegible] determining Executive pay, noting that the bonus pool [illegible] line with that paid in 2019.

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 CIP share awards; these are disclosed separately on page 101.

	30 December 2021 Shares	30 December 2020 Shares
D Hunter	**105,442**	71,285
L Hutchings	**12,017**	6,105
S Wetherly	**35,603**	22,174
T Hales	**45,265**	45,265
I Krieger	**17,032**	11,515
G Muchanya	**–**	–
L Norval	**10,313,718**	10,313,718
N Sasse	**62,187**	42,040
K Watney	**–**	–
L Whyte	**31,115**	27,029

[illegible] 20 May 2021

[illegible] 15 December 2021.

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 directly have a personal beneficial interest in any of these holdings.

There were no changes to Directors' shareholdings from 31 December 2021 to 13 April 2022, being the latest practicable date prior to the issue of this Report.

Executive share ownership (audited)

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	4 years 6 months	200	No
S Wetherly	2 years 9 months	200	No

Post-cessation shareholding requirements

There is a 200% of base salary post cessation of employment shareholding requirement for two years. Shares vested but subject to further deferral periods or performance conditions are included for the purposes of the calculation.

Committee evaluation

The Committee reviews 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	438,092,583	87.78%	63,784,926	12.22%	501,877,509	71.6[illegible]%	25,932,411

Shareholder voting on the Directors' Remuneration Report, which was tabled at the 20 May 2021 AGM, was as follows:

Resolution	For	% For	Against	% Against	Total Shares Voted	% Shares Voted	Votes Withheld
To approve the Directors' Remuneration Report	82,908,367	99.66%	282,881	0.34%	83,191,248	74.[illegible]%	239,712

Shareholder voting on the Long-Term Retention Awards, which was tabled at the 1 November 2021 EGM, was as follows:

Resolution	For	% For	Against	% Against	Total Shares Voted	% Shares Voted	Votes Withheld
To approve the Long-Term Retention Awards	74,164,267	93.56	5,107,522	6.44	79,272,149	70.92	84,550

LAURA WHYTE
CHAIR OF REMUNERATION COMMITTEE

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Directors' Report

Business review

Information on the Group's business, which is required by section 417 of the Companies Act 2006, can be found in the Strategic Report on pages 1 to 63 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 [illegible] of the 2018 UK Corporate Governance [illegible] and Disclosure and Transparency Rules which forms part of this Directors' Report is set out on pages 63 to [illegible].

[illegible]

[illegible]

Dividends

[illegible]

[illegible]

[illegible]

At 30 December 2021, the Company does not have sufficient distributable reserves to declare a dividend. The Company plans to undertake a capital reduction exercise for which it will seek shareholder approval at the 2022 AGM in order to create distributable reserves.

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) [illegible] shareholders will be taxed on PIDs [illegible]

[illegible]

[illegible]

Directors

The names and biographical details of the present Directors of the Company are given on pages 64 to 65. Tony Hales' resignation was effective from 20 May 2021 and Louis Norval's from 15 December 2021. All other Directors served for the full year. Ian Krieger assumed the role of Senior Independent Director on 20 May 2021.

All current Directors will retire and being eligible, offer themselves for re-election at the 2022 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 101. 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 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 84 to 105
Waiver of emoluments by a Director	Pages 87 to 95
Waiver of future emoluments by a Director	Pages 97 to 98
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 108

Substantial shareholdings

As at 30 December 2021 (the accounting reference date of this report), the Company was notified of the following interests in its issued ordinary share capital:

	No. of shares	%
Growthpoint Properties Limited	100,505,493	60.77
Black Crane Capital	6,902,813	4.17
Mistead Limited	5,742,052	3.47
Peens Family Holdings	4,975,494	3.01

As at 4 April 2022 (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	100,505,493	60.77
Black Crane Capital	6,902,813	4.17
Mistead Limited	5,742,052	3.47
Peens Family Holdings	4,996,494	3.02

Mistead Limited is part of the [illegible] Group of investors.

Shares held by Employee Share Ownership Trust

At 30 December 2021, the Capital & Regional Employee Share Ownership Trust held 31,57[illegible] shares in the Company. The shares held by the Trust are registered in the nominee name [illegible] Forest Nominees Limited [illegible] 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 2021 or up to 13 April 2022 [illegible] the latest [illegible] date prior to the issue of this report.

The Company was authorised by shareholders at the 2021 AGM held on 10 May 2021 to purchase [illegible] maximum of 10 [illegible] of its ordinary shares in the market. This authority will expire at the 2022 AGM [illegible] Directors will be seeking a new authority for the Company [illegible] ordinary shares [illegible] market and [illegible] to do so.

Share capital

As at 31 December [illegible] the Company's total issued share capital [illegible] 10 [illegible] ordinary shares of 10 [illegible] with equal voting rights. The changes to the Company's issued share capital during 2021 are detailed in Note [illegible] to the financial statements.

The Company [illegible] listing of its shares on the [illegible] Johannesburg Stock Exchange (JSE). At 31 December [illegible] shares were held on the JSE share register representing 4 [illegible] of the total shares in issue.

Controlling shareholder

Growthpoint, through its nominees, holds 6[illegible] of the issued share capital of the Company. The Relationship Agreement, entered into on 17 October 201[illegible] 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[illegible] 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 so long as they own 20[illegible] of the issued ordinary capital in the Company and one Non-Executive Director to the Board if they own less than 20[illegible] but not less than 15[illegible]. The Directors believe that the terms of the Relationship Agreement enable the [illegible] 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 [illegible] million debt facility in respect of The Exchange Centre, Ilford allows the lender to potentially demand repayment of the facility with 120 days' notice following an [illegible] entity taking control of 50[illegible] or more of Capital & Regional [illegible] 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 share [illegible].

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 takeover of the Company by a company that is not a REIT [illegible] unlike Growthpoint Properties Limited [illegible] as an institutional investor for REIT purposes [illegible] the [illegible] condition [illegible] 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. [illegible] the Articles of Association may be amended by [illegible] resolution in accordance with the legislation in force from time to time.

Human rights

The Group operates in the UK [illegible] 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 regulation 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 2021, the total number of employees was as follows:

Employees	Male	Female	Total
Directors	6	2	8
Senior Leadership Team	4	2	6
Employees – Support Office	20	22	42
Employees – Assets	21	42	63
Employees – Snozone	152	124	276

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 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 Annual General Meeting.

Annual General Meeting

The Company's Annual General Meeting is due to be held on the 19 May 2022. The Notice of Annual General Meeting 2022, accompanies this report, which accounts for and explains the business to be covered at the Annual General Meeting of the Company.

The Directors Report was approved by the Board of Directors on 13 April 2022 and is signed on its behalf by:

STUART WETHERLY
COMPANY SECRETARY

13 April 2022

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 judgments 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 13 April 2022 and is signed on its behalf by:

LAWRENCE HUTCHINGS
CHIEF EXECUTIVE

STUART WETHERLY
GROUP FINANCE DIRECTOR

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 judgments 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 13 April 2022 and is signed on its behalf by:

LAWRENCE HUTCHINGS
CHIEF EXECUTIVE

STUART WETHERLY
GROUP FINANCE DIRECTOR

Independent Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. 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 2021 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.

[illegible] the financial statements which comprise [illegible]

- the consolidated income statement;
- the consolidated statement of comprehensive [illegible]
- the consolidated statement of [illegible]
- the [illegible]
- the consolidated [illegible] statement; [illegible]
- the [illegible]
- [illegible]

The financial reporting framework that has been applied in the preparation [illegible] [illegible] and International Financial Reporting Standards [illegible] [illegible] [illegible] Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities [illegible] of the financial statements [illegible] [illegible] [illegible] 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. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Company. [illegible]

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

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3. 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 • 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 £[illegible] million (2020: £[illegible] million) which was determined on the basis of [illegible] (2020: [illegible]) of net assets. We applied a lower threshold of £0.33 million (2020: £[illegible] million) for testing of all balances impacting Adjusted Profit as defined in note 1 of the Group financial statements, which is 5% (2020: [illegible]) 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 level. Our audit scoping provides audit coverage of [illegible] (2020: [illegible]) of net assets, [illegible] (2020: [illegible]) of revenue and [illegible] (2020: [illegible]) of [illegible]. Our component audit work was executed at levels of materiality applicable to each individual component, which were lower than Group materiality.
Significant changes in our approach	There have been no significant changes in our audit approach in the current year with the exception of the change to the key audit matter on the going concern, as covenant compliance has been referenced solely to going concern. The Group has obtained covenant waivers as explained in note [illegible] to the financial statements and therefore whilst going concern overall remains a key audit matter, the covenant waivers obtained in the year mean that covenant compliance specifically is not referred to separately as a key audit matter. We still test covenant compliance and forecast covenant compliance as part of our response to the going concern key audit matter.

4. 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 in section 5.2.

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 twelve 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.

5. 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.

5.1 Valuation of investment properties

Key audit matter *description*

The investment property has a carrying value of £374.5 million at 31 December 2021 (30 December 2020: £5[illegible] million) [illegible] (30 December 2020: [illegible]) of the Group's assets. The portfolio consists of [illegible] (30 December 2021: seven) shopping centres within the Group. At the year end the [illegible] and Hemel Hempstead assets have been classified as assets held for sale as they meet the IFRS 5 criteria. They continue to be valued under IAS 40 but are not presented within investment property.

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 liquidity within the [illegible] centre investment sector is still relatively limited through transaction volumes and real estate investor [illegible] [illegible] are increasing. The valuations continued to be impacted by [illegible] COVID-19 and the [illegible] climate.

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

There is also a risk of fraud in relation to the valuation of the investment property [illegible] valuation [illegible] and model [illegible] and assumptions and judgements applied are more [illegible] could be subject to undue influence by management.

The accounting policy for investment property is set out in note [illegible] to the 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 [illegible]. The investment property portfolio is disclosed in note 10 of the Group's financial statements.

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

- We obtained an understanding of the [illegible] [illegible] investment property valuations.
- We evaluated the competence, capabilities [illegible] of the Group's independent valuers.
- We met with the Group's independent valuers [illegible] [illegible] to value the property portfolio and challenged the significant judgements [illegible] [illegible] from COVID-19 in their valuation model.
- We analysed the individual property valuations [illegible] movements against prior year and [illegible] market evidence [illegible] the valuers.
- We [illegible] [illegible] [illegible] [illegible] [illegible].
- We evaluated the integrity of the methodology, model and data [illegible].
- We tested the integrity of the information provided to the valuers by [illegible] [illegible] to rental income, purchasers' costs and occupancy.
- We verified movements in the key judgements and assumptions and [illegible] benchmarked and discussed yields [illegible] the valuers and our 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, [illegible] and expected cash flows. [illegible] 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 management in the valuation were reasonable and the methodology applied was appropriate.

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5.2 Going concern

Key audit matter description

The Group operates in the retail and leisure sectors which have led to significant pressure on cash flows and property valuations. Going concern is a significant area of focus, particularly due to the impact of ongoing retail sector restructuring and COVID-19 on property valuations, with underlying cash flow and the ongoing negotiations with the Group's lenders.

As at 30 December 2021, Group's borrowings totalled £233.2 million (30 December 2020: £[illegible] million) following the reclassification of the balances of Luton and Hemel Hempstead as held for sale, the liabilities (including borrowings) of these structures amounting to £[illegible] million for Hemel Hempstead and £[illegible] million for Luton have been reclassified to liabilities directly associated with assets classified as held for sale. The Group also had cash and cash equivalents of £[illegible] million (30 December 2020: £[illegible] million) of which £[illegible] million was maintained centrally and without any restriction (30 December 2020: £[illegible] million).

We identified a key audit matter relating to the ability of the group to continue trading as a going concern. The Group going concern assessment is built on cash flow projections, considering only the cash readily available to the Group which is not restricted, not trapped, and the Group's intention to sell the Luton and Hemel Hempstead assets which at the end of the year have been classified as held for sale.

Operationally, the Group has demonstrated sufficient cash to trade for the lookout period of 12 months and this should enable them to still operate as a going concern. However, in the event that covenant waivers could not be extended for [illegible] the facilities contained in the [illegible] and in the event of a default of some of the Group's assets, 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 covenants. 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.

In addition to the consolidated cash flow forecasts, the ability of the Group to meet the loan covenant requirements relating to loan to value, interest cover ratio during the year ended [illegible] and at least one year from the date when the financial statements are authorised for issue is also relevant.

There are waivers in place for all covenants at the year end, however if these were not in place, the covenants would be in a breach position. The Group completed the restructuring and the reduction of the debt secured over the assets of The Mall in November 2021. The restructuring of the debt resulted in the Group acquiring £[illegible] million of debt for a discounted amount of £[illegible] million (at discount of £[illegible] million), financed with a new loan (£[illegible] million), raise in equity (£[illegible] million before costs) and existing cash (£[illegible] million), and termination of certain derivative instruments. This includes the covenants of The Mall facility being waived until November 2023. The Mall facility does not expire until 2027 and the Group is forecast to have sufficient cash to keep operating for at least the next two years. The completion of The Mall debt restructuring and equity raise addressed concerns that led to the Directors concluding there was a material uncertainty over going concern at the time of the half year results in September 2021.

The covenants of Ilford, Hemel Hempstead and Luton facilities were either waived or met as at the year end but waivers have not yet been agreed beyond April 2022 for Ilford. As detailed above, the Hemel Hempstead and Luton liabilities are classified as held for sale and ring fenced, but should the Group not secure a longer term modification to the Ilford covenants, the group would consider further courses of action including the potential to surrender the asset.

Management's consideration of the going concern basis of preparation is set out in the Going Concern statement on page 42 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 have adopted the going concern basis of accounting for the Group and parent Company and have concluded that there are no material uncertainties that may cast significant doubt over the Group's and parent Company's ability to adopt going concern basis for a period of at least twelve 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 83.

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.
- We considered the reasonableness of assumptions included in the downside scenario regarding lower rental collection levels.
- We assessed the refinancing of the [illegible] facility and verified the relevant termination agreements and the newly obtained loan facility, as well as the termination of the relevant derivative contracts.
- We have assessed the equity raise in the year by inspecting and agreeing it to the relevant documents and to the cash receipts.
- We evaluated the cash and borrowings forecast for the next [illegible] years including the assessment of the [illegible] statements of the Group and obtained an understanding [illegible] relevant [illegible].
- We evaluated the management [illegible] scenarios taking into consideration projected [illegible] [illegible] cash flows, current business and economic trends and significant developments during and subsequent to the year ended 31 December 2021.
- We assessed [illegible] [illegible] including financial covenants and [illegible] and performed an assessment of the Group's existing and [illegible] compliance with debt covenants [illegible] and cash [illegible].
- We assessed the [illegible] of [illegible] to management as [illegible] in Note [illegible] and assessed the sufficiency of the disclosures made in the annual report.
- We assessed the [illegible] of the [illegible] in place.

Key observations

We [illegible] the Group [illegible] parent Company [illegible].

5.3 Impairment of parent Company investments and intercompany debtors

Key audit matter description

The [illegible] that the carrying value of the investments and intercompany debtors [illegible] [illegible] [illegible] [illegible] judgement [illegible] estimation [illegible] this relates to the [illegible] of cash flow forecasts, long term growth rates and the discount rate applied in the discounted cash flow valuations [illegible].

Investments had a carrying value of £[illegible] million at 31 December 2021 (31 December 2020: £[illegible] million) [illegible] of the parent Company's assets. The refinancing [illegible] [illegible] increase in the value of investments in subsidiaries in the current year. An impairment of £[illegible] million (2020: £219.2 million) has been recorded by management as a result of comparing the carrying value of the investment against its recoverable amount. Intercompany debtors had a carrying value of £[illegible] million at 31 December 2021 (31 December 2020: £[illegible] million) comprising [illegible] (31 December 2020: [illegible]) of the parent Company's assets.

Investments are subject to an impairment review using discount rate of [illegible]. Management has assessed the recoverability of investments on the basis of [illegible]. 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 no further provision (2020: £[illegible] million) has been booked in the parent Company's financial statements.

The accounting policies for both investments and intercompany debtors are set out in note [illegible] to the parent Company financial statements [illegible] 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 83.

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

- We obtained an understanding of the parent Company's relevant controls to address the risk of [illegible] of investments and intercompany debtor balances.
- We challenged management's [illegible] 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 [illegible] considered [illegible] the cash flow projections, long term growth rates and [illegible] rates.
- We also assessed whether the forecasts employed are consistent with those used to support other judgements in the financial statements.
- We assessed the [illegible] 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 [illegible] 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.

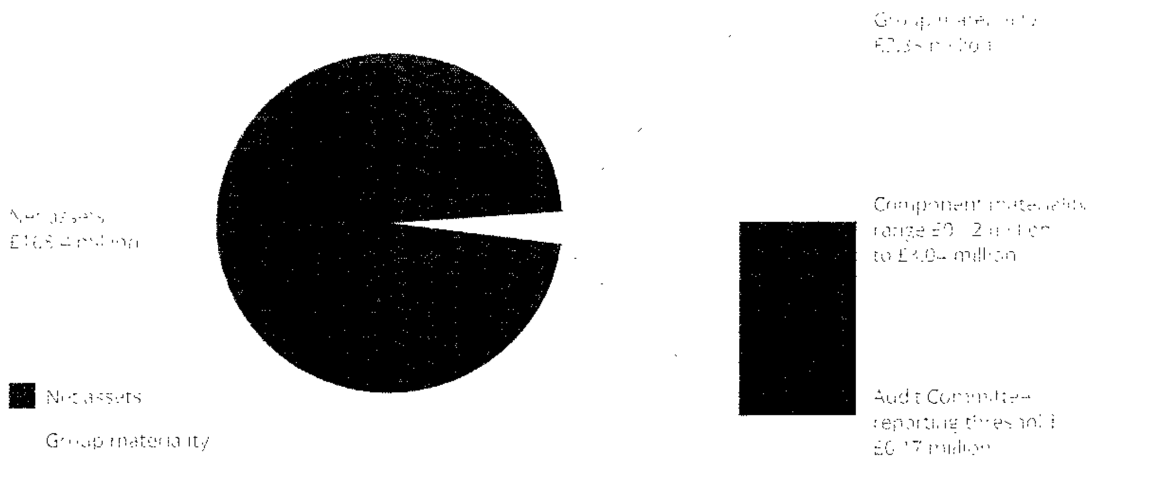
6. Our application of materiality

6.1 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	£3.38 million (2020: £3.40 million)	£3.04 million (2020: £3.10 million)
Basis for determining materiality	We determined materiality to be 2% of net assets (2020: 2% of net assets). We applied a lower threshold of £0.38 million (2020: £0.52 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 (2020: 5% of Adjusted Profit).	Parent Company materiality equates to 2% of net assets (2020: 2% of net assets), which is capped at 90% of Group materiality (2020: capped at 90% of Group materiality).
Rationale for the benchmark applied	We used net assets as a benchmark when determining materiality as it is considered to be the most critical financial performance measure for the Group. We applied a lower threshold of £0.38 million (2020: £0.52 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.	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 £0.38 million (2020: £0.52 million) for testing of all balances impacting Adjusted Profit (as defined in Note 1 to the Group financial statements) which is 5% (2020: 5%) of this financial performance measure.

6.2 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% (2020: 70%) of Group materiality	70% (2020: 70%) of parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. the changes in the business have been factored into the level of materiality; b. the stable environment of the Group and our ability to rely on controls; and c. our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of [illegible] million [illegible], 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.

7. An overview of the scope of our audit

7.1 Identification and scoping of components

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

[illegible]

[illegible]

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.

7.2 Our consideration of the climate-related risks

As a part of our audit, we have obtained management's climate-related risk assessment and held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. Management has assessed that there is currently no material impact arising from climate change on the judgements and estimates determining the valuations within the financial statements.

We performed our own assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement. Our procedures also included reading disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

Independent Auditor's Report

8. 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.

9. 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.

10. 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.

11. 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.

11.1 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 13 April 2022;
- 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 valuation of investment properties. 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, IFRS standards 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 [illegible] environmental regulations.

11.2 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. 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.

13. 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 42;
- 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 42;
- the directors' statement on fair, balanced and understandable set out on page 85;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 36 to 37;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 84 to 85; and
- the section describing the work of the Audit Committee set out on pages 80 to 85.

14. Matters on which we are required to report by exception

14.1 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.

14.2 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.

15. Other matters which we are required to address

15.1 Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by Directors on 10 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 25 years, covering the years ending 25 December 1997 to 30 December 2021.

15.2 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).

16. 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

MATTHEW HALL FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
[illegible] April 2022

GOVERNANCE

Consolidated Income Statement

	Note	2021 £m	2020 Restated £m
Revenue	2	70.0	72.7
Other income	3	2.5	
Expected credit loss	5	(4.9)	(7.3)
Cost of sales	4	(33.3)	(27.9)
Gross profit		34.3	37.5
Administrative costs		(12.7)	(12.5)
Loss on revaluation of investment properties	10a	(49.2)	(208.3)
Other gains and losses	6	14.0	1.6
Loss on ordinary activities before financing		(13.6)	(181.7)
Interest income	5	7.6	[illegible]
Finance costs	5	(17.3)	(22.8)
Loss before tax	[illegible]	(23.3)	(204.1)
Tax	8a	(3.1)	0.2
Loss for the year	2a	(26.4)	(203.9)

All results derive from continuing operations

	Note	2021	2020 Restated
Basic earnings per share	9a	(22.0)p	[illegible]
Diluted earnings per share	9a	(22.0)p	[illegible]
EPRA basic earnings per share	9a	2.9p	9.2p
EPRA diluted earnings per share	9a	2.9p	9.2p

Consolidated statement of Comprehensive Income

	2021 £m	2020 Restated £m
Loss for the year	(26.4)	(203.9)
Other comprehensive income	–	
Total comprehensive expense for the year	(26.4)	(203.9)

The results for the current and preceding year are fully attributable to equity shareholders.

The EPRA alternative performance measures used throughout this report are industry best practice performance measures established by the European Public Real Estate Association (EPRA). 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 6 to the Financial Statements. We consider EPRA NTA to be the most relevant measure for our business.

2020 results have been restated for a prior year adjustment of £0.3 million to the treatment of Software as a Service (SaaS) configuration costs as explained in Note 1.

FINANCIALS

Consolidated Balance Sheet

at 31 December 2021

	Note	2021 £m	2020 Restated £m
Non-current assets			
Investment properties	10	**374.8**	536.1
Plant and equipment	11	**1.7**	1.8
Right of use assets	12	**24.5**	12.2
Fixed asset investments		**0.1**	0.9
Receivables	14	**10.0**	14.2
Total non-current assets		**411.1**	565.2
Current assets			
Receivables	14	**20.0**	21.3
Cash and cash equivalents	15	**58.5**	84.1
Assets classified as held for sale	16	**146.4**	-
Total current assets		**224.9**	105.4
Total assets	26	**636.0**	670.6
Current liabilities			
Trade and other payables	17	**(29.3)**	(30.9)
Current tax		**(1.1)**	-
Lease liabilities	27	**(2.8)**	-
Liabilities directly associated with assets classified as held for sale	16	**(165.8)**	-
Total current liabilities		**(199.0)**	(30.9)
Net current assets		**25.9**	74.5
Non-current liabilities			
Bank loans	18a	**(238.2)**	(423.9)
Other payables	17	**(0.3)**	(0.2)
Derivatives	17	**-**	(8.9)
Lease liabilities	27	**(30.1)**	(39.6)
Total non-current liabilities		**(268.6)**	(472.6)
Total liabilities	26	**(467.6)**	(503.5)
Net assets		**168.4**	167.1
Equity			
Share capital	20	**16.5**	11.2
Share premium	20	**266.1**	244.3
Merger reserve		**60.3**	60.3
Capital redemption reserve		**4.4**	4.4
Own shares reserve	22	**-**	-
Retained earnings		**(178.9)**	(153.1)
Equity shareholders' funds		**168.4**	167.1
Basic net assets per share		**101.8p**	149.5p
EPRA net reinstatement value per share	25	**101.6p**	157.0p
EPRA net tangible assets per share	25	**101.6p**	157.0p
EPRA net disposal value per share	25	**101.0p**	138.8p

These financial statements were approved by the Board of Directors, authorised for issue and signed on their behalf on 13 April 2022 by:

STUART WETHERLY
GROUP FINANCE DIRECTOR

2020 results have been restated for a prior year adjustment to the treatment of SaaS configuration costs as explained in Note 1

Consolidated Statement of Changes in Equity

[illegible]

	Share capital £m	Share premium[1] £m	Merger reserve[1] £m	Capital redemption reserve[1] £m	Own shares reserve £m	Retained earnings £m	Total equity £m
Balance at 30 December 2019[3]	[illegible]	[illegible]	60.3	4.4		[illegible]	[illegible]
Loss for the year	–			–		(203.9)	(203.9)
Other comprehensive income for the year		–	–	–	–	–	
Total comprehensive expense for the year[3]				–	–	(203.9)	(203.9)
Credit to equity for equity-settled share-based payments (Note 20)				–		0.4	[illegible]
Dividends paid net of scrip			–			(1.3)	(1.3)
Shares issued, net of costs (Note 20)	[illegible]	6.3		–	–	(1.1)	
Balance at 30 December 2020[3]	[illegible]	[illegible]	60.3	4.4		[illegible]	[illegible]
Loss for the year				–		[illegible]	[illegible]
Other comprehensive income for the year	–	–				–	–
Total comprehensive expense for the year		–				[illegible]	[illegible]
Credit to equity for equity-settled share-based payments (Note 20)						0.6	0.6
Shares issued, net of costs (Note 20)	[illegible]	[illegible]	–		–		[illegible]
Balance at 30 December 2021	16.5	266.1	60.3	4.4	–	(178.9)	168.4

Notes:

1. These reserves are non-distributable.
2. [illegible]
3. [illegible]

Consolidated Cash Flow Statement

[illegible]

	Note	2021 £m	[illegible] £m
Operating activities			
Net cash from operations	[illegible]	25.1	[illegible]
Distributions received from fixed asset investments		0.7	[illegible]
Interest paid		(14.4)	[illegible]
Interest received		–	[illegible]
Income tax paid		(2.5)	
Cash flows from operating activities		8.9	[illegible]
Investing activities			
Disposal of investment properties	[illegible]	11.3	[illegible]
Purchase of plant and equipment		(0.4)	[illegible]
Capital expenditure on investment properties		(8.3)	[illegible]
Cash flows from investing activities		2.6	[illegible]
Financing activities			
[illegible]		–	[illegible]
[illegible]		35.0	
[illegible]		(84.9)	-
[illegible]		(0.2)	
[illegible]		(0.7)	
[illegible]		27.1	-
[illegible]		(1.4)	[illegible]
Cash flows from financing activities		(25.1)	[illegible]
Net decrease in cash and cash equivalents		(13.6)	[illegible]
Cash and cash equivalents at the beginning of the year		84.1	[illegible]
Cash and cash equivalents at the end of the year	[illegible]	70.5	[illegible]
Assets classified as held for sale		(12.0)	
Cash and cash equivalents excluding assets classified as held for sale		58.5	[illegible]

Notes to the Financial Statements

For the year ended 31 December 2021

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 2 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 32. 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 a 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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

In April 2021, the IFRS Interpretations Committee published a decision which addressed how a customer should account for their costs configuring or customising software that is utilised through a Software as a Service (SaaS) agreement that is determined to be a service contract. They concluded that:

- Where the configuration and customisation costs do not result in an intangible asset of the customer, the customer should recognise the costs as an expense when the configuration or customisation services are received. If the customer pays the supplier before receiving those services, the prepayment should be recognised as an asset.
- If the configuration or customisation services are performed by the supplier of the application software (or its agent) and the services received are not distinct from the right to receive access to the supplier's application software, then the customer should recognise the costs as an expense over the term of the SaaS arrangement.
- In limited circumstances, certain configuration and customisation activities undertaken in implementing SaaS arrangements may give rise to a separate asset. This may be the case if the arrangement results, for example, in additional code from which the customer has the power to obtain the future economic benefits and to restrict others' access to those benefits. In this case, the customer should recognise an intangible asset if the additional code is "identifiable" and meets the recognition criteria in IAS 38 Intangible Assets.

In adopting the above treatment the Group has restated the 2020 results for a prior year adjustment of £0.5m. 2020 Opening equity has been restated by £0.2m.

1 Significant Accounting Policies

The following table summarises the impact of the change in policy on the financial statements of the Group. There is no impact of the change in policy on both basic and diluted earnings per share.

	30/12/2020 £m
Consolidated income statement	
Administrative costs	[illegible]
Decrease in profit for the financial year	[illegible]
Consolidated balance sheet	
Plant and equipment	[illegible]
Decrease in net assets	[illegible]
Consolidated statement of changes in equity	
2020 opening retained earnings	[illegible]

Negative goodwill arising from the purchase of [illegible] has been recognised in the period. This has been included in the income statement in administrative expenses. Further detail can be obtained from Note 31.

Impact of the initial application of Interest Rate Benchmark Reform amendments

In the current year, the Group has applied the Phase 2 amendments Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBORs) to alternative benchmark interest rates (also referred to as "risk free rates" or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group has not restated the prior period. Instead, the amendments have been applied retrospectively with any adjustments recognised in the appropriate components of equity as at 1 January 2021.

The amendments are relevant for the Group [illegible] bank borrowings and interest rate swap derivatives. Details of the financial instruments affected by the interest rate benchmark reform together with a summary of the actions taken by the Group to manage the risks relating to the reform and the accounting impact appear in Note 19.

As a result of the Phase 2 amendments:

- when the contractual terms of the Group's bank borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis [illegible] revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other changes.
- when changes are made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the Group updates the hedge documentation without discontinuing the hedging relationship.

New and revised standards issued but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17 Insurance Contracts including Amendments to IFRS 17

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 3 – Reference to the Conceptual Framework

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 Agriculture Annual Improvements to IFRS Standards 2018-2020

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current including Classification of Liabilities as Current or Non-current

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

Amendments to IAS 8 – Definition of Accounting Estimates

None of these standards are anticipated to have a material impact upon the Group's results.

Notes to the Financial Statements

1 Significant Accounting Policies

Critical accounting judgements

The preparation of financial statements requires the Directors to make the following judgement 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 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 underway in the retail industry.

At 30 December 2021, the Group had total cash at bank on balance sheet of £53.7 million, which is equivalent to more than the Group's annual Contracted Rent. This excludes cash held within the Hemel Hempstead and Luton structures which has been reclassified as assets held for sale. Of the £53.7 million, more than £30 million was held centrally and free of any restrictions. This provides a significant cash contingency to cover any disruption to operations for an extended period of time.

The Group completed a £30 million Capital Raise and £100 million restructuring of The Mall debt facility in November 2021. As part of the restructure of The Mall debt facility, the lender provided covenant waivers that run until November 2023 and modifications to cash trap provisions that run until May 2023. On the Ilford facility the Group is in advanced discussions to agree a package of waivers and covenant relaxation to cover at least the next 18 months, linked to supporting the funding of major asset management initiatives at the asset through central cash. The Mall loan facility matures in January 2027, while Ilford matures in March 2024.

All of the Group's asset backed loan facilities are ring-fenced within their own SPV structures with no recourse to Capital & Regional plc and no cross default provisions. The Group is working with the lenders on its Hemel Hempstead and Luton loan facilities on a disposal of the investments. Were the lenders to realise less than the value of the debt outstanding in the Hemel Hempstead SPV structure, the net liability of Capital & Regional plc is effectively capped at nil.

In making its assessment of Going Concern, the Group has run updated forecasts on both a base case and downside basis. In the latter the Group has sensitised rent collection, car park and ancillary income and Snozone revenue to reflect how a downturn or unexpected trading shocks as might be caused by a further wave of government restrictions could impact cashflows. The Group's analysis projects that the central cash it maintained provides sufficient funds to cover the potential operational disruption.

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 reduce debt levels 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 continue to suspend dividend payments (or offer a Scrip alternative); and the potential raising of additional funds.

Having due regard to all of the above matters and after making appropriate enquiries, including consideration 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.

Assets and liabilities held for sale

Note 15 describes the reclassification of the two "Managed Assets", Hemel Hempstead and Luton, as held for sale. In making this reclassification, the Directors were required to make a judgement about whether these assets met the criteria to be classified as held for sale in accordance with IFRS 5. After taking into consideration the position of the two assets and the probability that they would be disposed within 12 months of the balance sheet date, the Directors have decided the two assets meet the criteria to reclassification.

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.

1 Significant Accounting Policies [illegible]

The investment property valuation contains a number of assumptions upon which the valuation of the Group's properties as at 30 December 2021 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. Estimated rental values and equivalent yields are considered key assumptions. Note [illegible] provides sensitivity analysis estimating the impact that changes in the estimated rental values or equivalent yields would have on the Group's property valuations.

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. [illegible] whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. [illegible] the impact of Covid-19 [illegible] a significant increase [illegible] in credit risk. Probability of default constitutes a key input in measuring expected credit losses. 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. Sensitivity of the expected credit loss to probability of default [illegible] [illegible]

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries at 31 December. Control of the 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.

[illegible] 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, as appropriate. [illegible] 31 December [illegible] financial statements [illegible] date. [illegible] balances, income and expenses are eliminated on consolidation.

Subsidiaries

The results of subsidiaries 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 which differ from Group accounting policies are adjusted on [illegible]

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 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 = €1.1916 (2020: £1 = €1.1123). The principal exchange rate used for the income statement is the average rate for the year, £1 = €1.1727 (2020: £1 = €1.1245).

Property, plant and equipment

Group/central

Property, plant and equipment (PPE) is stated at cost net of depreciation and any provision for impairment. Depreciation is provided on all PPE, other than investment properties and land, on a straight-line basis over their expected useful lives:

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

1 Significant Accounting Policies

Snozone

PP&E is 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
Operational Equipment 20%–50% or 2–5 years

Property portfolio

Investment properties

Investment properties are properties owned or leased 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 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 advisors 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 it is highly probable that a transaction will be completed within the next 12 months.

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).

1 Significant Accounting Policies [illegible]

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 [illegible] 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.

Assets classified as held for sale

Assets that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that standard. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The Group's two 'Managed Assets', Hemel and Ilford, have been classified as held for sale as the Group, in conjunction with the respective lender [illegible] of the vehicles, had decided to seek to dispose of whole or part of the investments [illegible] will be concluded within 12 months of the balance sheet date. Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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 [illegible] cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on 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 losses 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 in 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. Restricted cash balances relate to amounts held by the Group on behalf of tenants including ring-fenced service charge funds and tenant deposits.

Notes to the Financial Statements

1 Significant Accounting Policies

Financial liabilities

Borrowings

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

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 twelve 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 arising on the initial recognition of assets or liabilities other than on a business combination that affect neither accounting nor taxable profit, and on those relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Employee benefits

Pension costs

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

Share-based payments

Equity settled share based payments are measured at fair value at the date of grant. The fair values of the LTIP and the SAYE scheme are calculated using Monte Carlo simulations and the Black Scholes model as appropriate. The fair value is 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 and is recognised 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.

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 for asset and property management, project co-ordination, procurement, and management of service charges and directly recoverable expenses.

1 Significant Accounting Policies

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 sales taxes) for admissions tickets, memberships, 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 [illegible] year contract term.

Government grants

Government grants relating to the coronavirus job retention scheme and [illegible] 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

[illegible] costs are [illegible] Finance costs in the income statement in the period in which they are incurred. Finance costs [illegible] the amortisation of loan issue costs and any loss in the value of the [illegible] interest rate swaps.

Operating segments

[illegible] 2021 [illegible] changes to the reportable segments [illegible] of the Shopping Centre segments [illegible] The Group has split its [illegible] collectively called Shopping Centres into Shopping Centres – Investment Assets and Shopping Centres – Managed Assets. This reflects [illegible] management [illegible] operating decisions. Shopping Centres – Investment Assets, incorporating the centres [illegible] the Mall [illegible] namely Blackburn, Maidstone, Walthamstow and Wood Green. These represent the assets [illegible] where the Group [illegible] equity and is focused on [illegible] investment of further capital [illegible] Shopping Centres – Managed Assets incorporating Hemel Hempstead and Luton [illegible] current debt values in the non-recourse SPV [illegible] exceed the respective property value and therefore the Group has negative equity. The Group has determined that the [illegible] additional [illegible] present time. [illegible] agreement with and at the request of the various lenders, the Group continues to manage these assets for the [illegible] whilst various outcomes are explored in conjunction with the lenders. As at 31 December 2021, the Group concluded that the two Managed Assets, Hemel Hempstead and Luton, met the criteria to be reclassified as Held for Sale. Further detail is disclosed in Note [illegible].

Group/Central [illegible] management fee income, Group overheads incurred by Capital & Regional plc, Capital & Regional Property Management and other subsidiaries and the interest expense on the Group's central borrowing facility.

The Shopping Centre segments derive their 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 [illegible] 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. Prior period comparatives have also been restated as a result.

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 adjusting 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 included within the Financial Review.

Adjusted profit [illegible] Snozone [illegible] EBITDA [illegible] EBITDA is an alternative performance measure for the Snozone business. It excludes Depreciation, Amortisation, [illegible] Interest, Tax and non-operational one-off items. It includes rent expense [illegible] contractual payments adjusted for rent free periods. This provides a measure of Snozone trading performance which removes the [illegible] impact of IFRS 16 that would otherwise see a significantly higher charge in early years of a lease and a significantly lower net charge in later years.

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

2a Operating segments

Year to 30 December 2021	Note	Shopping Centres - Investment Assets £m	Shopping Centres - Managed Assets £m	Snozone £m	Group/ Central £m	Total £m
Rental income from external sources	3b	35.5	14.2	–	–	49.7
Property and void costs		(14.9)	(6.7)	–	–	(20.7)
Net rental income		21.5	7.5	–	–	29.0
Net interest expense		(10.8)	(5.4)	–	(0.2)	(16.4)
Snozone income/Management fees	3b	–	–	6.8	2.4	9.2
Other income		–	–	2.5	–	2.5
Management expenses		–	–	(8.5)	(6.5)	(15.0)
Depreciation		–	–	–	(0.3)	(0.3)
Variable overhead		–	–	–	(0.9)	(0.9)
Adjusted Profit/(loss)		10.7	2.1	0.8	(5.5)	8.1
Revaluation of properties		(29.2)	(20.0)	–	–	(49.2)
Loss on disposal		(1.4)	(1.1)	–	–	(2.5)
Snozone depreciation and amortisation		–	–	(2.5)	–	(2.5)
Snozone interest cost of rent expense (within EBITDA)		–	–	0.5	–	0.5
Gain on financial instruments		2.7	3.2	–	–	5.9
Long term incentives		–	–	–	(0.9)	(0.9)
Tax charge		–	–	0.2	–	0.2
Exceptional items		–	–	1.4	(3.3)	(1.9)
Other items		–	–	(0.7)	(1.8)	(2.5)
Gain on debt repurchase		–	–	–	18.4	18.4
Loss		(17.2)	(15.8)	(0.3)	6.9	(26.4)
Total assets	8b	425.6	146.4	29.0	35.0	636.0
Total liabilities	8b	(267.9)	(165.8)	(31.2)	(2.7)	(467.6)
Net assets/(liabilities)		157.7	(19.4)	(2.2)	32.3	168.4

1 Includes expected credit loss.
2 Asset management fees of £[illegible] million charged from the Group's Capital & Regional Property Management entity to wholly owned assets have been excluded from the table above.
3 £1.4 million in Snozone relates to a £1.4 million reclaim of VAT.
4 Other income includes £2.5 million insurance proceeds.

2a Operating segments

Year to 30 December 2020	Notes	[illegible] £m	[illegible] £m	[illegible] £m	[illegible] £m	Total £m
Rental income from external sources	3b	36.6	19.[illegible]			55.6
Property and void costs		(15.8)	(5.7)			(21.5)
Net rental income		20.2	13.[illegible]		–	34.[illegible]
Net interest expense		(11.[illegible])	([illegible])		–	(17.[illegible])
Snozone income/Management fees	3c			4.[illegible]	[illegible]	6.9
Management expenses				(5.0)	[illegible]	(12.5)
Investment income				–	[illegible]	0.1
Depreciation		–	–	–	[illegible]	(0.5)
Current Tax		–			[illegible]	0.2
Adjusted Profit/(loss)		8.8	5.[illegible]	(1.[illegible])	[illegible]	11.[illegible]
Revaluation of properties		([illegible])	([illegible])			([illegible])
Profit on disposal		[illegible]		–	–	[illegible]
Snozone depreciation and amortisation				([illegible])		([illegible])
Snozone interest/lease expense within EBITDA			–	1.[illegible]		1.5
[illegible] financial instruments		[illegible]	(1.2)			[illegible]
[illegible] expenses					[illegible]	[illegible]
Other items					[illegible]	[illegible]
Loss		([illegible])	([illegible])	(2.4)	[illegible]	(203.9)
Total assets	3b	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total liabilities	3b	([illegible])	(153.9)	(10.[illegible])	[illegible]	([illegible])
Net assets/(liabilities)		[illegible]	([illegible])	(1.7)	[illegible]	[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

2b Reconciliations of reportable revenue, assets and liabilities

Revenue and other income	Notes	Year to 30 December 2021 £m	Year to 30 December 2020 £m
Rental income from external sources	2a	49.7	55.6
Service charge income		12.7	11.7
Management fees	2a	2.4	2.3
Snozone income	2a	6.8	[illegible]
Other income (Snozone business continuity insurance receipt)	2a	2.5	
Revenue for reportable segments		74.1	[illegible]
Elimination of inter-segment revenue		(1.6)	[illegible]
Revenue and other income per consolidated income statement	3	72.5	[illegible]

Revenue and other income by country			
UK		70.4	[illegible]
Spain		2.1	
Revenue and other income per consolidated income statement		72.5	[illegible]

	Notes	2021 £m	2020 £m
Assets			
Investment assets		425.6	[illegible]
Managed assets	15	146.4	[illegible]
Snozone		29.0	[illegible]
Group/Central		35.0	[illegible]
Total assets of reportable segments and Group assets	2a	636.0	[illegible]
Liabilities			
Investment assets		(267.9)	[illegible]
Managed assets	15	(165.8)	[illegible]
Snozone		(31.2)	[illegible]
Group/Central		(2.7)	(4.6)
Total liabilities of reportable segments and Group liabilities	2a	(467.6)	[illegible]

Net assets by country			
UK		167.8	166.2
Spain		0.6	
Germany		–	0.9
Group net assets		168.4	167.1

2020 results have been restated for a prior year adjustment to the treatment of SaaS configuration costs as explained in Note 1

3 Revenue

	Notes	Year to 30 December 2021 £m	Year to 30 December 2020 £m
Gross rental income		**41.1**	45.5
Car Park and ancillary income		**8.1**	7.1
Lease surrender premiums received		**0.5**	4.7
Income from external sources	2a	**49.7**	52.6
Service charge income	2b	**12.7**	11.7
External management fees		**0.8**	0.8
Snozone income	2a	**9.3**	4.4
Other income	2a	**2.5**	–
Revenue and other income per consolidated income statement	2b	**72.5**	[illegible]

[illegible]

Management fees represent revenue from the Capital & Regional plc and the Group's wholly owned Capital & Regional Property Management subsidiary. Fees charged to wholly owned assets have been eliminated on consolidation.

4 Cost of sales

	Year to 30 December 2021 £m	Year to 30 December 2020 £m
Property and void costs	**(14.4)**	[illegible]
Service charge costs	**(11.1)**	[illegible]
Snozone expenses	**(7.8)**	[illegible]
Total cost of sales	**(33.3)**	[illegible]

5 Finance income and costs

	Year to 30 December 2021 £m	Year to 30 December 2020 £m
Finance income		
Interest receivable	**–**	0.3
Income from fixed asset investments	**–**	0.1
Gain in fair value of financial instruments		
– Interest rate swaps	**7.6**	
Total finance income	**7.6**	0.4
Finance costs		
Amortisation of deferred loan arrangement fees	**(1.0)**	(1.0)
Interest payable on bank loans and overdrafts	**(13.7)**	(14.5)
Other interest payable	**(0.2)**	(0.1)
Lease liabilities	**(2.4)**	(1.9)
Loss in fair value of financial instruments		
– Interest rate swaps	**–**	(5.0)
Total finance costs	**(17.3)**	(22.5)

6 Loss before tax

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

	Note	Year to 30 December 2021 £m	Year to 30 December 2020 £m
Variable lease payments not capitalised under IFRS 16		0.3	0.4
Expected credit loss	14	4.9	7.3
Other gains and losses (see below)		14.0	1.6
Depreciation of plant and equipment	11	0.5	0.5
Depreciation of right-of-use assets	12	2.2	2.2
Staff costs	7	11.1	9.7
Auditor's remuneration for audit services (see below)		0.4	0.3

Other gains and losses

	Note	Year to 30 December 2021 £m	Year to 30 December 2020 £m
Discount on purchase of loan net of costs	13	16.7	
(Loss)/gain on disposal of investment property		(2.5)	0.4
Foreign exchange (loss)/gain		(0.2)	0.1
Impairment of investment		(0.7)	(0.4)
Investment income		0.7	1.5
Total other gains and losses		14.0	1.6

Auditor's remuneration

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

	Year to 30 December 2021 £000	Year to 30 December 2020 £000
Fees payable to the Company's Auditor and its associates for the audit of the Company's annual financial statements	231	213
Fees payable to the Company's Auditor and its associates for other services to the Group – the audit of the Company's subsidiaries	88	73
Total audit fees for the Company and its subsidiaries	**319**	286
Fees payable to the Company's Auditor and its associates for other services to the Group – reporting to parent company auditors	26	–
Audit related assurance services – Review of Interim Report	52	45
Other assurance services	–	–
Total non-audit fees	**78**	45
Total fees paid to Auditor and their associates	**397**	331

7 Staff costs

	Note	Year to 30 December 2021 £m	[illegible]
Salaries		7.7	[illegible]
Discretionary bonuses		1.3	[illegible]
Share-based payments	23	0.6	0.4
		9.7	[illegible]
Social security		1.1	[illegible]
Other pension costs		0.3	[illegible]
		11.0	[illegible]

Staff costs amounting to £nil million (2020: [illegible] 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 2021 Number	[illegible]
CRP/CRPLC	40	[illegible]
Shopping centres	56	[illegible]
Snozone	66	[illegible]
Total staff numbers	162	[illegible]

[illegible]

There were no employees (2020: [illegible]) employed by the Company during 2021.

[illegible]

8 Tax

8a Tax (charge)/credit

	Year to 30 December 2021 £m	[illegible]
Current tax		
UK corporation tax	(1.0)	–
Adjustments in respect of prior years	(2.6)	–
Total current tax (charge)/credit	(3.6)	–
Deferred tax		
Prior year adjustments	(0.1)	
Origination and reversal of temporary timing differences	0.6	0.2
Total deferred tax	0.5	0.2
Total tax (charge)/credit	(3.1)	0.2

£nil (2020: £nil) of the tax charge relates to items included in other comprehensive income.

8 Tax

8b Tax (charge)/credit reconciliation

	Note	Year to 30 December 2021 £m	Year to 30 December 2020 £m
Loss before tax on continuing operations		(23.3)	[illegible]
Expected tax credit at 19% (2020: 19%)		4.4	38.7
REIT exempt income and gains		(3.6)	[illegible]
Non allowable expenses and non taxable items		(0.1)	[illegible]
Excess tax losses		(0.3)	(0.3)
Other adjustments		(1.0)	–
Prior year adjustment		(2.7)	
Effect of tax rate change on deferred tax		0.2	
Actual tax (charge)/credit	8a	**(3.1)**	[illegible]

8c Deferred tax

The Finance Act 2020 enacted provisions maintaining the main rate of UK corporation tax at 19% for the years starting 1 April 2020 and 1 April 2021. On 10 June 2021 Finance Act 2021 received Royal Assent and enacted provisions maintaining the main corporation tax rate at 19% for the year commencing 1 April 2022 and increasing the rate to 25% for the year commencing 1 April 2023.

Consequently, the UK corporation tax rate at which deferred tax is booked in the Financial Statements is 25% (2020: 19%).

The Group has recognised a deferred tax asset of £0.7 million (30 December 2020: £0.2m). The Group has recognised deferred tax assets for the non-REIT taxable entities in respect of [illegible] 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 [illegible] in the current or prior years as it is not certain that a deduction will be available when the asset crystallises.

The Group has £2[illegible] million (30 December 2020: £22.5 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 2020: £nil). The Group has unused capital losses of £24.9 million (30 December 2020: £24.9 million) that are available for offset against future gains but similarly no deferred tax has been recognised in respect of these losses owing to the unpredictability of future capital gains and other reasons which may restrict the utilisation of the losses. The losses do not have an expiry date.

8d REIT compliance

The Group converted to a group REIT on 31 December 2014. Therefore the Group does not pay 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 retain group REIT status, 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 per cent of its taxable profits from its UK property rental business by the first anniversary of each accounting date. By agreement with HMRC, the Group had an extension to the payment date of the balance of the 2019 PID. However, as the Group made no PID distributions in the year to 30 December 2021, the Group paid tax on the outstanding PID balance for 2019 as well as the outstanding PID balance for 2020 to HMRC in December 2021 in the sum of £2.5 million. This amount together with an additional provision of £0.2 million to cover interest on the prior year amounts paid as well as a small balancing amount of tax estimated to be payable for the prior years is included in the prior year adjustment of £2.7 million.

At 30 December 2021, the Company does not have sufficient distributable reserves to declare a dividend. The Company plans to undertake a capital reduction exercise for which it will seek shareholder approval at the 2022 AGM in order to create distributable reserves.

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. As a REIT, the Group will endeavour to meet its mandatory PID distribution requirements for the year ended 30 December 2021 by the due date of 30 December 2022. However, until there is certainty on the quantum of any dividends payable in the year to 31 December 2022, a provision for tax in the sum of £1 million has been maintained in respect of the estimated 2021 mandatory PID distribution. The final tax to be settled may be reduced to the extent dividends are paid within the year to 30 December 2022.

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 2021 Loss	EPRA	Adjusted Profit	[illegible]	[illegible]	[illegible]
Profit (£m)							
(Loss) for the year		(26.4)	(26.4)	(26.4)	[illegible]	[illegible]	[illegible]
Revaluation loss on investment properties (net of tax)	[illegible]	–	49.2	49.2	–	[illegible]	[illegible]
(Profit)/Loss on disposal (net of tax)	9b	–	2.5	2.5		[illegible]	[illegible]
Changes in fair value of financial instruments	[illegible]	–	(5.9)	(5.9)	–	[illegible]	[illegible]
Share based payments	[illegible]	–	–	0.9	–	–	[illegible]
Other items		–	(15.9)	(12.2)	–	[illegible]	[illegible]
(Loss)/profit (£m)		(26.4)	3.5	8.1	[illegible]	[illegible]	[illegible]
Earnings per share (pence)		(22.0)	2.9	6.8	[illegible]	[illegible]	[illegible]
Diluted earnings per share (pence)		(22.0)	2.9	6.7	[illegible]	[illegible]	[illegible]

[illegible]

Weighted average number of shares (m)	Note	Year to 30 December 2021	[illegible]
Ordinary shares in issue		119.9	[illegible]
Own shares held	23	–	–
Basic		119.9	[illegible]
Dilutive contingently issuable shares and share options		0.3	[illegible]
Diluted		120.2	[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

9b 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 2021 Basic	Diluted	[illegible]	[illegible]
Profit (£m)				
(Loss) for the year	(26.4)	(26.4)	[illegible]	[illegible]
Revaluation loss on investment properties (including tax)	49.2	49.2	[illegible]	[illegible]
(Profit)/Loss on disposal (net of tax)	2.5	2.5	[illegible]	[illegible]
Other items	(15.9)	(15.9)	[illegible]	[illegible]
Headline earnings	9.4	9.4	[illegible]	[illegible]
Weighted average number of shares (m)				
Ordinary shares in issue	119.9	119.8	[illegible]	[illegible]
Own shares held	–	–	–	–
Dilutive contingently issuable shares and share options	–	0.3	–	[illegible]
	119.9	120.2	[illegible]	[illegible]
Headline Earnings per share (pence) Basic/Diluted	7.8	7.8	[illegible]	[illegible]

[illegible]

10 Investment properties

10a Wholly owned properties

	Freehold investment properties £m	Leasehold investment properties £m	Total property assets £m
Cost or valuation			
At 30 December 2019	370.1	391.3	770.9
Capital expenditure (excluding capital contributions)	4.2	9.8	14.0
Disposal	(4.6)		(4.6)
Valuation deficit	(98.6)	(109.6)	(208.2)
IFRS 16 transitional adjustment		(36.0)	(36.0)
At 30 December 2020	280.1	256.0	536.1
Capital expenditure (excluding capital contributions)	1.4	7.5	8.9
Disposal	(13.3)		(13.3)
Valuation deficit	(32.5)	(16.8)	(49.3)
Transfer to held for sale	(10.2)	(97.5)	(107.7)
At 30 December 2021	225.7	149.0	374.8

£40.2 million [illegible] includes letting fee amortisation adjustment of £0.1 million (2020: £0.1 million).

During the period, the Group sold a portfolio of properties in Hemel Hempstead known as Edmonds Parade and Stephyns Chambers. These properties had a value of £5.3m. A loss on disposal of £[illegible]m has been recognised in the accounts in relation to this sale.

In December 2021 the Group sold Marshall House, an office block attached to The Mall Maidstone. This office block had a value of £[illegible]m. A loss on disposal of £[illegible]m has been recognised in the income statement in relation to this sale with reference to the valuation of the property at the start of the year.

10b Property assets summary

	30 December 2021 £m	30 December 2020 £m
Investment properties at fair value as reported by the valuer	380.1	527.0
Add back of lease liabilities	6.0	25.3
Unamortised tenant incentives on investment properties	(11.3)	(16.2)
IFRS Property Value	374.8	536.1

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 2021 were carried out on all of the gross property assets detailed in the table above. The fair value was £380.1 million (2020: £527.0 million). External valuations were carried out on all of the property assets detailed in the table above. The valuations at 30 December 2021 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 2021:

		Estimated rental value £ per sq ft			Equivalent yields %		
	Market Value £m	Low	Average	High	Low	Average	High
Wholly owned assets	380.1	9.24	16.65	23.99	6.6	8.6	13.2

10 Investment properties [illegible]

Sensitivities

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

	[illegible]		[illegible] of 25bps [illegible]		[illegible]	
	Increase £m	Decrease £m	Increase £m	Decrease £m	Increase £m	Decrease £m
Wholly owned assets	15.5	(15.4)	13.4	(14.6)	32.0	(25.0)

	[illegible]	
	Increase £m	Decrease £m
Wholly owned assets	68.9	(53.1)

11 Plant and equipment

	30 December 2021 £m	[illegible] 2020 restated £m
Cost		
At the start of the year (restated)	5.9	5.7
Additions	0.7	0.2
Disposals	(0.8)	[illegible]
At the end of the year	5.8	5.9
Accumulated depreciation		
At the start of the year (restated)	(4.1)	(3.7)
Additions	(0.2)	-
Charge for the year	(0.6)	(0.4)
Eliminated on disposal	0.8	
At the end of the year	(4.1)	(4.1)
Carrying amount		
At the end of the year	1.7	1.8

2020 results have been restated [illegible] prior year adjustment [illegible] as explained in Note [illegible]

12 Leases

Right of use Assets	30 December 2021 £m	30 December 2020 £m
Cost		
At the start of the year	14.4	14.4
Additions	3.3	-
Remeasurement	11.2	
At the end of the year	28.9	14.4
Accumulated depreciation		
At the start of the year	(2.2)	-
Charge for the year	(2.2)	(2.2)
Disposals	-	
At the end of the year	(4.4)	(2.2)
Carrying value		
At the end of the year	24.5	12.2

Lease commitments relate to the leasing of the Group's registered office and the leases of the Snozone business on its Basingstoke, Yorkshire and Milton Keynes sites. During the period, the Group has signed amendments to the lease agreements for the Yorkshire and Milton Keynes sites within the Snozone business, resulting in the remeasurement of the right of use asset and the related lease liability. Additions for the year relate to the lease acquired on acquisition of Snozone Madrid.

12 Leases

The maturity analysis of lease liabilities is presented in Note 2?

	Year ended 30 December 2021 £m	Year ended 30 December 2020 £m
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	**2.2**	2.1
Interest expense on lease liabilities	**1.0**	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 7 to the Company financial statements.

14 Receivables

	30 December 2021 £m	30 December 2020 £m
Non current:		
Non-financial assets		
Deferred tax	**0.7**	0.2
Unamortised tenant incentives	**2.1**	3.6
Unamortised rent-free periods	**7.2**	10.2
	10.0	[illegible]
Current:		
Financial assets		
Trade receivables net of allowances	**8.9**	[illegible]
Other receivables	**4.2**	[illegible]
Accrued income	**0.9**	[illegible]
Current financial assets	**14.0**	[illegible]
Non financial assets		
Prepayments	**4.0**	1.5
Unamortised tenant incentives	**0.4**	0.3
Unamortised rent-free periods	**1.6**	1.4
Current non-financial assets	**6.0**	2.7
	20.0	21.3

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 arose 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

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

2021	Not past due	1-30 days	31-60 days	61-90 days	+90 days	Total
Expected credit loss rate (%)	19.4	35.5	31.5	60.4	45.0	35.3[1]
Estimated total gross carrying amount at default (£m)	4.2	2.7	0.3	0.1	6.8	14.1
Lifetime ECL (£m)	(0.8)	(1.0)	(0.1)	(0.1)	(3.0)	(5.0)
Adjustment for forward looking estimate	(0.8)	–	–	–	–	(0.8)
Total expected credit loss	(1.6)	(1.0)	(0.1)	(0.1)	(3.0)	(5.8)

2020	Not past due	1-30 days	31-60 days	61-90 days	+90 days	Total
Expected credit loss rate (%)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Estimated total gross carrying amount at default (£m)	[illegible]	7.6	[illegible]	[illegible]	[illegible]	[illegible]
Lifetime ECL (£m)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Adjustment for forward looking estimate	[illegible]		–			[illegible]
Total expected credit loss	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[1] This represents the weighted average expected credit loss rate [illegible]

	30 December 2021 £m	30 December 2020 £m
Allowances for credit loss		
At the start of the year	8.4	[illegible]
Additional allowance [illegible] created	3.7	[illegible]
Utilised during the year	(1.8)	[illegible]
Unused amounts reversed	(3.6)	[illegible]
Transfer to held for sale	(0.9)	–
At the end of the year	5.8	[illegible]

The following table illustrates the impact of a 5% change in the rate of expected credit loss:

	Provision at 30 December 2021 £m	Impact of a 5% increase £m	Impact of a 5% decrease £m
Expected credit loss	5.8	0.7	(0.7)

15 Cash and cash equivalents

	30 December 2021 £m	30 December 2020 £m
Cash at bank and in hand	**53.7**	[illegible]
Security deposits held in rent accounts	**0.7**	[illegible]
Other restricted balances	**4.1**	[illegible]
	58.5	[illegible]

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. Of the cash at bank and in hand, £[illegible] million was held on short-term deposit and immediately available free of any restriction or conditions at the year-end date (30 December 2020: £[illegible] million). The remaining balances are subject to meeting conditions or being passed through relevant waterfall calculations within relevant loan facilities. All of the above amounts at 30 December 2021 were held in Sterling other than £[illegible] million which was held in Euros (30 December 2020: £[illegible] million).

16 Assets and liabilities held for sale

As at 30 December 2021, the Group concluded that the two "Managed Assets", Hemel Hempstead and Luton, met the criteria to be reclassified as "Held for Sale". This conclusion was reached as the Group, in conjunction with the respective lenders, which had decided to seek to dispose of whole or part of the investments as at that date. While no transaction has been agreed as at the time of results, it is viewed as highly probable that it will be concluded within 12 months of the balance sheet date.

This has resulted in all of the assets and liabilities associated with the respective investments being reclassified to separate lines of "Assets classified as held for sale" and "Liabilities classified as held for sale". The reclassification has been measured at the lower of expected net sale proceeds and current carrying value. Given each of the investments is in a net liability position and that the Group would not expect to realise any proceeds from a disposal nor be obligated to clear the net liabilities, the reclassification has been made at their fair values being the same as the year end carrying value.

The following are the amounts in the year end balance sheet:

Amounts in £m	Hemel Hempstead	Luton	Total
Assets classified as held for sale	21.9	124.5	146.4
Liabilities classified as held for sale	(34.5)	(131.3)	(165.8)
Net liability in respect of held for sale	(12.6)	(6.8)	(19.4)

17 Trade and other payables

	30 December 2021 £m	31 December 2020 £m
Amounts falling due after one year:		
Financial liabilities		
Accruals	0.3	0.1
Other creditors	–	0.1
Non-derivative financial liabilities	0.3	0.2
Financial liabilities carried as fair value through profit or loss		
Interest rate swaps	–	8.9
	0.3	9.1
Amounts falling due within one year:		
Financial liabilities		
Trade payables	1.4	1.2
Accruals	8.0	8.3
Other creditors	11.0	11.1
Non-derivative financial liabilities	20.4	20.6
Non-financial liabilities		
Deferred income	7.3	7.1
Other taxation and social security	1.6	3.2
	29.3	360.9

The average age of trade payables is 9 days (2020: 7 days). No amounts incur interest (2020: £nil).

During the year interest rate swaps relating to the Mall loan facility and Marlowes Hemel loan facility were terminated.

18 Bank loans

18a Summary of borrowings

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

Borrowings at amortised cost	Note	30 December 2021 £m	30 December 2020 £m
Secured			
Fixed and swapped bank loans	[illegible]	239.0	427.4
Variable rate bank loans	[illegible]	–	–
Total borrowings before costs		239.0	427.4
Unamortised issue costs		(0.8)	(3.5)
Total borrowings after costs		238.2	423.9

Analysis of total borrowings after costs			
Current		–	–
Non-current		238.2	423.9
Total borrowings after costs		238.2	423.9

On [illegible] November 2021 the Group completed a restructure of the Mall loan facility.

The Mall facility had comprised of a £265 million debt facility with RBS and TIAA secured over the four Mall assets being The Mall Blackburn, The Mall Maidstone, The Mall Wood Green and The Mall Walthamstow, [illegible] million. Under the restructuring the Group acquired the £100 million of debt outstanding with RBS for a [illegible] of £81 million, representing a discount of £19 million.

This was funded through a combination of:

- TIAA agreeing to [illegible] from the Group £35 million of the RBS debt, [illegible] its lending in the facility to £[illegible] million;
- An equity raise of £30 million (before costs) that completed on [illegible] November 2021; and
- existing cash resources of £16 million.

The transaction resulted in a one-off gain of £18 million being the benefit of the discount less directly associated costs. The transaction had the net result of reducing external debt by £65 million. As part of the restructuring £1.7 million of unamortised issue costs were written off to the income statement within finance costs.

On 30 December 2021, £119.5 million of loans relating to Luton and Hemel Hempstead were reclassified to Held for Sale (see Note 15 for further details). The Luton facility has a fixed rate and a maturity date of 18 December 2025. The Hemel Hempstead facility has a variable rate and a maturity date of 5 February 2023.

The movement of Secured loans in the year is summarised in the table below:

	£m
Secured bank loans at 30 December 2020	427.4
Acquisition of RBS loan on The Mall	(100.0)
Draw down of new TIAA loan	35.0
Repayment of Hemel Hempstead loan from proceeds of Edmonds Parade sale	(3.9)
Reclassification of Hemel Hempstead loan to liabilities in respect of assets held for sale	(23.0)
Reclassification of Luton loan to liabilities in respect of assets held for sale	(96.5)
	239.0

All loans are 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.

18 Bank loans

18b Maturity of borrowings

	Notes	30 December 2021 £m	30 December 2020 £m
From two to five years		**39.0**	262.4
Greater than five years		**200.0**	165.0
Due after more than one year		**239.0**	427.4
Current		–	–
	18a	**239.0**	427.4

18c Undrawn committed facilities

	30 December 2021 £m	30 December 2020 £m
Expiring between two and five years	–	22.0
Expiring greater than five years	–	–

The £22.0 million of undrawn facilities at at 30 December 2020 related to the group's revolving credit facility and the committed Hampstead capital expenditure facility. Both facilities were cancelled in January 2021.

18d Interest rate profile of borrowings

	Notes	30 December 2021 £m	30 December 2020 £m
Fixed and swapped rate borrowings			
Between 2% and 3%		**39.0**	[illegible]
Between 3% and 4%		**165.0**	[illegible]
Between 5% and 7%		**35.0**	–
	18a	**239.0**	[illegible]
Variable rate borrowings	18a	–	–
		239.0	427.4

19 Financial instruments and risk management

19a 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

Statutory	Notes	30 December 2021 £m	30 December 2020 £m
Debt before unamortised issue costs	18a	**239.0**	427.4
Cash and cash equivalents	15	**(53.7)**	[illegible]
Group net debt		**185.3**	[illegible]
Equity		**168.4**	[illegible]
Net debt to equity ratio		**109.9%**	206%

19 Financial instruments and risk management

Categories of financial (liabilities)/assets

	Note	2021 Carrying value £m	2021 Gain/(loss) to income £m	2021 Gain to equity £m	[illegible] Carrying value £m	[illegible] Gain/(loss) to income £m	[illegible] Gain to equity £m
Financial assets							
Current receivables	14	14.0	–	–	17.6	–	–
Cash and cash equivalents	15	58.5	–	–	84.1	–	–
Financial assets measured at amortised cost		72.5	–	–	101.7	–	–
Financial liabilities							
Current payables	17	(20.4)	–	–	[illegible]	–	–
Current borrowings	18a	–	–	–	–	–	–
Non-current payables	17	(0.3)	–	–	[illegible]	–	–
Non-current borrowings	18a	(238.2)	(2.7)	–	(423.9)	[illegible]	–
Financial liabilities measured at amortised cost		(258.9)	(2.7)	–	[illegible]	[illegible]	–
Interest rate swaps	17	–	7.6	–	(6.3)	[illegible]	–
Total financial (liabilities)/assets		(186.4)	4.9	–	(251.9)	[illegible]	–

Significant accounting policies

[illegible]

Financial risk management objectives

[illegible]

19b Interest rate risk

[illegible]

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

	Loan facility	Maturity date	Notional principal	Contract fixed rate	30 December 2021 fair value £m Asset/(liability)[1]
Interest rate swap	The Mall, Luton	30 December 2023	£36,500,000	1.12%	(5.2)
Interest rate swap	The Exchange, Ilford	8 March 2024	£39,000,000	1.00%	

[1] Reclassified to Assets Held for Sale at 30 December 2021.

IBOR reform

[illegible]

[illegible]

19 Financial instruments and risk management

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 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 value of interest rate derivatives.

	100bps increase in interest rates		100bps decrease in interest rates	
	Year to 30 December 2021 £m	Year to 31 December 2020 £m	Year to 30 December 2021 £m	Year to 31 December 2020 £m
Floating rate loans and cash – gain/(loss)	–	–	–	–
Interest rate derivatives – gain/(loss)	0.8	7.7	(0.8)	(7.7)
Impact on the income statement – gain/(loss)	0.8	7.7	(0.8)	(7.7)
Impact on equity – gain/(loss)	0.8	7.7	(0.8)	(7.7)

19c 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 expected credit loss that represents the estimate of potential losses in respect of trade receivables. The Group's expected credit loss allowance disclosed in Note 11 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 recognised as part of the allowance. 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.

19d 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 closeout 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.

19 Financial instruments and risk management (continued)

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

2021	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	n/a	14.0	–	–	–	14.0
Cash and cash equivalents	15	0%	58.5	–	–	–	58.5
Non-current receivables	14	n/a	–	–	–	–	–
			89.8	–	–	–	89.8
Financial liabilities							
Borrowings – bank loans	17a	3.7%	–	–	(38.8)	(199.4)	(238.2)
Borrowings – other loans	17	n/a	–	–	–	–	–
Current payables	16	n/a	(20.4)	–	–	–	(20.4)
Non-current payables	16	n/a	–	(0.3)	–	–	(0.3)
			(20.4)	(0.3)	(38.8)	(199.4)	(258.9)

[illegible]	Note	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Financial assets							
[illegible]	[illegible]	[illegible]	[illegible]	–			[illegible]
[illegible]	[illegible]	[illegible]	[illegible]				[illegible]
[illegible]	[illegible]	[illegible]			–		
			[illegible]	–			101.7
Financial liabilities							
[illegible]	[illegible]	[illegible]			[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]		–	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]			–	[illegible]
[illegible]	[illegible]	[illegible]		[illegible]	–		[illegible]
			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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.

2021	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Borrowings – fixed bank loans	(8.9)	(8.9)	(47.1)	(7.9)	(208.3)	–	(281.1)
Borrowings – other fixed loans	–	–	–	–	–	–	–
Non-interest bearing	(20.4)	(0.3)	–	–	–	–	(20.7)
	(29.3)	(9.2)	(47.1)	(7.9)	(208.3)	–	(301.8)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Borrowings – fixed bank loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Borrowings – other fixed loans	–	–	–	–		–	
Non-interest bearing	[illegible]	[illegible]	–				[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]

19 Financial instruments and risk management

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.

2021	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Net settled							
Interest rate swaps	–	–	–	–	–	–	–
	–	–	–	–	–	–	–

2020	Less than 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	4–5 years £m	More than 5 years £m	Total £m
Net settled							
Interest rate swaps	(3.3)	(2.9)	(2.6)	(0.1)		–	(8.9)
	(3.3)	(2.9)	(2.6)	(0.1)			(8.9)

19e Fair values of financial instruments

The fair values of financial instruments excluding receivables and payables, together with their carrying amounts in the balance sheet, are as follows:

	Note	Notional principal £m	2021 Book value £m	2021 Fair value £m	2020 Book value £m	2020 Fair value £m
Financial liabilities not at fair value through income statement						
Sterling denominated loans	[illegible]		(239.0)	(240.0)	(427.4)	[illegible]
Total on balance sheet borrowings			(239.0)	(240.0)	(427.4)	(435.9)
Group share of associate borrowings			–	–	–	–
Total see-through borrowings	[illegible]		(239.0)	(240.0)	(427.4)	(435.9)
Derivative assets/(liabilities) at fair value through income statement						
Interest rate caps			–	–		
Interest rate swaps	[illegible]	39.0	–	–	(8.9)	(8.9)
Total on balance sheet derivatives			–	–	(8.9)	(8.9)
Total see-through derivatives			–	–	(8.9)	(8.9)

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.

During the year interest rate swaps relating to the Mall loan facility and Marlowes Hemel loan facility were terminated.

20 Share capital

	Number of shares issued and fully paid		Nominal value of shares issued and fully paid	
	2021 Number	2020 Number	2021 £m	2020 £m
Ordinary shares of 10p each				
At the start of the year	**111,819,626**	103,884,038	**11.2**	10.4
Shares issued	**53,580,237**	7,935,588	**5.3**	0.8
Total called-up share capital	**165,399,863**	111,819,626	**16.5**	11.2

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

[illegible]

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brought forward at 31 December 2020			111,819,626	11.2	[illegible]
Shares issued on [illegible] November 2021	[illegible]	53,580,237	165,399,863	5.3	[illegible]
Carried forward at 30 December 2021			165,399,863	16.5	266.1

21 Share-based payments

[illegible]

[illegible]

Income statement charge	Year to 30 December 2021 £m	[illegible]
Equity-settled share based payments – 2008 LTIP & CIP	**0.6**	[illegible]

The figures above exclude National Insurance [illegible]

Movements during the year	LTIP	Deferred Bonus Share Scheme	CIP
	Number of Options		
Outstanding at 30 December 2019	9,204,256	281,401	
Granted during the year	–	–	294,210
Exercised during the year	(234)	(24,304)	–
10:1 share consolidation adjustment	(7,355,559)	253,251	–
Forfeited during the year	(441,6[illegible])		
Outstanding at 30 December 2020	378,093	[illegible]	[illegible]
Granted during the year	–	–	
Exercised during the year	(37,[illegible])	(5,636)	–
Forfeited during the year	(341,547)	–	–
Outstanding at 30 December 2021		–	29[illegible],503
Exercisable at the end of the year			–

[illegible]

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

21 Share-based payments

LTIP Assumptions	August 2015	March 2016	August 2017	April 2018
Share price at grant date	[illegible]	59.5p	50.5p	53.5p
Exercise price	0.0p	0.0p	0.0p	0.0p
Expected volatility	[illegible]	[illegible]	19%	[illegible]
Expected life including holding period (years)	[illegible]	5.00	5.00	5.00
Average life remaining including holding period (years)	[illegible]	[illegible]	[illegible]	[illegible]
Risk free rate	[illegible]	[illegible]	[illegible]	[illegible]
Expected dividend yield	[illegible]	[illegible]	[illegible]	[illegible]
Lapse rate	0%	0%	0%	0%
Fair value of award at grant date per share	[illegible]	[illegible]	[illegible]	21p

Expected volatility is based on the [illegible] of the Group's share price over the three years to the date of grant. The [illegible] 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.

22 Own shares held

The own shares reserve represent [illegible] shares in the Company purchased in the market. At 30 December 2021, the [illegible] Regional plc 2002 Employee Share Trust (the "ESOT") held [illegible] 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 2021 was £[illegible] (2020: £[illegible]).

23 Reconciliation of net cash from operations

	Notes	Year to 30 December 2021 £m	[illegible] £m
Loss for the year		(26.4)	[illegible]
Adjusted for:			
Income tax charge/(credit)	[illegible]	3.1	[illegible]
Finance income		(7.6)	[illegible]
Finance expense		17.3	[illegible]
Finance lease costs (head leases)		(1.1)	[illegible]
Loss on revaluation of wholly owned properties		49.2	[illegible]
Depreciation of other fixed assets		0.5	2.7
Other gains		(14.0)	[illegible]
Increase in receivables		(4.1)	[illegible]
Increase/(decrease) in payables		7.8	[illegible]
Non-cash movement relating to share based payments		0.4	[illegible]
Net cash from operations		**25.1**	[illegible]

24 Changes in liabilities arising from financing activities

2021	Note	Opening	Financing cash flows	Non-cash changes: Fair value adjustments	Non-cash changes: Other changes	30 December 2021
Bank loans	18a	423.9	(69.7)	–	(116.0)	238.2
Interest rate swaps	17	8.9	(0.2)	(8.8)	0.1	–
Lease liabilities		39.6	–	–	(6.7)	32.9
Total liabilities from financing activities		472.4	(69.9)	(8.8)	(122.6)	271.1

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank loans	18a	[illegible]			[illegible]	[illegible]
Interest rate swaps	17	[illegible]	–	[illegible]	[illegible]	[illegible]
Lease liabilities		[illegible]	–	–	[illegible]	[illegible]
Total liabilities from financing activities		[illegible]		[illegible]	[illegible]	[illegible]

25 Net assets per share

	30 Dec 2021 EPRA NRV £m	30 Dec 2021 EPRA NTA £m	30 Dec 2021 EPRA NDV £m	[illegible]	[illegible]	[illegible]
IFRS Equity attributable to shareholders	168.4	168.4	168.4	[illegible]	[illegible]	[illegible]
[illegible]	–	–	–	[illegible]	[illegible]	
[illegible]	–	–	(1.0)			[illegible]
Net asset value	168.4	168.4	167.4	[illegible]	[illegible]	[illegible]
[illegible]	165.7	165.7	165.7	[illegible]	[illegible]	[illegible]
Net asset value per share	101.6	101.6	101.0	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

26 Return on equity

	30 December 2021 £m	[illegible]
[illegible]	(26.4)	[illegible]
[illegible]	171.2	[illegible]
Return on equity	(15.4)%	[illegible]

[illegible]

27 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 [illegible] as set out below. These leases relate to its office premises and the [illegible] business: Basingstoke, Yorkshire, Milton Keynes and [illegible] as well as two leasehold investment properties.

	2021 £m	[illegible]
Lease payments		
Within one year	(3.9)	[illegible]
Between one and five years	(15.1)	[illegible]
After five years	(125.2)	[illegible]
	(144.2)	[illegible]

Lease payments are denominated in Sterling and have an average remaining lease length of [illegible] years [illegible] years excluding head leases, rentals are fixed for an average of 2 years (2020: 2 years). The Group's three leasehold investment properties are variable based on a percentage of [illegible] with a minimum payment per year of [illegible] for Walthamstow [illegible] for Luton and [illegible] for Walthamstow respectively. The Group signed new lease agreements on its Yorkshire and Milton Keynes sites within Snozone.

27 Lease arrangements

The Group as lessor

The Group leases out all of its investment properties under operating leases for average lease term of [illegible] years (2020: 6 years) to expiry. The leasing arrangements are summarised in the portfolio information on page 155. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	[illegible] £m	[illegible] £m	[illegible] £m	[illegible] £m	[illegible] £m	[illegible] £m	[illegible] £m	[illegible] £m
30 December 2021	8.9	22.0	49.2	24.4	11.0	6.1	32.5	145.3
30 December 2020	4.[illegible]	35.2	81.[illegible]	3[illegible]	15.[illegible]	6.9	39.3	213.0

28 Capital commitments

At 30 December 2021, the Group's share of the capital commitments of its associates and wholly owned properties was £[illegible] million (2020: £3.6 million) relating to capital expenditure projects for the development of the Group's investment properties. The Group also has £0.1 million relating to contractual commitments for the acquisition of property, plant and equipment (2020: £0.1 million).

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, which were concluded at normal market rates, are disclosed below:

	Fee income		Net amounts receivable from	
	Year to 30 December 2021 £m	Year to 30 December 2020 £m	As at 30 December 2021 £m	As at 30 December 2020 £m
Kingfisher Limited Partnership (Redditch)	0.5	0.5	–	0.1

Amounts receivable from associates are unsecured and do not bear 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 (2020: nil) 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 2021 £m	Year to 30 December 2020 £m
Short term employment benefits	1.2	1.0
Post-employment benefits	0.1	0.1
Share based payments	0.4	0.4
	1.7	1.5

In both years, the highest paid Director was the Chief Executive whose remuneration is discussed in the Directors' Remuneration Report on page 97. There are no Directors included in a company pension scheme (2020: nil).

30 Dividends

The dividends shown below are gross of any take up of Scrip offer.

	Year to 30 December 2021 £m	[illegible] £m
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

31 Acquisition of subsidiaries

Snozone Madrid

On 9 February 2021 the Group acquired [illegible] of the issued share capital of Snozone SLU and Ozone y Nieve SLU, being the joint operators of Snozone Madrid, obtaining control of Snozone SLU and Ozone y Nieve SLU. Snozone SLU is the operating company of Snozone Madrid, Europe's largest indoor snow slope. Ozone y Nieve SLU is a services company that employs the workforce of Snozone Madrid. On [illegible] July, Snozone SLU and Ozone y Nieve SLU were merged. Both Snozone SLU and Ozone y Nieve qualify as businesses as defined in IFRS 3. Snozone Madrid was acquired to provide the group with an [illegible] presence in continental Europe.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	30 December 2021 £m
Inventory	0.1
Property, plant and equipment	[illegible]
Working capital	[illegible]
Cash	[illegible]
Total identifiable assets acquired and liabilities assumed	[illegible]
Negative Goodwill	
Total consideration	0.1
Satisfied by:	
Cash	0.1
Total consideration transferred	0.1
Net cash outflow arising on acquisition:	
Cash consideration	(0.1)
Less: cash and cash equivalent balances acquired	0.4
	0.3

The negative goodwill of £0.02 million arising from the acquisition has been recognised in the income statement in the period.

Acquisition related costs (included in administrative expenses) amount to £0.2 million.

Snozone Madrid contributed £2.1 million of revenue and £1.3m loss to the Group's profit for the period between the date of acquisition and the reporting date.

32 Ultimate controlling party

Growthpoint Properties Limited ("Growthpoint") holds 68.5% 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. The financial statements of Growthpoint are available at this address.

CAL

Company Balance Sheet

[illegible] 2021
[illegible]
[illegible]

	Note	2021 £m	2020 Restated* £m
Non-current assets			
Investments	C	**144.3**	124.8
Receivables – amounts falling due after one year	D	**37.0**	5.4
Total non-current assets		**181.3**	130.2
Current assets			
Receivables – amounts falling due within one year	D	**0.4**	0.1
Cash and deposits		**30.0**	59.6
Total current assets		**30.4**	59.7
Total assets		**211.7**	189.9
Current liabilities			
Trade and other payables	E	**(20.5)**	(20.0)
Net current assets		**10.0**	39.7
Non-current liabilities			
Other payables		**(0.2)**	–
Net assets		**191.0**	169.9
Equity			
Share capital		**16.5**	11.2
Share premium		**266.1**	244.3
Merger reserve		**60.3**	60.3
Capital redemption reserve		**4.4**	4.4
Retained earnings		**(156.3)**	(150.3)
Shareholders' funds		**191.0**	169.9

The loss for the year attributable to equity shareholders was £6.2 million (2020: £245.1 million loss).

* 2020 results have been restated for a prior year adjustment to the treatment receivables from group entities as explained in Note A.

These financial statements were approved by the Board of Directors, authorised for issue and signed on their behalf on 13 April 2022 by:

STUART WETHERLY
GROUP FINANCE DIRECTOR

Statement of Changes in Equity

	Non-distributable				Distributable		
	Share capital £m	Share premium £m	Capital redemption reserve £m	[illegible] £m	[illegible] £m	Merger reserve £m	Total £m
Balance at 30 December 2019	[illegible]	238.0	4.4	–	[illegible]	[illegible]	[illegible]
Retained loss for the year					(245.1)		(245.1)
Total comprehensive loss for the year	–	–			(245.1)		(245.1)
Dividends paid, net of Scrip	–	–	–	–	[illegible]	–	[illegible]
Shares issued, net of costs	[illegible]	[illegible]			[illegible]		–
Balance at 30 December 2020	[illegible]	[illegible]	[illegible]	–	(150.[illegible])	[illegible]	[illegible]
Retained profit for the year	–	–			(6.[illegible])	–	[illegible]
Total comprehensive profit for the year				–	[illegible]		[illegible]
Dividends paid, net of Scrip		–	–	–	–		
Credit to equity for equity-settled share-based payments		–	–		[illegible]	–	[illegible]
Shares issued, net of costs	[illegible]	21.8		–	–		[illegible]
Balance at 30 December 2021	16.5	266.1	4.4	–	(156.3)	60.3	191.0

[illegible]

[illegible]

Notes to the Company's Separate Financial Statements

[illegible]

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 1 to 5 of the consolidated financial statements.

The Company's separate financial statements for the year ended 31 December 2021 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 24 to the Group financial statements. Except for the Directors, the Company had no direct employees during the year (2020: 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 18 to the Group's financial statements.

Accounting developments and changes

The 2020 financial statements have been restated to reclassify receivables from group entities as non current rather than current to reflect the [illegible] of those receivables, as repayment is not expected within twelve months of the reporting period. These assets do not meet the definition of a current asset. In adopting this accounting treatment, the Company has restated the 2020 results for a prior year adjustment.

The following table summarises the impact of the change in policy on the financial statements of the Group. There is no impact of the change in policy on net assets.

	30/12/2020
Balance sheet	
Non current assets	5.4
Current assets	(5.4)
Change in net assets	–

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 and amounts owed by subsidiaries 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 less costs of disposal. 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.

Sensitivities

The following table shows the sensitivity of investment and intercompany receivable impairment to a 5% change in future cashflows and a 2% change in the discount rate used. The Directors consider these reasonably possible.

	Impact of 5% change in future cashflows		Impact of a 2% change in discount rate	
	Increase £m	Decrease £m	Increase £m	Decrease £m
Impairment of investments	0.4	(0.4)	(0.8)	1.0
Impairment of intercompany receivables	–	–	–	–

There are no critical accounting judgements that affect these 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.

C Fixed asset investments

	Subsidiaries £m	Other investments £m	Total £m
Cost			
At the start of the year	[illegible]	13.9	1,175.3
Additions	46.0		46.0
Disposal			–
At the end of the year	[illegible]	13.9	1,221.3
Impairment			
At the start of the year	[illegible]	[illegible]	(1,050.5)
Reversal of impairment/(impairment) in investments	[illegible]	[illegible]	(26.5)
At the end of the year	[illegible]	(13.9)	(1,077.0)
Carrying value			
30 December 2021	144.3	–	144.3
30 December 2020	[illegible]	[illegible]	124.8

Investments are subject to an impairment review [illegible] 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. During the year [illegible] Capital & Regional [illegible]

Note [illegible] the subsidiaries [illegible] by the Group and the Company.

D Receivables

Amounts falling due after one year	2021 £m	2020 £m
Amounts owed by subsidiaries [illegible]	37.0	[illegible]
	37.0	[illegible]

Amounts falling due within one year	2021 £m	2020 £m
Other receivables	0.3	
Taxation and social security	0.1	[illegible]
	0.4	[illegible]

Amounts owed by subsidiaries are stated after impairment of £[illegible] (2020: £[illegible]) and are unsecured and repayable on demand. Impairment is recognised after comparing the carrying value of the receivable against its recoverable amount, which is the higher of its estimated value in use and fair value less costs of disposal. Interest is charged at [illegible] above Bank of England base rate per annum.

E Trade and other payables

Amounts falling due within one year	2021 £m	2020 £m
Amounts owed to subsidiaries	19.2	[illegible]
Trade payables	0.2	-
Accruals and deferred income	1.1	[illegible]
	20.5	[illegible]

Amounts owed to subsidiary companies are unsecured and repayable on demand. Interest is charged at 3.5[illegible] above Bank of England base rate per annum.

F Subsidiaries at 30 December 2021

	Nature of business	Country of incorporation	Share of holding
Subsidiaries			
Capital & Regional (Europe Holdings 5) Limited	Property investment	Jersey	100%
Capital & Regional (Jersey) Limited	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	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	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	Property investment	Great Britain	100%
Capital & Regional Property Management Limited	Property management	Great Britain	100%
Green Sefield Limited	Dormant	Great Britain	100%
Lancaster Court (Hove) Limited	Dormant	Great Britain	100%
Lower Grosvenor Place London One Limited	Dormant	Great Britain	100%
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	Property investment	Jersey	100%
MP Rodina (Guernsey) Limited	Dormant	Guernsey	100%
Selborne One Limited	Dormant	Great Britain	100%
Selborne Two Limited	Dormant	Great Britain	100%
Selborne Walthamstow Limited	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	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	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	Finance	Jersey	39.90%

In liquidation/being dissolved.
Registered office at 47 The Esplanade, St Helier, Jersey JE1 0BD
Registered office at Griffins, Tavistock House South, Tavistock Square, London WC1H 9LG
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, Snozone EBITDA and property management fees less central costs including interest but excluding non-cash charges in respect of long-term incentive awards, 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 [illegible] the Group or [illegible].

CRPM is Capital & Regional Property Management Limited, a subsidiary of Capital & Regional [illegible] management and [illegible] fees [illegible] associated and joint ventures of the Group.

Contracted rent is passing rent and the [illegible] under a lease [illegible] not yet payable by a tenant.

Contribution is net rent [illegible] interest [illegible].

Capital return is the [illegible] 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 [illegible] borrowings, excluding [illegible] issue costs.

EPRA earnings per share (EPS) is the profit/loss after tax [illegible] in the fair value of financial instruments, intangible asset movements and the [illegible] 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.

Leisure EBITDA or EBITDA is an alternative performance measure for the Snozone business. It excludes Depreciation, Amortisation, [illegible] Interest, Tax and [illegible] one-off items. It includes rent expense based on contractual payments adjusted for rent free periods. This provides a measure of Snozone trading performance that removes the [illegible] impact of IFRS 16 that would otherwise see a significantly higher charge in early years of a lease and significantly lower net charge in later years.

Loan to value (LTV) is the ratio of debt excluding fair value adjustments for debt and [illegible] 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 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) Net Rental Income is rental income from properties less provisions for expected credit losses, property and management costs. It is a standard industry measure.

Nominal equivalent yield (NEY) 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

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)

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Balance sheet					
Property assets	374.8	536.1	[illegible]	[illegible]	[illegible]
Other non-current assets	36.3	29.1	16.1	21.3	18.1
Investment in associates	–			–	[illegible]
Cash at bank	58.5	[illegible]	[illegible]	37.0	30.2
Assets classified as held for sale	(19.4)	–	–		
Other net current (liabilities)/assets	(10.4)	(13.6)	(20.3)	[illegible]	(17.4)
Bank loans greater than one year	(238.2)	[illegible]	(422.8)	[illegible]	[illegible]
Other non-current liabilities	(33.2)	[illegible]	[illegible]	[illegible]	(65.3)
Net assets	168.4	[illegible]	[illegible]	[illegible]	[illegible]
Financed by					
Called up share capital	16.5	[illegible]	[illegible]	[illegible]	[illegible]
Share premium account	266.1	[illegible]	[illegible]	[illegible]	[illegible]
Other reserves	64.7	61.7	[illegible]	[illegible]	[illegible]
Retained earnings	(178.9)	[illegible]	[illegible]	[illegible]	[illegible]
Capital employed	168.4	[illegible]	[illegible]	[illegible]	[illegible]
Return on equity					
Return on equity	(15.4)%	[illegible]	[illegible]	[illegible]	[illegible]
(Decrease)/increase in EPRA NAV per share + dividends	(32.1)%	[illegible]	[illegible]	[illegible]	[illegible]
Total shareholder return	(16.1)%	[illegible]	[illegible]	[illegible]	12.7%
Year end share price	58.9p	[illegible]	[illegible]	[illegible]	[illegible]
Total return					
Total comprehensive (expense)/income	(26.4)	[illegible]	[illegible]	[illegible]	[illegible]
Net assets per share					
Basic net assets per share	102p	[illegible]	[illegible]	[illegible]	[illegible]
EPRA triple net assets per share	–		[illegible]	[illegible]	[illegible]
EPRA net assets per share	–		[illegible]	[illegible]	[illegible]
EPRA net reinstatement value	102p	[illegible]	[illegible]	[illegible]	[illegible]
EPRA Net tangible assets	102p	[illegible]	[illegible]	591.5p	[illegible]
EPRA net disposal value	101p	[illegible]	[illegible]	593.4p	[illegible]
Gearing	142%	[illegible]	[illegible]	[illegible]	[illegible]
Income statement					
Group revenue	70.0	[illegible]	[illegible]	[illegible]	89.2
Gross profit	34.3	[illegible]	[illegible]	58.1	[illegible]
(Loss)/profit on ordinary activities before financing	(13.6)	[illegible]	[illegible]	(9.7)	[illegible]
Net interest payable	(9.7)	[illegible]	(23.5)	(15.8)	(17.6)
(Loss)/profit before tax	(23.3)	[illegible]	(121.0)	(25.5)	[illegible]
Tax (charge)/credit	(3.1)	[illegible]	–	(0.1)	–
(Loss)/profit after tax	(26.4)	[illegible]	(121.0)	[illegible]	22.1
Adjusted Profit	8.1	[illegible]	27.4	30.5	29.1
Adjusted Earnings per share	6.8p	[illegible]	[illegible]	42.0p	[illegible]
Interest cover	2.3	[illegible]	2.2	[illegible]	[illegible]
Earnings per share					
Basic	(22.0)p	[illegible]	(162.3)p	[illegible]	[illegible]
Diluted	(22.0)p	[illegible]	(162.3)p	[illegible]	[illegible]
EPRA	2.9p	[illegible]	[illegible]	[illegible]	[illegible]
Dividends per share	–		21.0p	2.42p	[illegible]

[illegible]

[illegible]

EPRA [illegible]

Portfolio Information (Unaudited)

Physical data[1]	
Number of properties	7
Number of lettable units	730
Size (sq ft – million)	3.5
Valuation data	
Properties at independent valuation (£m)	[illegible]3.1
Adjustments for head leases and tenant incentives (£m)	9.3
Properties as shown in the financial statements (£m)	**482.4**
Revaluation loss in the year (£m)	(49.[illegible])
Initial yield	8.[illegible]
Equivalent yield	[illegible]
Reversion	11.[illegible]
Lease length (years)	
Weighted average lease length to break	4.5
Weighted average lease length to expiry	5.2
Passing rent (£m) of leases expiring in:	
2022	6.2
2023	3.9
2024–2026	8.[illegible]
ERV (£m) of leases expiring in:	
2022	6.4
2023	4.6
2024–2026	7.5
Passing rent (£m) subject to review in:	
2022	4.5
2023	3.0
2024–2026	5.4
ERV (£m) of passing rent subject to review in:	
2022	3.9
2023	2.1
2024–2026	3.0
Rental Data	
Contracted rent (£m)	50.0
Passing rent (£m)	48.2
ERV (£m per annum)	53.8
ERV movement (like for like)	0.6
Occupancy	92.8

[1] This data includes properties classified as held for sale.

EPRA Performance Measures (Unaudited)

[illegible]

	Note	2021	[illegible]
EPRA earnings (£m)	9a	**3.5**	[illegible]
EPRA earnings per share (diluted)	9a	**2.9p**	[illegible]
EPRA reinstatement value (£m)	25	**168.4**	[illegible]
EPRA net reinstatement value per share	25	**102p**	157p
EPRA net tangible assets (£m)	25	**168.4**	[illegible]
EPRA net tangible assets per share	25	**102p**	157p
EPRA net disposal value (£m)	25	**167.4**	[illegible]
EPRA net disposal value per share	25	**101p**	[illegible]

EPRA vacancy rate	2021 £m	[illegible]
Estimated rental value of vacant space	3.9	[illegible]
Estimated rental value of the whole portfolio	53.8	[illegible]
EPRA vacancy rate	7.2%	[illegible]

EPRA net initial yield and EPRA topped-up net initial yield	2021 £m	[illegible]
Investment property	473.1	[illegible]
Completed property portfolio	472.1	[illegible]
[illegible]	(10.1)	[illegible]
Allowance for estimated purchasers' costs	31.4	[illegible]
Gross up completed property portfolio valuation	494.4	[illegible]
Annualised cash passing rental income	56.2	[illegible]
Property outgoings	(13.7)	[illegible]
Annualised net rents	42.5	[illegible]
Add: notional rent expiration of rent-free periods or other lease incentives	0.6	[illegible]
Topped-up annualised rent	43.1	[illegible]
EPRA net initial yield	8.6%	[illegible]
EPRA topped-up net initial yield	8.7%	[illegible]
EPRA net initial yield (investment assets only)	8.1%	[illegible]
EPRA topped-up net initial yield (investment assets only)	8.3%	[illegible]

EPRA Performance Measures (Unaudited)

EPRA Cost ratios	2021 £m	2020 £m
Cost of sales (adjusted for IFRS head lease differential)	38.1	31.4
Administrative costs	12.7	12.7
Service charge income	(12.7)	(11.6)
Management fees	(0.8)	(0.3)
Snozone (indoor ski operation) costs	(8.5)	[illegible]
Less inclusive lease costs recovered through rent	(4.0)	(2.5)
EPRA costs (including direct vacancy costs)	24.8	25.7
Direct vacancy costs	(3.8)	[illegible]
EPRA costs (excluding direct vacancy costs)	21.0	21.8
Gross rental income	49.7	55.6
Less ground rent costs	(1.7)	[illegible]
Less inclusive lease costs recovered through rent	(1.0)	[illegible]
Gross rental income	44.0	51.2
EPRA cost ratio (including direct vacancy costs)	56.4%	[illegible]
EPRA cost ratio (excluding vacancy costs)	47.8%	[illegible]

Advisers and Corporate Information

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