PRESS RELEASE

capco

2 March 2011

CAPITAL & COUNTIES PROPERTIES PLC

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

Highlights

- EPRA adjusted, diluted NAV up 17 per cent to 148 pence per share
- Successful demerger from Liberty International PLC
- Excellent progress at Covent Garden with ERV of £37.5 million, up 12% on a like-for-like basis
- Apple flagship store and new high-profile signings in Covent Garden
- Planning consent obtained for development of Olympia's West Hall
- Planning for the Earls Court & West Kensington Opportunity Area (ECOA) on target
- Terry Farrell & Partners appointed as masterplanner for the ECOA
- Total property value £1.4 billion, up 10.8 per cent on a like-for-like basis
- Property LTV 35 per cent
- Occupancy levels at 97.4 per cent across the Group (EPRA adjusted)
- Final dividend of 1 pence per share proposed, making 1.5 pence for the year

Ian Durant, Chairman of Capital & Counties Properties PLC, commented:

"This has been a year in which Capco has successfully established itself as a publicly listed company with a clear central London strategy and assets with the potential to unlock value. Independence has refreshed and re-energised Capco's activities, allowing management to act flexibly and decisively. It has affirmed clear goals to generate superior and long-term returns for shareholders. London offers excellent opportunities for medium and long-term sustainable growth in capital and rental values and Capco has a management team capable of realising that potential."

Ian Hawksworth, Chief Executive of Capital & Counties Properties PLC, added:

"Capco continues to see the benefits of its strategy of concentrating its investments in prime locations in central London with strong NAV growth this year and positive momentum across the business. Covent Garden is well on the way to becoming a world-class retail, leisure and residential district with a series of key lettings driving exceptional growth in the rental values of the estate. The EC&O business has the opportunity to redefine the area around Earls Court through its planning activities, whilst maximising the profitability of the Olympia exhibition facilities. The prospects for 2011 and into 2012 remain positive as Capco continues to target superior valuation and NAV growth."

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A presentation to analysts and investors will take place today at 8.30am GMT at Bank of America Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ. The presentation will also be available to international analysts and investors through a live audio call and webcast and after the event on the Group's website www.capitalandcounties.com.

A copy of this press release is available for download from our website at www.capitalandcounties.com and hard copies can be requested via the website or by contacting the company (email feedback@capitalandcounties.com or telephone +44 (0)20 3214 9153).

This press release includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Capital & Counties Properties PLC to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Any information contained in this press release on the price at which shares or other securities in Capital & Counties Properties PLC have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

COMPANY OVERVIEW

Capital & Counties Properties PLC (Capco) became an independent property investment company following its demerger from Liberty International PLC in May 2010. It has since developed within a well defined strategy as one of the largest listed investment and development companies in central London. The Group's landmark estates, held directly or through joint ventures, are valued at £1.4 billion, and offer the potential for significant value to be unlocked through entrepreneurial asset management to deliver superior and long-term returns to its shareholders.

Capco's three estates are located in West London and the West End:

Covent Garden

This historic location is globally recognised as a retail and leisure destination. It is valued at £640 million.

Earls Court & Olympia (EC&O)

One of London's leading exhibition businesses, EC&O has property assets totalling £481 million, including Capco's share of the Empress State Building.

Great Capital Partnership

A 50/50 joint venture with Great Portland Estates plc which includes properties in prime locations around Regent Street and Piccadilly with Capco's share valued at £260 million.

FINANCIAL SUMMARY AND HIGHLIGHTS

	2010	2009[2]
	£m	£m
Net rental income	**69.0**	78.1
Underlying earnings after tax excluding valuation items[1]	**9.2**	15.2
Gain/(deficit) on revaluation of investment and development property	**133.3**	(105.6)
Profit/(loss) before tax	**132.5**	(150.0)
Total investment and trading properties	**1,378**	1,241
Net debt[3]	**476**	463
Net assets (EPRA adjusted NAV)[3]	**926**	791
Underlying earnings per share	**1.5p**	2.4p
EPRA adjusted, diluted NAV per share[3]	**148p**	127p
Property LTV[3]	**35%**	37%

[1] Appendix 3 provides an analysis of underlying earnings

[2] See note 1 Basis of preparation

[3] On a pro forma basis

CHAIRMAN'S STATEMENT

These are Capco's first annual results as a stand-alone listed company since its demerger from Liberty International PLC in May 2010. The aim of the demerger was to allow investors and management to focus on the distinct strategic, capital and economic characteristics of a specialist London non-REIT property investment company. Independence has refreshed and re-energised Capco's activities, allowing management to act flexibly and decisively. It has affirmed clear goals to generate superior and long-term returns for shareholders, both by enhancing the rental values of holdings through innovative asset management and by identifying and realising new development opportunities through alert and imaginative initiatives.

This strategy is centred on three prime estates located in London. The Covent Garden estate is world-famous as a centre for shopping, dining and entertainment in a historic location. The Great Capital Partnership, a joint venture with Great Portland Estates, includes properties in prime West End locations. In West London, EC&O Venues is one of the country's leading exhibition businesses with the potential for a major redevelopment of its land holdings at Earls Court.

Good progress has been made in all three estates. There have been a number of important store openings and new tenant agreements in Covent Garden, a visible affirmation of the repositioning strategy. The aim is to continue extending and upgrading the choice of Covent Garden's retail and all day dining, thereby enhancing its reputation as a truly world-class city centre destination. There has also been a refocusing of The Great Capital Partnership, with the disposal of properties outside the core area of Piccadilly and Regent Street.

At EC&O, the Seagrave Road car park has the potential to be a valuable residential development opportunity and a planning application will be submitted by June. At Olympia, following receipt of planning consent, Capco is making a substantial investment to enhance the exhibition facilities.

Planning for the development of Earls Court as part of the Earls Court & West Kensington Opportunity Area (ECOA) has moved on apace with preparations for planning submissions progressing well. The team led by Sir Terry Farrell is creating a masterplan for a major new residential led, mixed-use district of London. Central to this is the development of a sense of place suitable for future generations which Sir Terry refers to as 'London Plus'. The imminent launch of this plan marks a new phase of regeneration in London. This is a unique opportunity to transform a London district and Capco is pleased to be working with Transport for London and the London Borough of Hammersmith & Fulham, and to be engaged with the Greater London Authority and the Royal Borough of Kensington & Chelsea.

Results and dividend

The Group's total return in 2010 was 18 per cent, driven by the valuation of its properties which increased by 10.8 per cent on a like-for-like basis in the year, outperforming the IPD index of capital values for 2010 which rose 6.9 per cent. Rising rental values in Covent Garden were a significant contributor to this growth. The increase in values has generated an EPRA adjusted, diluted NAV per share at 31 December of 148 pence. The Group has a prudent balance sheet and significant cash reserves to support its stated asset plans. The Directors are proposing a final dividend of 1 pence per share bringing the amount paid and payable for 2010 to 1.5 pence.

People

It is testament to the efforts and commitment of the Group's people that the business has continued to perform well during a period when the demerger and the establishment of independent operations has required significant internal restructuring. In November 2010 the Company established an independent corporate office in Grosvenor Street, London as part of its transition.

The Company has an entrepreneurial and experienced management team and has been developing a culture to support its strategic aims. This includes fostering and encouraging individual qualities of openness, clarity of purpose, team orientation, personal contribution, creativity and rigorous execution.

The Board

Henry Staunton was appointed an independent Non-executive Director in June 2010 and became Chairman of the Audit Committee shortly afterwards. Henry was previously Finance Director at Granada and ITV. His experience as a Non-executive Director is reflected in his other current appointments, which include Legal & General Group, WH Smith and Merchants Trust.

David Fischel stepped down from his position as a Non-executive Director in February 2011, following the completion of a transitional period since the demerger. On behalf of the Board, I would like to thank him for his contribution ahead of, and since, the Company's listing.

A clear governance structure has been established with independent Directors active in appropriate committees and a modus operandi for board engagement which encourages regular and informal briefings, transparency and an open culture of supportive challenge by Non-executive Directors. An independent Board effectiveness review has been completed and has provided useful insights and advice on optimising the effectiveness of the Board.

Shareholders

The Company's shares are traded on the London and Johannesburg Stock Exchanges. One of the aims of the demerger was to give existing Liberty International shareholders a choice of investment strategy, whilst offering Capco an opportunity to develop a shareholder base to support its central London focused strategy. In this regard, it is pleasing to see a number of new shareholders on the register, which has evolved considerably since listing.

The Outlook

This has been a year in which Capco has successfully established itself as a publicly listed company with a clear central London strategy and assets with the potential to unlock value. London offers many business and consumer attractions as a global city. The London economy, and in particular the property market, has proved to be highly resilient in the general downturn. Nevertheless, the UK macroeconomic situation is delicately poised and so the requirement to be conservative with cash and debt continues. Capco is well positioned financially and will remain prudent in its approach.

The Company has made good progress this year. We are now turning our attention to developing the longer term strategic blueprint for Capco as a London 'place maker' – the property investment company that brings new life to London districts, commercially, creatively and responsibly. London offers excellent opportunities for medium and long-term sustainable growth in capital and rental values and Capco has a management team capable of realising that potential.

I.C. Durant
2 March 2011

BUSINESS REVIEW

Capco is a property investment company focusing on opportunities in prime locations within central London. The Group's goal is to transform existing areas into more attractive and useful places to live, work and enjoy, benefiting Londoners and visitors as well as the Group's customers and shareholders.

Capco is a total return focused company. It unlocks value through its entrepreneurial approach to generating substantial changes and improvements in rental and capital values.

The year has been one of recovery and relative stability as property values reclaimed some of the losses incurred in 2008 and 2009. The central London investment market performed well as the capital city continued not only to remain largely independent of the market in the rest of the United Kingdom, but also to lead the world for investment in commercial property.

Successful execution of the Group's strategy resulted in strong growth in EPRA adjusted, diluted NAV per share of 17 per cent in 2010. Valuation uplifts of the Group's central London properties, as well as the value of its investments in China, were the key drivers of this NAV growth.

Underlying earnings are lower than in 2009 as anticipated, with earnings per share of 1.5 pence (2009 – 2.4 pence). The active management of Covent Garden resulted in a number of temporary voids in order to secure vacant possession of key units, reducing net rental income. EBITDA of the exhibition business fell significantly, although it performed ahead of expectation. Administration expenses rose during 2010 as predicted, reflecting Capco's status as an independent public company post demerger.

Covent Garden
The Covent Garden estate is well on the way to being redefined as a world-class retail, leisure and residential district. Comprising 45 buildings and over 300 tenancies, the estate is now valued at £640 million. Apple has opened its 25,000 square foot flagship store, leading retailers such as Burberry and Ralph Lauren have signed new leases, whilst the arrival of Ladurée and Balthazar will improve and extend the food and dining choice. Progress to date is reflected in the significant step up in ERV to £37.5 million during 2010, a rise of 12 per cent on a like-for-like basis, placing the December 2012 ERV target of £40 million within reach.

Great Capital Partnership
The Great Capital Partnership joint venture continues to benefit from its focus on London's West End. Occupier demand for office and retail accommodation remains robust, providing strong recurrent income and allowing high levels of occupancy to be maintained. The Partnership refocused its portfolio during the year and is now well positioned around its Regent Street and Piccadilly core. Capco has taken the lead on residential and retail strategy for the partnership.

Earls Court & Olympia
The opportunity to transform the Earls Court site continues to gather momentum. Sir Terry Farrell's masterplan for ECOA – on behalf of the landowners, Earls Court & Olympia, Transport for London and the London Borough of Hammersmith & Fulham – is to be launched in March 2011. His vision of 'London Plus' has produced a masterplan to extend and enhance, with a modern interpretation, the traditional urban village streetscape of London across the ECOA site. Planning applications for more than 10 million square feet are due for submission by June 2011. EC&O Venues performed above expectation in difficult market conditions, producing EBITDA of £18.9 million in 2010, in line with its historic ten year trading range, but below the exceptionally good result in 2009 of £21.3 million.

China
Our investment in China, via two investment funds managed by Harvest Capital Partners, has performed strongly in 2010 as the focus moves toward realisations. One asset, Caiyun Lake, was sold in late 2010, with a distribution of £4.8 million received in February 2011. Two major assets have been contracted for sale at a significant premium to previous book values and are expected to complete during 2011. These activities have increased the value of our investment to £66 million, an increase of 44.1 per cent during 2010.

Property Valuations
Capco's focus on the central London market has been reflected in a strong performance in 2010. Values have increased 10.8 per cent on a like-for-like basis, driven by yield compression in the first half of the year, and rental growth in the second half. Over the last three years, Capco's London properties have outperformed the IPD Monthly All Property Index by 3.7 per cent per annum.

	Market Value Dec 2010 £m	Market Value Dec 2009 £m	Value Change[2,3] %	ERV Change[2] %	EPRA Initial Yield %	Equivalent Yield %
Covent Garden	640	549	14.1%	12.0%	3.7%[4]	5.1%
Great Capital Partnership[1]	260	247	13.7%	4.2%	5.0%	5.1%
Empress State[1]	103	94	8.6%	–	6.4%	6.2%
Other		9	–			
Total non-exhibition properties	1,003	899	13.4%	8.6%		
Earls Court & Olympia	378	340	4.5%			
Total investment properties	1,381	1,239	10.8%	8.6%		

1 Represents Capco's 50 per cent share
2 On like-for-like basis
3 Valuation change takes account of amortisation of lease incentives, capital expenditure and fixed head leases
4 Initial yield as at 1 March 2011 3.9%

Outlook

The prospects for 2011 and into 2012 remain positive, as momentum across Capco's business translates into superior valuation and NAV growth through continued unlocking of the potential for increases in rental and capital value.

Whilst the outlook for the UK economy remains uncertain, Capco is confident about the prospects for its estates. Prime investment yields in central London continue to be supported by the availability of capital from a diverse range of investors, both domestic and in particular from overseas.

Demand for space continues to be robust. Retailers are continuing to search for flagship trading locations in prime districts in the West End, with London firmly established as a global capital city. West End office space remains in short supply, with levels of take-up above trend during 2010.

Further ERV growth across the portfolio is targeted, particularly in Covent Garden. The churn in the tenant mix caused by this proactive management is expected to drive up the estate's net rental income and passing rent but have a negative impact in the short-term from the temporary voids created. Covent Garden will see investment in further acquisitions and quality tenant lettings as well as the introduction of residential development through the launch of 34 Henrietta Street. As these activities turn the £40 million ERV target into reality, Capco's focus is moving towards the next phase of the evolution of the estate.

In The Great Capital Partnership, the continued strength in the property investment market may permit the disposal of other non-core properties to further focus on core locations. These asset sales will allow Capco to pursue its policy of disciplined capital recycling across its estates but will reduce earnings until the capital is reinvested.

In EC&O, consolidation of the ECOA masterplan into planning applications will take place by June 2011. Submission of a detailed planning application for Seagrave Road will also be made by mid-year. 2011 will also see completion of the enhancements to Olympia, including the new West Hall. The exhibition venues may show a further limited decline in earnings as market conditions stabilise.

The successful execution of Capco's asset plans will likely result in capital growth before improved rental levels are fully captured in underlying earnings. The stabilised level of administration costs that have risen during 2010 due to the costs of running a standalone public company will continue to impact earnings negatively in 2011.

Capco will continue to adopt a conservative financing strategy, and maintain a prudent balance sheet to ensure that it has the liquidity and resources to execute its asset plans across the portfolio.

Covent Garden Estate

The Covent Garden estate is one of the most distinctive, well-known and well-loved in the capital, situated in the very heart of the West End. As a world-famous shopping, dining and entertainment district it attracts approximately 46 million visitors a year. The estate represents 46 per cent of Capco's property assets.

The vision is to maximise the estate's potential, creating an inspirational world-class retail, leisure and residential district both for Londoners and visitors to the capital. Capco has already transformed the estate, with leases agreed with 36 high-quality new tenants since its first involvement in the area in 2006. The immediate objective is to increase the ERV to £40 million by December 2012, capturing as much of this as possible within passing rent.

During 2010, 74 rent reviews and lettings were negotiated totalling £11.2 million of rental value, approximately 9 per cent over the December 2009 ERV. This has driven a 12 per cent like-for-like increase in ERV over the year to £37.5 million, bringing the December 2012 target within reach. A significant portion of the rental value uplift has been captured through the intense letting activity in 2010, although not yet fully reflected in gross income. As at 31 December 2010, gross income was £26.8 million; this is expected to rise to £31.9 million primarily due to rent free periods ending and new leases under contract or under offer.

At near-full occupancy within the estate and with high tenant demand, this repositioning of the district requires a proactive approach from the on-site management team to secure vacant possession of high profile and strategic units, enabling the introduction of new tenants. The occupancy rate at 31 December 2010 was 97.1 per cent (December 2009 – 99.0 per cent) adjusted for units under offer and held for development. This increased level of vacancy, representing £1.1 million of ERV, comes as a result of interventions to secure control of key units. A capital sum of £75 million was allocated on demerger to invest in a series of projects until 2012 as part of the plan to re-energise the estate, with £8 million invested to date and a further £25 million of expenditure committed.

The opening in August of the Apple store in Bedford Chambers demonstrates success in rejuvenating the tenant mix and, as an anchor brand, is serving as a catalyst in attracting other occupiers of comparable quality to the estate.

Substantial progress has been made in increasing the diversity and range of retail outlets. On King Street, new lettings have been agreed with the Burberry Group and Ralph Lauren. Their stores are due to open in 2011 representing further steps in the implementation of the luxury re-zoning strategy for this part of the estate and demonstrating the continuing appeal of Covent Garden to international retailers. King Street also benefited from the opening of Lucy in Disguise, a 'pop-up' store by Lily Allen and her sister Sarah Orwell. The recent acquisition of 37 King Street, for which a planning application will be submitted for convert to retail use, increases our ownership on this street.

Other openings by leading brands include Kurt Geiger on James Street and Jack Wolfskin, Whistles and Pandora on Long Acre. Sunglass Hut has taken a unit on James Street at a record rent for the street. New introductions into the Market Building of smaller niche retailers include L'Artisan Parfumeur and Erno Laszlo.

The diversity and choice of Covent Garden's Food & Beverage (F&B) offering is also being expanded and improved. The opening of the iconic Parisian patisserie Ladurée in the spring of 2011 on the north-west corner of the Market Building opposite King Street is in line with the re-zoning strategy of that part of the estate, extending the choice of casual all day dining and independent speciality retail. Agreement with Ponti's was reached post year end to terminate its lease in the north-east of the Market Building, allowing the introduction of two units of retail space as well as a new F&B concept. A new agreement to lease has just been signed with Links of London to take one of these units, replacing 46 per cent of the passing rent.

In late February 2011, Capco swapped its ownership of 1-3 Long Acre for 1a Henrietta Street for nil consideration, further consolidating the Group's ownership on the Piazza. This will allow Capco to improve the ground floor offer in line with its retail and F&B strategy across the estate, as well as providing the opportunity of residential conversion of the upper floors.

With Westminster City Council having resolved to grant planning and listed building consents on the Flower Cellars building, which has been empty for over three years, this will begin its transformation into the London home of internationally acclaimed restaurant Balthazar. This will be run by Caprice Holdings, owner of such top London restaurants as The Ivy and Scott's, and will be the only Balthazar outside of Manhattan. The remainder of the building is currently under offer to the London Film Museum. The space will be dedicated to a new cultural concept, a behind-the-scenes look at cinema, television and theatre, also providing educational and production facilities. Work is due to begin shortly on the site.

Capco has also identified the potential for conversion of over 75,000 square feet of existing office space into residential space. Work has begun on-site at 34 Henrietta Street, which overlooks the piazza and the gardens of St Paul's Church, adding two new floors and creating four large apartments designed to target the premium market when they are delivered in late 2011.

Key Figures

	2010	2009	% Change Like-for-Like
Market Value (£m)	640	549	+14%
Gross Income (£m)[1]	26.8	29.0	-7.6%
ERV (£m)	37.5	33.2	+12%
Equivalent Yield	5.1%	5.4%	
Footfall (rolling 12 month average (m))	46	45	
Weighted average lease length (years)	8.8	7.8	

[1] See Glossary for definition of gross income

	Sq Ft (k)	% Value	Gross Income
Retail	241	60%	50%
Food & Beverage	120	23%	28%
Cultural & Leisure	152	5%	5%
Offices	147	10%	16%
Residential	88	2%	1%
Other	6	–	–
	754	100%	100%

Top Tenants by Gross Income

Ranking[1]	Tenant Name
1.	Apple Retail UK Limited
2.	Channel 5 Broadcasting
3.	Maxwells Restaurant
4.	Monsoon Holdings
5.	Fred Perry Limited

[1] As of 2 March 2011

The Great Capital Partnership

The Great Capital Partnership is a 50/50 joint venture between Capco and Great Portland Estates plc. Its properties are situated in central London locations, with the largest concentration in the West End around Piccadilly, Regent Street and Park Crescent.

The Partnership offers a number of asset management, refurbishment and development opportunities within its West End focus, while delivering strong recurrent income and capital recycling opportunities in support of the Group's core strategy.

With all major decisions relating to the properties taken by The Great Capital Partnership Board, Capco shares in the strategic control of the estate, including policy on new lettings, investments, sales and financings.

In November, the Partnership announced a refocusing of the joint venture. This entailed the sale to Great Portland Estates of 24/25 Britton Street EC1, 12/14 New Fetter Lane/43 Fetter Lane EC4, Tasman House in Wells Street W1 and 183/190 Tottenham Court Road W1 for a combined price of £45 million (our share £22.5 million), which was broadly in line with September 2010 book values. These sales represent a continuation of the joint venture's strategy to focus on its core West End holdings on Piccadilly, Regent Street and Park Crescent. Other non-core Partnership properties may be sold to focus further on this core area.

In addition, Capco took on a residential and retail strategy advisory role allowing the joint venture to draw on its extensive skills alongside those of Great Portland Estates in working up various potential development opportunities across the business.

Capco has capital commitments of £1.2m in regard to the Partnership. This represents Capco's share of funding required to work up detailed development proposals for Walmar House. The Partnership will review the proposals before a decision is taken to proceed with any development.

Key figures

	2010	2009	% Change Like-for-Like
Market Value (£m)	260	247	+14%
Passing Rent (£m)	13.8	14.9	+2%
ERV (£m)	14.8	16.2	+4%
Equivalent Yield	5.1%	6.0%	
Weighted average lease length (years)	7.0	5.6	

	Sq Ft (k)	% Value	% Passing Rent
Retail	193	35%	33%
Offices	594	59%	64%
Residential	56	6%	2%
Other	6	–	1%
	849	100%	100%

Top Tenants by Passing Rent

Ranking[1]	Tenant Name
1.	VNU Business Publications Limited
2.	Aquascutum Limited
3.	Standard Chartered Bank
4.	Live Nation (Music) UK Ltd
5.	Secretary of State for the Environment

[1] As of 2 March 2011

Earls Court & Olympia

Earls Court & Olympia (EC&O) comprises three international exhibition venues, two at Earls Court (Earls Court 1 and Earls Court 2) and one at Olympia. Earls Court continues to be a leading exhibition and events venue for London, and in the longer term could become the gateway to a site designated in the Mayor of London's draft Replacement London Plan as 'The Earls Court & West Kensington Opportunity Area' (ECOA). The adjacent Empress State Building is also 50 per cent owned by the Group.

The Group is seeking to develop its exhibitions business by investing in the enhancement of the facilities at Olympia, and then maximising its utilisation by transitioning shows currently held at Earls Court. The land management strategy at Earls Court and Seagrave Road aims to unlock value through securing planning consent for a residential-led, mixed-use scheme.

Capco is considering its options for the site should planning consent be granted. A number of expressions of interest relating to the full site as well as discrete parts have been received to work in partnership with Capco, either with funding or development-based partners. Capco's options in this regard will be reviewed whilst the planning process is ongoing to determine how best to realise value for its shareholders. However the focus is currently on the planning process, in particular the submission of planning applications by June 2011.

EC&O Venues

EC&O Venues is the Group's conference, exhibition and events business currently based at both Earls Court and Olympia. The business also operates the Brewery, a conference and events venue in the City of London. Together they represent a combined total of 1.7 million square feet of conference, events and banqueting space in central London.

EC&O Venues earns the majority of its revenues from renting space to exhibition and conference organisers. Lettings are for six days on average, which includes set-up and take-down time as well as the event itself. A small proportion of the overall revenues (approximately ten per cent on average over the past three years) is earned during the show itself, for example from car parking, catering concessions and eForce (IT services).

A highlight of the Earls Court calendar is the Ideal Home Show, which this year was revitalised under new ownership and included the Earls Court 1 façade 'going green', covered in recyclable AstroTurf for a month. The show attracted more than 250,000 visitors. In addition, the British Military Tournament returned in December, a successful charity fundraiser for the Army Benevolent Fund which includes the famous and perilous 'Gun Run'. Earls Court hosted over 90 events in 2010, achieving a total utilisation of 40 per cent.

Olympia currently hosts more than 160 shows a year. Notable additions to the calendar in 2010 were The Toy Fair and the redesigned London International Fine Art & Antiques show. Successful new launches such as Cruise, Baby and Datacentre, together with popular concerts such as Primal Scream, all helped increase utilisation rates to more than 41 per cent, with the ground floor utilisation of the Olympia Grand Hall reaching 60 per cent.

EC&O Venues' business is seasonal, with 70 per cent of 2010 EBITDA earned in the first half of the year. Despite its resilience, it was impacted by the economic downturn which affected the industry globally. Turnover was £50.7 million (down 9.3 per cent) and EBITDA was £18.9 million (down 11 per cent) for the year (comprising net rental income of £22.6 million less related administration expenses of £3.7 million). As at 2 March 2011, 79 per cent of 2011 budgeted licence fees are contracted.

Olympia redevelopment

The Olympia venue is particularly competitive in the market for mid-sized space close to the West End of London. The average size of show in this sector is falling, with an estimated 80 per cent now requiring less than 100,000 square feet. Building on this strength, the Group is developing Olympia's potential to become the prime venue for both consumer and trade exhibitions and shows in central London.

The EC&O Venues team has closely engaged with its core clients to discuss their future business requirements and how this fits with the future of the Earls Court and Olympia venues. A detailed mapping exercise has been undertaken to determine the transition of the business from both venues to an enhanced Olympia facility. This analysis indicates that a 70 per cent utilisation rate at the new Olympia building format could be achieved, sustaining 65-75 per cent of the existing EBITDA of the business.

In October 2010, the London Borough of Hammersmith & Fulham (LBHF) resolved to grant planning and listed building consent to the redevelopment proposals at Olympia. The plans include reconfiguration of the West Hall, within the existing footprint, into a two-storey 90,000 square feet exhibition facility. This will be achieved by adding a floor and creating links to the Grand Hall and Olympia Two buildings. In addition, Olympia Two will be reconfigured to provide more efficient servicing arrangements and improved connectivity with the rest of the facility.

The proposals will improve the flexibility of the space at Olympia, which as a consequence will be capable of hosting a number of events simultaneously while enhancing one of the UK's best known venues. Construction of the West Hall started in February 2011, and the cost of these works is £18 million. Once completed, the goal will be to maximise the intensity of utilisation at Olympia, with the focus on the transition from Earls Court, as well as attracting new shows.

The Earls Court & West Kensington Opportunity Area

The Earls Court venue is perhaps the site with the greatest immediate potential in London for large-scale urban regeneration. Its central location surrounded by prime residential districts, together with its well-developed road, rail and Underground transport infrastructure, make it one of the leading sites in London where the opportunity for major development can be turned into a reality.

EC&O has been working closely with all respective public bodies associated with the project since Capco's initial acquisition in July 2007 in order to gain acceptance of the potential of the site as a major development opportunity area. The current strategy

is to take forward a planning application for the Earls Court & West Kensington Opportunity Area (ECOA) in summer 2011 based on a residential-led, mixed-use redevelopment. Should consent be granted, Capco would benefit from the change of use from the existing exhibition facilities, and the option to participate in the future of the scheme.

The ECOA occupies 80 acres and is made up of EC&O's Earls Court 1 and Earls Court 2 and adjacent land holdings covering 23 acres and the 7.5 acre Seagrave Road car park.It also includes the Empress State building, the Lillie Road Depot owned by Transport for London (TfL) that borders the A4 Cromwell Road, and the LBHF owned areas of the West Kensington and Gibbs Green housing estates. The Royal Borough of Kensington & Chelsea (RBKC) is closely involved in the area as the local planning authority, since Earls Court 1 falls within its boundaries.

It is anticipated that the site's designation as an Opportunity Area in the 2008 draft Replacement London Plan will be ratified on adoption of the Replacement London Plan later this year. Much has already been achieved at a local level supporting this policy framework with the adoption of the RBKC core strategy and the publication of the LBHF draft core strategy currently in consultation. The submission of a statement of common ground signed by both local authorities and Capco to the draft Replacement London Plan has provided further support for the designation.

Discussions with TfL regarding a regear of the Group's long leasehold interests on Earls Court 1 (expiring December 2041) and Earls Court 2 (expiring September 2115) continue, and agreement is expected during 2011. Discussions also continue with both landowners regarding the future development rights over the ECOA. A new Certificate of Immunity from Listing was secured in January 2011, valid for five years until 2016. This ensures that there is no risk of Earls Court being listed during this period.

The masterplan

In recognising that a comprehensive scheme covering all land ownerships involved within the ECOA would be better than taking the sites forward individually, EC&O, TfL and LBHF renewed their collaboration agreement as landowners in May 2010. To explore fully the opportunities afforded by the area, the landowners appointed Terry Farrell & Partners, led by Sir Terry Farrell, as the ECOA's masterplanner in May 2010. Their preliminary proposals were published in November 2010.

Sir Terry's vision is centred on a new high street which would become the spine connecting four urban villages. These villages would blend in with existing communities and act as natural 'centres of gravity' in the area. The idea supports the traditional urban complexion of London, creating developments that integrate with existing urban settings and become thriving, vibrant neighbourhoods in their own right. The plan currently envisages that 80 per cent of the site will be for residential use, set out in a modern interpretation of the London fabric of garden squares, residential streets and mansion blocks. By taking what they believe to be the best examples of London living, Sir Terry's team has achieved an exciting vision for the future of the area which is very much 'London Plus'.

The Farrell masterplan translates into more than 10 million square feet of development over the principal ECOA (excluding Seagrave Road and Empress State). This represents up to 7,500 homes, and over 2 million square feet of commercial and retail space, including a variety of leisure and cultural uses. The masterplan will form the basis for two outline parameter based applications: one relates to the ECOA land (excluding Seagrave Road) that lies within LBHF; the other relates to the land within RBKC, which is all owned by the Group. These applications will be submitted to the relevant planning authorities by June 2011.

The masterplan vision will need to accommodate a wide variety of aspirations and concerns if it is to reflect truly the way this part of London is to develop in the future, but Sir Terry's inclusive style and the way in which he has articulated his desire to recreate a series of urban London villages has already seen him win awards for the way he approaches such complex yet exciting opportunities.

Consultation

As one of the largest and most important developments in London, the plans for ECOA must carry with them the support of the local community. Numerous community exhibitions and meetings have been held during the consultation process.

Among the positive reactions to ECOA masterplan proposals, there have been concerns voiced by some residents of the West Kensington and Gibbs Green Estates. Capco is committed to working with all local residents and stakeholders, and with LBHF, to make the area work for everybody. The consultation website, myearlscourt.com, demonstrates this commitment to the widest public consultation so that all stakeholders can contribute to the project team's thinking and so influence Sir Terry's masterplan.

It is possible that LBHF or TfL may choose not to participate in the future of the masterplan, for example should Section 34A of the Housing Act 1985 result in LBHF being unable to secure vacant possession of its land interests. The masterplan has been designed such that each landowner's interest is individually implementable, although we believe that Sir Terry's vision for the full ECOA would bring substantial benefits to the entire area.

Seagrave Road

Seagrave Road is a 7.5 acre freehold site to the south of Earls Court. It is currently used for car parking and vehicle marshalling for events held at Earls Court. It has potential to be redeveloped into one of the largest residential schemes in West London in its own right.

Capco's ability to manage this site was restricted by a conditional sales contract inherited on the initial purchase of EC&O in 2007. In October 2010, Capco rescinded this contract and took back control of the site, as well as acquiring some adjacent properties on Roxby Place. A detailed planning application for 850,000 square feet of residential space will be submitted by the end of June 2011.

The site's potential for residential redevelopment has been recognised in the year-end valuation, with a significant rise of 39 per cent on a like-for-like basis to £104 million, representing £14 million per acre.

EC&O key figures

	2010 £m	2009 £m	% Change Like-for- Like	
Earls Court Olympia	138 97	134 99		Valued on an existing use basis reflecting their use as exhibitions venues. Accordingly no upside from any future development or planning permission is recognised
Seagrave Road	104	70		Currently a car park supporting Earls Court, valued as a site with the potential for residential consent
Other peripheral assets	39	37		A mixture of small assets and sites
Market Value	378	340	+4.2%	
EBITDA	18.9	21.3	-11.3%	

Top Exhibitions by Turnover

Ranking[1]	Exhibition
1.	Ideal Home Show
2.	The London Book Fair
3.	ICE Totally Gaming
4.	Future Build, Ecobuild
5.	BETT

[1] As of 2 March 2011

Empress State Building

Capco has a 50 per cent stake in this landmark office complex adjacent to Earls Court 2, comprising a main tower building arranged over 31 floors, a three-storey building fronting Lillie Road and a two-storey L-shaped building.

Extensively renovated and redeveloped in 2003, the entire building is let to the Metropolitan Police Authority on a 15 year lease expiring in June 2019. The lease is subject to annual RPI increases subject to a collar, with 3% being applied at the 2010 review. Capco's share of NRI for 2010 was £6.5m.

In the medium-term, opportunities to extend or review the existing lease will be considered or alternatively the property may be suitable for a residential conversion in line with the plans for the ECOA.

Empress State key figures

	2010	2009	% Change Like-for-Like
Market Value (£m)	103	94	+9%
Passing Rent (£m)	6.9	6.6	+5%
ERV (£m)	5.9	5.9	–
Equivalent Yield	6.2%	6.7%	

FINANCIAL REVIEW

Central London investment property continued to perform strongly during 2010. Like-for-like capital values of the Group's investment properties increased 10.8 per cent on the prior year due to ERV growth (particularly in the Covent Garden estate) and contraction of investment yields. Underlying net rental income from the investment properties remained robust. Given the Group's stated strategy this was broadly in line with expectations. The performance of Earls Court & Olympia proved resilient; even though EBITDA fell, this was a good performance in a weak macroeconomic environment.

Demerger

The Capital & Counties Properties PLC group ("the Group") demerged from its parent company, Liberty International PLC (subsequently renamed Capital Shopping Centres Group PLC), with effect from 7 May 2010. Capital & Counties Properties PLC has a premium listing on the Official List of the UKLA, and a secondary inward listing on the JSE Limited, with South African institutional shareholders given two years until May 2012 to realign their portfolios. Since demerger, the proportion of shares held on the UK register has risen from 54 per cent to circa 70 per cent.

Shares in Capital & Counties Properties PLC were admitted to dealings on the London and Johannesburg Stock Exchanges in May 2010.

Historic financial information & capital structure

Included within Appendix 4 and 5 are details setting out the basis of preparation of comparative information for 2009 presented within these consolidated financial statements, together with a reconciliation of the amounts reported with those which appeared within the Group's demerger documents.

Where it is more meaningful to do so, comparison has been made to 2009 pro forma financial information as disclosed in the demerger documents throughout this financial review.

Also contained within Appendix 4 are details outlining the Group's capital structure and demerger transactions.

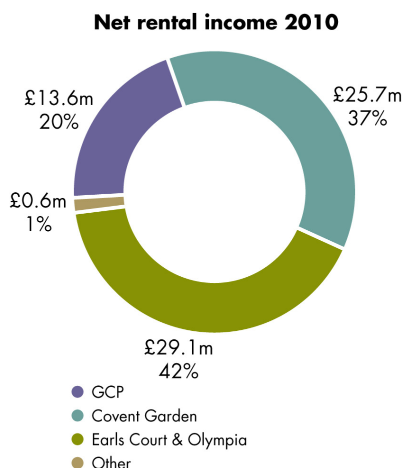
Underlying profit after tax and earnings per share

As recommended by EPRA, the Group has presented an underlying calculation of profit after tax and earnings per share figures in addition to the amounts reported under IFRS. These amounts exclude the effects of gains and losses associated with investment property valuations, fair value movements on financial derivatives and certain exceptional items. The Directors regard the presentation of underlying figures as providing useful information on the underlying performance of the business.

Summary consolidated income statement	**Actual 31 December 2010 £m**	Actual 31 December 2009 £m
Net rental income	**69.0**	78.1
Other income	**0.8**	1.5
Gain/(deficit) on revaluation and sale of investment and development property	**134.6**	(128.8)
Administration expenses	**(23.9)**	(14.5)
Net finance costs	**(46.3)**	(77.8)
Other items	**(1.7)**	(8.5)
Taxation	**(0.9)**	(1.1)
Loss attributable to non-controlling interests	–	19.6
IFRS profit/(loss) for the year attributable to owners of the Parent	**131.6**	(131.5)
Adjustments:		
(Gain)/deficit on revaluation and sale of investment and development property	**(134.6)**	128.8
Change in fair value of derivative financial instruments	**0.3**	(16.9)
Exceptional finance costs (see note 8)	**7.1**	47.2
Demerger costs	**5.3**	–
Other adjustments	**(1.4)**	(12.4)
Taxation on non-underlying items	**3.2**	1.0
Underlying profit before tax after non-controlling interests	**11.5**	16.2
Underlying profit after tax and non-controlling interests	**9.2**	15.2
Underlying earnings per share (pence)	**1.5**	2.4

Underlying profit after tax and non-controlling interests fell by 39 per cent from £15.2 million to £9.2 million and underlying earnings per share fell to 1.5 pence.

Net rental income
The Group's net rental income reduced to £69.0 million, a fall of 6.1 per cent on a like-for-like basis as explained below.



Net rental income for Covent Garden totalled £25.7 million, a fall of 3.4 per cent or £0.9 million on the prior year. This was due primarily to our proactive tenant management strategy which resulted in a higher level of temporary voids as well as the absence of surrender premiums received during 2009.

The Great Capital Partnership generated net rental income of £13.6 million (Capco share), an increase of 2.4 per cent on a like-for-like basis. In November 2010 we announced our intention to refocus the partnership which resulted in the disposal of four non-core properties. This together with disposals during 2009 decreased net rental income for the year by £0.6 million. This was partly offset by new lettings and lower service charge voids, resulting in net rental income from the partnership falling by £0.2 million (1.4 per cent overall).

Earls Court & Olympia, which includes the Group's interest in the Empress State Building, fell by 11.6 per cent on a like-for-like basis to £29.1 million. Although this reflects the anticipated slowdown in exhibition income, the performance illustrated a degree of resilience against both budget and forecast income. Of the overall reduction in net rental income of £7.7 million, £3.9 million can be attributed to the deconsolidation of Empress State (as explained below within non-controlling interests).

The Group's net rental income for the year included £2.3 million relating to lease incentives.

The reduction in other net rental income is primarily due to the sale of Victoria House, Cambridge which completed in August 2010.

Property valuation
Property valuation gains of £134.6 million (2009 - loss of £128.8 million) include unrealised gains of £133.3 million and realised gains of £1.3 million.

Although the yield compression that started in the second half of 2009 continued to be a feature during 2010, increased ERV became a more prominent factor in the second half of the year, reflecting the Group's strategy of targeting rental growth from its asset plans.

The Group's trading properties were impaired by £0.1 million (2009 - £0.1 million) where the fair value was determined to be less than original cost. In aggregate however the Group's trading property portfolio has an unrealised valuation surplus of £1.1 million at 31 December 2010 which has not been recognised in the financial statements.

Administration expenses
Underlying administration expenses increased by £4.1 million to £18.6 million mostly due to increased headcount and establishment costs as a result of becoming a standalone business. This was partially offset by a £1.4 million reduction at Earls Court & Olympia, the result of headcount reductions made during 2009; and a reduction in management fees payable in respect of the Group's investments in China with the focus shifting towards profit taking and divestment. Transitional services provided by the Capital Shopping Centres Group have been recharged on an arms-length basis since demerger and are expected to be terminated during the first half of 2011.

Exceptional costs directly attributable to the demerger total £5.3 million and have been excluded from the calculation of underlying earnings.

Net finance costs
Excluding the change in fair value of derivatives and one-off costs incurred on the termination of interest rate swaps, underlying net finance costs totalled £38.9 million, a decrease of £8.6 million on the prior year. This reduction reflects decreased average debt following a number of prepayments made in both the second half of 2009 and during the first half of 2010.

Taxation
Pre-demerger the Group benefited from the tax savings provided by Liberty International's REIT status. Following demerger, the Directors believed that the business would have greater operating flexibility as a listed non-REIT property company, hence since 7 May 2010, the Group is subject to UK corporation tax and will pay ordinary dividends with no requirement to withhold tax at source when paying a dividend. As at 31 December 2010, the outstanding REIT liability due in respect of subsidiaries formerly

within Liberty International's REIT business was £0.1 million, which was paid in January 2011.

The net tax charge for the year ended 31 December 2010 was £0.9 million, lower than would be expected because of capital allowances and certain exceptional items. The effective rate of tax on underlying recurring profit is expected to be approximately 25 per cent.

Non-controlling interests
As outlined in Note 16, the accounting treatment for the Group's 50 per cent interest in The Empress State Limited Partnership changed from full to proportional consolidation in August 2009. This resulted in a deemed disposal of £94 million of investment property, reduced the Group's gross debt by £78 million and accounts for a £3.9 million reduction in net rental income for the year.

Derivative valuation
The majority of the Group's banking facilities have been arranged on a floating-rate basis, but swapped to fixed-rate using interest rate swap contracts with the same term as the relevant debt facility, in line with the Group's policy to eliminate the short and medium-term risk arising on interest rate volatility. At 31 December 2010, the proportion of gross debt with interest rate protection stood at 95 per cent.

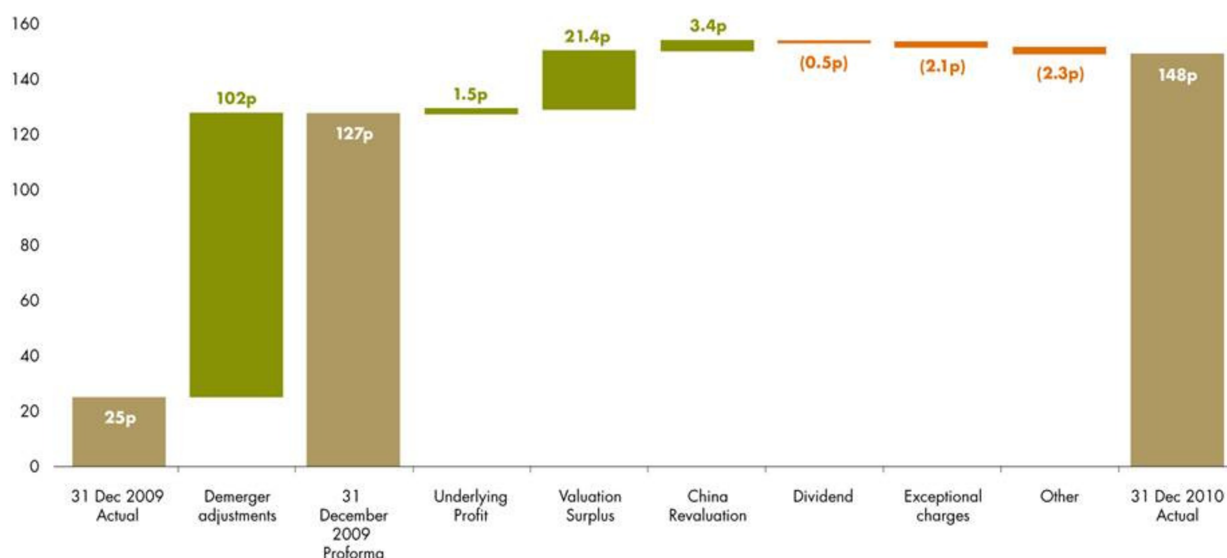
During 2010 short-term rates marginally increased whilst longer-term rates reduced. This led to an income statement charge of £0.3 million for the year in addition to termination payments referred to below.

Exceptional items
Within net financing costs, exceptional finance charges of £7.1 million were recorded in relation to the termination of interest rate swaps arising principally from debt prepayment on demerger. Demerger-related administration costs of £5.3 million are treated as exceptional as are other items totalling £0.9 million.

Financial position
As detailed in the table below, EPRA adjusted net assets have increased, on a pro forma basis, by £135 million or 21 pence per share to £925.9 million since 31 December 2009.

Summary consolidated balance sheet	**Actual 31 December 2010 £m**	Actual 31 December 2009 £m	Pro forma 31 December 2009 £m
Investment and development property	**1,377.6**	1,240.5	1,240.5
Investments	**66.3**	46.0	46.0
Net debt	**(476.1)**	(707.1)	(463.1)
Other assets and liabilities	**(84.4)**	(486.7)	(92.5)
Net assets	**883.4**	92.7	730.9
Fair value of derivative financial instruments (net of recognised deferred tax)	**41.4**	53.3	53.3
Other adjustments (see note 14)	**1.1**	7.0	7.0
EPRA adjusted net assets	**925.9**	153.0	791.2
EPRA adjusted, diluted net assets per share (pence)	**148**	25	127

EPRA adjusted, diluted net assets per share
EPRA adjusted, diluted NAV per share at 31 December 2010 was 148 pence, compared to 127 pence as calculated on a pro forma basis at 31 December 2009. The increase from 31 December 2009 is largely the result of property valuation movements as illustrated below:



Capital expenditure and divestment
The demerger has allowed the Group to focus attention on achieving its strategic plans with over £30 million being invested in capital expenditure in 2010, £25 million of which was spent in the second half of the year.

Capital expenditure on investment and development property	31 December 2010 £m	31 December 2009 £m
Acquisitions	**10**	6
Redevelopment expenditure	**21**	32
Total capital expenditure	**31**	38
Less: Sale proceeds	**(27)**	(150)
Net capital expenditure / (divestment)	**4**	(112)

As announced in November 2010, the Group, together with its joint venture partner, refocused The Great Capital Partnership. This resulted in the disposal of four non-core properties and accords with the Group's strategy of targeting West End and West London investment.

Future commitments in respect of investment and development property amount to £45 million (2009 - £18 million). These commitments will be funded by the Group's cash and available facilities.

Illustrated below, capital expenditure primarily relates to improving the tenant quality of the Group's Covent Garden estate together with redevelopment of the Olympia Exhibition Centre and the planning process for the ECOA.

	Spend to date Year ended 31 December 2010 £m	Committed As at 31 December 2010 £m
Covent Garden	8	25
Earls Court	19	-
Olympia	3	18
GCP	1	1
Other	–	1
	31	45

China
Our investment in China (held as 'available for sale investments'), via two investment funds managed by Harvest Capital Partners, has performed strongly in 2010 as the focus moves toward realisations. One asset, Caiyun Lake, was sold in late 2010, with a distribution of £4.8 million received in February 2011. Two major assets were contracted for sale in 2010 at a significant premium to previous book values and are expected to complete during 2011. These activities have increased the value of our investment to £66 million (2009 - £46.0 million), an increase of 44.1 per cent.

Borrowings
The Group's total borrowings of £665 million are arranged on an asset-specific basis, with limited or no recourse to the Group. This structure permits the Group a greater degree of financial flexibility in dealing with individual property issues compared to a financing structure based on a single Group-wide borrowing facility.

During the year ended 31 December 2010, the Group made partial asset-specific loan prepayments of £56 million, of which £36 million was prepaid on facilities secured against Covent Garden and £20 million on facilities secured over Earls Court & Olympia as well as the repayment on maturity of a smaller facility. The associated swap termination costs totalled £7.1 million.

Net debt reduced from £707 million at 31 December 2009 to £476 million at 31 December 2010, a decrease of £231 million, with the cash allocation received from Liberty International prior to demerger largely explaining this reduction.

A loan-to-value ratio of 35 per cent is slightly lower than the 37 per cent at 31 December 2009 (calculated on a pro forma basis), with the marginally higher debt level being compensated by the revaluation surplus on the value of the Group's property assets. The ratio is comfortably within the Group's LTV target of less than 45 per cent.

At 31 December 2010 the Group had cash and available facilities of £193 million and is in compliance with all of its asset specific loan covenants.

Group debt ratios were as follows:

	Actual 31 December 2010	Actual 31 December 2009	Pro forma 31 December 2009
Loan-to-value	**35%**	57%	37%
Interest cover	**130%**	137%	126%
Weighted average debt maturity	**3 years**	4 years	4 years
Weighted average cost of debt	**5.9%**	5.8%	5.8%
Proportion of gross debt with interest rate protection	**95%**	95%	95%

At 31 December 2010, the Group's average debt maturity was three years. The first significant maturity of secured debt is the Earls Court & Olympia facility which was due to mature in February 2012. In February 2011 the Group agreed a 12 month extension to this facility. As part of this agreement, prepayment of £20 million was made, reducing the Group's gross debt.

A detailed breakdown of the Group's debt maturity is shown in note 18 of the consolidated financial statements.

Financial covenants apply to £653 million of asset specific debt. The two main covenants are Loan-to-value ("LTV") and Interest Cover ("IC"). The actual requirements vary and are specific to each loan. At 31 December 2010 £129 million of non-recourse loans had no LTV requirement.

Compliance with financial covenants is and will continue to be closely monitored.

Full details of the loan financial covenants are shown within Appendix 2.

Derivatives

The fair value provision for financial derivatives (interest rate swaps) increased during the year on a like-for-like basis due to the fall in longer-term rates during the year. The resulting balance sheet provision, net of deferred taxes, of £41 million is added back to arrive at adjusted net assets.

Cash flow

The cash flow summary below shows a net cash inflow of £163 million for the year to 31 December 2010. When adjusted for the cash allocation from Liberty International of £244 million, an outflow of £81 million can be attributed to financing cashflows, principally debt prepaid and repaid during the period of £68 million.

Summary consolidated cash flow summary	**31 December 2010 £m**	31 December 2009 £m
Underlying operating cash generated	**51.8**	65.9
Net finance charges paid	**(40.1)**	(69.1)
Net movements in working capital	**(9.2)**	15.5
Recurring underlying cashflow from operations	**2.5**	12.3
Property development / investments	**(26.8)**	(32.2)
Sale proceeds of property / investments	**28.6**	130.2
Demerger costs	**(4.0)**	-
Purchase of non-controlling interests	–	(25.0)
Other	–	(4.6)
REIT entry charge and other tax	**(2.6)**	(2.7)
Cash flow before financing	**(2.3)**	78.0
Financing	**172.9**	(69.7)
Termination of interest rate swaps	**(7.4)**	(5.5)
Net cash flow	**163.2**	2.8

The adverse movement in recurring underlying cash flows is the result of falling net rental income together with higher recurring administration expenses, both of which have been discussed above. Net finance charges paid have fallen due to the significant debt prepayments during the year. A reduction in creditor balances (net of accruals) and increased tenant incentives reflecting higher levels of activity have driven the movement in working capital. Recurring underlying cashflows are expected to continue to be sufficient to meet operational cash requirements.

Cash applied to the development of property and investments during the year can principally be attributed to ongoing planning activity at Earls Court & Olympia of £16 million and completed property acquisitions of £6 million. REIT entry charges of £3.6 million were paid.

Proceeds generated from the sale of five properties totalled £28 million, principally from the sale of non-core properties from The Great Capital Partnership.

Financial strategy
The Group's policy is to optimise the weighted average cost of capital by using an appropriate mix of debt and equity. The Group's financial structure is monitored with reference to guidelines approved by the Board.

The Group operates a formal treasury policy covering all aspects of treasury activity including funding, counterparty exposure limits, management of interest rate risk, currency and liquidity risks. The Board receives regular reports on compliance with these policies, which are reviewed by the Board on an annual basis.

Dividend policy
It remains the Company's intention to grow the dividend as the success of our asset plans is reflected in underlying profitability, taking into account the level of any future commitments.

The Board has proposed a final dividend of 1 pence per share to be paid on Thursday 19 May 2011 to shareholders on the register on Friday 15 April 2011.The total dividend for the year amounts to 1.5 pence per share.

PRINCIPAL RISKS AND UNCERTAINTIES

Effective risk management is integral to delivering Capco's strategic priorities.

The Board has overall responsibility for Group risk management. It reviews principal risks and uncertainties regularly, together with actions taken to mitigate them. The Board has delegated responsibility for assurance of the risk management process and the review of mitigating controls to the Audit Committee.

The review begins with an assessment of over 90 risk factors raised by each business unit and each corporate function. Risks are considered in terms of their impact and likelihood from both a financial and reputational perspective. Risks are assessed both gross and net of mitigating controls. This allows the Audit Committee to monitor the most important controls and prioritise risk management and internal audit activities accordingly.

Detailed risk registers are reviewed twice a year and upon any material change to the business with a full risk review undertaken annually. The register is reviewed in detail by the Audit Committee annually, with new or emerging risks considered by the Committee as appropriate.

The principal risks and uncertainties facing the Group are set out below:

1. Development Risks

Impact: Inability to deliver against development plans, particularly regarding ECOA

Risk	Mitigation factors	Further information
Unable to secure planning consent due to political, legislative or other risks inherent in the planning environment. Inability to gain the support of influential stakeholders.	Pre application consultation and involvement with key stakeholders and landowners. Engagement with relevant authorities at a local and national level to ensure development proposals are in accordance with current and emerging policy. Project team of internal staff and external consultants with capabilities across all relevant areas. Technical studies with regular review. Responsive consultation with evidence based information and focus on agreed statements of common ground.	Business review
Inability to attract appropriate resource or skills to execute plan.	Flexibility in planning and ensuring correct resource availability in place.	
Failure to demonstrate viable development due to environmental, transportation and affordable housing impact or other technical factors. Punitive cost, design or other implications. Inability to reach agreement with adjacent landowners (including risk of Section 34A of the Housing Act 1985 in relation to LBHF land in ECOA).	Extensive design and technical work undertaken along with informed market valuation. Use of maximum price contracts to manage contractor costs. ECOA masterplan design allows the development of each landowner's site individually.	Business review

2. Economic Risks

Impact: Economic factors may threaten the Group's ability to meet its strategic objectives

Risk	Mitigation factors	Further information
Rents decline as a result of lower demand from occupiers due to deteriorating profitability and confidence during a period of economic uncertainty.	Focus on quality tenants with initial assessment of credit risk and active credit control. Diversity of occupier mix with limited exposure to any single tenant.	Financial Review
Decline in UK commercial or residential real estate market.	Focus on prime assets. Regular assessment of investment market conditions including bi-annual external valuations.	Appendix 1 Financial Review
Restricted availability of credit and higher tax rates may lead to reduced consumer spending and higher levels of business failure.	Regular monitoring of covenants with headroom maintained.	Appendix 2

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

3. Concentration of Investments

Impact: Heightened exposure to events that threaten Central London

Risk	Mitigation factors	Further information
Events which damage or diminish London's status as a global financial, business and tourist centre could affect the Group's ability to let vacant space, reduce the value of the Group's properties and potentially disrupt access or operations at the Group's head office.	Terrorist insurance in place. Security and health & safety policies and procedures in offices. Close liaison with police & NATSCO. Disaster recovery and business continuity planning. Active involvement in organisations and industry bodies promoting London.	Corporate responsibility

4. Corporate Risks

Impact: The Group's ability to maintain its reputation, revenue and value could be damaged by corporate risks

Risk	Mitigation factors	Further information
Responding to regulatory, reputation, legislative and corporate governance challenges as an independent company post demerger.	Appointment of experienced individuals with clear responsibility and accountability. Sound governance and internal policies with appropriately skilled executive and Non-executive Directors.	Corporate governance
Non-REIT status brings heightened tax exposure and a potential competitive disadvantage when bidding for new assets.	Appropriate due diligence and consultation.	Financial review
Risk associated with attracting and retaining staff.	Succession planning, performance evaluations, training & development, long term incentive rewards.	
Failure to comply with health and safety or other statutory regulations or notices.	Comprehensive health and safety procedures in place across the Group and monitored regularly. External consultants undertake annual audits in all locations. Safe working practices well established, including staff communication and training.	Corporate responsibility

5. Financing Risks

Impact: Reduced or limited availability of debt or equity finance may threaten the Group's ability to meet its financial commitments or objectives and potentially to operate as a going concern

Risk	Mitigation factors	Further information
Decline in market conditions or a general rise in interest rates could impact the availability and cost of debt financing.	Maintain appropriate liquidity to cover commitments. Target longer and staggered debt maturities to avoid refinancing concentration and consideration of early refinancing. Derivative contracts to provide interest rate protection.	Financial review
Covenants breached.	Regular monitoring of covenants with headroom maintained	Financial review Appendix 2
Reduced availability of equity capital.	Maintain appropriate liquidity to cover commitments. Target conservative overall leverage levels.	Financial review

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities
The statement of Directors' responsibilities has been prepared in relation to the Group's full Annual Report for the year ended 31 December 2010. Certain parts of the Annual Report are not included within this announcement.

We confirm to the best of our knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

- the Business and Financial Review includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board on 2 March 2011

I. D. Hawksworth
Chief Executive

S. Das
Finance Director

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	Notes	**2010 £m**	2009 £m
Revenue	2	**113.7**	127.7
Rental income		**113.6**	126.4
Rental expenses		**(44.6)**	(48.3)
Net rental income	2	**69.0**	78.1
Other income	3	**0.8**	1.5
Gain/(deficit) on revaluation and sale of investment and development property	4	**134.6**	(128.8)
Profit on sale of available for sale investments	5	**–**	3.6
Write down of trading property		**(0.1)**	(0.1)
Impairment of other receivables	6	**(1.6)**	(12.0)
		202.7	(57.7)
Administration expenses			
Ongoing expenses		**(18.6)**	(14.5)
Demerger costs	7	**(5.3)**	–
Operating profit/(loss)		**178.8**	(72.2)
Finance costs	8	**(40.3)**	(50.1)
Finance income		**1.4**	2.6
Other finance costs	8	**(7.1)**	(47.2)
Change in fair value of derivative financial instruments		**(0.3)**	16.9
Net finance costs		**(46.3)**	(77.8)
Profit/(loss) before tax		**132.5**	(150.0)
Current tax		**(1.2)**	(1.3)
Deferred tax		**0.4**	(0.1)
REIT entry charge		**(0.1)**	0.3
Taxation	9	**(0.9)**	(1.1)
Profit/(loss) for the year		**131.6**	(151.1)
Profit/(loss) attributable to:			
Owners of the Parent		**131.6**	(131.5)
Non-controlling interests		–	(19.6)
Earnings/(loss) per share from continuing operations			
Basic earnings/(loss) per share	11	**21.2p**	(21.1)p
Diluted earnings/(loss) per share	11	**21.2p**	(21.1)p
Weighted average number of shares		**621.9m**	621.9m

Adjusted earnings per share are shown in Note 11.

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Profit/(loss) for the year		**131.6**	(151.1)
Other comprehensive income/(expense)			
Actuarial gain/(loss) on defined benefit pension schemes attributable to owners		**1.4**	(0.3)
Profit/(loss) on revaluation of available for sale investments and other movements		**21.5**	(5.2)
Tax on items taken directly to equity	20	**(0.4)**	0.1
Net loss recognised in equity due to non-controlling interests		**–**	(0.2)
Other comprehensive income/(expense) for the year, net of tax		**22.5**	(5.6)
Total comprehensive income/(expense) for the year		**154.1**	(156.7)
Attributable to:			
Owners of the Parent		**154.1**	(136.9)
Non-controlling interests		**–**	(19.8)
Total comprehensive income/(expense) for the year		**154.1**	(156.7)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET
As at 31 December 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Investment and development property	12	**1,377.6**	1,240.5
Plant and equipment		**1.0**	1.0
Available for sale investments		**66.3**	46.0
Trade and other receivables	13	**12.4**	14.5
		1,457.3	1,302.0
Current assets			
Trading property	14	**0.3**	0.3
Tax assets		**–**	1.3
Trade and other receivables	13	**26.8**	20.8
Cash and cash equivalents	15	**188.5**	19.3
		215.6	41.7
Total assets		**1,672.9**	1,343.7
Non-current liabilities			
Borrowings, including finance leases	18	**(651.5)**	(655.4)
Derivative financial instruments	19	**(53.9)**	(56.2)
Pension deficit		**(2.0)**	(3.4)
Deferred tax provision		**–**	–
Other provisions	21	**(3.3)**	(4.0)
Other payables		**–**	(0.9)
		(710.7)	(719.9)
Current liabilities			
Borrowings, including finance leases	18	**(13.1)**	(71.0)
Trade and other payables	17	**(65.0)**	(460.1)
Tax liabilities		**(0.7)**	–
		(78.8)	(531.1)
Total liabilities		**(789.5)**	(1,251.0)
Net assets		**883.4**	92.7
Equity			
Share capital	22	**155.4**	497.5
Other components of equity		**728.0**	(404.8)
Capital and reserves attributable to owners of the Parent		**883.4**	92.7
Non-controlling interests		**–**	–
Total equity		**883.4**	92.7

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

	2010							
	Attributable to owners of the Parent							
	Share capital £m	**Share premium £m**	**Merger reserve £m**	**Revaluation reserve £m**	**Capital contribution £m**	**Other reserves £m**	**Retained Earnings £m**	**Total Equity £m**
Balance at 1 January 2010	**497.5**	**89.1**	**87.6**	**15.7**	**–**	**–**	**(597.2)**	**92.7**
Profit for the year	–	–	–	–	–	–	**131.6**	**131.6**
Other comprehensive income:								
Fair value gains on available for sale investments	–	–	–	**21.5**	–	–	–	**21.5**
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	–	**1.4**	**1.4**
Tax on items taken to equity	–	–	–	–	–	–	**(0.4)**	**(0.4)**
Total comprehensive income for the year ended 31 December 2010	–	–	–	**21.5**	–	–	**132.6**	**154.1**
Transactions with owners								
Capital reduction	**(342.0)**	–	–	–	–	–	**342.0**	–
Capital reorganisation and pro forma restatement (1)	–	–	**53.8**	**(4.2)**	**696.7**	–	**(107.0)**	**639.3**
Capital contribution realised	–	–	–	–	**(696.7)**	–	**696.7**	–
Share redemption	**(0.1)**	–	–	–	–	–	–	**(0.1)**
Fair value of share-based payments	–	–	–	–	–	**0.5**	–	**0.5**
Dividends paid	–	–	–	–	–	–	**(3.1)**	**(3.1)**
Total transactions with owners	**(342.1)**	**–**	**53.8**	**(4.2)**	**–**	**0.5**	**928.6**	**636.6**
Balance at 31 December 2010	**155.4**	**89.1**	**141.4**	**33.0**	**–**	**0.5**	**464.0**	**883.4**

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

1 On demerger from Liberty International a number of reserves were realised and pro forma adjustments (made in the comparative periods to reflect the application of merger accounting principles) reversed. Debt waivers granted to the Group by Liberty International were reflected as a capital contribution reserve prior to being realised in retained earnings.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

	2009							
	Attributable to owners of the Parent							
	Share capital £m	Share premium £m	Merger reserve £m	Revaluation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2009	497.5	89.1	87.6	20.9	(431.2)	263.9	27.8	291.7
Loss for the year	–	–	–	–	(131.5)	(131.5)	(19.6)	(151.1)
Other comprehensive income:								
Fair value losses on available for sale investments and other movements	–	–	–	(5.2)	–	(5.2)	–	(5.2)
Actuarial loss on defined benefit pension schemes	–	–	–	–	(0.3)	(0.3)	(0.3)	(0.6)
Tax on items taken directly to equity	–	–	–	–	0.1	0.1	0.1	0.2
Total comprehensive expense for the year ended 31 December 2009	–	–	–	(5.2)	(131.7)	(136.9)	(19.8)	(156.7)
Changes in ownership interest								
Loss of deemed control of former subsidiary	–	–	–	–	–	–	(8.0)	(8.0)
Purchase of non-controlling interests	–	–	–	–	(34.3)	(34.3)	–	(34.3)
Total transactions with owners	–	–	–	–	(34.3)	(34.3)	(8.0)	(42.3)
Balance at 31 December 2009	497.5	89.1	87.6	15.7	(597.2)	92.7	–	92.7

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2010

	Note	**2010 £m**	2009 £m
Cash generated from operations	25	**38.6**	81.4
Interest paid		**(41.4)**	(71.0)
Interest received		**1.3**	1.9
Taxation		**1.0**	–
Cash flows from operating activities		**(0.5)**	12.3
Cash flows from investing activities			
Purchase and development of property		**(26.8)**	(32.2)
Sale of property		**28.1**	118.8
REIT entry charge paid		**(3.6)**	(2.7)
Purchase of non-current asset investments		**–**	(0.9)
Sale of available for sale investments		**0.5**	11.4
Loss of deemed control of former subsidiary		**–**	(3.7)
Purchase of non-controlling interests		**–**	(25.0)
Cash flows from investing activities		**(1.8)**	65.7
Cash flows from financing activities			
Issue of redeemable shares		**0.1**	–
Redemption of redeemable shares		**(0.1)**	–
Cash transferred to restricted accounts		**(6.0)**	–
Borrowings drawn		**6.0**	–
Borrowings repaid		**(68.0)**	(69.7)
Funding from Liberty International		**244.0**	–
Termination of swaps		**(7.4)**	(5.5)
Equity dividends paid		**(3.1)**	–
Cash flows from financing activities		**165.5**	(75.2)
Net increase in unrestricted cash		**163.2**	2.8
Unrestricted cash at 1 January		**19.3**	16.5
Unrestricted cash at 31 December		**182.5**	19.3

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES

1. Principal accounting policies

General information

The Capital & Counties Properties PLC Group demerged from its parent company, Liberty International PLC (subsequently renamed Capital Shopping Centres Group PLC), with effect from 7 May 2010. Shares in Capital & Counties Properties PLC were admitted to dealings on the London and Johannesburg Stock Exchanges in May 2010. The Group's assets principally comprise investment properties at Covent Garden; Earls Court & Olympia; a 50 per cent interest in the Empress State building; and a 50 per cent interest in The Great Capital Partnership, a joint venture focused predominantly on London's West End.

Basis of preparation

The financial information does not constitute the Group's statutory accounts for either the year ended 31 December 2010 or the year ended 31 December 2009, but is derived from those accounts. The Group's statutory accounts for 2010 will be delivered to the Registrar of Companies following the Company's annual general meeting. The auditors' report on the 2010 accounts was not qualified or modified; did not draw attention to any matters by way of an emphasis of matter; and did not contain any statement under Section 498 of the Companies Act 2006

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of properties, available for sale investments and financial assets held for trading.

Standards and guidelines relevant to the Group that were in issue and endorsed at the date of approval of the consolidated financial statements but not yet effective and have not been adopted early:

IAS 24 'Related Party Disclosures' (revised)
IAS 32 'Financial Instruments: Presentation' (amendment)
IFRS 1 'First-time Adoption of International Financial Reporting Standards' (amendment)
IFRIC 14 'Prepayments of a Minimum Funding Requirement' (amendment)
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

The assessment of new standards, amendments and interpretations issued but not effective, are not anticipated to have a material impact on the financial statements.

During 2010, the following accounting standards and guidance were adopted by the Group:
IAS 1 'Presentation of Financial Statements' (amendment)
IAS 27 'Consolidated and Separate Financial Statements' (revised)
IAS 39 'Financial Instruments: Recognition and Measurement; Eligible Hedged Items'
IFRS 1 'First-time Adoption of International Financial Reporting Standards' (revised)
IFRS 2 'Share-based Payment' (revised)
IFRS 3 'Business Combinations' (revised)
IFRIC 12 'Service Concession Arrangements'
IFRIC 15 'Agreements for Construction of Real Estates'
IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'
IFRIC 17 'Distribution of Non-cash Assets to Owners'
IFRIC 18 'Transfer of Assets from Customers'

Collectively, together with the International Accounting Standards Board's annual improvements, these pronouncements either had no impact on the consolidated financial statements or resulted in changes to presentation and disclosure only.

Group reorganisation

All Capital & Counties Properties PLC group companies which were owned and controlled by Liberty International PLC prior to the demerger were transferred under the new ultimate Parent Company, Capital & Counties Properties PLC, prior to 7 May 2010. The introduction of this new ultimate holding company constitutes a group reconstruction.

The transaction falls outside the scope of IFRS 3 'Business Combinations'. Accordingly, following the guidance regarding the selection of an appropriate accounting policy provided in IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the transaction has been accounted for in these financial statements using the principles of merger accounting with reference to UK Generally Accepted Accounting Practice (UK GAAP). This policy, which does not conflict with IFRS, reflects the economic substance of the transaction.

Therefore, although the Group reconstruction did not become unconditional until 7 May 2010, these financial statements are presented as if the Group structure has always been in place. For further details on the demerger refer to Appendix 4.

Going concern basis

The Directors are satisfied that the Group has the resources to continue in operational existence for the foreseeable future, for this reason the consolidated financial statements are prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements are prepared in British pounds sterling which is determined to be the functional currency of the Parent.

1. Principal accounting policies (continued)

Subsidiaries
Subsidiary undertakings are fully consolidated from the date on which the Group is deemed to govern the financial and operating policies of an entity, whether through a majority of the voting rights or otherwise. They cease to be consolidated from the date this control is lost.

All intra Group balances resulting from intra Group transactions are eliminated in full.

Any proportion of a subsidiary's income statement and net assets not held by the Group are presented separately as non-controlling interests within these consolidated financial statements.

Joint ventures
The Group's interest in jointly controlled entities is accounted for using proportional consolidation. The Group's share of the assets, liabilities, income and expenses are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Investments in subsidiaries and joint ventures are reviewed at least annually for impairment. Where there exists an indication of impairment an assessment of the recoverable amount is performed. The recoverable amount is based on the higher of the investment's continued value in use or its fair value less cost to sell; fair value is derived from the entities' net asset value at the balance sheet date.

Estimation & uncertainty
The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The most significant area of estimation and uncertainty in the consolidated set of financial statements is in respect of the valuation of the property portfolio and investments, where external valuations are obtained. Other areas of estimation and uncertainty are included within the accounting policies below, the more significant being:

Revenue recognition
Share-based payments
Provisions
Pensions
Contingent liabilities and capital commitments
Income tax
Trade and other receivables
Derivative financial instruments

Operating segments
Management has determined the operating segments with reference to reports on divisional financial performance and position which are regularly reviewed by the Chief Executive, who is deemed to be the chief operating decision maker.

Foreign currencies
Transactions in currencies other than the Company's functional currency are recorded at the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from settlement of these transactions and from retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except for differences arising on the retranslation of available for sale investments which are recognised in other comprehensive income.

Revenue recognition
Property rental income and exhibition income consists of gross income calculated on an accruals basis, together with services where the Group acts as principal in the ordinary course of business, excluding sales of investment properties. Rental income receivable is spread evenly over the period from lease commencement to lease expiry.

Lease incentive payments, including surrender premiums paid which enhance rental income, are amortised on a straight-line basis over the lease term. Upon receipt of a surrender premium for the early termination of a lease, the profit and non- recoverable outgoings relating to the lease concerned are immediately reflected in income.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, for example increases arising on rent reviews, are recorded as income in the periods in which they are earned.

Rent reviews are recognised as income, based on management's estimates, when it is reasonable to assume they will be received. Estimates are derived from knowledge of market rents for comparable properties determined on an individual property basis and updated for progress of negotiations.

Where revenue is obtained by the sale of properties, it is recognised when the significant risks and returns have been transferred to the buyer. This will normally take place on exchange of contracts unless there are conditions attached. For conditional exchanges, sales are recognised when these conditions are satisfied.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

Dividend income is recognised when the relevant Group company's right to receive payment has been established.

NOTES (continued)

1. Principal accounting policies (continued)

Exceptional items
Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. These are excluded from the calculation of underlying earnings.

Income taxes
Current tax is the amount payable on the taxable income for the year and any adjustment in respect of prior years. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used in computation of taxable profit, with the exception of deferred tax on revaluation surpluses where the tax basis used is the accounts' historic cost.

Income taxes (continued)
Temporary differences are not provided on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that management believe it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset only when they relate to taxes levied by the same authority and the Group intends to settle them on a net basis.

Tax is included in the income statement except when it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is also recognised in other comprehensive income or directly in equity.

Share-based payments
The cost of granting share options and other share-based remuneration to employees and Directors is recognised through the income statement with reference to the fair value of the instruments at the date of grant. The income statement is charged over the vesting period of the options.

An option pricing model is used applying assumptions around expected yields, forfeiture rates, exercise price and volatility.

Own shares held in connection with employee share plans and other share-based payment arrangements are treated as treasury shares and deducted from equity.

Impairment of financial assets
An annual review is conducted for financial assets to determine whether there is any evidence of a loss event as described by IAS 39. Where there is objective evidence of impairment the amount of any loss is calculated by estimating future cash flows or by using fair value where this is available through observable market prices.

Investment and development property
Investment and development properties are owned or leased by the Group and held for long term rental income and capital appreciation and exclude properties occupied by the Group.

The Group has chosen to use the fair value model. Properties are initially recognised at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value. The valuation is based upon assumptions including market rent or business profitability, future growth, anticipated maintenance costs, development costs and an appropriate discount rate where possible applying yields based on known transactions for similar properties and likely incentives offered to tenants. These assumptions conform with Royal Institution of Chartered Surveyors ("RICS") valuation standards.

Incentive assets are adjusted for against the fair value of properties to which they are directly attributable.

Properties held under leases are stated gross of the recognised finance lease liability.

The cost of development properties includes capitalised interest and other directly attributable outgoings, except in the case of properties and land where no development is imminent, in which case no interest is included. Interest is capitalised (before tax relief) on the basis of the average rate of interest paid on the relevant debt outstanding, until the date of practical completion.

When the Group redevelops an existing investment property for continued future use as an investment property, the property remains an investment property measured at fair value.

Gains or losses arising from changes in the fair value of investment and development property are recognised in the income statement of the period in which they arise. Depreciation is not provided in respect of investment properties including plant and equipment integral to such investment properties.

When the use of a property changes from that of trading property to investment property, such property is transferred at fair value, with any resulting gain being recognised as property trading profit.

1. Principal accounting policies (continued)

Investment and development property (continued)
Investment properties cease recognition as investment property either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Where the Group disposes of a property at fair value in an arm's length transaction the carrying value immediately prior to the sale is adjusted to the transaction price, offset by any directly attributable costs, and the adjustment is recorded in the income statement.

Leases
Leases are classified according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are normally classified as operating leases.

Group as a lessee:
In accordance with IAS 40, finance and operating leases of investment property are accounted for as finance leases and recognised as an asset and an obligation to pay future minimum lease payments. The investment property asset is included in the balance sheet at fair value, gross of the recognised finance lease liability. Lease payments are allocated between the liability and finance charges so as to achieve a constant financing rate.

Other finance leased assets are capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments and depreciated over the shorter of the lease term and the useful life of the asset.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

Group as lessor:
Assets leased out under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on the net investment.

Assets leased out under operating leases are included in investment property, with rental income recognised on a straight-line basis over the lease term.

Trading property
Trading property comprise those properties that in the Directors' view are expected to be disposed of within one year of the balance sheet date. Such properties are transferred from investment property at fair value which forms its deemed cost. Subsequently it is carried at the lower of cost and net realisable value.

Plant and equipment
Plant and equipment consists of fixtures, fittings and other office equipment. Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset plus any attributable cost in bringing the asset to its working condition for its intended use. Depreciation is charged to the income statement on a straight-line basis over an asset's estimated useful life to a maximum of five years.

Investments
Available for sale investments, being investments intended to be held for an indefinite period, are initially recognised and subsequently measured at fair value.

Gains or losses arising from changes in the fair value of available for sale investments are included in other comprehensive income, except to the extent that losses are determined to be attributable to impairment, in which case they are recognised in the income statement.

Disposals are recorded upon distribution, at which time accumulated fair value adjustments are recycled from reserves to the income statement.

Trade and other receivables
Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. The Directors exercise judgement as to the collectability of the Group's trade and other receivables and determine when it is appropriate to impair these assets. Factors such as days past due, credit status of the counterparty and historical evidence of collection are considered.

Cash and cash equivalents
Cash and cash equivalents are recognised at fair value. Cash and cash equivalents comprise cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

Derivatives financial instruments
The Group uses non-trading derivative financial instruments to manage exposure to interest rate risk. These instruments have not been designated as qualifying for hedge accounting. They are initially recognised on the trade date at fair value and subsequently remeasured at fair value based on market price. Changes in fair value are recognised directly in the income statement.

Trade payables
Trade payables are obligations for goods or services acquired in the ordinary course of business. Trade payables are recognised at fair value and subsequently measured at amortised cost until settled.

Dividend distribution
Dividend distributions to shareholders are recognised as a liability once approved by shareholders.

1. Principal accounting policies (continued)

Provisions
Provisions are recognised when the Group has a current obligation arising from a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle that obligation at the balance sheet date.

Borrowings
Borrowings are recognised initially at their net proceeds on issue and subsequently carried at amortised cost. Any transaction costs, premiums or discounts are capitalised and recognised over the contractual life using the effective interest method. In the event of early repayment all unamortised transaction costs are recognised immediately in the income statement.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Pensions
The costs of the defined contribution scheme and the Group's personal pension plans are charged against profits in the year in which they fall due.

Past service costs and current service costs of the defined benefit scheme are recognised immediately in income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income for the period in which they arise. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method and applying assumptions which are agreed between the Group and its actuaries.

Contingent liabilities and capital commitments
Contingent liabilities are not recognised due to lack of certainty with respect to measurement of the potential future liability. A description of the nature and, where possible, an estimate of the financial effect of contingent liabilities is disclosed.

Capital commitments are disclosed when the Group has a contractual future obligation which has not been provided for at the balance sheet date.

NOTES (continued)

2 Segmental reporting

For management and reporting purposes the Group is organised into four operating divisions being Great Capital Partnership, Earls Court & Olympia, Covent Garden and Other. The Other segment primarily constitutes the Group's investments in China, the business unit historically known as Opportunities and head office companies. This segment included a number of smaller assets located primarily in the south east of England which were sold during 2009. The Earls Court & Olympia segment also includes the Group's interest in The Empress State Limited Partnership which holds the Empress State building adjacent to the Group's property at Earls Court.

The Group's operating segments derive their revenue primarily from rental income from lessees, with the exception of Earls Court & Olympia whose revenue primarily represents exhibition income.

Unallocated expenses are costs incurred centrally which are neither directly nor reasonably attributable to individual segments.

	2010				
	Great Capital Partnership £m	Earls Court & Olympia [1] £m	Covent Garden £m	Other £m	Group total £m
Revenue	**16.1**	**57.7**	**38.9**	**1.0**	**113.7**
Rent receivable and exhibition income	**14.9**	**57.7**	**36.2**	**0.6**	**109.4**
Service charge income	**1.2**	**–**	**2.7**	**0.3**	**4.2**
Rental income	**16.1**	**57.7**	**38.9**	**0.9**	**113.6**
Rental payable	**–**	**–**	**(1.0)**	**–**	**(1.0)**
Service charge and other non-recoverable costs	**(2.5)**	**(28.6)**	**(12.2)**	**(0.3)**	**(43.6)**
Net rental income	**13.6**	**29.1**	**25.7**	**0.6**	**69.0**
Other income	**–**	**0.7**	**–**	**0.1**	**0.8**
Gain on revaluation and sale of investment and development property	**33.5**	**23.3**	**77.8**	**–**	**134.6**
Write down of trading property	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Impairment of other receivables	**–**	**–**	**–**	**(1.6)**	**(1.6)**
Segment result	**47.1**	**53.1**	**103.5**	**(1.0)**	**202.7**
Unallocated costs					
Administration expenses					**(23.9)**
Operating profit					**178.8**
Net finance costs[2]					**(46.3)**
Profit before tax					**132.5**
Taxation					**(0.9)**
Profit for the year					**131.6**
Summary balance sheet					
Total segment assets[3]	**273.1**	**503.2**	**659.0**	**64.7**	**1,500.0**
Total segment liabilities[3]	**(128.6)**	**(273.4)**	**(382.0)**	**(5.5)**	**(789.5)**
	144.5	**229.8**	**277.0**	**59.2**	**710.5**
Unallocated net assets[2]					**172.9**
Net assets					**883.4**
Other segment items					
Capital expenditure	**(1.1)**	**(22.7)**	**(7.5)**	**–**	**(31.3)**
Depreciation	**–**	**–**	**(0.1)**	**–**	**(0.1)**

1 Empress State represented £6.5 million of the £29.1 million net rental income for Earls Court & Olympia.
2 The Group operates a central treasury function which manages and monitors the Group's finance income/(costs) on a net basis.
3 Total assets and liabilities exclude loans between and investments in Group companies.

NOTES (continued)

2 Segmental reporting (continued)

	2009				
	Great Capital Partnership £m	Earls Court & Olympia[1] £m	Covent Garden £m	Other £m	Group Total £m
Revenue	16.9	66.2	41.1	3.5	127.7
Rent receivable and exhibition income	15.3	66.2	37.5	2.2	121.2
Service charge income	1.6	–	3.6	–	5.2
Rental income	16.9	66.2	41.1	2.2	126.4
Service charge and other non-recoverable costs	(3.1)	(29.4)	(14.5)	(1.3)	(48.3)
Net rental income	13.8	36.8	26.6	0.9	78.1
Other (expense)/income	(0.1)	–	1.2	0.4	1.5
Deficit on revaluation and sale of investment and development property	(21.3)	(47.7)	(35.8)	(24.0)	(128.8)
Profit on sale of available for sale investments	–	–	–	3.6	3.6
Write down of trading property	–	–	–	(0.1)	(0.1)
Impairment of other receivables	–	–	–	(12.0)	(12.0)
Segment result	(7.6)	(10.9)	(8.0)	(31.2)	(57.7)
Unallocated costs					
Administration expenses					(14.5)
Operating loss					(72.2)
Net finance costs[2]					(77.8)
Loss before tax					(150.0)
Taxation					(1.1)
Loss for the year					(151.1)
Summary balance sheet					
Total segment assets[3]	262.9	453.6	557.2	70.0	1,343.7
Total segment liabilities[3]	(130.8)	(294.2)	(417.6)	(7.2)	(849.8)
	132.1	159.4	139.6	62.8	493.9
Unallocated net liabilities[2]					(401.2)
Net assets					92.7
Other segment items					
Capital expenditure	(18.1)	(8.0)	(6.7)	(5.6)	(38.4)
Depreciation	–	–	(0.2)	–	(0.2)

1 Empress State represented £10.3 million of the £36.8 million net rental income for Earls Court & Olympia.
2 The Group operates a central treasury function which manages and monitors the Group's finance income/(costs) on a net basis.
3 Total assets and liabilities exclude loans between and investments in Group companies.

The Group's geographical segments are set out below. This represents where the Group's assets and revenues are predominantly domiciled.

Revenue represents income from tenants and total assets primarily constitute investment property.

	Revenue		**Total assets**		**Capital expenditure**	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Central London	**112.7**	124.2	**1,606.3**	1,292.2	**31.3**	32.8
Other	**1.0**	3.5	**66.6**	51.5	**–**	5.6
	113.7	127.7	**1,672.9**	1,343.7	**31.3**	38.4

NOTES (continued)

3 Other income

	2010 £m	2009 £m
Sale of trading property	–	4.0
Cost of sales	–	(3.8)
Profit on sale of trading property	–	0.2
Dividend income	**0.1**	1.3
Other income	**0.7**	–
Total other income	**0.8**	1.5

4 Gain/(deficit) on revaluation and sale of investment and development property

	2010 £m	2009 £m
Gain/(deficit) on revaluation of investment and development property	**133.3**	(105.6)
Gain/(deficit) on sale of investment and development property	**1.3**	(23.2)
Gain/(deficit) on revaluation and sale of investment and development property	**134.6**	(128.8)

5 Profit on sale of available for sale investments

	2010 £m	2009 £m
Profit on sale of available for sale investments	**–**	3.6

Profit on sale of available for sale investments in 2009 represents a part divestment from Harvest China Real Estate Fund I following property disposals made by the fund.

6 Impairment of other receivables

Impairment of other receivables of £1.6 million (2009 – £12.0 million) has arisen following an impairment review of loan notes receivable by the Group. The impairment charge has been calculated with reference to the market value of certain property assets that the Group would have priority over in the event of default.

7 Demerger costs

Demerger costs included within administration expenses are those costs and fees that are directly related to the Group's demerger from Liberty International. These include *inter alia* legal and professional fees, listing fees and costs associated with the establishment of the Company's head office. These are treated as exceptional items and are not included in the calculation of underlying earnings.

8 Finance costs

	2010 £m	2009 £m
Finance costs:		
On bank overdrafts and loans	**40.7**	51.4
Amortisation of issue costs	**0.1**	0.1
On obligations under finance leases	**0.3**	0.5
Gross finance costs	**41.1**	52.0
Interest capitalised on developments	**(0.8)**	(1.9)
Finance costs	**40.3**	50.1
Costs of termination of derivative financial instruments[1]	**7.1**	5.4
Interest due to Capital Shopping Centres Group[2]	**–**	41.8
Other finance costs	**7.1**	47.2

[1] Treated as exceptional and therefore excluded from the calculation of underlying earnings for the year ended 31 December 2010.

[2] Intercompany interest due under the former Liberty International PLC group structure, which previously eliminated on consolidation. As a result of the demerger, the amounts are now treated as external finance costs for comparative purposes. It is treated as exceptional and therefore excluded from the calculation of underlying earnings for the year ended 31 December 2009.

Interest is capitalised, before tax relief, on the basis of the average rate of interest paid of 5.9 per cent (2009 – 6.5 per cent) on the relevant debt, applied to the cost of developments during the year.

9 Taxation

	2010 £m	2009 £m
Current UK corporation tax at 28% on profits	**2.2**	–
Prior year items – UK corporation tax	**0.1**	1.3
Current tax on profits excluding exceptional items and property disposals	**2.3**	1.3
Deferred tax:		
On investment and development property	**6.7**	–
On derivative financial instruments	**(9.6)**	0.5
On other temporary differences	**–**	(0.4)
On exceptional items	**2.5**	–
Deferred tax on profits excluding exceptional items and property disposals	**(0.4)**	0.1
Tax charge excluding exceptional items and property disposals	**1.9**	1.4
REIT entry charge/(credit)	**0.1**	(0.3)
Tax credit on exceptional items and property disposals	**(1.1)**	–
Total tax charge	**0.9**	1.1

Factors affecting the tax charge for the year

The tax charge for the year is lower (2009 – higher) than the standard rate of corporation tax in the United Kingdom. The differences are explained below:

	2010 £m	2009 £m
Profit/(loss) before tax	**132.5**	(150.0)
Profit /(loss) on ordinary activities multiplied by the standard rate in the UK of 28%	**37.1**	(42.0)
UK capital allowances not reversing on sale	**(1.5)**	(1.6)
Properties and investments fair value movements	**(37.7)**	(5.6)
Prior year corporation tax items	**0.1**	1.3
Prior year deferred tax items	**–**	(1.8)
Expenses disallowed, net of capitalised interest	**1.5**	(0.2)
Interest disallowed under transfer pricing	**–**	6.7
Group relief	**–**	(1.0)
REIT exemption – corporation tax	**(0.5)**	19.7
REIT exemption – deferred tax	**19.4**	–
REIT exemption – entry charge	**0.1**	(0.3)
Utilisation of losses carried forward	**1.9**	7.9
Unprovided deferred tax	**(19.1)**	18.0
Reduction in deferred tax following cut in corporate tax rate	**(0.4)**	–
Total tax charge	**0.9**	1.1

Tax items that are taken directly to equity are shown in the statement of comprehensive income.

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 24 per cent by 1 April 2014. The effect of the reduction in the corporation tax rate from 28 per cent to 27 per cent was substantively enacted at the balance sheet date and, therefore, has been reflected in these financial statements.

NOTES (continued)

10 Dividends

	2010 £m	2009 £m
Ordinary shares		
Interim dividend paid of 0.5p per share (2009 – nil)	**3.1**	–
Dividends paid	**3.1**	–
Proposed final dividend of 1.0p per share (2009 – nil)	**6.2**	–

11 Earnings per share and net assets per share

(a) Earnings/(loss) per share

	2010			2009		
	Earnings £m	**Shares[1] million**	**Pence per share**	Earnings £m	Shares[1] million	Pence per share
Basic earnings/(loss) per share	**131.6**	**621.9**	**21.2**	(131.5)	621.9	(21.1)
Dilutive effect of share option awards	**0.5**	**1.2**		–	–	
Diluted earnings/(loss) per share	**132.1**	**623.1**	**21.2**	(131.5)	621.9	(21.1)
Basis earnings/(loss)	**131.6**			(131.5)		
Adjustments:						
Revaluation and sale of investment and development property	**(134.6)**			128.8		
Write down of trading property	**0.1**			0.1		
Fair value movement on derivative financial instruments	**0.3**			(16.9)		
Costs of termination of derivative financial instruments	**7.1**			5.4		
Current tax adjustments	**(0.3)**			–		
Deferred tax adjustments	**(2.9)**			0.4		
Non-controlling interests in respect of the above	**–**			(18.1)		
EPRA adjusted earnings/(loss) per share	**1.3**	**621.9**	**0.2**	(31.8)	621.9	(5.1)
Exceptional other income	**(0.7)**			–		
Profit on sale of available for sale investments	**–**			(3.6)		
Write down of trading property	**(0.1)**			(0.1)		
Impairment of other receivables	**1.6**			12.0		
Demerger costs	**5.3**			–		
Interest due to Capital Shopping Centres Group	**–**			41.8		
Current tax adjustments	**(0.8)**			–		
Deferred tax adjustments	**2.5**			–		
REIT entry charge	**0.1**			(0.3)		
Non-controlling interests in respect of the above	**–**			(2.8)		
Underlying earnings per share	**9.2**	**621.9**	**1.5**	15.2	621.9	2.4

Headline earnings per share is calculated in accordance with Circular 8/2007 issued by the South African Institute of Chartered Accountants (SAICA), a requirement of the Group's JSE listing. This measure is not a requirement of IFRS.

	2010			2009		
	Earnings £m	**Shares[1] million**	**Pence per share**	Earnings £m	Shares[1] million	Pence per share
Basic earnings/(loss) per share	**131.6**	**621.9**	**21.2**	(131.5)	621.9	(21.1)
Adjustments:						
(Gain)/deficit on revaluation and sale of investment and development property	**(134.6)**			128.8		
Profit on sale of investment	**–**			(3.6)		
Impairment of other receivables	**1.6**			12.0		
Demerger costs	**5.3**			–		
Deferred tax adjustments	**9.2**			(0.1)		
Current tax adjustments	**(0.7)**			–		
Non-controlling interests in respect of the above	**–**			(22.1)		
Headline earnings per share	**12.4**	**621.9**	**2.0**	(16.5)	621.9	(2.7)
Dilutive effect of share options awards	**0.5**	**1.2**		–	–	–
Diluted headline earnings per share	**12.9**	**623.1**	**2.1**	(16.5)	621.9	(2.7)

[1] Weighted average number of shares in issue during the year.

NOTES (continued)

11 Earnings per share and net assets per share (continued)

(b) Net assets per share

	2010			2009		
	Net assets £m	**Shares[1] million**	**NAV per share (pence)**	Net assets £m	Shares[1] million	NAV per share (pence)
Net assets attributable to owners of the Group	**883.4**	**621.8**	**142.1**	92.7	621.9	14.9
Adjustments:						
Effect of dilution on exercise of options	**–**	**2.2**		–	–	
Diluted NAV	**883.4**	**624.0**	**141.6**	92.7	621.9	14.9
Fair value of derivative financial instruments (net of tax)	**41.4**			53.3		
Unrecognised surplus on trading properties (net of tax)	**1.1**			0.9		
Deferred tax adjustments	**–**			6.1		
EPRA adjusted, diluted NAV	**925.9**	**624.0**	**148.4**	153.0	621.9	24.6
Fair value of derivative financial instruments (net of tax)	**(41.4)**			(53.3)		
Deferred tax adjustments	**–**			(6.1)		
EPRA adjusted, diluted NNNAV	**884.5**	**624.0**	**141.7**	93.6	621.9	15.1

[1] Number of shares in issue at the year end.

12 Investment and development property

	Freehold £m	Leasehold £m	**Total £m**
At 1 January 2009	864.4	688.1	1,552.5
Additions from acquisitions	1.5	5.0	6.5
Additions from subsequent expenditure	7.2	24.7	31.9
Loss of deemed control of former subsidiary	(94.4)	–	(94.4)
Other disposals	(101.2)	(49.2)	(150.4)
Deficit on valuation	(53.8)	(51.8)	(105.6)
At 1 January 2010	**623.7**	**616.8**	**1,240.5**
Additions from acquisitions	**10.3**	**–**	**10.3**
Additions from subsequent expenditure	**6.9**	**14.1**	**21.0**
Disposals	**(16.0)**	**(11.5)**	**(27.5)**
Gain on valuation	**72.4**	**60.9**	**133.3**
At 31 December 2010	**697.3**	**680.3**	**1,377.6**

	2010 £m	2009 £m
Balance sheet carrying value of investment and development property	**1,377.6**	1,240.5
Adjustment in respect of tenant incentives	**9.6**	6.0
Adjustment in respect of head leases	**(6.8)**	(7.0)
Market value of investment and development property	**1,380.4**	1,239.5

Included within investment and development properties is £0.8 million (2009 – £1.9 million) of interest capitalised on developments and redevelopments in progress.

The fair value of the Group's investment and development properties as at 31 December 2010 was determined by independent external valuers, King Sturge for Earls Court & Olympia (excluding Empress State) and CB Richard Ellis for the remainder of the Group's investment and development property. The valuation conforms with the Royal Institution of Chartered Surveyors ("RICS") Valuation Standards, and was arrived at by reference to market transactions for similar properties. Fees paid to valuers are based on fixed price contracts. The main assumptions underlying the valuations are in relation to market rent or business profitability, taking into account forecast growth rates and yields based on known transactions for similar properties and likely incentives offered to tenants

Valuations are based on what is determined to be the highest and best use. The Group's investment in Seagrave Road, a car park supporting Earls Court, has been valued as a site with development potential. The exhibition halls at Earls Court & Olympia are fair valued, as fully equipped operational entities, having regard to trading potential.

There are certain restrictions on the realisability of investment property when a credit facility is in place.

NOTES (continued)

13 Trade and other receivables

	2010 £m	2009 £m
Amounts falling due after more than one year		
Loan notes receivables[1]	**3.4**	8.2
Other receivables	**–**	0.4
Prepayments and accrued income	**9.0**	5.9
Trade and other receivables	**12.4**	14.5
Amounts falling due within one year		
Rents receivable	**10.2**	7.8
Loan note receivables	**2.9**	–
Other receivables[2]	**5.2**	7.1
Prepayments and accrued income	**8.5**	5.9
Trade and other receivables	**26.8**	20.8

1 £3.4 million (2009 - £5.0 million) of loan notes receivable had an original maturity in 2011 which has now been extended to 2017.

2 Includes exhibition trade receivables.

Included within prepayments and accrued income are tenant lease incentives of £9.6 million (2009 – £6.0 million).

14 Trading property

	2010 £m	2009 £m
Undeveloped sites	**0.3**	0.3
Trading property	**0.3**	0.3

The estimated replacement cost of trading properties based on market value amounted to £1.4 million (2009 – £1.1million). During the year impairment charges of £0.1 million (2009 - £0.1 million) were recorded against trading property.

15 Cash and cash equivalents

	2010 £m	2009 £m
Cash at hand	**12.7**	19.3
Cash on short term deposit	**169.8**	–
Unrestricted cash	**182.5**	19.3
Restricted cash	**6.0**	–
Cash and cash equivalents	**188.5**	19.3

Restricted cash relates to amounts placed on deposit in accounts which are subject to withdrawal conditions.

16 Business combinations

The Empress State Limited Partnership

On 18 August 2009 a call option the Group held against the residual 50 per cent of Empress State Limited Partnership expired. This call option was deemed to give the Group control and therefore, up to the date of expiry, The Empress State Limited Partnership was consolidated as a subsidiary.

No consideration was received relating to the loss of control and no gain or loss was recognised. The consolidated assets and liabilities of The Empress State Limited Partnership were derecognised and the remaining interest in The Empress State Limited Partnership was accounted for as a joint venture in accordance with the Group's published accounting policy.

17 Trade and other payables

	2010 £m	2009 £m
Amounts falling due within one year		
Rents received in advance	**22.0**	21.9
Accruals and deferred income	**26.5**	22.2
Other payables[1]	**14.2**	11.0
Other taxes and social security	**2.3**	3.8
Amounts payable to Capital Shopping Centres Group[2]	**–**	401.2
Trade and other payables	**65.0**	460.1

1 Includes sundry creditors and amounts due from joint venture partners.

2 Intercompany balances due to the former Liberty International PLC group, which previously eliminated on consolidation. As a result of the demerger, the amounts are now treated as external payables for comparative purposes.

18 Borrowings, including finance leases

	2010					
	Carrying value £m	**Secured £m**	**Unsecured £m**	**Fixed rate £m**	**Floating rate £m**	**Fair value £m**
Amounts falling due within one year						
Bank loans and overdrafts	**12.2**	12.2	–	–	12.2	12.2
Borrowings, excluding finance leases	**12.2**	12.2	–	–	12.2	12.2
Finance lease obligations	**0.9**	0.9	–	0.9	–	0.9
Amounts falling due within one year	**13.1**	13.1	–	0.9	12.2	13.1
Amounts falling due after more than one year						
Bank loan 2012	**124.3**	124.3	–	–	124.3	124.3
Bank loans 2013	**409.7**	409.7	–	–	409.7	409.7
Bank loan 2017	**111.6**	111.6	–	–	111.6	111.6
Borrowings excluding finance leases	**645.6**	645.6	–	–	645.6	645.6
Finance lease obligations	**5.9**	5.9	–	5.9	–	5.9
Amounts falling due after more than one year	**651.5**	651.5	–	5.9	645.6	651.5
Total borrowings	**664.6**	664.6	–	6.8	657.8	664.6
Cash and cash equivalents	**(188.5)**					
Net debt	**476.1**					

	2009					
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
Amounts falling due within one year						
Bank loans and overdrafts	70.2	70.2	–	–	70.2	70.2
Borrowings, excluding finance leases	70.2	70.2	–	–	70.2	70.2
Finance lease obligations	0.8	0.8	–	0.8	–	0.8
Amounts falling due within one year	71.0	71.0	–	0.8	70.2	71.0
Amounts falling due after more than one year						
Bank loan 2012	127.0	127.0	–	–	127.0	127.0
Bank loans 2013	410.7	410.7	–	–	410.7	410.7
Bank loan 2017	111.5	111.5	–	–	111.5	111.5
Borrowings excluding finance leases	649.2	649.2	–	–	649.2	649.2
Finance lease obligations	6.2	6.2	–	6.2	–	6.2
Amounts falling due after more than one year	655.4	655.4	–	6.2	649.2	655.4
Total borrowings	726.4	726.4	–	7.0	719.4	726.4
Cash and cash equivalents	(19.3)					
Net debt	707.1					

19 Classification of financial assets and liabilities

The table below sets out the Group's accounting classification of each class of financial assets and liabilities, and their fair values at 31 December 2010 and 31 December 2009.

The fair values of quoted borrowings are based on the bid price. The fair values of derivative financial instruments are determined from observable market prices or estimated using appropriate yield curves at 31 December each year by discounting the future contractual cash flows to the net present values.

	Carrying value £m	Fair value £m	Loss to income statement £m	Gain to other comprehensive income £m
2010				
Cash and cash equivalents	**188.5**	**188.5**	**–**	**–**
Other financial assets	**39.2**	**39.2**	**–**	**–**
Total cash and receivables	**227.7**	**227.7**	**–**	**–**
Available for sale investments	**66.3**	**66.3**	**–**	**21.5**
Total available for sale investments	**66.3**	**66.3**	**–**	**21.5**
Derivative financial instrument liabilities	**(53.9)**	**(53.9)**	**(0.3)**	**–**
Total held for trading liabilities	**(53.9)**	**(53.9)**	**(0.3)**	**–**
Borrowings	**(664.6)**	**(664.6)**	**–**	**–**
Other financial liabilities	**(71.0)**	**(71.0)**		
Total loans and payables	**(735.6)**	**(735.6)**	**–**	**–**

	Carrying value £m	Fair value £m	Gain to Income statement £m	Loss to other comprehensive income £m
2009				
Cash and cash equivalents	19.3	19.3	–	–
Other financial assets	36.6	36.6	–	–
Total cash and receivables	55.9	55.9	–	–
Available for sale investments	46.0	46.0	–	(4.7)
Total available for sale investments	46.0	46.0	–	(4.7)
Derivative financial instrument liabilities	(56.2)	(56.2)	16.9	–
Total held for trading liabilities	(56.2)	(56.2)	16.9	–
Borrowings	(726.4)	(726.4)	–	–
Other financial liabilities	(468.4)	(468.4)		
Total loans and payables	(1,194.8)	(1,194.8)	–	–

NOTES (continued)

20 Deferred tax provision

Under IAS 12 "Income Taxes", provision is made for the deferred tax assets and liabilities associated with the revaluation of investment properties at the corporate tax rate expected to apply to the Group at the time of use. For those United Kingdom properties qualifying as REIT properties before the demerger the relevant tax rate will be 27 per cent (2009 – 0 per cent), for other United Kingdom properties the relevant tax rate will be 27 per cent (2009 – 28 per cent).

The unrecognised deferred tax asset on investment properties calculated under IAS 12 is £43.3 million at 31 December 2010 (2009 – £12.6 million). This IAS 12 calculation does not reflect the expected amount of tax that would be payable if the assets were sold.

The Group estimates that calculated on a disposal basis the maximum tax liability would be £10.4 million at 31 December 2010 (2009 – £2.0 million).

	Accelerated capital allowances £m	Fair value of investment and development properties £m	Fair value of derivative financial instruments £m	Other temporary differences £m	Total £m
Provided deferred tax provision:					
At 1 January 2009	14.5	(8.4)	(3.4)	(2.7)	–
Recognised in income	–	–	0.5	(0.4)	0.1
Recognised in equity	–	–	–	(0.1)	(0.1)
At 31 December 2009	**14.5**	**(8.4)**	**(2.9)**	**(3.2)**	**–**
Recognised in income	**(1.7)**	**8.4**	**(9.6)**	**2.5**	**(0.4)**
Recognised in equity	**–**	**–**	**–**	**0.4**	**0.4**
At 31 December 2010	**12.8**	**–**	**(12.5)**	**(0.3)**	**–**
Unrecognised deferred tax asset:					
At 1 January 2010	**–**	**(12.6)**	**–**	**(5.4)**	**(18.0)**
Income statement items	**–**	**(30.7)**	**(2.2)**	**(5.7)**	**(38.6)**
At 31 December 2010	**–**	**(43.3)**	**(2.2)**	**(11.1)**	**(56.6)**

In accordance with the requirements of IAS 12 "Income Taxes", the deferred tax asset has not been recognised in the Group financial statements due to uncertainty on the level of profits that will be available in future periods.

21 Other provisions

	Deferred consideration £m	Other £m	Total £m
At 1 January 2009	–	–	–
Charged to the income statement			
- other provisions	–	0.2	0.2
Deferred consideration on purchase of non-controlling interests	3.8	–	3.8
At 31 December 2009	**3.8**	**0.2**	**4.0**
Credited to the income statement			
- remeasurement of deferred consideration	**(0.7)**	**–**	**(0.7)**
At 31 December 2010	**3.1**	**0.2**	**3.3**

Deferred consideration is the amount payable on the acquisition of the non-controlling interests' share in Earls Court & Olympia. The provision has been discounted, at the Group's average cost of debt. The amount of deferred consideration payable is based on a number of factors including a potential re-development of the Earls Court & Olympia site, with the final details of such a re-development dependent on discussions with the owners of the adjacent land and the outcome of the planning permission process. The maximum potential payment is £20.0 million.

NOTES (continued)

22 Share capital and share premium

The Companies Act 2006 removed the concept of authorised share capital from 1 October 2009.

	Share capital £m	Share premium £m
Issued and fully paid		
At 31 December 2009 - 621,828,502 ordinary shares of 80p each	**497.4**	**89.1**
- 50,000 redeemable ordinary shares of £1 each	**0.1**	**–**
Capital reduction of 55p per ordinary share	**(342.0)**	**–**
Redemption of 50,000 redeemable ordinary shares of £1 each	**(0.1)**	**–**
At 31 December 2010 - 621,828,502 ordinary shares of 25p each	**155.4**	**89.1**

23 Capital commitments

At 31 December 2010, the Group was contractually committed to £45 million (2009 – £18.3 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Of the £45 million committed, £40 million is committed 2011 expenditure.

The Group's share of joint venture commitments included within this amount was £1.2 million (2009 – £nil).

24 Contingent liabilities

As at 31 December 2010, the Group has no contingent liabilities (2009 – £39.0 million).

25 Cash generated from operations

	Notes	2010 £m	2009 £m
Profit/(loss) before tax		**132.5**	(150.0)
Adjustments for:			
Other income (non-cash)		**(0.7)**	–
(Gain)/deficit on revaluation of investment and development property	4	**(133.3)**	105.6
(Gain)/deficit on sale of investment property	4	**(1.3)**	23.2
Profit on sale of available for sale investments		**–**	(3.6)
Write down of trading property		**0.1**	0.1
Impairment of other receivables		**1.6**	12.0
Depreciation		**0.1**	0.2
Profit on sale of trading properties		**–**	(0.2)
Amortisation of lease incentives and other direct costs		**2.5**	0.8
Finance costs	8	**40.3**	50.1
Finance income		**(1.4)**	(2.6)
Other finance costs	8	**7.1**	47.2
Change in fair value of derivative financial instruments		**0.3**	(16.9)
Changes in working capital:			
Change in trading properties		**(0.1)**	4.0
Change in trade and other receivables		**(3.9)**	3.1
Change in trade and other payables		**(5.2)**	8.4
Cash generated from operations		**38.6**	81.4

26 Related party transactions

Key management compensation

	2010	2009
	£m	£m
Salaries and short-term employee benefits	**4.2**	1.6
Pensions and other post-employment benefits	**0.3**	0.2
Share-based payments	**0.5**	–
	5.0	1.8

Key management comprises the Directors of Capital & Counties Properties PLC and those group employees who have been designated as Persons Discharging Managerial Responsibilities ("PDMR").

Full-year remuneration is included in the table for Key management employed by C&C Management Services Limited, a subsidiary of the Company which is the employing company for head office employees, prior to demerger. For Key Management who joined Capco from Liberty International on demerger, only post demerger remuneration is included. Gains on exercises of Capital Shopping Centres Group PLC share options (which were re-invested in Capco shares) are not included.

27 Events after the reporting period

On 21 February 2011 the Group agreed a 12 month extension to the facility secured over Earls Court & Olympia. On the same date the Group made a prepayment of £20 million against the facility and settled swap termination charges of £0.9 million.

On 28 February 2011 the Group sold its Investment Property at 1-3 Long Acre, Covent Garden for £18 million. No gain or loss on disposal was recorded. On the same day, the Group acquired the freehold interest in 1a Henrietta Street / 20-25 Southampton Street, Covent Garden for £18 million.

INVESTMENT AND DEVELOPMENT PROPERTIES (unaudited)

1. Property data as at 31 December 2010

	Market value £m	Ownership	Initial Yield[1,3] (EPRA)	Nominal equivalent Yield [1,4]	Passing Rent[1] £m	ERV[1] £m	Occupancy[1]	Weighted average unexpired Lease[1] years	Gross Area[5] million sq ft
Covent Garden	**639.8**	**100%**	**3.67%**	**5.11%**		**37.5**	**97.1%**	**8.8**	**0.8**
Earls Court & Olympia [2]	**480.8**	**100%**				**5.9**			**1.7**
Great Capital Partnership	**259.8**	**50%**	**5.05%**	**5.06%**		**14.8**	**97.3%**	**7.0**	**0.8**
Total investment and development properties	**1,380.4**				**46.1**	**58.2**			**3.3**

1 As defined in glossary.
2 Includes the Group's 50 per cent economic interest in the Empress State building (£102.5 million). Earls Court & Olympia do not report a passing rent, ERV occupancy, or lease maturity due to the nature of its exhibition business.
3 Initial yield (EPRA) at 31 December 2009 for Covent Garden was 4.60% and for GCP 5.41%.
4 Nominal equivalent yield at 31 December 2009 for Covent Garden was 5.53% and for GCP 5.92%.
5 Area shown is gross area of the portfolio, this is not adjusted for proportional ownership.

2. Analysis of property by use

	31 December 2010 Market Value					31 December 2010 ERV				
	Retail £m	Office £m	Exhibition £m	Residential £m	Total £m	Retail £m	Office £m	Exhibition £m	Residential £m	Total £m
Covent Garden	**561.9**	**61.6**	**–**	**16.3**	**639.8**	**31.3**	**5.4**	**–**	**0.8**	**37.5**
Earls Court & Olympia	**–**	**102.5**	**378.3**	**–**	**480.8**	**–**	**5.9**	**–**	**–**	**5.9**
Great Capital Partnership	**90.8**	**153.1**	**–**	**15.9**	**259.8**	**5.0**	**9.4**	**–**	**0.4**	**14.8**
	652.7	**317.2**	**378.3**	**32.2**	**1,380.4**	**36.3**	**20.7**	**–**	**1.2**	**58.2**

3. Analysis of capital return in the period

Like–for–like properties

	Market value 31 December 2010 £m	Market value 31 December 2009 £m	Revaluation surplus[1] 31 December 2010 £m	Increase
Covent Garden	**635.6**	548.4	**77.7**	14.1%
Earls Court & Olympia	**475.4**	434.8	**24.2**	5.3% [2]
Great Capital Partnership	**259.8**	226.9	**32.1**	13.7%
Other	**–**	–	**–**	–
Total like–for–like properties	**1,370.8**	1,210.1	**134.0**	10.8%
Acquisitions	**9.6**	–	**(0.7)**	–
Disposals	**–**	29.4	**–**	–
Total investment properties	**1,380.4**	1,239.5	**133.3**	10.7%

All properties

	Market value 31 December 2010 £m	Market value 31 December 2009 £m	Revaluation surplus[1] 31 December 2010 £m	Increase
Covent Garden	**639.8**	548.4	**77.8**	14.0%
Earls Court & Olympia	**480.8**	434.8	**23.4**	5.1%
Great Capital Partnership	**259.8**	247.3	**32.1**	13.8%
Other	**–**	9.0	**–**	–
Total investment properties	**1,380.4**	1,239.5	**133.3**	10.7%

1 Revaluation surplus includes amortisation of lease incentives and fixed head leases.
2 Revaluation increase comprises Earls Court & Olympia (up 4.5%) and Empress State (up 8.6%).

INVESTMENT AND DEVELOPMENT PROPERTIES (unaudited) (continued)

4. Analysis of income in the period

Like–for–like properties

	31 December 2010 £m	31 December 2009 £m	Change %
Covent Garden	**25.7**	26.6	(3.4)%
Earls Court & Olympia	**29.1**	32.9	(11.6)%
Great Capital Partnership	**12.8**	12.5	2.4%
Like–for–like properties	**67.6**	72.0	(6.1)%
Disposals[1]	**1.2**	6.1	
Like-for-like capital	**0.2**	–	
Total investment properties	**69.0**	78.1	(11.7)%
All properties			
Covent Garden	**25.7**	26.6	(3.4)%
Earls Court & Olympia	**29.1**	36.8	(20.9)%
Great Capital Partnership	**13.6**	13.8	(1.4)%
Other	**0.6**	0.9	(33.3)%
Total investment properties	**69.0**	78.1	(11.7)%

[1] Includes loss of deemed control of former subsidiary and conversion to proportional consolidation of the Empress State building of £3.9 million in 2009

FINANCIAL COVENANTS

Financial covenants on non-recourse debt excluding joint ventures

	Maturity	Loan outstanding at 31 January 2011 £m [1]	LTV covenant	Loan to 31 December 2010 Market Value [2]	Interest cover covenant	Interest cover reported [3]
Earls Court & Olympia[7]	2012	129.3	N/A	N/A	125%	176%
Covent Garden [5,8]	2013	222.5	75%	53%	120%	168%
Covent Garden [5,9]	2017	112.0	70%	52%	120%	151%
Total		**463.8**				

Financial covenants on joint venture non-recourse debt

	Maturity	Loan outstanding at 31 January 2011 £m [1]	LTV covenant	Loan to 31 December 2010 Market Value [2]	Interest cover covenant	Interest cover reported [3]
Empress State Partnership [10]	2013	76.2 [4]	75% [6]	74% [6]	115%	137%
Great Capital Partnership[11]	2013	112.5 [4]	70%	46%	120%	191%
Total		**188.7**				

Notes:

1. The loan values are the actual principal balances outstanding at 31 January 2011, which take into account any principal repayments made in January 2011. The accounting/balance sheet value of the loans includes any unamortised fees.
2. The loan to 31 December 2010 Market Value provides an indication of the impact the 31 December 2010 property valuations undertaken for inclusion in the financial statements could have on the LTV covenants. The actual timing and manner of testing LTV covenants varies and is loan specific.
3. Based on the latest certified figures, calculated in accordance with loan agreements, which have been submitted between 31 December 2010 and 31 January 2011. The calculations are loan specific and include a variety of historic, forecast and in certain instances a combined historic and forecast basis.
4. 50 per cent of the debt is shown which is consistent with accounting treatment and the Group's economic interest.
5. There are two separate loans on the Covent Garden properties.
6. LTV applicable from 18 August 2010.
7. Loan facility provided by Anglo Irish Bank Corporation PLC.
8. Loan facility provided by a consortium of six banks with Lloyds TSB Bank PLC acting as agent.
9. Loan facility provided by NyKredit RealKredit A/s.
10. Loan facility provided by a consortium of three banks with Eurohypo AG acting as agent.
11. Loan facility provided by a consortium of four banks with Eurohypo AG acting as agent.

APPENDIX 3

CONSOLIDATED UNDERLYING PROFIT STATEMENT (unaudited)
For the year ended 31 December 2010

	2010 £m	2009 £m
Net rental income	**69.0**	78.1
Other income	**0.1**	1.5
	69.1	79.6
Administration expenses	**(18.6)**	(14.5)
Operating profit	**50.5**	65.1
Finance costs	**(40.3)**	(50.1)
Finance income	**1.4**	2.6
Net finance costs	**(38.9)**	(47.5)
Write down of trading properties	**(0.1)**	(0.1)
Profit before tax	**11.5**	17.5
Tax on adjusted profit	**(2.3)**	(1.0)
Non-controlling interest	**–**	(1.3)
Underlying earnings (used for calculation of underlying earnings per share)	**9.2**	15.2
Underlying earnings per share (pence)	**1.5**	2.4

THE DEMERGER

Introduction

The Capital & Counties Properties PLC group ("the Group") demerged from its former parent company, Liberty International PLC (subsequently renamed Capital Shopping Centres Group PLC), with effect from 7 May 2010. Capital & Counties Properties PLC has a premium listing on the official list of the UKLA, and a secondary inward listing on the JSE Limited, with South African institutional shareholders given two years until May 2012 to realign their portfolios. Shares in Capital & Counties Properties PLC were admitted to dealings on the London and Johannesburg Stock Exchanges in May 2010.

2009 historic financial information

The demerger documents and pro forma information were prepared (as is required in such situations) to illustrate the Group's financial performance and its position as if the demerged group and capital structure had existed at 31 December 2009. On such pro forma basis, taking into account a cash transfer from Liberty International of £244 million, the Group's net assets as at 31 December 2009 were £731 million. This represented an adjusted pro forma net asset value per share of 127 pence.

Therefore, for the purposes of preparing pro forma financial statements, net finance costs were adjusted to exclude those charges arising on intra group debt due to Liberty International and included a pro forma allocation of administration costs. These costs were likely to be incurred by the Group once operating on a stand alone basis. Likewise, inter group balances due to Liberty International were disclosed as a component of invested capital rather than third party debt.

These adjustments were made for comparability in the demerger documents. However they lead to certain differences when applying the principles of merger accounting as outlined in Note 1 Basis of preparation, and after taking into account the change in the Group's capital structure on demerger as discussed below.

A reconciliation at 31 December 2009 between the balance sheet and income statement reported within the Group's demerger documents with that reported within these consolidated financial statements prepared under International Financial Reporting Standards follows in Appendix 4.

Capital structure

On demerger the Group's parent company Capital & Counties Properties PLC issued 621.8 million 80 pence ordinary shares to the former Liberty International shareholders, on a one for one basis, who were registered holders of ordinary shares at close on 7 May 2010.

As consideration, stock transfer certificates pertaining to the Group's now subsidiary undertakings were registered in the name of Capital & Counties Properties PLC. Shares issued in consideration for investments in subsidiary undertakings represent a share for share exchange under S.612 of the Companies Act 2006. Qualifying for relief under S.612 sheltered the group from recognising share premium on the difference between the nominal value of the shares issued and the fair value of the assets received with this premium instead being taken to a Merger Reserve. In addition, the Group assumed all intra group debt owed by its now subsidiary undertakings to Liberty International. Shares attributed to these assets did not qualify for relief therefore the difference between the nominal value of shares issued and the fair value of the assets received was credited to the Company's Share Premium Reserve.

Upon demerger a number of reserves were realised and pro forma adjustments, which had been made for comparability as discussed above, were then reversed.

Finally, on 18 May 2010 a capital reduction became effective. The reduction in capital was effected by reducing the nominal value of each ordinary share on issue from 80 pence per share to 25 pence per share, creating distributable reserves for the Company and reducing its capital account by £342 million.

2010 demerger share values

Base cost of post-demerger shares for UK capital gains tax purposes

UK tax resident shareholders should read Part (A) of Part VI of the Liberty International PLC Circular dated 12 March 2010 (pages 55 to 56 inclusive) in full. Shareholders who are in any doubt about their tax position or how to use the share values in this circular should consult their own professional tax advisers.

Following the demerger, UK shareholders will need to apportion the base cost for UK capital gains tax purposes of their pre-demerger Liberty International PLC shares between their post-demerger. Capital & Counties Properties PLC shares and their post-demerger Capital Shopping Centres Group PLC shares. The apportionment is made by reference to the value of Capital & Counties Properties PLC and Capital Shopping Centres Group PLC shares on 10 May 2010 (in accordance with the provisions of Section 272 of the Taxation and Chargeable Gains Act 1992), and so the base cost will be split: Capital & Counties Properties PLC 25.7198% and Capital Shopping Centres Group PLC 74.2802%. The share prices on the London Stock Exchange on 10 May 2010 being the relevant date were: Capital & Counties Properties PLC 119.25 pence; and Capital Shopping Centres Group PLC 344.40 pence.

South African capital gains tax on demerger

South African tax resident shareholders should read Part (B) of Part VI of the Liberty International PLC Circular dated 12 March 2010 (pages 57 to 58 inclusive) in full. Shareholders who are in any doubt about their tax position or how to use the share values noted here should consult their own professional tax advisors.

For shareholders who hold their shares on capital account, on 10 May 2010 there was a part disposal for South African capital gains tax purposes of the South African shareholders' pre-demerger Liberty International PLC shares.

THE DEMERGER (continued)

A South African shareholder's capital gain or loss on this part disposal is calculated as proceeds from the issue of shares by Capital & Counties Properties PLC, less a proportion of the capital gains tax base cost of the Liberty International PLC ordinary shares held by them. Proceeds for the part disposal are calculated as the opening share price of Capital & Counties Properties PLC on 10 May 2010 multiplied by the number of shares issued (in accordance with the provisions of paragraph 76A of the Eighth Schedule to the Income Tax Act, Act 58 of 1962, as amended). The amount of the capital gains tax base cost of the Liberty International PLC shares which is apportioned to the part disposal is calculated by taking account of the opening share price of Capital & Counties Properties PLC on 10 May 2010 as a proportion of the value of the closing share price of Liberty International PLC shares on 7 May 2010.

The relevant prices on the Johannesburg Stock Exchange were:
Liberty International PLC Rand 51.50 on 7 May 2010; and Capital & Counties Properties PLC Rand 14.35 on 10 May 2010.

The information contained above is correct to the best knowledge and belief of Capital & Counties Properties PLC but does not constitute tax advice. Capital & Counties Properties PLC does not accept any liability which may arise from use of the information contained above. Each shareholder is solely responsible for the information he or she provides to tax authorities and other official bodies. If uncertain, shareholders (including shareholders outside the United Kingdom and South Africa) should consult their own appropriate professional adviser.

RECONCILIATION OF PRO FORMA TO STATUTORY FINANCIAL INFORMATION

Presented below is a reconciliation at 31 December 2009 between the balance sheet and income statement reported within the Group's demerger documents with that reported within these consolidated financial statements prepared under International Financial Reporting Standards.

Balance Sheet	As at 31 December 2009			
	Prospectus Pro forma	Cash allocation[1]	Demerger costs[2]	Prospectus
Assets				
Investment and development property	1,240.5	–	–	1,240.5
Cash and cash equivalents	263.3	(244.0)	–	19.3
Trade and other receivables	36.6	–	–	36.6
Investments	46.0	–	–	46.0
Other assets	1.3	–	–	1.3
Total assets	1,587.7	(244.0)	–	1,343.7
Liabilities				
Borrowings	(726.4)	–	–	(726.4)
Trade and other payables	(66.8)	–	2.8	(64.0)
Derivative financial instruments	(56.2)	–	–	(56.2)
Other liabilities	(7.4)	–	–	(7.4)
Total liabilities	(856.8)	–	2.8	(854.0)
Net assets	730.9	(244.0)	2.8	489.7
EPRA adjusted, diluted NAV per share (pence per share)	127	(39)	–	88

	As at 31 December 2009					
	Prospectus	Remove non-demerged entities[3]	Reclassify amounts due to CSC Group[4]	Remove proforma recharges[5]	Demerger capital[6]	Financial comparatives
Assets						
Investment and development property	1,240.5	–	–	–	–	1,240.5
Cash and cash equivalents	19.3	–	–	–	–	19.3
Trade and other receivables	36.6	–	–	–	–	36.6
Investments	46.0	–	–	–	–	46.0
Other assets	1.3	–	–	–	–	1.3
Total assets	1,343.7	–	–	–	–	1,343.7
Liabilities						
Borrowings	(726.4)	–	–	–	–	(726.4)
Trade and other payables	(64.0)	(185.5)	(953.5)	14.0	728.0	(461.0)
Derivative financial instruments	(56.2)	–	–	–	–	(56.2)
Other liabilities	(7.4)	–	–	–	–	(7.4)
Total liabilities	(854.0)	(185.5)	(953.5)	14.0	728.0	(1,251.0)
Net assets	489.7	(185.5)	(953.5)	14.0	728.0	92.7
EPRA adjusted, diluted NAV per share (pence per share)	**88**	**(30)**	**(152)**	**2**	**117**	**25**

RECONCILIATION OF PRO FORMA TO STATUTORY FINANCIAL INFORMATION (continued)

Income Statement — **Year ended 31 December 2009**

	Prospectus Pro forma	Cash allocation[1]	Demerger costs[2]	Prospectus
Net rental income	79.2	–	–	79.2
Deficit on revaluation and sale of investment and development property	(140.7)	–	–	(140.7)
Impairment of investment in associate company	(3.9)	–	–	(3.9)
Administration expenses	(21.3)	–	2.8	(18.5)
Other income, expense and charges	(7.0)	–	–	(7.0)
Operating (loss)/profit	(93.7)	–	2.8	(90.9)
Net finance costs	(36.1)	–	–	(36.1)
Taxation	(1.4)	–	–	(1.4)
Attributable to non-controlling interest	19.6	–	–	19.6
Loss for the year	(111.6)	–	2.8	(108.8)

Year ended 31 December 2009

	Prospectus	Remove non-demerged entities[3]	Reclassify amounts due to CSC Group[4]	Remove proforma recharges[5]	Demerger capital[6]	Financial comparatives
Net rental income	79.2	(1.1)	–	–	–	78.1
Deficit on revaluation and sale of investment and development property	(140.7)	11.9	–	–	–	(128.8)
Impairment of investment in associate company	(3.9)	3.9	–	–	–	–
Administration expenses	(18.5)	–	–	4.0	–	(14.5)
Other income, expense and charges	(7.0)	–	–	–	–	(7.0)
Operating (loss)/profit	(90.9)	14.7	–	4.0	–	(72.2)
Net finance costs	(36.1)	–	(41.7)	–	–	(77.8)
Taxation	(1.4)	0.3	–	–	–	(1.1)
Attributable to non-controlling interest	19.6	–	–	–	–	19.6
Loss for the year	(108.8)	15.0	(41.7)	4.0	–	(131.5)

1 Cash which was transferred from Capital Shopping Centres Group to the Group prior to completion of the demerger.
2 Represents demerger and related costs which were allocated to the Group by Capital Shopping Centres Group.
3 Information in the prospectus was prepared using conventions commonly adopted for preparation of financial information for inclusion in investment circulars. This resulted in certain departures from IFRS; the most significant being IAS 27. The prospectus included assets under 'control' of Capco management whereas the comparatives only include assets demerged from Capital Shopping Centres Group. This was outlined on page 80 of the prospectus.
4 Debt due to Capital Shopping Centres Group was classified as Equity in the prospectus as these assets were to be demerged and form part of Capco equity. On a comparative basis however these legally took the form of debt and are disclosed as such for the comparative period. This was highlighted on page 80 of the prospectus.
5 Included in the prospectus was a pro forma allocation of overhead costs which had not historically been recharged by Capital Shopping Centres Group. For the comparatives this pro forma allocation falls away. This was highlighted on page 81 of the prospectus.
6 The objective of merger accounting is to report the consolidated financial position of the Group as if it had always been combined. Consequently, the share capital issued for the purposes of the transaction is shown as if it has always been in issue.

DIVIDENDS

The Directors of Capital & Counties Properties PLC have proposed a final dividend per ordinary share (ISIN GB00B62G9D36) of 1 pence payable on 19 May 2011.

Dates

The following are the salient dates for the payment of the proposed final dividend:

Thursday 31 March 2011	Sterling/Rand exchange rate struck
Friday 1 April 2011	Sterling/Rand exchange rate and dividend amount in Rand announced
Monday 11 April 2011	Ordinary shares listed ex-dividend on the JSE, Johannesburg
Wednesday 13 April 2011	Ordinary shares listed ex-dividend on the London Stock Exchange
Friday 15 April 2011	Record date for final dividend in London and Johannesburg
Thursday 19 May 2011	**Dividend payment date for shareholders**

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 8 April 2011 and that no dematerialisation or rematerialisation of shares will be possible from Monday 11 April 2011 to Friday 15 April 2011 inclusive. No transfers between the UK and South African registers may take place from Thursday 31 March 2011 to Sunday 17 April 2011 inclusive.

The above dates are proposed and subject to change.

GLOSSARY

Capco
Capco represents Capital & Counties Properties PLC (also referred to as "the Company") and all its subsidiary companies, together referred to as "the Group."

Capital Shopping Centres Group
Capital Shopping Centres Group represents Capital Shopping Centres Group PLC (formerly Liberty International PLC) and all its subsidiary companies.

Diluted figures
Reported amounts adjusted to include the effects of potential shares issuable under employee incentive arrangements.

ECOA
The Earls Court & West Kensington Opportunity Area.

EPRA
European Public Real Estate Association, the publisher of Best Practice Recommendations intended to make financial statements of public real estate companies in Europe clearer, more transparent and comparable.

EPRA adjusted earnings per share
Profit for the year excluding gains or losses on the revaluation and sale of investment and development property, write down on trading property, changes in fair value of financial instruments and associated close-out costs and the related taxation on these items divided by the weighted average number of shares in issue during the period.

EPRA adjusted, diluted NAV
The net assets as at the end of the year including the excess of the fair value of trading property over its cost and excluding the fair value of financial instruments, deferred taxation on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes divided by the diluted number of shares at year end.

EPRA adjusted, diluted NNNAV
EPRA diluted NAV adjusted to reflect the fair value of derivatives and to include deferred taxation on revaluations.

ERV (estimated rental value)
The external valuers' estimate of the Group's share of the current annual market rent of all lettable space net of any non–recoverable charges, before bad debt provision and adjustments required by International Financial Reporting Standards regarding tenant lease incentives.

Gross Income
The Group's share of passing rent plus sundry non-leased income.

Interest cover ratio (ICR)
Net rental income less administration costs divided by the net finance cost excluding the change in fair value of derivatives and any exceptional finance costs.

IPD
Investment Property Databank Ltd, producer of an independent benchmark of property returns.

Interest rate swap
A derivative financial instrument enabling parties to exchange interest rate obligations for a predetermined period. These are used by the Group to convert floating rate debt to fixed rates.

Initial yield (EPRA)
Annualised net rent (after deduction of revenue costs such as head rent, running void, service charge after shortfalls and empty rates) on investment properties expressed as a percentage of the gross market value before deduction of theoretical acquisition costs, consistent with EPRA's net initial yield.

Liberty International
Liberty International represents Liberty International PLC (subsequently renamed Capital Shopping Centres Group PLC) and all its subsidiary companies.

Like–for–like properties
Investment properties which have been owned throughout both periods without significant capital expenditure in either period, so income can be compared on a like–for–like basis. For the purposes of comparison of capital values, this will also include assets owned at the previous balance sheet date but not necessarily throughout the prior period.

Loan–to–value (LTV)
LTV is the ratio of attributable debt to the market value of an investment property.

Net rental income
The Group's share of gross rental income less ground rents payable, service charge expenses and other non-recoverable charges, having taken due account of bad debt provisions and adjustments to comply with International Financial Reporting Standards regarding tenant lease incentives.

GLOSSARY (continued)

Nominal equivalent yield
Effective annual yield to a purchaser from the assets individually at market value after taking account of notional acquisition costs, assuming rent is receivable annually in arrears, and that the property becomes fully occupied and that all rents revert to the current market level (ERV) at the next review date or lease expiry.

Occupancy rate (EPRA)
The ERV of let and under offer units expressed as a percentage of the ERV of let and under offer units plus ERV of un-let units, excluding units under development.

Pro forma
The pro forma basis as outlined on page 140 of the Group's prospectus dated 12 March 2010.

Passing rent
The Group's share of contracted annual rents receivable at the balance sheet date. This takes no account of accounting adjustments made in respect of rent free periods or tenant incentives, the reclassification of certain lease payments as finance charges or any irrecoverable costs and expenses, and does not include excess turnover rent, additional rent in respect of unsettled rent reviews or sundry income. Contracted annual rents in respect of tenants in administration are excluded.

Section 34A of the Housing Act 1985
An amendment to the 1985 Housing Act to enable tenants to take control of the management of their properties. The amendment establishes a procedure enabling an organised group of tenants to require a local authority to transfer their homes to a housing association or similar body registered with the Tenant Services Authority (the social housing regulator). Tenants may form such a body and seek the transfer of the property to that body. The legislation only applies to social rented tenants of local authorities. It does not apply to tenants of housing associations even where the ultimate owner may be a local authority. Section 34A requires implementation by regulations yet to come into effect. These regulations will be enacted by the Department of Communities and Local Government. No regulations have yet been made, although it is anticipated that draft regulations will be issued in spring 2011 in the form of a consultation document.

Underlying profit
Profit for the year excluding impairment charges, net valuation gains/losses (including profits/losses on disposals), net refinancing charges and swap termination costs.

Tenant (or lease) incentives
Any incentives offered to occupiers to enter into a lease. Typically incentives are in the form of an initial rent free period and/or a cash contribution to fit-out the premises. Under International Financial Reporting Standards the value of incentives granted to tenants is amortised through the income statement on a straight-line basis over the lease term.

Weighted average unexpired lease
The unexpired lease term to lease expiry weighted by ERV for each lease.