capco

Capital & Counties Properties PLC

Annual Report & Accounts 2010

Contents

Capital & Counties Properties PLC (Capco) became an independent property investment company following its demerger from Liberty International PLC in May 2010. The Group has since developed within a well-defined strategy that focuses its activities on the opportunities and values offered by the central London market.

Features of the year

Capco is creating shareholder value as an independent business by meeting the asset management and development goals set for its three prime estates in the West End and West London.

- ★ **Successful demerger from Liberty International PLC**
- ★ **Excellent progress at Covent Garden with estimated rental value (ERV) of £37.5 million, up 12 per cent 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**
- ★ **Final dividend of 1 pence per share proposed, making 1.5 pence for the year**

The 2010 highlights

January
Representations submitted to the Mayor's draft Replacement London Plan for the Earls Court & West Kensington Opportunity Area (ECOA)

February
Masterplanner selection competition initiated for the ECOA

March
Demerger announced

Ideal Home Show attracts more than quarter of a million visitors

April
Balthazar agrees lease in Covent Garden

May
Demerger completed

Terry Farrell & Partners appointed as ECOA masterplanner

ECOA landowners renew collaboration agreement

July
ECOA statement of common ground with Royal Borough of Kensington & Chelsea for their core strategy

Burberry agrees lease in Covent Garden

Kurt Geiger opens in Covent Garden

August
Apple opens in Covent Garden

Whistles opens new store in Covent Garden

Ladurée agrees lease in Covent Garden

September
Terry Farrell phase 1 concept masterplan completed

Signed statement of common ground with ECOA statutory authorities

Jack Wolfskin opens in Covent Garden

October
Seagrave Road car park sales contract rescinded

Sunglass Hut agrees lease in Covent Garden

November
The Great Capital Partnership refocused

Ralph Lauren wins competitive bid to secure King Street store

Pandora opens in Covent Garden

New corporate office opens at 15 Grosvenor Street

December
London Borough of Hammersmith & Fulham resolves to grant planning and listed building consents for Olympia enhancements

Sir Robert McAlpine appointed for the redevelopment of the West Hall Olympia

Agreed surrender of Ponti's lease in Covent Garden

Total property value

£1.4 billion

Property valuation uplift on a like-for-like basis

10.8%

Property loan-to-value (LTV)

35%

Net rental income

£69 million

Occupancy levels across the Group, EPRA adjusted

97.4%

EPRA adjusted and diluted NAV per share

148 pence

Total shareholder return

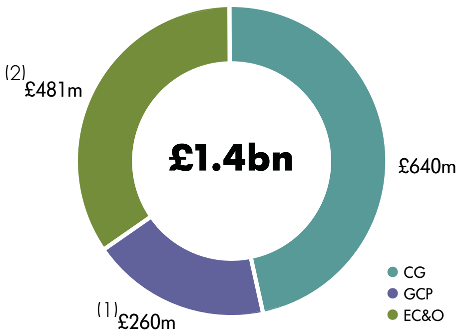
37.4%

The portfolio

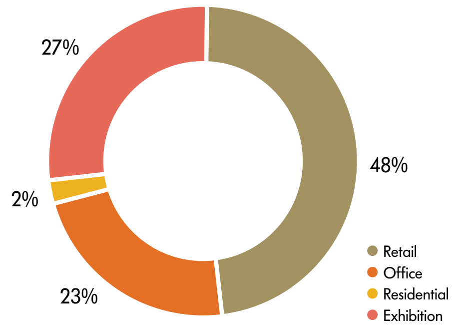
The strength and potential of London has been illustrated by the valuation growth and recurrent income in Capco's prime West End properties over the year. The exhibitions business has shown resilient performance, with momentum building towards planning consents for a long-term development of Earls Court.

	Covent Garden	The Great Capital Partnership	Earls Court & Olympia
Market value	£640m	£260m	£481m
Square feet	754,000net	425,000net	1,228,000 Exhibition – gross
			235,000 Empress State Building – net
Occupancy	97.1%	97.3%	n/a
Gross income/Passing rent	£26.8m	£13.8m	n/a
			£6.8m Empress State Building
NRI	£25.7m	£13.6m	£22.6m Exhibition
			£6.5m Empress State Building

Portfolio by value



Portfolio by use



1 GCP relates to Capco share
2 EC&O represents Earls Court £138m, Empress State £103m, Olympia £97m, Seagrave Road £104m and Peripheral Assets £39m.

The portfolio
Capco's assets are concentrated in three estates located around central London.

Covent Garden

The Great Capital Partnership

Earls Court & Olympia

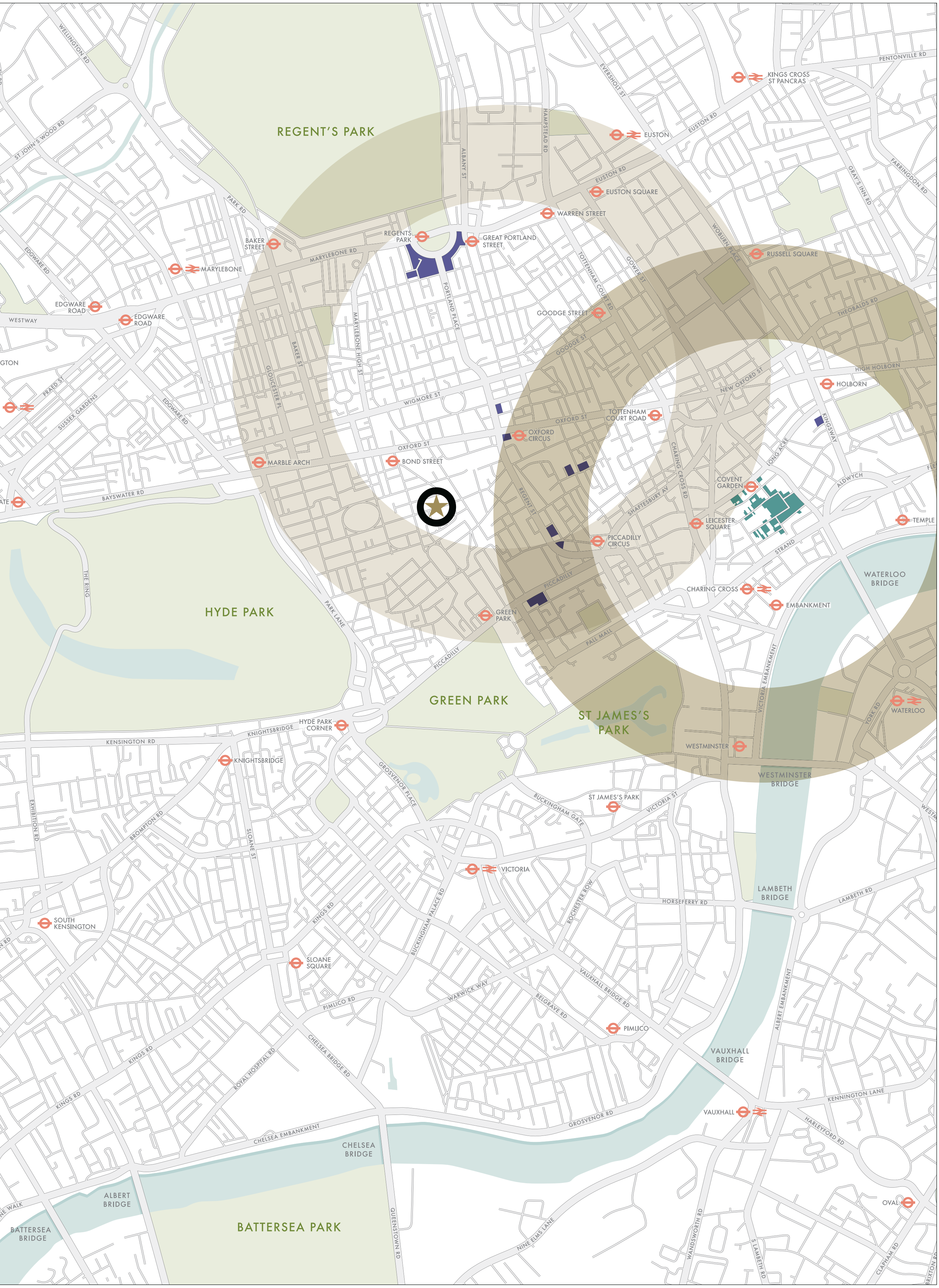
Empress State Building

Additional principal land ownerships in Earls Court

Transport for London

London Borough of Hammersmith & Fulham

Capco head office


REGENT'S PARK
HYDE PARK
GREEN PARK
ST JAMES'S PARK
BATTERSEA PARK
KINGS CROSS ST PANCRAS
EUSTON
EUSTON SQUARE
WARREN STREET
REGENTS PARK
GREAT PORTLAND STREET
BAKER STREET
MARYLEBONE
EDGWARE ROAD
RUSSELL SQUARE
GOODGE STREET
HOLBORN
TOTTENHAM COURT ROAD
OXFORD CIRCUS
BOND STREET
MARBLE ARCH
COVENT GARDEN
LEICESTER SQUARE
PICCADILLY CIRCUS
TEMPLE
CHARING CROSS
EMBANKMENT
GREEN PARK
WATERLOO
WATERLOO BRIDGE
WESTMINSTER
WESTMINSTER BRIDGE
HYDE PARK CORNER
KNIGHTSBRIDGE
ST JAMES'S PARK
VICTORIA
LAMBETH BRIDGE
SOUTH KENSINGTON
SLOANE SQUARE
PIMLICO
VAUXHALL BRIDGE
VAUXHALL
CHELSEA BRIDGE
ALBERT BRIDGE
BATTERSEA BRIDGE
OVAL
PENTONVILLE RD
EUSTON RD
MARYLEBONE RD
OXFORD ST
NEW OXFORD ST
HIGH HOLBORN
WIGMORE ST
PICCADILLY
PALL MALL
STRAND
KINGSWAY
ALDWYCH
SHAFTESBURY AV
CHARING CROSS RD
REGENT ST
TOTTENHAM COURT RD
GOWER ST
PORTLAND PLACE
MARYLEBONE HIGH ST
BAKER ST
GLOUCESTER PL
PARK LANE
BAYSWATER RD
KENSINGTON RD
KNIGHTSBRIDGE
BROMPTON RD
SLOANE ST
KINGS RD
GROSVENOR PLACE
BUCKINGHAM GATE
VICTORIA ST
BUCKINGHAM PALACE RD
VAUXHALL BRIDGE RD
HORSEFERRY RD
ROCHESTER ROW
BELGRAVE RD
WARWICK WAY
PIMLICO RD
CHELSEA BRIDGE RD
ROYAL HOSPITAL RD
CHELSEA EMBANKMENT
GROSVENOR RD
VICTORIA EMBANKMENT
ALBERT EMBANKMENT
LAMBETH RD
KENNINGTON LANE
HARLEYFORD RD
NINE ELMS LANE
QUEENSTOWN RD
WANDSWORTH RD
S LAMBETH RD
CLAPHAM RD
YORK RD
THEOBALDS RD
GRAY'S INN RD
FARRINGDON RD
WOBURN PLACE
EVERSHOLT ST
HAMPSTEAD RD
ALBANY ST
PARK RD
ST JOHN'S WOOD RD
WELLINGTON RD
EDGWARE RD
WESTWAY
PRAED ST
SUSSEX GARDENS
THE RING
EXHIBITION RD
LONG ACRE
GOODGE ST

The Chairman

Covent Garden's famous Market Building celebrated its 180th year in 2010.

The Chairman

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 macro-economic 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

Olympia is set to become central London's prime venue for consumer and trade shows.

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.

The 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 Total Return 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
The 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%

Key performance indicators

Capco's strategy is to unlock value through growth in capital value and rental levels across its estates, thereby generating superior and long-term returns for its shareholders.

Successful execution of the strategy will be reflected in property values, which drive NAV. As a result, the Board believes that the key performance indicators to measure the Group's progress against its strategic aims are Total Property Return and Total Return, as well as Total Shareholder Return which should reflect the underlying performance.

A number of other indicators of performance are considered by the Board, either at the group level (including underlying earnings per share), or specifically relevant to each estate, for example ERV at Covent Garden and EBITDA at Earls Court & Olympia. These are discussed further in the asset-specific business reviews on pages 20 to 39 and in the Financial Review. As the Group's activities evolve the Board will consider whether these performance indicators remain appropriate.

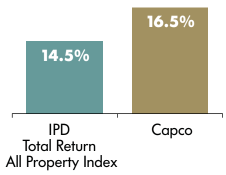
As a newly listed company, the Board has considered appropriate annual and medium-term targets for each of the key performance indicators, which are reflected in the Group's remuneration policy. The Board has consulted with its remuneration consultants in this regard, with reference to relevant market indicators. The objective is to outperform the property market and comparator group of the eight largest FTSE 350 real estate companies over the medium term.

Total property return

Total property return is calculated as capital growth including gains and losses on disposal plus rents received less associated costs, including ground rent. This metric ensures comparability to the IPD Total Return All Property Index.

Performance

The Group's 2010 target is to outperform the IPD Total Return All Property Index by 1 .5 per cent. As shown, the Group has outperformed by 2.0 per cent in 2010. On a three-year basis, the Group's central London properties have outperformed its benchmark by 3.7 per cent per annum.



Total return

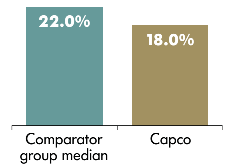
Total return is the growth in the EPRA adjusted, diluted NAV per share plus dividends per share during the period.

Outperformance over a three year period, versus a comparator group of the eight largest constituents of the FTSE 350 Real Estate Index, is identified as a key measure of the success of Capco's strategy.

Performance

The total return for Capco is calculated by reference to an opening pro forma adjusted NAV per share of 127 pence as set out in the Group's demerger documents.

Capco's calculated total return for the year of 18 per cent was below the median of the comparator group in 2010. Due to the demerger, only one year of comparison is available for 2010, which does not properly reflect the medium-term nature of the Group's strategy, particularly at Earls Court. The Group significantly exceeded its annual target for total return in 2010.



Total shareholder return

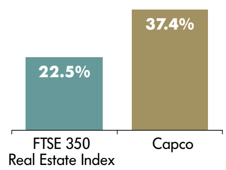
Total shareholder return is the increase in the price of an ordinary share plus dividends during the period.

The Group's total shareholder return is benchmarked against the total shareholder return of the FTSE 350 Real Estate Index.

As a key metric for long-term equity-based compensation for the Group's employees, total shareholder return aligns incentives with shareholder interest.

Performance

The Group generated a total shareholder return of 37.4 per cent during the period. In comparison the FTSE Real Estate Index has achieved 22.5 per cent in the same period. Due to the volatility in the Company's shares immediately following demerger, a one-month average is used to calculate the starting position for this calculation.



Outlook and objectives

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.

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 charge to the business with a full risk review undertaken anually. 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 the London Borough of Hammersmith & Fulham (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 valuation.	Other Information page 128
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.	Other Information page 134

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 recover 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 & safety or other statutory regulations or notices.	Comprehensive health & 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.	Other Information page 134
Reduced availability of equity capital.	Maintain appropriate liquidity to cover commitments. Target conservative overall leverage levels.	Financial review

Top retail brands such as Kurt Geiger attract Londoners and visitors to the lively streets of Covent Garden.

Business review
Covent Garden

Value
£640m
+14.1%*

ERV
£37.5m
+12.0%*

Footfall
46m

Occupancy
97.1%

Equivalent yield
5.1%

Committed investment
£25m

*calculated on a like-for-like basis

The Covent Garden estate is one of the most distinctive, well known and well loved areas 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.

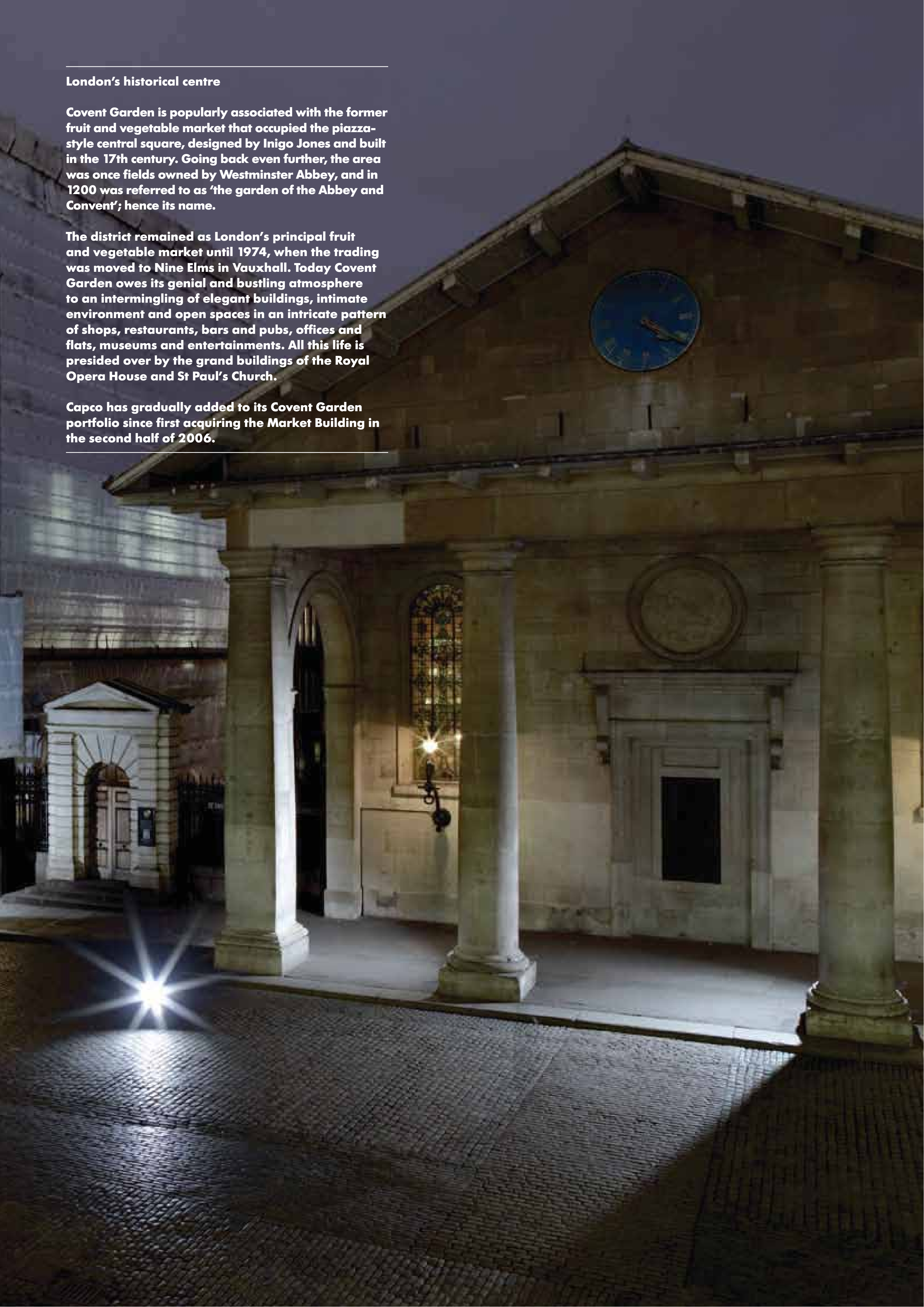
The vision is to maximise the estate's potential, creating an inspirational world-class retail, leisure and residential district both for Londoners and visitors to the capital. Capco has already transformed the estate, with leases agreed with 36 high-quality new tenants since its first involvement in 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.

Covent Garden zoning plan



London's historical centre

Covent Garden is popularly associated with the former fruit and vegetable market that occupied the piazza-style central square, designed by Inigo Jones and built in the 17th century. Going back even further, the area was once fields owned by Westminster Abbey, and in 1200 was referred to as 'the garden of the Abbey and Convent'; hence its name.

The district remained as London's principal fruit and vegetable market until 1974, when the trading was moved to Nine Elms in Vauxhall. Today Covent Garden owes its genial and bustling atmosphere to an intermingling of elegant buildings, intimate environment and open spaces in an intricate pattern of shops, restaurants, bars and pubs, offices and flats, museums and entertainments. All this life is presided over by the grand buildings of the Royal Opera House and St Paul's Church.

Capco has gradually added to its Covent Garden portfolio since first acquiring the Market Building in the second half of 2006.

1
Apple
25,000 sq ft flagship store opened 7 August

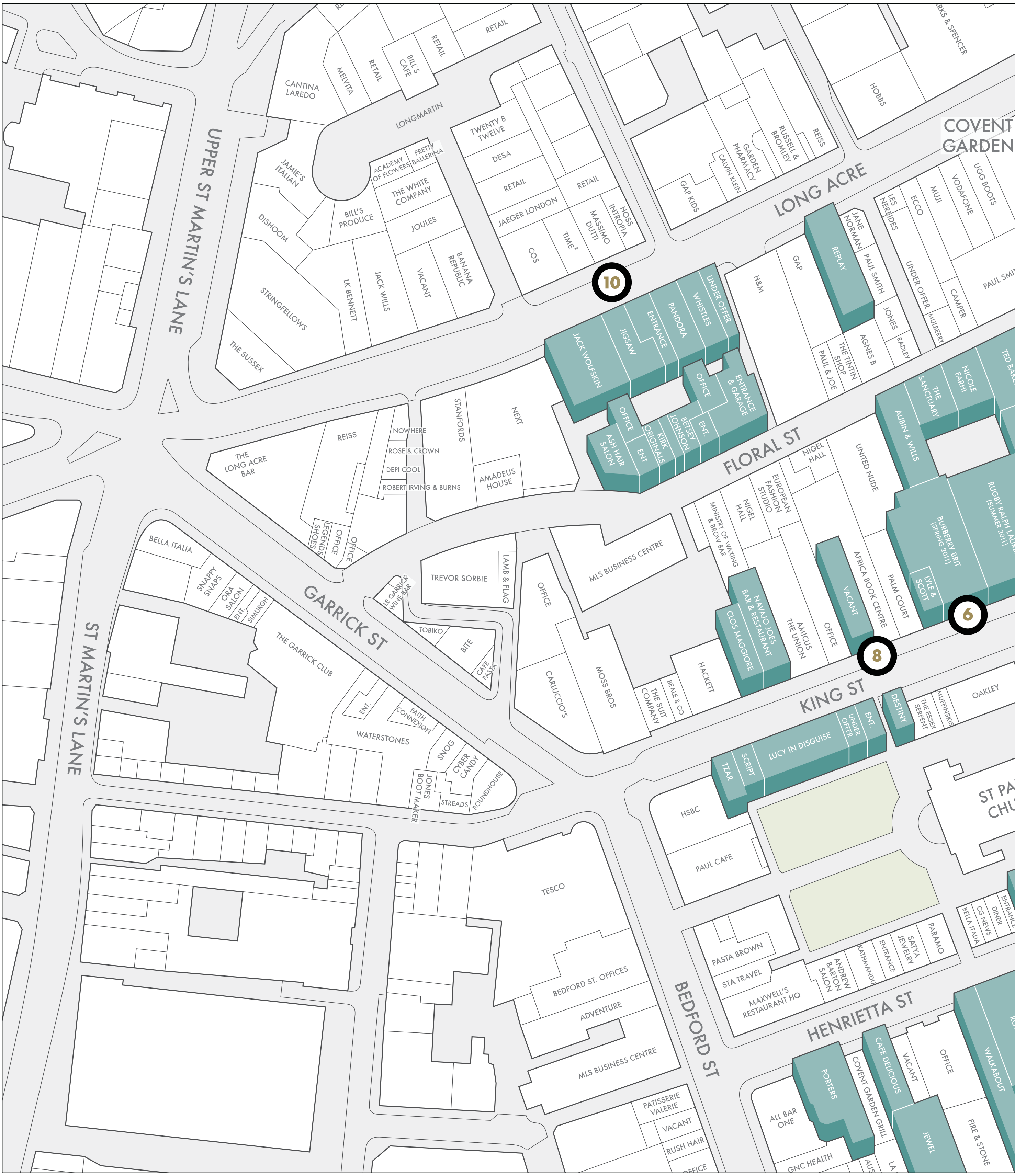
2
Balthazar
A UK first, flagship restaurant in excess of 9,000 sq ft to be run by Caprice Holdings to open Winter 2011

3
London Film Museum
Under offer, due to open Winter 2011 circa 25,000 sq ft

4
Ponti's
Lease surrender completed, vacant possession 1 April 2011, Links of London confirmed as one of two new tenants and a new food concept to be introduced this year

5
Ladurée
Ladurée to open Easter 2011, record food & beverage rent for Market Building

6
Burberry
The first standalone 9,000 plus sq ft Brit store to open Spring 2011



7
Ralph Lauren
A UK first, Rugby store in excess of 5,000 sq ft to open Summer 2011, set record rent for King Street

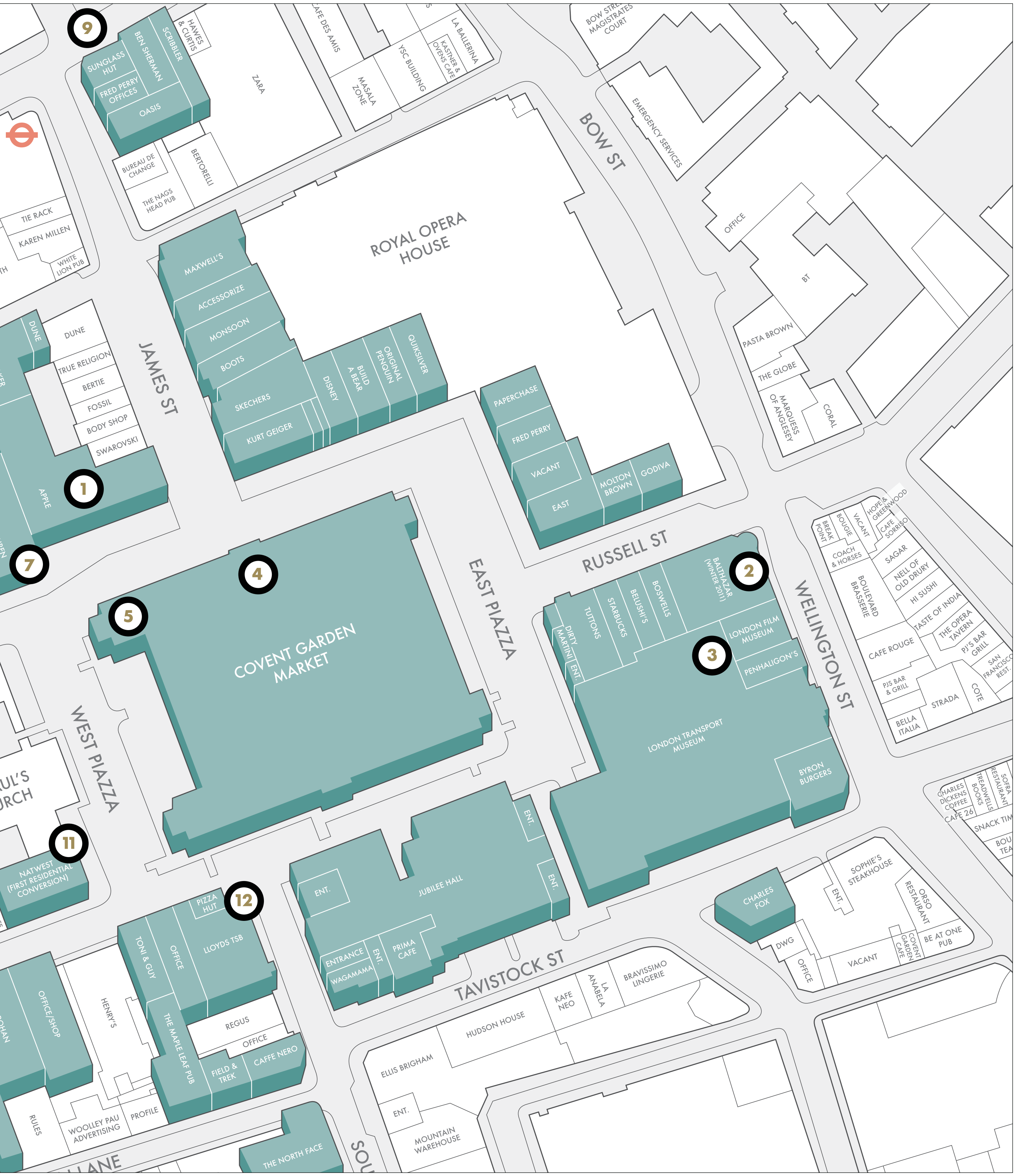
8
37 King Street
Acquired January 2011, planning application submitted for conversion to retail use

9
James Street
Sunglass Hut – new 2,500 sq ft flagship store to open Spring 2011, achieved record ITZA for James Street

10
Long Acre
Jack Wolfskin, Pandora and Whistles new stores opened during 2010

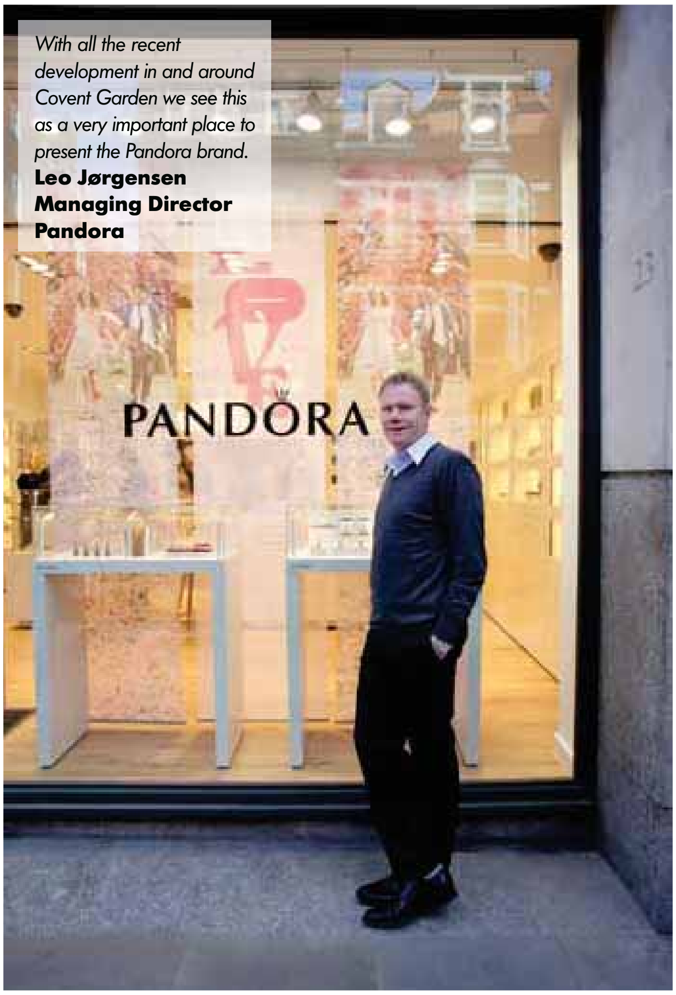
11
34 Henrietta Street
Flagship residential conversion for premium apartments to be delivered to market December 2011

12
1a Henrietta Street
Recently acquired as part of a swap transaction with 1 - 3 Long Acre

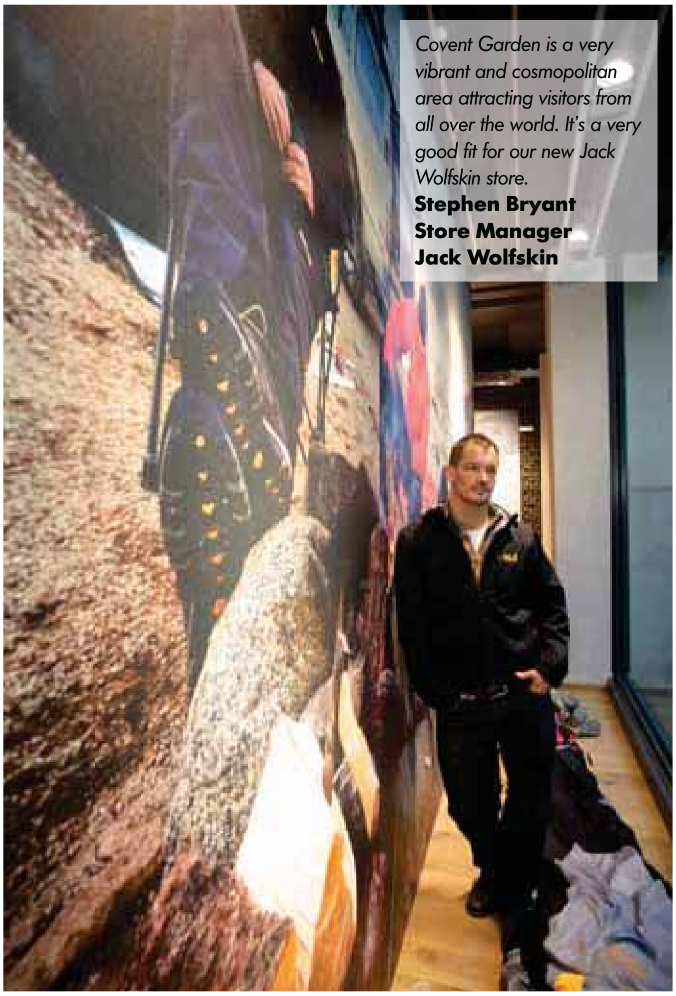


Ladurée was attracted to Covent Garden because of its wealth of culture, together with the unique and vibrant retail experience that Covent Garden provides.
Ben Macdonald
Managing Director
Ladurée

Covent Garden has reinvented itself; the whole area feels vibrant and exciting again, and our new store is buzzing.
Jane Shepherdson
CEO
Whistles



With all the recent development in and around Covent Garden we see this as a very important place to present the Pandora brand.
Leo Jørgensen
Managing Director
Pandora



Covent Garden is a very vibrant and cosmopolitan area attracting visitors from all over the world. It's a very good fit for our new Jack Wolfskin store.
Stephen Bryant
Store Manager
Jack Wolfskin

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 Owen. The recent acquisition of 37 King Street, for which a planning application will be submitted for conversion 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.

	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
F&B	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

Apple Retail UK Limited

Channel 5 Broadcasting

Maxwells Restaurant

Monsoon Holdings

Fred Perry Limited

(as of 2 March 2011)

The Great Capital Partnership has refocused its portfolio on its core West End holdings.

Business review
The Great Capital Partnership

Value
£260m
+14%*

ERV
£14.8m
+4%*

Passing rent
£13.8m
+2%*

Occupancy
97.3%

Equivalent yield
5.1%

Top tenants by passing rent

VNU Business Publications Limited

Acquascutum Limited

Standard Chartered Bank

Live Nation (Music) UK Ltd

Secretary of State for the Environment

(as of 2 March 2011)

*calculated on a like-for-like basis

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.

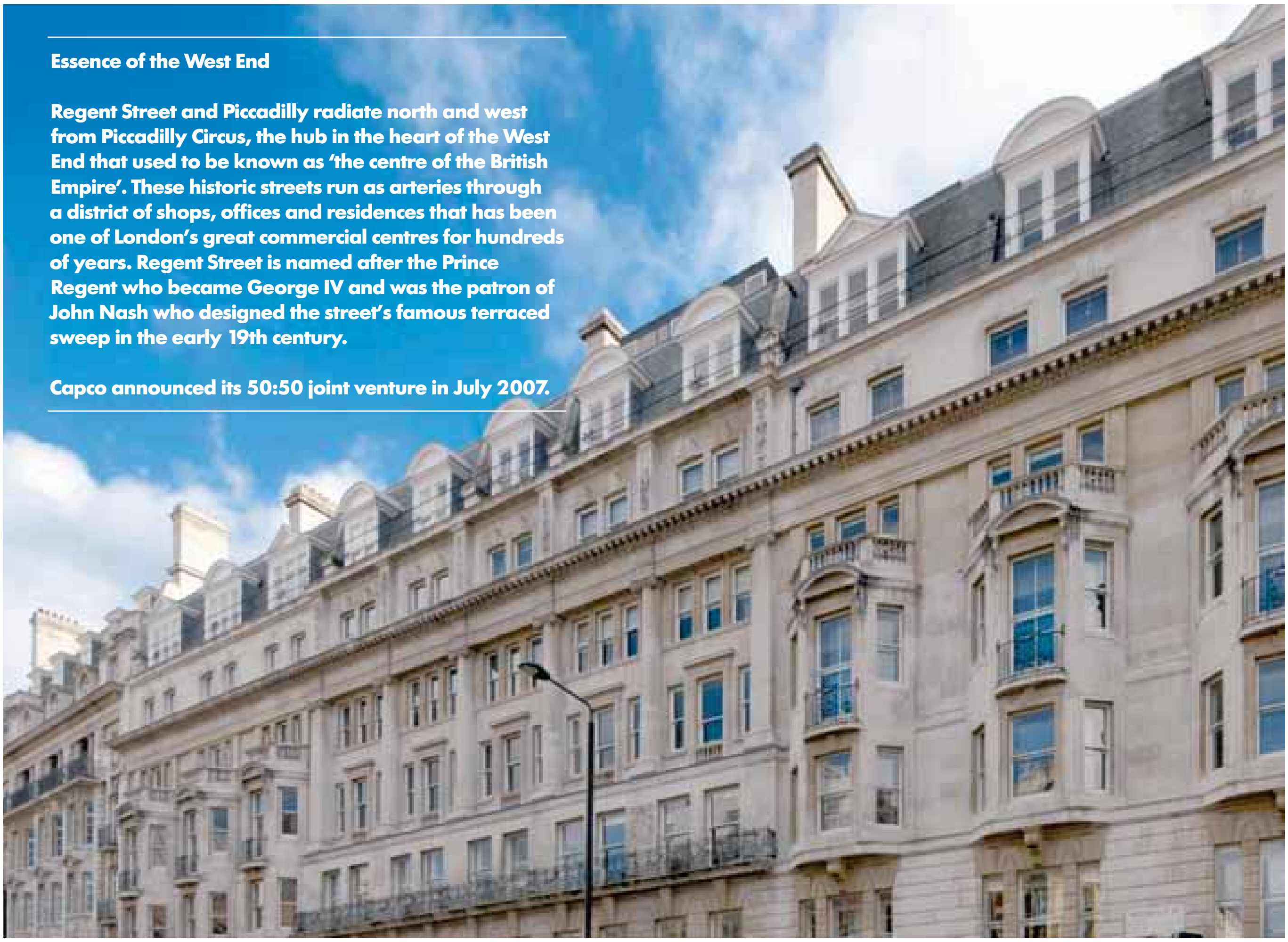
In November, the Partnership announced a refocusing of the joint venture. This entailed the sale to Great Portland Estates of 24/25 Britton Street EC1, 12/14 New Fetter Lane/43 Fetter Lane EC4, Tasman House in Wells Street W1 and 183/190 Tottenham Court Road W1 for a combined price of £45 million (our 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.

	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	

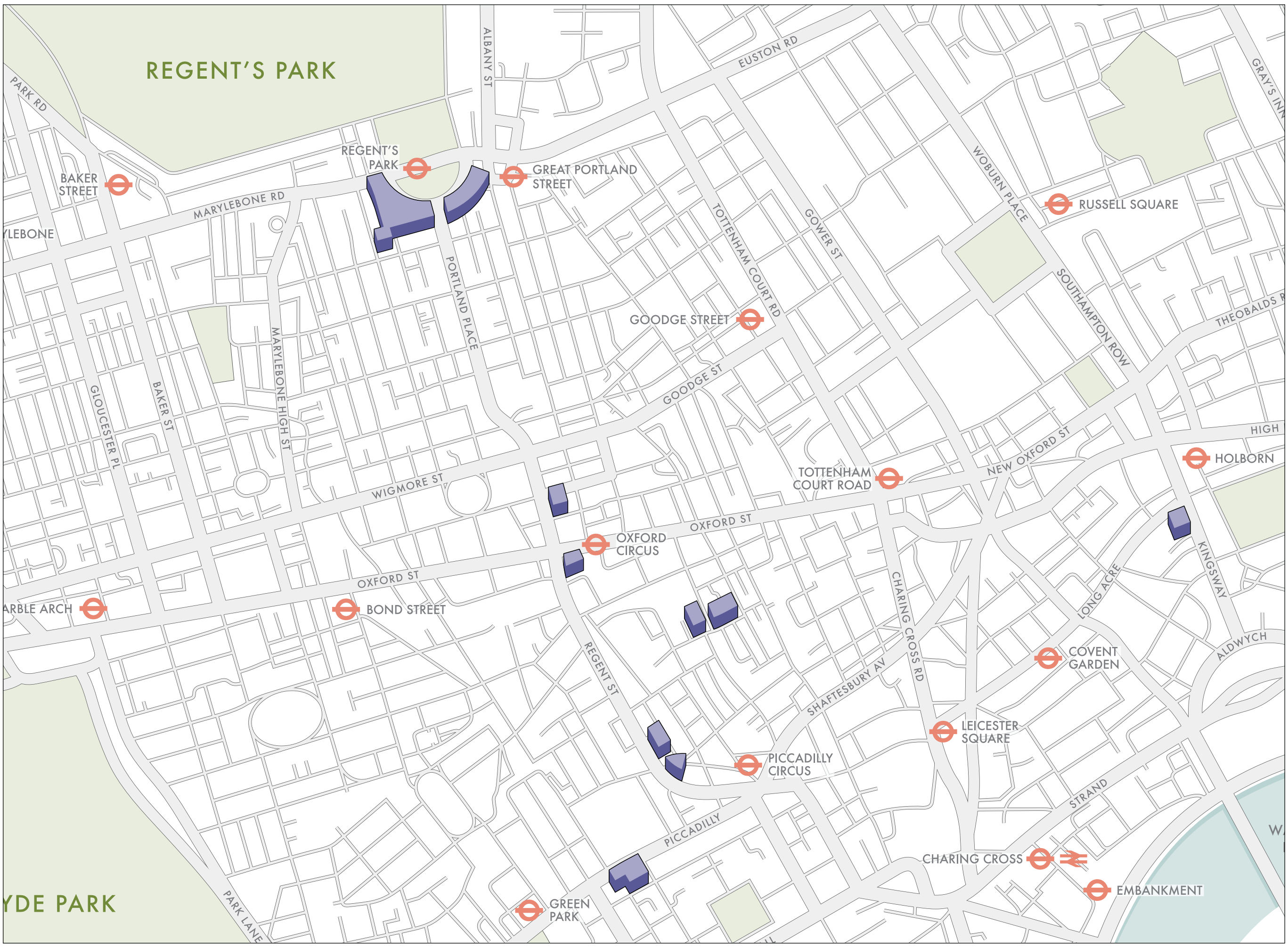
	Sq ft (k)	% Value	% Passing rent
Retail	193	35	33
Offices	594	59	64
Residential	56	6	2
Other	6	–	1
	849	100	100



Essence of the West End

Regent Street and Piccadilly radiate north and west from Piccadilly Circus, the hub in the heart of the West End that used to be known as 'the centre of the British Empire'. These historic streets run as arteries through a district of shops, offices and residences that has been one of London's great commercial centres for hundreds of years. Regent Street is named after the Prince Regent who became George IV and was the patron of John Nash who designed the street's famous terraced sweep in the early 19th century.

Capco announced its 50:50 joint venture in July 2007.



For the Ideal Home Show 2010, Earls Court 1 showcased a Portofino 48 Sunseeker in a central marina.

Business review
Earls Court & Olympia

EC&O Value
£235m

Seagrave Road Value
£104m
+39%*

Empress State Value
£103m
+9%

EBITDA
£18.9m
-11.3%

Events
253

Olympia investment
£21m

*calculated on a like-for-like basis

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 10 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

Exhibitions in West London

Olympia's Grand Hall designed by Henry Coe, which celebrates its 125th anniversary in 2011, was originally built in the 19th century as an arena for performances, shows and exhibitions. Early successes here were the Hippodrome Circus, Charles Cruft's 'Exhibition of Sporting Dogs' and Barnum's 'Greatest Show on Earth' direct from New York. Over the years some of the most important exhibitions in the calendar became regulars including the Ideal Home Show. Further space was added in the 1920s with the Empire Hall (now Olympia Two). In 1958, the new age came to Olympia with the first ever British Electronic Computer Exhibition.

What is now called Earls Court 1 first opened in 1937 and made its name early on hosting major shows such as the Chocolate and Confectionery exhibition. Earls Court 2 opened in 1991 adjoining and linked to Earls Court 1, adding 183,000 square feet of column-free space to the site. Earls Court has been designated a 2012 Summer Olympics venue and will be hosting the volleyball competitions.

The two venues were brought under the same umbrella in 1973 and became the merged EC&O Venues business a year later. Capco acquired 50 per cent in 2007 and then the remaining 50 per cent in December 2009.

globally. Turnover was £50.7 million (down 9.3 per cent) and EBITDA was £18.9 million (down 11.3 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 budget 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

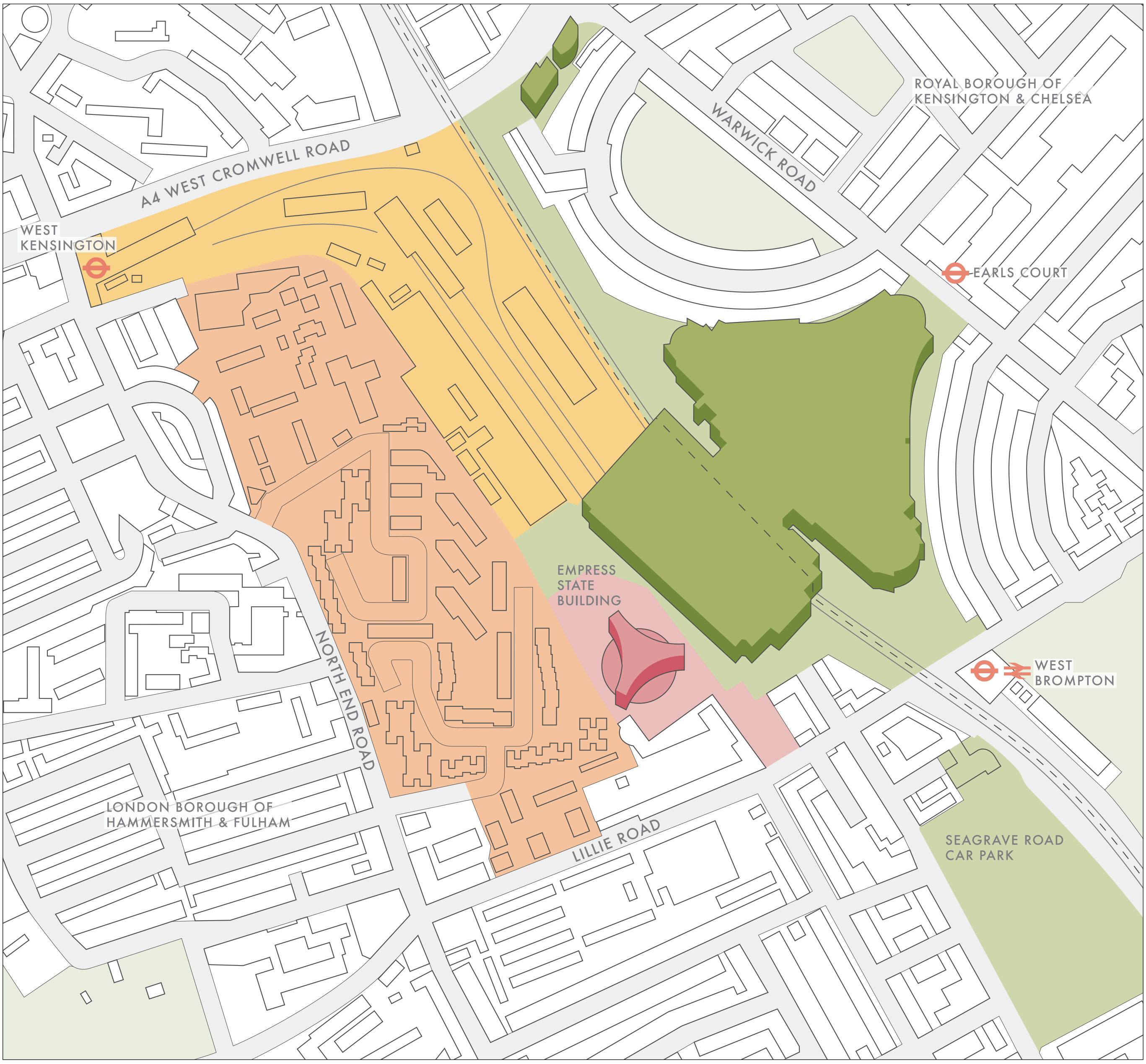
The Earls Court venue is perhaps the site with the greatest immediate potential in London for large-scale urban regeneration. Its central location surrounded by prime residential districts, together with its well-developed road, rail and Underground transport infrastructure, make it one of the leading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

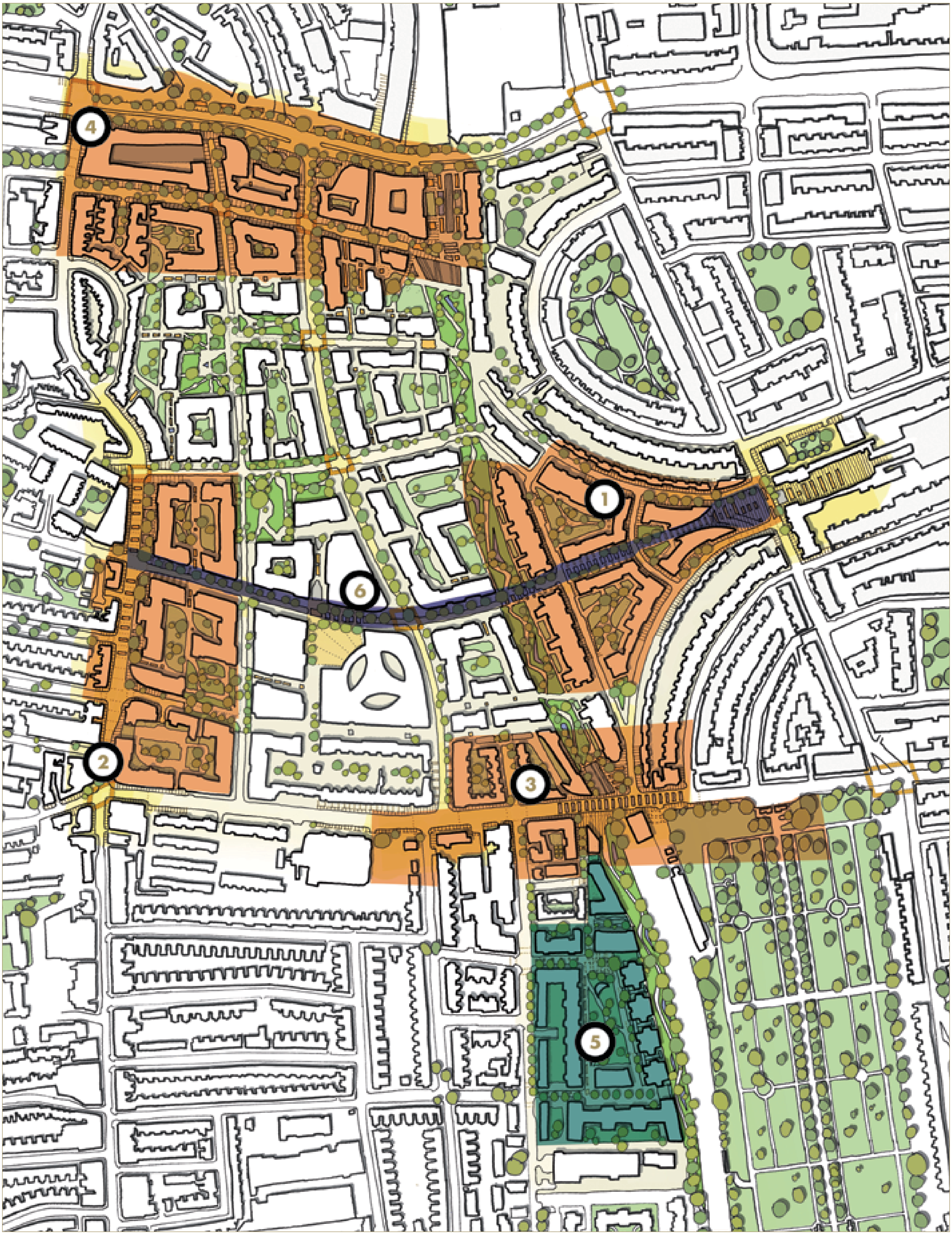
Discussions with TfL regarding a re-gear of the Group's long leasehold interests on Earls Court 1 (expiring December 2041) and Earls Court 2



Principal land ownerships of the ECOA

- Earls Court 1 & 2, Seagrave Road, Roxby Place
- Empress State Building
- Transport for London
- London Borough of Hammersmith & Fulham

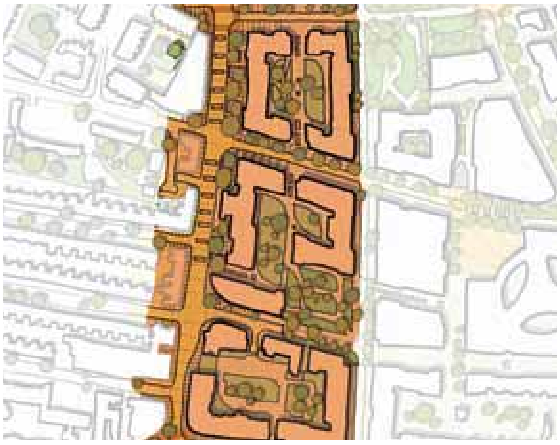
Sir Terry Farrell's masterplan for the ECOA incorporating 'four villages and a high street'



1. Earls Court Village
A welcoming, elegant and grand entrance to the development and the High Street – somewhere to spend time and enjoy city life.

Exhibition Square will be wide, classic and decorated with delicate mosaics. It will be flanked by graceful crescents of townhouses that complement the neighbouring Victorian terraces. Cobbled courtyards, garden squares, and quiet streets will add an element of intimacy to the grand modern mansion blocks, and the boutiques, cafés and delis of the High Street will create a gentle, urban buzz.

2. North End Village
With its vibrant street life, varied and green setting and range of good-quality homes, this village will revitalise North End Road and feel like it's always been there. Taking its cue from the bustle of today's North End Road market, this neighbourhood will have an urban, culturally diverse and energetic feel. Buildings of different styles, scales, materials and uses will sit side by side and the greenery will be less manicured than in the other villages. Its many shared spaces and new primary school will give it a community feel. Pavements will be filled with cafés, markets and food stalls, and the two squares will provide space to meet, play and exercise.



3. West Brompton Village
A leafy, relaxed and tranquil neighbourhood with homes, facilities and open spaces that are perfect for families.

New boutiques, art galleries and intimate arts centres set the tone for West Brompton Village which leads into the Seagrave residential quarter. The southern end of the Lost River Park snakes down to Seagrave, connecting it to the rest of the development and preserving a pleasant outlook from the historic Brompton Cemetery to the east.

4. West Kensington Village
This dynamic, commercial quarter attracts innovation and enterprise, and acts as a new front door to Central London. West Kensington will be home to ambitious businesses. The area's entrepreneurial spirit will also attract a dynamic residential population, drawn by its loft apartments, strikingly contemporary architecture, superb connections and immediate adjacency to the Lost River Park. Cromwell Place will act as new gateway to London off the A4 highway and will assert the area's identity through sophisticated architecture and landscaping.

5. Seagrave Road
Located on the site of the car park used by the Earls Court Exhibition Centre which will become redundant when the venue is redeveloped after the 2012 Games, Seagrave is largely residential. It will include a substantial new London garden square, consist of elegant urban blocks and will be sensitively integrated with surrounding communities and architecture.

6. High Street
The High Street won't just be a place to shop. It will be the life-blood of the area and the key connection from east to west. This 21st century take on the traditional High Street will act as a destination, a community hub, a meeting place and a site for celebrations, festivals and parades, as well as a thriving retail environment. Its character will gradually change from the lively bustle of North End Village to the more sedate Earls Court Village. At the foot of the Empress State Building, an ever-changing programme of exhibitions, classes and lectures will attract a constant stream of visitors.

The ECOA timeline
2011

Q1			Q2	
Publication of the Inspectors' report on the draft Replacement London Plan	Unveiling of ECOA masterplan and community drop-in sessions	Publication and first consultation of ECOA draft Supplementary Planning Document (SPD)	LBHF Core Strategy Examination in Public	Submission of ECOA & Seagrave Road Planning Applications

(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 ten 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 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, making 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 teams 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

2012

Q3 Anticipated publication of LBHF Core Strategy Panel Report	Second consultation of the ECOA draft SPD	**Q4** Anticipated date for adoption of LBHF Core Strategy and the Replacement London Plan	Anticipated date for adoption of ECOA SPD	**Q3** Olympic Games

significant rise of 39 per cent on a like-for-like basis to £104 million, representing £14 million per acre.

Empress State Building
Capco has a 50 per cent stake in this landmark office complex adjacent to Earl's 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 developed 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 per cent 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 maybe suitable for a residential conversion in line with the plans for the ECOA.


Sir Terry Farrell and the model of the ECOA masterplan.

EC&O key figures

	2010 £m	2009 £m	% Change like-for-like
Earls Court	138	134	
Olympia	97	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

Empress State Building

	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	

Top exhibitions by turnover

Ideal Home Show

The London Book Fair

ICE Totally Gaming

Future Build, Ecobuild

BETT

(as at 2 March 2011)

Financial review


Redevelopment plans for Olympia will maximise the intensity of exhibition space utilisation.

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 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 and capital structure

Included within Other information on pages 131 to 133 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.

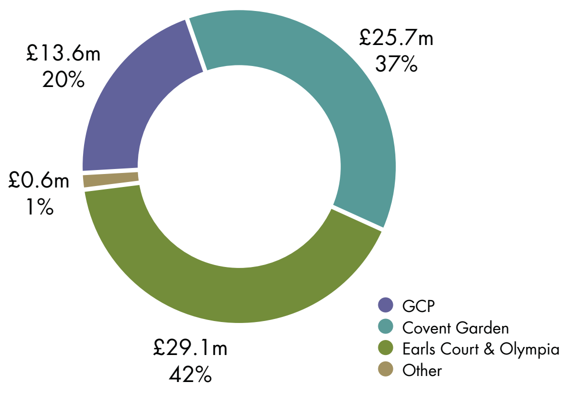
Where it is more meaningful to do so, comparison has been made to 2009 pro forma financial information as disclosed in the demerger documents throughout this financial review. Also contained within Other information on page 131 are details outlining the Group's capital structure and demerger transactions.

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. 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 opposite.



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 10)	**7.1**	7.2
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

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 2007 continued to be a feature during

Financial review

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 head count 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 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 from 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 23 , 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.

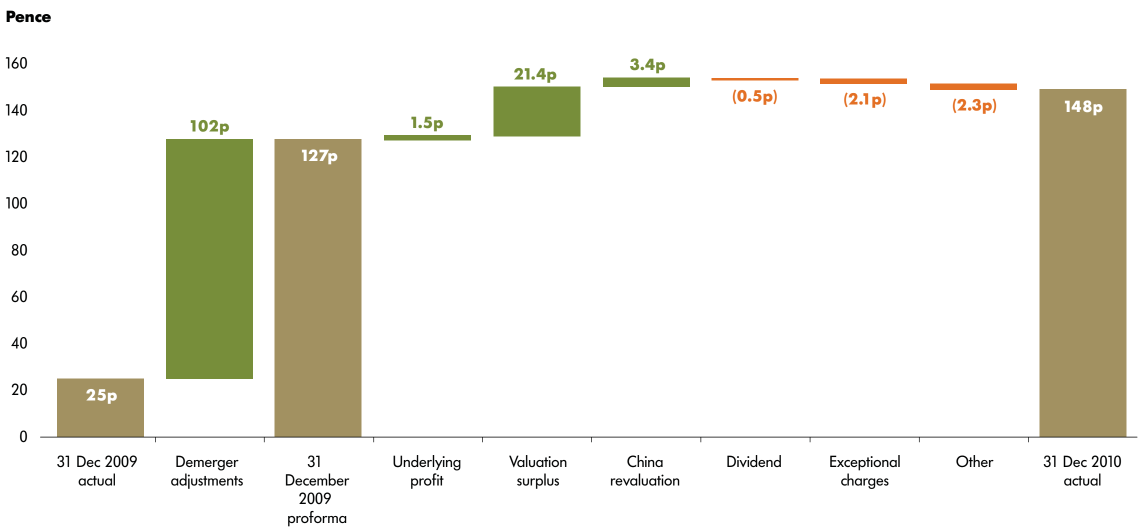
Financial position

As detailed in the table opposite, 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 21)	**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:



Financial review

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 million), an increase of 44.1 per cent.

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%

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.

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 26 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 Other Information.

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 cash flows, principally debt prepaid and repaid during the period of £68 million.

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

Financial review

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 movement in working capital	**(9.2)**	15.5
Recurring underlying cash flow 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

driven the movement in working capital. Recurring underlying cash flows 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.

Governance

The Georgian sweep of Park Crescent, part of The Great Capital Partnership estate.

The Board of Directors

Executive Directors

Ian Hawksworth
Chief Executive Age 45
Ian is responsible for developing the Company's strategy and for managing the business. Before joining the Board of Capco, Ian was Managing Director of Capital & Counties and a Director of Liberty International having joined the business in 2006. Before this he worked in Asia for 14 years, much of which as an Executive Director of Hongkong Land. Ian is a chartered surveyor and a leading member of several real estate bodies including the Urban Land Institute, AFIRE, Harvard Real Estate Academic Initiative and the British Property Federation Policy Committee.

Committees: Member of the Corporate Responsibility Committee, Member of the Nomination Committee

Soumen Das
Finance Director Age 34
Soumen is responsible for managing the Group's finance function, including reporting, treasury and taxation. Before joining the Board of Capco, Soumen was the Corporate Finance Manager for Liberty International having joined the business in 2009. Previously Soumen was a Partner of Mountgrange Investment Management LLP and an Executive Director of UBS Investment Bank in the real estate investment banking and real estate finance groups.

Gary Yardley
Investment Director Age 45
Gary is responsible for managing the Group's portfolio of properties and investments. Before joining the Board of Capco, Gary was Chief Investment Officer of Liberty International, a role he held from June 2007. Before that he was Managing Director of King Sturge Financial Services and an equity partner of King Sturge where he was responsible for the creation of a variety of specialist investment and development joint ventures across Europe. Gary is a Member of the Royal Institution of Chartered Surveyors.

Chairman and Non-executive Directors

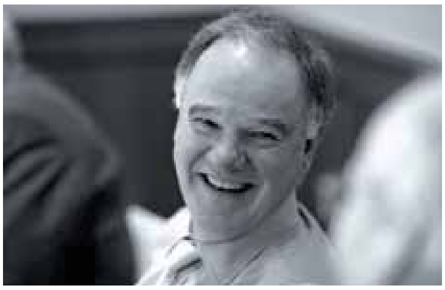
Ian Durant
Chairman Age 52

Ian is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. A chartered accountant with a background in international financial and commercial management, Ian's career includes periods with Hanson, Jardine Matheson, Hongkong Land, Dairy Farm International, Thistle Hotels and SeaContainers. Immediately prior to becoming Non-executive Chairman of the Board, Ian was the Finance Director of Liberty International. He is also a Non-executive Director and Chairman of the Audit Committee of Greene King.

Committees: Chairman of the Nomination Committee, Member of the Corporate Responsibility Committee

Graeme Gordon
Non-executive Director Age 47

Graeme was a Non-executive Director of Liberty International for 14 years before joining the Board of Capco. He is the son of Sir Donald Gordon, the founder of Liberty International and represents the Gordon Family Interests on the Board, whilst holding a number of other directorships including Creative Investments Limited, CFS – Europe Limited, Fieldstall Limited and Mymarket Limited.



Henry Staunton
Non-executive Director Age 62

A former Finance Director in the media, hotels and leisure sectors, Henry was appointed to the Board in June 2010 and became Chairman of the Audit Committee shortly after in July 2010. He was previously Finance Director of Granada and ITV and is an experienced Non-executive Director whose current appointments include Legal & General, WH Smith and Merchants Trust.

Committees: Chairman of the Audit Committee, Member of the Remuneration Committee

Ian Henderson CBE
Non-executive Deputy Chairman and Senior Independent Non-executive Director Age 67

Formerly Chief Executive of Land Securities, Ian has been widely involved in property industry matters, including being a past President of the British Property Federation. His directorships, trusteeships and board memberships include Capital Shopping Centres Group, Ishaan Real Estate, the Natural History Museum, and the Royal Albert Hall.

Committees: Chairman of the Remuneration Committee, Chairman of the Corporate Responsibility Committee, Member of the Audit Committee, Member of the Nomination Committee

Andrew Huntley
Non-executive Director Age 72

A chartered surveyor with 40 years' experience who rose to be Chairman of Richard Ellis from 1993 to 2002. Andrew is Non-executive Chairman of Metric Property Investments and is also a Non-executive Director of Capital Shopping Centres Group, the Miller Group, and a Director of Ashfern Developments.

Committees: Member of the Remuneration Committee, Member of the Nomination Committee

Andrew Strang
Non-executive Director Age 58

Andrew was the Managing Director of Threadneedle Property Investments Limited for 17 years until January 2008 and is currently Chairman of Hermes Real Estate Investment Management. Andrew is also a Non-executive Director of Capital Shopping Centres Group and the British Property Federation and is a consultant to AEW UK, a trading name of AEW Europe LLP.

Committees: Member of the Audit Committee, Member of the Remuneration Committee, Member of the Nomination Committee

Directors' report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2010.

Principal business activities
The principal activities of the Group are the management and development of a portfolio of property investments concentrated in three landmark estates in West London and the West End.

Business review
Information fulfilling the requirements of the Business Review, is contained within the following sections of the annual report:

The Chairman's statement on pages 8 and 9, and the Business review on pages 12 to 39, contain information relating to the Group and the operation, development and future prospects of the business.

The Financial review on pages 42 to 48 contains information on the results and financial position for the year ended 31 December 2010. The Key Performance Indicators are set out on page 14. The principal risks and uncertainties statement on pages 16 and 17 contains information on the principal risks and uncertainties facing the Group; the Financial review, accounting policies on pages 89 to 91 and note 29 on pages 108 to 113 contain information on the use of financial instruments.

The Corporate responsibility report on pages 57 to 60 contains information about environmental matters, the Group's employees and social and community matters.

Directors
The Directors of Capital & Counties Properties PLC who held office during the year were as follows:

Chairman:
I.C. Durant (appointed 23 February 2010)

Executive Directors:
I.D. Hawksworth (appointed 3 February 2010)
S. Das (appointed 23 February 2010)
G.J. Yardley (appointed 3 February 2010)

Non-executive Directors:
I.J. Henderson (appointed 23 February 2010)
G.J. Gordon (appointed 23 February 2010)
A.J.M. Huntley (appointed 23 February 2010)
H.E. Staunton (appointed 2 June 2010)
A.D. Strang (appointed 23 February 2010)
D.A. Fischel (appointed 23 February 2010, resigned 4 February 2011)

G.J. Gordon appointed G.R. Fine as his alternate on 9 March 2010.

On 3 February 2010, Hackwood Directors Limited and P. A. Newcombe were appointed as the first Directors of the Company and they resigned on the same date.

Biographies of each Director can be found on pages 52 and 53 and details of each Director's interests in the Company's shares are set out on page 124.

The powers of the Directors are determined by UK legislation and the Company's Articles of Association together with any specific authorities that shareholders may approve from time to time.

At the first Annual General Meeting of the Company, all the Directors will retire from office and will offer themselves for election.

Directors' indemnities and insurance
In accordance with the Company's Articles of Association, the Company has indemnified the Directors to the full extent allowed by law. The Company maintains Directors' and Officers' insurance which is reviewed annually.

Compensation for loss of office
The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the company share schemes may cause options and awards to vest on a takeover. The terms of appointment of the Non-executive Directors provide for a payment equal to their basic annual fee in the event of change of control in recognition of the additional time involved in such an event.

Articles of association
The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association.

Changes to the Articles of Association must be approved by shareholders in accordance with the Companies Act 2006.

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

Capital structure
Details of the Company's issued ordinary share capital, including details of any movements in the issued share capital during the year and authorities to issue or repurchase shares, are shown in note 32 to the financial statements on page 115.

There are no restrictions on the transfer of shares or on their voting rights beyond those standard provisions set out in the Articles of Association. No shareholder holds shares carrying special rights with regard to control of the Company.

Change of control provisions
The Company is not party to any significant agreements that would take effect, alter or terminate following a change of control in the Company.

Substantial shareholdings
The significant holdings of voting rights in the share capital of the Company, notified and disclosed in accordance with Disclosure and Transparency Rule 5 as at 28 February 2011, are shown in Table 1 below.

Employees
The Group's employees are employed by C&C Management Services Limited, Earls Court Limited, Earls Court & Olympia Limited, Olympia Limited, The Brewery by EC&O Limited and Tuttons Brasserie Limited. The Company has a policy of communicating appropriate information about its performance to employees. This practice is reviewed on an ongoing basis to ensure that employees are appropriately informed.

Certain of the Group's employees are eligible to participate in annual bonus arrangements. These arrangements, which may include awards under the Group's Performance Share Plan, help to develop employees' interest in the Company's performance. Full details of the Performance Share Plan are contained in note 39 to the accounts on pages 118 to 120.

The Company operates a non-discriminatory employment policy and full and fair consideration is given to applications for employment from disabled applicants where they have the appropriate skills and abilities, and to the continued employment of staff who become disabled.

The Company encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of disabled employees.

Information relating to employees is given in note 8 on page 95. The Group provides retirement benefits for the majority of its permanent employees. Details of the Group pension arrangements are set out in note 40 on page 121 to 123.

Table 1

	Voting rights held at time of last notification	Holding at time of last notification	Date of last notification
BlackRock, Inc. Limited	107,448,983	17.28%	24-Feb-2011
Gordon Family Interests	92,143,203	14.82%	01-June-2010
Coronation Asset Management (Pty) Limited	48,317,490	7.77%	19-Oct-2010
Public Investment Corporation	34,267,159	5.51%	15-July-2010
Legal & General Investment Management Limited	24,034,330	3.86%	12-May-2010

Directors' report

The environment

Details of the Group's corporate responsibility policy and its aims and activities are described on the Company's website www.capitalandcounties.com. An overview of the Group's CR activity is given on pages 57 to 60, and a summary report is also available for download from the website or on request from the Company Secretary's office.

The Group recognises the importance of minimising the adverse impact of its operations on the environment and the management of energy consumption and waste recycling.

The Group strives to continuously improve its environmental performance. The environmental management system is regularly reviewed to ensure that the Group maintains its commitment to environmental matters.

During the year the Group made charitable donations amounting to £119,495. There were no political donations made during the year.

Creditor payment policy

The Group's policy and practice is to pay creditors in accordance with agreed terms of business.

The ratio, expressed in days, between the amounts invoiced to the Company by its suppliers in the year ended 31 December 2010 and the amounts owed to its creditors as at 31 December 2010 was nil days.

Overseas branch register

For the purposes of its listing on the JSE Limited, the Company maintains an overseas branch register in South Africa.

Going concern

Economic conditions remain challenging, however the Group has a prudent balance sheet and sufficient cash reserves to meet both its ongoing and future commitments. The Group has successfully agreed an extension to its Earls Court & Olympia debt facility and has significant headroom against its financial covenants, as disclosed within Other information on page 134.

Having made due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure to auditors

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

The auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The first Annual General Meeting of the Company will be held on 21 April 2011. The Notice of the Meeting, together with an explanation of the business to be dealt with at the Meeting, will be issued as a separate document sent to shareholders who have elected to receive hard copies of shareholder information and will also be available on the Company's website.

By Order of the Board

R.E. Pavey
Secretary
2 March 2011

Corporate responsibility

In support of its former parent company Liberty International PLC, Capco actively engaged in corporate responsibility (CR) initiatives relating to its portfolio of properties. When Capco became a fully independent public company, the Board and senior management continued their commitment to the objectives set out at Liberty International whilst they developed the Group's future CR focus.
In identifying the objectives which are relevant to Capco going forward, they have committed to placing CR at the heart of day-to-day business.

I.J. Henderson
Chairman of the Corporate Responsibility Committee

Introduction
The principal activities of the Group are the management and development of a portfolio of property investments concentrated in three landmark estates in West London and the West End. Capco manages these properties to serve tenants and customers, while EC&O Venues is a market-leading exhibitions and events operating business. Connecting with the communities and business stakeholders in the locations where the Group's assets are located is of great importance to Capco and this engagement supports the objectives for each of the estates. Capco is also active, both corporately and through individuals, with many of the organisations that promote London and the major property industry bodies.

Each estate offers different opportunities and challenges and is actively engaged in CR-related initiatives. These have been drawn together and developed to define the Group's future CR strategy. This is to seek to implement best practice in everything Capco does, particularly in areas relating to the environment and sustainability, and to promote these practices to customers and business partners. In particular, Capco will serve its customers well, develop and engage its people as a responsible employer, support initiatives aimed at developing young people in the communities in which it invests, and conduct business in a professional and ethical manner.

As an active asset manager of real estate, Capco has developed a comprehensive approach to property and construction management. The basis of this approach is set out in a number of corporate policies based on Liberty International policies that have been brought into line with Capco's business and approach, notably the Environmental Policy and Guide. The Guide clarifies Capco's policies under the general headings of 'Design and Construction' and 'Operational'. Design and Construction policies cover topics including energy use, water conservation, waste management and supply chain. Operational policies regulate property management and set out further requirements in the fields of energy, water, waste and supply chain. These policies are continually reviewed: for example, in 2010 an audit of investment properties was completed to assess the requirements of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme and new processes implemented to ensure adherence to the scheme.

Corporate responsibility

Governance
A Board CR Committee, with the overriding objective to ensure that CR initiatives are firmly aligned with corporate strategy, underlines the importance of CR in Capco's corporate governance structure. This Committee is chaired by Ian Henderson and includes Ian Durant and Ian Hawksworth. The principal role of the Board CR Committee, as stated in its terms of reference, is to ensure the adequacy of the Group's policies and the effectiveness of their application within the Group. Reporting to this Committee is a CR Executive Committee chaired by Ian Hawksworth with membership reflecting all business units within the Group and a Charity Donations Committee. The Group's Business Code of Practice sets out the long-term commitment to high standards of social, ethical and environmental issues and frames the CR aims and objectives, which will be set and reviewed annually.

First-year accreditations and indices
A sustainable approach towards the management of the Group's assets is of great importance to the Board and it is the intention to build on the benchmarking achieved to date as members of the FTSE4Good Index and, through EC&O Venues, the London Green 500 group.

Environment
As Capco becomes more involved in active development, it intends to promote and implement best industry practice in design, construction, the environment and sustainability. This is demonstrated in the Group's approach to the Earls Court & West Kensington Opportunity Area (ECOA). The masterplan for this major new district of London is being created by the professional team led by Sir Terry Farrell, based on his vision of 'London Plus'.

Sustainability and the environment are at the heart of the masterplan, and leading environmental consultants Beyond Green are an integral member of the design team. As the masterplan becomes a reality, the approach to matters relating to the community, architectural design, the environment and sustainability will be embedded in the ethos of the actual development and construction processes.

EC&O Venues is at the forefront of event sustainability, and in recognition of this won the '2010 Event Magazine Green Award', two 'AEO Excellence Awards', and a 'Visit London Gold Award' for ground-breaking sustainability initiatives. The team is fully committed to making continual progress in energy efficiency, recycling and waste management, and Earls Court & Olympia became the first venues to be certified under the new BS8901 standard. The team now sits on the ISO committee to establish an international standard for sustainability in venues.

The strategy to develop and enhance the Covent Garden estate is based upon sympathetic consideration of the local built environment and the need to care for a number of iconic listed buildings. The Covent Garden vision reflects this approach in its championing of pedestrian access and its aim to enhance the public realm in the area. In particular in 2010, constructive support was given for the roll-out of the 'Legible London' signage initiative and the positioning of bike stands under the Mayor's 'London Cycle Hire Scheme'.

Energy, waste and water usage for The Great Capital Partnership portfolio is recorded by the joint venture and audited by Bureau Veritas.

Community engagement
Nowhere are communities more diverse than in London and it is the Group's ongoing aim to work closely with the people who live and work where assets are located, as highlighted above and in the Group's Business Code of Practice. In Covent Garden and EC&O Venues, a number of community and charity initiatives were held during 2010.

The Covent Garden team has actively engaged with and become part of the local community since the initial acquisition in 2006. With offices based in the estate, they have built strong relationships with the Covent Garden Area Trust, residents and the wider business community, supporting key district initiatives and garnering support for Capco activities such as the introduction of Apple into Bedford Chambers.

Between April and July, the Covent Garden team supported a ground-breaking project with two local primary schools. Called 'Take One', it enabled 46 children to participate in a curriculum-based assignment, which allowed them to explore challenging social issues through film making and new digital media. At Christmas the sum of £25,000 was raised for The Prince's Trust in Covent Garden when more than 42,000 people kissed under the interactive Christmas tree, activating 50,000 low energy LED lights. The money was raised through a combination of £15,000 sponsorship from The Body Shop, secured by the Covent Garden team, and donations made by the public to the Trust with each kiss. A range of other fund-raising and community activities were hosted on the piazza and in the Market Building throughout the year.

The team at EC&O Venues also pride themselves on working closely with their surrounding communities. The Earls Court and Olympia Charitable Trust is a registered charity which provides £15,000 annually to support charities and organisations within the London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea. In 2010, the business was also proud to support the Kensington & Chelsea 'Good Citizen Awards' show and The Earls Court Festival for the third consecutive year.

The ECOA is one of the largest and most important development opportunity areas in London and, as with any large-scale plan for regeneration of this kind, a variety of views have been expressed by local residents about the implications for them. Capco and the project team are committed to working with the local community and stakeholders to capture their views and clear aims have been set for the consultation and engagement process. The ECOA consultation website, myearlscourt.com, was launched in July and demonstrates the 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. The website keeps those who live and work in the area fully informed of developments. It includes a forum for local people to post comments and have their say. Paul Finch, the Chairman of the Commission for Architecture and the Built Environment, commented that the internet iniative was an excellent example of how large numbers of people can start to feel involved, rather than alienated, by the consultation process.

In addition to the website, numerous community exhibitions and meetings have been held during the consultation process. Building on the success of 'Take One' in Covent Garden, an education project was developed with schools near the ECOA involving architects from Terry Farrell & Partners. The architects and members of the project team worked with the children as they developed their own ideas for the future of the district, and were impressed with their natural focus on sustainability and green issues.

People

The number of people employed across the Group at the year end totalled 416, of which 50 were based within head office. Capco has comprehensive policies, tailored as appropriate for its subsidiaries, which reflects recent changes in legislation, to support the Group's approach to its employees and provide the framework for the high standards expected of them. To that end, emphasis is placed on the training and development of all members of the team to enable them to fulfil their roles to the very best of their abilities.

Charitable donations

In 2010 the Group gave £119,495 in charitable donations and are Charter Members of the Duke of Edinburgh's Award. This is in addition to the individual contributions made by employees both in terms of time and fund-raising. Over the past year a number of personal fund-raising initiatives were undertaken, including a cycle ride to Paris in support of Fight for Sight, which the Group supported by match-funding.

Health and safety

Capco places great importance on the health and safety of its employees, occupiers and visitors. The Health & Safety Policy is overseen by the Board and implemented through a Health & Safety management system. This is monitored by the Group Health & Safety Committee which promotes a culture of safety consciousness throughout the organisation.

The reporting of urgent or serious matters is monitored by the Group Health & Safety Committee and the Board as necessary and performance is monitored by independent external advisers. With estimated combined visitor numbers of more than 48 million to EC&O Venues and Covent Garden, there were 21 RIDDOR (Reportable Injuries, Diseases and Dangerous Occurrences Regulation) accidents reported for the year and two prohibition notices served, since lifted. In respect of our 416 employees there were no reportable accidents.

Aims and objectives of the CR programme

Capco is a newly listed company and, as it develops and refines its business, the approach to CR will

Corporate responsibility

also develop. In addition to the development of an appropriate set of metrics that will help monitor progress as Capco moves forward, the priorities for 2011 are:

- To develop and refresh Capco's Environmental Policy and Guide in support of the evolution of its business.
- To maintain and enhance accreditations to sustainability and community engagement indices and to implement best practice in respect of these across the business.
- To develop continually CR policies, with an embedded formal review every three years, and to seek to implement these policies across the Group, to ensure full commitment and participation from all members of staff.
- To identify and manage CR-related risks through a formal and externally evaluated annual review.
- To support and comply with the requirements of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme.
- To develop and implement clear environmental objectives. Priorites for 2011 include:

Energy. Achieve a 5 per cent reduction in carbon emissions for 2011.

Waste. Identify and maximise recycling opportunities, minimising the volume of land fill waste.

Water. Develop and implement a process to monitor efficiently water usage, identifying and implementing measures to reduce consumption.

Sustainable design and development. Continue to focus development initiatives on the regeneration of brown-field sites and the sensitive and appropriate renovation of existing properties.

- To engage comprehensively with stakeholders, including local communities, shareholders, staff and customers, monitoring and responding to feedback.
- To provide the highest quality of property management and customer service across the Group, where possible meeting fully the objectives of shoppers, occupiers and visitors, and to promote appropriate practices for the occupancy of our properties.
- To implement sponsorship and charitable objectives that support the communities in which the Group invests, focusing on projects designed to assist in the development of young people, particularly in the areas of sport and health.
- To encourage employees to engage in CR initiatives and contribute at least 100 Group employee hours to supporting these initiatives. To continue to develop Group staff as good corporate citizens whilst encouraging them to undertake their own charitable initiatives through a Staff Recognition Fund.
- To promote the Group's Health & Safety Policy across the organisation and to suppliers. To report and monitor its effectiveness and comply with the requirements of the Health & Safety at Work directives.

Ian Henderson

I.J. Henderson
Chairman of the Corporate Responsibility Committee
2 March 2011

Corporate governance

I am pleased to introduce the first Corporate Governance Report of Capital & Counties Properties PLC. The Board is committed to achieving high standards of corporate governance, and this report describes how the Board has applied the principles of good governance set out in the Combined Code during the seven months to 31 December 2010 since its listing as a public company.

I.C. Durant
Chairman

1. Statement of Compliance with the Combined Code on Corporate Governance 2008
Other than as set out below, the Company has complied with the provisions of Section 1 of the Combined Code on Corporate Governance 2008 since demerger. As described within this report, the Board did not comply with the provision that the Chairman should be considered to be independent on appointment, the provision regarding the number of independent Non-executive Directors, or, for part of the period, the provisions regarding the composition of the Remuneration and Audit Committees. Following David Fischel's decision to step down from the Board in February 2011, the Company became compliant with the provision regarding the number of independent Non-executive Directors. Table 3 on page 66 sets out the Company's reasons for non-compliance with these provisions.

The Board has also reviewed the provisions of the UK Corporate Governance Code, which first applies to Capital & Counties Properties PLC for the year ending 31 December 2011. The Company will offer each Director for election by shareholders at its forthcoming AGM, thus adopting early a principal new provision of the UK Corporate Governance Code.

As a UK company with an inward listing in South Africa, the Company does not seek to comply with the provisions of the South African King Code of Governance 2009, but follows UK guidance with due cognisance of SA practice.

2. Board

2.1 Composition of Board
The Board is responsible to shareholders for the strategy, control and management of the Group; its primary role is to provide leadership and to review the strategic development of the Group. As at 31 December 2010 the Board comprised the Chairman, three Executive Directors and five Non-executive Directors. The Chairman is Ian Durant, the Chief Executive is Ian Hawksworth and the Deputy Chairman and Senior Independent Director is Ian Henderson.

The roles of the Chairman and Chief Executive are distinct and formally documented, with the Chairman being responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda, and the Chief Executive for developing the Company's strategic direction, implementing policies and strategies decided by the Board and managing the business in the most effective way possible.

2.2 Independence of Directors
The Combined Code requires that the Chairman should be determined as independent on appointment and that, excluding the Chairman, at least half the Board should comprise Non-executive Directors determined to be independent.

On demerger, the Board comprised the Chairman (who, as the former Finance Director of Liberty

Corporate governance

International PLC, did not meet the Combined Code's independence criteria on appointment), three independent Non-executive Directors and five non-independent Directors. As explained in the Company's prospectus dated 12 March 2010, the Board of Directors appointed on demerger was felt to be appropriate for the newly independent Company as it offered continuity to shareholders. Following the appointment of Henry Staunton to the Board on 2 June 2010, the Board comprised the Chairman, four independent Non-executive Directors and five non-independent Directors, including three Executive Directors.

Following David Fischel's decision to step down from the Board in February 2011, the Board comprises the Chairman, four independent Non-executive Directors and four non-independent Directors, and satisfies the UK Corporate Governance Code provision regarding the number of independent Non-executive Directors.

The table below sets out which of the Directors the Board considers to be independent. Each independent Director has confirmed that there is no reason why they should not continue to be considered independent, and the Board is satisfied that they all remain independent in character and judgement.

Table 1

Name	Independent	
Ian Hawksworth		No
Soumen Das		No
Gary Yardley		No
Graeme Gordon		No
Ian Henderson*	Yes	
Andrew Huntley*	Yes	
Henry Staunton	Yes	
Andrew Strang*	Yes	
	4	4

*Each of these Non-executive Directors is considered to be independent as they met the Combined Code's independence criteria on their appointment as Non-executive Directors of Liberty International PLC, and confirmed their continued independence on appointment as Directors of the Company.

2.3 Directors' commitments and conflicts of interest

The Chairman's other business commitments are set out in his biography on page 53. During the period the Board was satisfied that these commitments did not interfere with the performance of his duties as Chairman.

On appointment, and each subsequent year, Non-executive Directors are required to confirm in writing that they have sufficient time to devote to the Company's affairs. In addition they are required to seek prior approval from the Chairman before taking on any additional external commitments which may affect their time available to devote to the Company.

The Company's Articles of Association permit the Board to authorise potential conflicts of a Director's interests that may arise. The Board has adopted a procedure under which Directors must notify the Chairman of any potential conflicts. The Chairman then decides whether a conflict exists and recommends its authorisation by the Board where appropriate. A Director who had a conflict of interest would not be counted in the quorum or entitled to vote when the Board considered the matter in which the Director had an interest. No areas of conflict were identified during the period.

2.4 Operation of the Board

a) Remit and meetings

On demerger, a schedule of matters reserved for Board approval was adopted, and this will be reviewed on an annual basis. Matters so reserved include decisions on the composition of the Board, its Committees, Company strategy, significant funding decisions and corporate transactions, delegated authority limits and dividend policy. Day-to-day management of the Group is delegated to the Executive Directors, subject to formal delegated authority limits.

The Board meets formally throughout the year with main meetings timed around the financial calendar, and additional meetings convened to consider specific matters as needed. Attendance at meetings held during 2010 is shown in Table 2. If matters require approval at short notice, written approval is sought from all Directors. In addition to regular reports from the Executive Directors, Company Secretary and Committee Chairmen, matters considered by the Board during the period include:

- Committees' terms of reference
- Risk governance
- Board effectiveness review (See 2.4(c))
- Schedule of matters reserved for Board decision
- Delegated authority limits
- Broker updates
- Board and Committee appointments

• Results for half-year ended 30 June 2010
• Significant investment decisions including property acquisitions, disposals and leases
• Interim management statement

In addition to the formal Board meetings, regular informal Directors' update meetings are held. These meetings are used for site visits, and keeping the Board updated on topical matters and Group progress. Five Directors' update meetings were held during 2010 and included site visits to Covent Garden, Earls Court & Olympia, and a Health & Safety briefing. The Directors' updates are occasionally attended by senior staff, who are always available to the Non-executive Directors.

The Chairman also meets regularly with the Non-executive Directors without the Executive Directors being present.

b) Director induction and training
On appointment, Henry Staunton was given a comprehensive induction to the Company. The programme included individual meetings with the Chairman, Executive Directors and other senior staff, meetings with the external and internal auditors, site visits, and a pack containing copies of Board and Committee papers and minutes and other important Company information. A similar induction programme will be provided for future appointments, with such additional external training or briefing as may be required. On his appointment, the Company's major shareholders were offered the opportunity to meet Henry Staunton.

Ongoing training is available to Directors, and briefings from the Company's valuers, remuneration consultant and health & safety consultant have been provided during the period. Directors are also able to take independent advice at the Company's expense and have access to the advice and services of the Company Secretary. Board papers are circulated several days in advance of meetings to ensure that Directors have sufficient time to consider their content prior to the meeting. Through the Chairman, the Company Secretary is responsible for advising the Board on matters of corporate governance.

c) Board performance and evaluation
As part of the ongoing consideration of the Board composition, and in light of the forthcoming requirement under the UK Corporate Governance Code for the Board evaluation exercise to be externally facilitated at least every three years, the Board engaged Independent Audit Limited to undertake a Board effectiveness review during the period. The exercise included face-to-face interviews with each Director and the Company Secretary, a review of Board materials and observation of the November Board meeting and December Directors' update. The resulting report from Independent Audit Limited, which covered both the composition and the operation of the Board and Committees, was largely positive and made recommendations for further developing the Board. The Board has adopted all of the significant recommendations.

During the first 12 months following the demerger, the Senior Independent Director and Non-executive Directors will meet without the Chairman present to appraise the Chairman's performance since demerger. This appraisal will be undertaken annually.

d) Attendance at meetings
The table below summarises Directors' attendance at Board and Committee meetings held between demerger and 31 December 2010.

Table 2

Name	Board (3)	Audit (3)	Remuneration (3)	Nomination (1)	CR (1)
Ian Durant	3/3	1/1	–	1/1	1/1
Ian Hawksworth	3/3	–	–	1/1	1/1
Soumen Das	3/3	–	–	–	–
Gary Yardley	3/3	–	–	–	–
Ian Henderson	3/3	2/3	3/3	1/1	1/1
David Fischel	3/3	–	2/3	–	–
Graeme Gordon	3/3	–	–	–	–
Andrew Huntley	3/3	–	1/3	1/1	–
Henry Staunton	1/2	2/2	–	–	–
Andrew Strang	3/3	3/3	3/3	1/1	–

Several Board meetings were also held in the period from incorporation to demerger.

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2.5 Board Committees

The Board has established Audit, Remuneration, Nomination and Corporate Responsibility Committees. The terms of each Committee are available on the Company's website www.capitalandcounties.com. The activity of each Committee is described below.

a) Audit Committee

As at 31 December 2010 and the date of this report, the Audit Committee comprised Henry Staunton (Chairman), Ian Henderson and Andrew Strang. Given his significant recent financial experience as Finance Director of Liberty International, Ian Durant was appointed interim Chairman of the Committee on demerger. A search for an additional independent Non-executive Director who would be appointed as Chairman of the Audit Committee was initiated immediately following the demerger. Ian Durant stepped down from the Committee following the appointment of Henry Staunton to the Committee on 1 July 2010. Henry Staunton is considered to have significant, recent and relevant financial experience.

The Audit Committee will meet four times a year with meetings timed around the financial calendar. During 2010 three meetings were held as the Company listed in May. Attendance at meetings held during 2010 is shown in Table 2. A full report from the Audit Committee is set out on pages 67 to 69.

b) Remuneration Committee

As at 31 December 2010 and the date of this report, the Remuneration Committee comprised Ian Henderson (Chairman), Andrew Huntley, Henry Staunton and Andrew Strang. To ensure continuity following the demerger, David Fischel was appointed to the Committee on demerger, and stepped down on the appointment of Henry Staunton to the Committee on 17 December 2010.

The Remuneration Committee has responsibility for setting Executive Director remuneration and bonuses, and oversight of senior staff's remuneration. The Committee is advised by independent consultants, Kepler Associates. The Committee met three times during 2010 and met early in 2011 to approve bonuses for 2010 and set targets for 2011. Attendance at meetings held during 2010 is shown in Table 2. Matters considered by the Committee during the period include:

- Committee terms of reference
- Institutional investor voting reports
- Share schemes and 2010 performance targets
- Award of share options and matching shares
- Chairman and Chief Executive's expenses
- Annual bonus structure and application across the Group
- Executive Director remuneration and targets

A full Directors' Remuneration Report is set out on pages 70 to 77.

c) Nomination Committee

As at 31 December 2010 and the date of this report, the Nomination Committee comprised Ian Durant (Chairman), Ian Hawksworth, Ian Henderson, Andrew Huntley and Andrew Strang.

The Nomination Committee has responsibility for making recommendations on Board appointments and succession to the Board. The Nomination Committee met once formally during the period to recommend the appointment of Henry Staunton to the Board. Attendance at this meeting is shown in Table 2. Korn Ferry International were engaged to identify suitable candidates for the position of Audit Committee Chairman.

David Fischel's decision to step down from the Board in February 2011 means that the Board now meets the composition requirements of the UK Corporate Governance Code; however the Committee has due regard for the need to ensure that the Board has the appropriate balance of skills, and for the benefits of greater diversity.

Following the Board effectiveness review, the Committee met early in 2011 to consider Board composition and succession planning. The Chairman has met potential Non-executive Directors on an informal basis and updated the Board on progress.

d) Corporate Responsibility Committee

As at 31 December 2010 and the date of this report, the Corporate Responsibility Committee comprised Ian Henderson (Chairman), Ian Durant and Ian Hawksworth.

The Corporate Responsibility Committee has responsibility for overseeing the Group's activities in the area of corporate responsibility on behalf of the Board. The Committee met once during 2010. Attendance at this meeting is shown in Table 2. The Group's corporate responsibility activities are described on pages 57 to 60.

3. Communication with Shareholders
Communication with the Company's investors is a priority for the Board. The Company has an extensive investor relations programme, and during the period the Chief Executive and Finance Director held many meetings with the Company's major shareholders which discussed the Group's strategy and explained progress made across its estates. Numerous tours of the Group's assets with investors and analysts were also held. During the period the Chairman and Senior Independent Director offered to meet with, and introduce Henry Staunton to, the Company's major institutional shareholders. The Chairman met several of the Company's South African investors during a recent visit.

The Directors receive regular updates on changes to the Company's shareholders, and receive reports on shareholder feedback at each Board meeting. The Non-executive Directors also have the opportunity to attend the Company's results presentations.

The Chairman and Chairmen of the Board Committees will be available at the AGM to meet shareholders and answer any questions.

Should shareholders be unable to successfully resolve concerns following contact with the Chairman, Chief Executive or Finance Director, they may raise them through the Senior Independent Director.

The Company has undertaken to consult with its major shareholders before implementing any changes to its remuneration structure.

4. Going concern
A statement on going concern is set out on page 56.

5. Annual General Meeting
The notice of Annual General Meeting will be issued to shareholders at least 20 working days before the meeting. Separate resolutions will be proposed on each separate issue.

6. DTR disclosure
The disclosures required under DTR 7.2 of the Disclosure and Transparency Rules are contained in this report and the Audit Committee Report, except for information required under DTR 7.2.6 which is contained in the Directors' Report on pages 54 to 56.

By order of the Board

I.C. Durant
Chairman
2 March 2011

Corporate governance

Table 3

Provision	Details of non-compliance	Explanation
A.2.2	On appointment the Chairman did not meet the independence criteria set out in A.3.1.	The Board appointed on demerger was felt to offer continuity to shareholders. The Liberty International board considered Ian Durant to be the most appropriate candidate for the role due to his corporate experience and good knowledge of the Group's business as Finance Director of Liberty International at the time.
A.3.2	At least half the Board did not comprise independent Non-executive Directors	The Board appointed on demerger was felt to offer continuity to shareholders and to remove the risk of introducing a number of new Directors to the Company within a short period of time. Immediately following the demerger a search was initiated for an additional independent Non-executive Director who would be appointed as Chairman of the Audit Committee. Following the appointment of Henry Staunton, and the resignation of David Fischel, the Company is now compliant with this provision.
B.2.1	From demerger until 17 December 2010, the Remuneration Committee did not comprise solely independent Non-executive Directors.	The Committee appointed on demerger was felt to offer continuity to shareholders. Now compliant.
C.3.1	From demerger until 1 July 2010, the Audit Committee did not comprise solely independent Non-executive Directors, and was Chaired by the Chairman.	Given his significant recent financial experience as Finance Director of Liberty International, Ian Durant was appointed as interim Chairman of the Audit Committee on demerger. Immediately following the demerger a search was initiated for an additional independent Non-executive Director who would be appointed as Chairman of the Audit Committee. Ian Durant stepped down from the Committee following the appointment of Henry Staunton to the Committee on 1 July 2010. Now compliant.

Audit Committee report

I am pleased to introduce the first Audit Committee report of Capital & Counties Properties PLC. The Committee's priority in Capco's first year as a publicly listed company has been to oversee the financial reporting process, ensuring that internal controls are effective and risks are properly monitored.

H. E. Staunton
Chairman of the Audit Committee

The Audit Committee, reporting to the Board, has responsibility for overseeing the financial reporting process, monitoring the effectiveness of internal control, internal audit, risk management, the statutory audit and monitoring the independence of the statutory auditors and the provision of non-audit services. In addition to regular reports from the Financial Controller, matters considered by the Audit Committee during the period include:

- Committee terms of reference
- Corporate governance policies and procedures
- Accounting policies
- Internal audit services
- Appointment of auditors and approach for 2011
- 2010 Audit Plan
- Results for half-year ended 30 June 2010
- Valuers' reports and valuations
- Interim management statement
- Confirmation of compliance with FSA regulations
- Risk management review
- Accounting treatment of matters requiring the use of judgement
- Updates on services provided by CSC under transitional arrangements

The Committee also met privately during the period with both the external and internal auditors.

The Committee invites the Company's Chairman, Chief Executive, Finance Director and Financial Controller to attend its meetings together with senior representatives of the external and internal auditors. Other senior management may be invited to present such reports as are required for the Committee to discharge its responsibilities.

a) External auditors
The Committee has oversight of the relationship with the external auditors, with responsibility for developing, implementing and monitoring the Company's policy on external audit, and for monitoring the auditors' independence, objectivity and compliance with ethical, professional and regulatory requirements.

During the year, the Committee took the opportunity to put the external audit contract to tender. This decision allowed the Committee to fully assess the effectiveness of the Group's audit, and to appoint one firm to conduct the audit of the Group. There were no contractual obligations that acted to restrict the Committee's choice of external auditors. Following the tender process, which had due regard to audit scope, capabilities of the audit team, independence and proposed audit fee, the Committee recommended that PricewaterhouseCoopers LLP ("PwC") be reappointed as auditors. PwC will be conducting the audit of the Earls Court & Olympia group companies for the first time during 2011 as these companies were audited by BDO LLP historically and during 2010. The Committee's recommendation was accepted by the Board, and the Committee will monitor the performance of the external auditors during 2011.

b) Non-audit services
The Company has adopted a policy to ensure that

Audit Committee report

the provision of non-audit services by the external auditors does not compromise its independence or objectivity. The term "non-audit services" does not include reference to any advice on tax. Under the policy, Executive Directors may commission non-audit work with a cost not exceeding the lower of £50,000 or 15 per cent of the estimated annual level of the auditors' fees at that time. Costs exceeding this limit must be approved by the Audit Committee Chairman. In addition, the Executive Directors must give consideration to the preservation of auditor independence; and the external auditors are required to confirm that they are acting independently and must not audit their own work; make management decisions for the Company; create a mutuality of interest; develop close personal relationships with the Company's personnel; or find themselves in the role of advocate for the Company. The total fees paid to PwC in the period were £392,000 of which £62,000 related to non-audit work. These fees primarily relate to corporate finance advice. The Committee is satisfied that the external auditors remain independent and objective.

c) Internal control and risk management
The Board has overall responsibility for the Group's risk management framework and system of internal control and the ongoing review of their effectiveness. The framework is designed to manage rather than eliminate risk, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Audit Committee monitors and reviews the Group's internal controls and risk, and reports to the Board on its work and conclusions.

Ongoing processes for identifying, evaluating and managing the significant risks faced by the Group were in place during the period. Prior to demerger significant work was undertaken to adapt the controls operated by Liberty International PLC to the Capco business and to introduce new controls as appropriate. This ensured that controls were in place on demerger. These procedures accord with the Turnbull guidance "Internal Control – Guidance for Directors on the Combined Code" and remained in place up to the date of the approval of this Annual Report. The procedures will be reviewed by the Board on an annual basis.

The key elements of the Group's day-to-day procedures and internal control framework are:

- Formal schedule of matters reserved for the Board
- Formal delegated authority limits
- Formal documentation of significant transactions
- The Executive Directors are closely involved in the day-to-day operations of the business and hold regular meetings with senior management to review all aspects of the business
- The Board receives regular updates on strategy and project developments at the formal Board meetings and Directors' updates
- A formal whistleblowing procedure is in place under which staff may raise matters of concern (no calls were received during the period)

Specific controls relating to financial reporting and consolidation processes include:

- Management structure with clear lines of responsibility and accountability, staffed by appropriate personnel
- A comprehensive system of budgeting and review. The Board and Audit Committee receive regular reports from the Finance Director which include forecasts and performance against budget, forecast and financial covenants
- Under transitional arrangements, during 2010 the Group received internal audit services from the internal auditor of Capital Shopping Centres Group PLC. The Committee is satisfied that the internal audit services provided were independent and effective. The audit work in the period included reviews of joint venture governance, balance sheet integrity, management of outsourced contracts, the procedure for reclaiming expenses and major IT projects. Where recommendations were made, procedures were amended accordingly. The internal audit requirement for 2011 onwards has been assessed, and BDO LLP have been engaged to replace CSC
- Group Finance participates in the control self-assessment and policy compliance elements of the risk management framework and sets formal requirements with business unit finance functions which specify the reports and approvals required. Group Internal Audit regularly reviews the effectiveness of internal controls and reports its findings to the Audit Committee

A risk management review was undertaken during the period to identify risks and review the effectiveness of mitigating controls. Reports on risks and controls were obtained from across the Group and used by a committee headed by the Finance Director to compile a Group risk report. The report was received by the Audit Committee, and a report made to the Board by the Committee Chairman, then circulated internally to all employees.

The risk register will be reviewed twice a year and upon any material change to the business, and a full risk review will be taken annually. Any risks identified between these reviews will be logged.

The Group's principal risks and uncertainties are set out on pages 16 and 17.

H.E. Staunton
Chairman of the Audit Committee
2 March 2011

Directors' remuneration report

I am pleased to introduce the first Directors' remuneration report of Capital & Counties Properties PLC. The aim of Capco's remuneration policy is to align executive remuneration with shareholders' interests and the long-term growth of the Company. The Remuneration Committee will review the remuneration arrangements on an ongoing basis to ensure that the structure remains appropriate.

I. J. Henderson
Chairman of the Remuneration Committee

This remuneration report has been prepared in line with the requirements of the Companies Act 2006, Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and the FSA Listing Rules. The audited information is set out in Tables a) to d) on pages 76 and 77. This report has been approved by the Board of Directors for submission to shareholders for their approval at the AGM.

1. Remuneration Committee
The Remuneration Committee (the 'Committee') is responsible for determining and recommending to the Board the policy for Executive remuneration, setting targets for the Company's incentive schemes and determining the total individual remuneration package for each Executive Director. The full duties and responsibilities of the Committee are set out in the terms of reference of the Committee which can be viewed on the Company's website: www.capitalandcounties.com

The members of the Committee at 31 December 2010 and at the date of this report were all independent Non-executive Directors. The Committee members are Ian Henderson (Committee Chairman), Andrew Huntley, Henry Staunton and Andrew Strang. David Fischel was appointed to the Committee on demerger, and stepped down on the appointment of Henry Staunton to the Committee on 17 December 2010.

In addition, the Company Chairman and Chief Executive were invited to attend Committee meetings and contribute except on matters relating to their own remuneration. Details of meeting attendance and a summary of the matters discussed during 2010 are contained in the Corporate Governance report on pages 61 to 66.

The Committee has appointed Kepler Associates as its independent remuneration adviser and has received advice on matters including remuneration structure, incentive design and target setting. Kepler provided no other services to the Company.

2. Remuneration policy
Prior to demerger, a remuneration structure felt to be appropriate for the newly independent Capco business was developed by Liberty International. The remuneration arrangements will be reviewed by the Remuneration Committee on an ongoing basis to ensure they remain appropriate.

The key objectives of the Company's Remuneration Policy are to:
- Strongly align executive remuneration with shareholders' interests including the encouragement of Executives to acquire a meaningful holding of Capco shares
- Underpin a pay-for-performance culture
- Support the retention, motivation and recruitment of talented people who are commercially astute and creative

Accordingly, the Committee aims to achieve an appropriate balance between fixed and variable remuneration, and between remuneration based on short- and long-term performance. Fixed remuneration includes base salary, benefits and pension. Variable remuneration includes an annual bonus, a proportion of which is deferred in shares which may be matched subject to long-term performance (via the Matching Share Plan (MSP)), and annual awards under a Performance Share Plan (PSP) which rewards long-term performance.

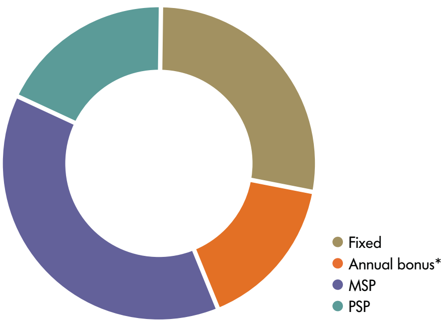
The Remuneration Policy is also aligned to the strategy and nature of the Company, reflecting the importance of total return and the long-term nature of Capco's business.

In 2010 the Committee approved an incentive bonus scheme for head office employees which will be implemented in 2011 and further aligns the potential total remuneration of all staff with the financial and corporate objectives of the Group.

The Committee has considered whether there are any aspects of the Remuneration Policy which could inadvertently encourage Executives to take inappropriate risks, and has concluded that the policy remains appropriate in this regard.

The chart below highlights the relatively strong emphasis on variable pay within each Executive Director's remuneration.

Executive Director target pay mix (Fair values)



*includes deferred bonus

Note: elements of variable pay have been valued on a fair value basis

3. Elements of Executive Director remuneration

Details of Executive Directors' 2010 emoluments and their interests in each incentive plan are provided in tables a) to d) on pages 76 and 77. A description of each key element of the remuneration package is provided below.

(1) Base salary and benefits

Base salaries were reviewed during the year with reference to 16 companies (which included all eight companies in the comparator group used for the long-term incentive plans), each Executive's performance and contribution during the year and due regard to pay across the Group. The policy is to place appropriate emphasis on the performance-related elements of remuneration, while ensuring base salary remains competitive.

No increases in base salary have been awarded to the Executive Directors for 2011. This is consistent with the approach taken across head office, where payrises have been awarded only to lower paid employees or by exception.

Summary of Executive Director base salaries, 2010 and 2011

Executive Director	2010 salary	2011 salary	% increase	Date of increase
Ian Hawksworth	£450,000	£450,000	nil	n/a
Gary Yardley	£400,000	£400,000	nil	n/a
Soumen Das	£300,000	£300,000	nil	n/a

The Company provides benefits which include private healthcare, life insurance and a cash car allowance.

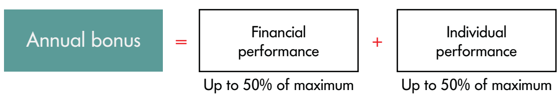
(2) Pension

The Company operates a defined contribution pension scheme with a company contribution of 24 per cent of base salary for Executive Directors. The Executive Directors may elect to be paid some or all of this entitlement in cash.

(3) Annual bonus

Bonuses may be earned by Executive Directors depending on Company financial (50 per cent) and individual (50 per cent) performance, as illustrated below.

Summary of annual bonus structure



Directors' remuneration report

The financial performance element for the year ended 31 December 2010 (and for this coming year) was based on absolute Total Return, Total Property Return relative to the IPD Total Return All Property Index and adjusted EPS. In determining the annual targets for these measures, the Committee recognised the medium-term nature of the Company's strategy, particularly with regard to its land holdings at Earls Court, and the extent to which this would be reflected in these measures on a 12-month horizon. The Committee decided that the key measures were absolute Total Return and relative Total Property Return. Both of these measures were significantly exceeded. EPS performance was between budget and the stretch target and accordingly a portion of this component paid out.

The individual performance element for the year ended 31 December 2010 was based on certain corporate objectives being met. The individual targets for the Executive Directors encompassed all relevant aspects of the business including the establishment of Capco as an independent entity, specific business objectives relating to the assets and CR matters. The Executive Directors were each considered to have delivered a very strong performance, particularly overseeing the demerger and establishing Capco in its first year.

The maximum bonus opportunity for Executive Directors is 150 per cent of annual salary with a bonus of 75 per cent of salary payable for achieving target levels of performance. 50 per cent of any bonus earned is payable in cash and 50 per cent is deferred in Capco shares for three years, subject to risk of forfeiture should an Executive leave the Company.

Summary of Executive Director bonuses 2010

Executive Director	Cash	Deferred shares	Total
Ian Hawksworth	£329,062	£329,063	£658,125
Gary Yardley	£292,500	£292,500	£585,000
Soumen Das	£219,375	£219,375	£438,750

(4) Matching Share Plan (MSP)

There is an opportunity for Executives to earn up to one matching share for each deferred share awarded under the arrangements above, based on performance over three years. Details of the performance conditions are provided in the long-term incentive performance conditions section below.

For 2010 (the inception year of Capco), Executives were invited to invest up to 150 per cent of salary into the Company's shares during the first 12 months of inception in return for the opportunity to receive up to two shares for each share purchased, subject to three year performance. The initial investment period may be extended to 24 months at the Committee's discretion. This initial higher matching level is intended to help 'kick-start' the plan by ensuring Executives are highly motivated to drive the long-term performance of Capco.

(5) Performance Share Plan (PSP)

Executives are eligible to receive awards under the PSP at the discretion of the Committee. Each year participants may be granted share options of up to 300 per cent of salary or up to 150 per cent of salary in shares which vest subject to three year performance. Details of the performance conditions are provided in the next section.

In exceptional circumstances the Committee can make awards of share options of up to 400 per cent of salary or up to 200 per cent of salary in shares. In 2011 the Committee is considering making awards in nil-cost options, in lieu of shares, to Executive Directors of 150 per cent of salary.

The Committee is also considering the possibility of structuring future awards under the long-term incentive arrangements in a potentially more tax-efficient manner for participants. The Committee will ensure that any changes are cost neutral to Capco.

4. Long-term incentive performance conditions

The performance conditions are the same for both the MSP and PSP and comprise two measures: 3-year relative Total Return (TR, growth in Net Asset Value per share plus dividends) and three year relative Total Shareholder Return (TSR). Awards are weighted equally, i.e. 50 per cent, on performance against each of these measures. For 2010 awards, Capco performance is measured relative to a comparator group which comprises the eight largest FTSE 350 property companies, as listed below.

2010 TR and TSR comparators

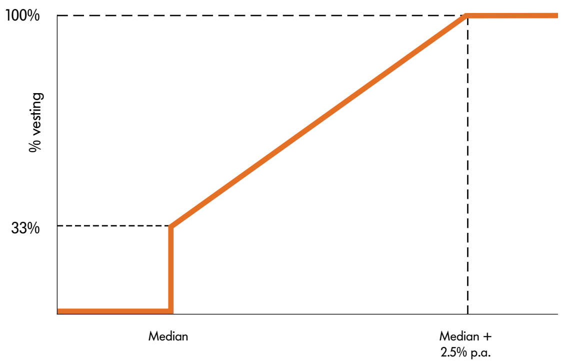
British Land	Land Securities
Capital Shopping Centres	Great Portland Estates
Derwent London	Segro
Hammerson	Shaftesbury

The Committee believes long-term relative performance provides an appropriately objective and relevant measure of Capco success which is strongly aligned with shareholders' interests.

The Committee will review the continued appropriateness of the comparator companies at the beginning of each performance cycle and intends to use the same comparator group for 2011 awards.

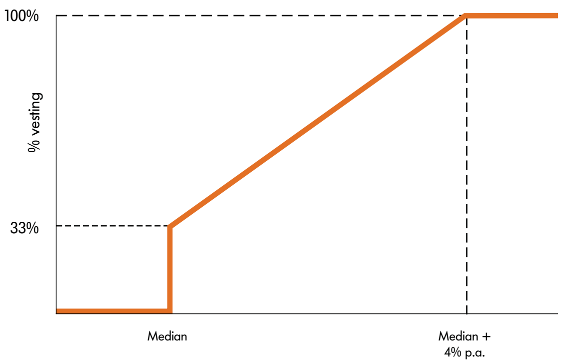
The vesting schedules for each of the TSR and TR performance conditions are illustrated as follows:

50% is based on relative Total Return



3-year Total Return outperformance

50% is based on relative Total Return



3-year TSR performance

In order for any awards to vest, the Committee must satisfy itself that the TR and TSR figures are a genuine reflection of underlying financial performance. In assessing the extent to which the performance conditions have been met, the Committee will consult with its independent remuneration adviser. The calculation of the returns will be reviewed by the Company's auditors as appropriate.

5. Directors' shareholdings

The beneficial interests in the shares of the Company for each Director who served during the period are set out in note 42 on page 124.

The Executive Directors are required to achieve a shareholding in the Company equivalent to 150 per cent of base salary within three years of the demerger, other than Soumen Das who is required to achieve a holding equivalent to 100 per cent.

Summary of Executive Directors' interests in shares and share schemes

Executive Director	Shares held	Share options	Matching share awards	Total
Ian Hawksworth	284,621	1,732,935	564,826	2,582,382
Gary Yardley	240,160	1,540,387	477,158	2,257,705
Soumen Das	105,000	1,155,290	210,000	1,470,290
Total	**629,781**	**4,428,612**	**1,251,984**	**6,310,377**

The Directors have interests in a total of 10,097,334 shares.

6. Executive Directors' service contracts and termination provisions

The service contracts of Executive Directors are approved by the Remuneration Committee and are one-year rolling contracts. The current contracts commenced on 17 May 2010 following demerger. The service contract may be terminated by either party giving one year's notice to the other. It is the Company's policy that termination payments should not exceed the Director's current salary and benefits for the notice period. Any annual bonus payment in respect of the year of termination is subject to the discretion of the Committee. MSP and PSP vesting is also at the discretion of the Committee and accordingly any awards will normally lapse unless the individual is considered a 'good leaver'. In the case of a good leaver, payments are pro-rated for time and remain subject to outstanding performance conditions.

In the event of a change of control of the Company, MSP and PSP awards will generally vest. Except in certain cases which were set out in full in the Company's prospectus dated 12 March 2010, vesting will be pro-rated for time and remain subject to performance conditions, however the Committee has discretion to allow awards to vest in full in such circumstances if it deems this to be fair and reasonable.

Directors' remuneration report

Summary of Executive Directors' service contracts

	Date	Notice Period
Ian Hawksworth	17/05/2010	12 months
Gary Yardley	17/05/2010	12 months
Soumen Das	17/05/2010	12 months

7. Chairman and Non-executive Director service contracts and remuneration

The Chairman has been appointed for an initial term which will expire at the 2013 AGM. The Chairman's annual base fee was £200,000 together with an annual car allowance of £18,000, although this has been varied such that a proportion is paid into a SIPP arrangement. During the first three years of acting as Chairman he will also receive a supplement of 15 per cent of his base fee in lieu of any pension contributions. Also, for each Capco share he purchased within the first 12 months of inception of Capco (up to 150 per cent of his base fee), the Company was to make a matching award of deferred shares comprising 200 per cent of the number of invested shares. This represented a 1:1 match, grossed up on the basis of an income tax rate of 50 per cent. The Chairman's award carries no performance conditions and will vest on the 3rd anniversary of inception of Capco, subject to him continuing in office. The Chairman invested more than 150 per cent of his base fee during 2010, and accordingly an award of 529,536 deferred shares was made on 1 September 2010.

The remuneration of the Non-executive Directors is determined by the Board as a whole, with regard to market comparatives. The basic annual fee for Non-executives is £40,000 with an additional £5,000 for membership of a committee and an additional £10,000 for chairing a committee and for the Senior Independent Director role. The fees were last reviewed on demerger.

The Non-executive Directors do not receive any pension, bonus or long-term incentive benefits from the Company. The letters of appointment of the Non-executive Directors have no notice period and are reviewed by the Board annually.

8. Performance graph

The graph opposite shows the total return at 31 December 2010 of £100 invested in Capital & Counties Properties PLC at the start of the first day of trading in its shares following its demerger from Liberty International PLC (10 May 2010), compared to the FTSE 350 Real Estate Index. The Committee considers this benchmark to be the most appropriate for illustrating the Company's performance.

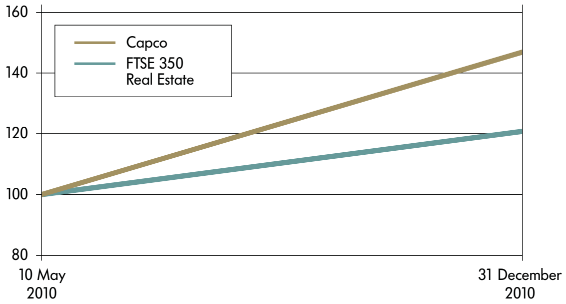
Non-executive Directors' annual fees as at 31 December 2010:

	Basic fee	Committee fees	Other	Total
D.A. Fischel*	£40,000	-	-	£40,000
G.J. Gordon	£40,000	-	-	£40,000
I.J. Henderson	£40,000	£20,000	£10,000	£70,000
A.J.M. Huntley	£40,000	£10,000	-	£50,000
H.E. Staunton	£40,000	£10,000	-	£50,000
A.D. Strang	£40,000	£15,000	-	£55,000

Non-executive Directors' dates of appointment and unexpired terms:

	Date of appointment	Date of letter of appointment	Unexpired term
D.A. Fischel*	23/02/2010	08/03/2010	1 month
G.J. Gordon	23/02/2010	08/03/2010	3 months
I.J. Henderson	23/02/2010	08/03/2010	3 months
A.J.M. Huntley	23/02/2010	08/03/2010	3 months
H.E. Staunton	02/06/2010	07/06/2010	27 months
A.D. Strang	23/02/2010	08/03/2010	3 months

*Resigned 4 February 2011. Fee was pro-rated for length of service.



9. External Non-executive Directorships

The Company's policy is to allow Executive Directors to retain fees received for serving as a Non-executive Director of a company outside the Capco group. During the period Ian Hawksworth received a fee of £20,000 in respect of his Non-executive Directorship of AIM-listed Japan Residential Investment Company Limited. No other Executive Director currently serves as a Non-executive Director elsewhere.

Signed on behalf of the Board

I.J. Henderson
Chairman of the Remuneration Committee
2 March 2011

Directors' remuneration report

a) Directors' emoluments*

Name	Salary and service contract remuneration £	Benefits in kind £	Annual bonus £	Other £	Directors' fees £	Aggregate emoluments 2010 £	Pension contributions £
Chairman							
Ian Durant[1]	–	1,228	–	39,254	111,887	152,369	–
Executive Directors							
Ian Hawksworth	407,692	1,865	329,062	18,000	–	756,619	98,400
Soumen Das[2]	197,902	1,050	219,375	39,654	–	457,981	20,000
Gary Yardley	364,744	1,865	292,500	18,000	–	677,109	88,000
Non-executive Directors							
Ian Henderson	–	–	–	–	45,320	45,320	–
David Fischel	–	–	–	–	29,135	29,135	–
Graeme Gordon	–	–	–	–	25,897	25,897	–
Andrew Huntley	–	–	–	–	32,372	32,372	–
Henry Staunton	–	–	–	–	28,179	28,179	–
Andrew Strang	–	–	–	–	35,609	35,609	–
Total	970,338	6,008	840,937	114,908	308,399	2,240,590	206,400

1 The Company pays £6,900 per month into a SIPP arrangement; the annual fee has been reduced accordingly. This figure is included in 'Other' above.
2 As permitted under his service contract, Soumen Das has elected to receive cash in place of a portion of his entitlement to pension contributions. This figure is included in 'Other' above.
* Full-year remuneration is included in this table for those Directors 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 those Directors who joined Capco from Liberty International on demerger, remuneration is included from date of transfer. Gains on exercises of Capital Shopping Centres Group PLC share options (which were reinvested in Capco shares) are not included.

The benefits in kind provided to the Chairman and Executive Directors comprise medical insurance. Other than as disclosed above, 'Other' comprises car allowances.

b) Awards made under Performance Share Plan during 2010

The following awards of share options were made to Executive Directors during the period:

Name	Year granted	Option price (pence)	Held at demerger	Granted during period	Exercised during period	Held at 31 December 2010	Exercisable between
Ian Hawksworth	2010	103.87	–	1,732,935	–	1,732,935	28/05/13 – 27/05/20
Soumen Das	2010	103.87	–	1,155,290	–	1,155,290	28/05/13 – 27/05/20
Gary Yardley	2010	103.87	–	1,540,387	–	1,540,387	28/05/13 – 27/05/20
Total			–	4,428,612	–	4,428,612	

c) Awards made under Matching Share Plan during 2010

The following awards of matching shares were made to Executive Directors during the period following their purchase of ordinary shares in the Company:

Name	Date granted	Weighted average price of invested shares	Number awarded	Expected vesting date
Ian Hawksworth	01/09/2010	£1.17	564,826	10/05/13 – 06/08/13
Soumen Das	01/09/2010	£1.07	210,000	18/05/13 – 07/06/13
Gary Yardley	01/09/2010	£1.11	477,158	19/05/13 – 03/08/13
Total			1,251,984	

d) Awards made under the Chairman's Matching Share Arrangements during 2010

The following awards of matching shares were made to the Chairman during the period following his purchase of ordinary shares in the Company:

Name	Date granted	Weighted average price of invested shares	Number awarded	Expected vesting date
Ian Durant	01/09/2010	£1.13	529,536	10/05/13

Financial statements

Covent Garden has been transformed into a world-class retail, leisure and residential district.

Directors' responsibilities

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

(a) select suitable accounting policies and then apply them consistently;
(b) make judgements and accounting estimates that are reasonable and prudent;
(c) state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
(d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

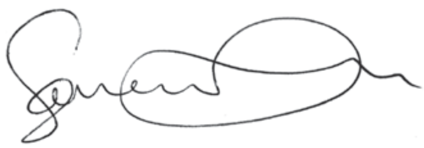
The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Governance section, confirm that, to the best of their knowledge:

(a) 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
(b) the Directors' report contained in the governance section of the Annual Report 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

Independent auditors' report to the members of Capital & Counties Properties PLC

Independent auditors' report to the members of Capital & Counties Properties PLC (Company registration number 7145051)

We have audited the financial statements of Capital & Counties Properties PLC for the year ended 31 December 2010, which comprise the Group and Parent Company balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the Group and Parent Company cash flow statements, the Group and Parent Company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, set out on page 80, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2010 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the Corporate Governance Statement set out on pages 61 to 69 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from subsidiaries not visited by us; or
- The Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A corporate governance statement has not been prepared by the Parent Company

Under the Listing Rules we are required to review:

- The Directors' statement, set out on page 56, in relation to going concern;
- The parts of the corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

M. Pugh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 March 2011

Notes:
(a) The maintenance and integrity of the Capital & Counties Properties PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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	10	**(40.3)**	(50.1)
Finance income		**1.4**	2.6
Other finance costs	10	**(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	11	**(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	14	**21.2p**	(21.1)p
Diluted earnings/(loss) per share	14	**21.2p**	(21.1)p
Weighted average number of shares	14	**621.9m**	621.9m

Adjusted earnings per share are shown in note 14.

Notes on pages 89 to 124 form part of these consolidated financial statements.

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	40	**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	30	**(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)

Notes on pages 89 to 124 form part of these consolidated financial statements.

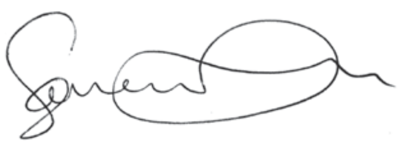
Balance sheets
as at 31 December 2010

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Non-current assets					
Investment and development property	15	1,377.6	1,240.5	–	–
Plant and equipment	16	1.0	1.0	–	–
Investment in Group companies	17	–	–	446.6	–
Available for sale investments	19	66.3	46.0	–	–
Trade and other receivables	20	12.4	14.5	1.1	–
		1,457.3	1,302.0	447.7	–
Current assets					
Trading property	21	0.3	0.3	–	–
Tax assets		–	1.3	–	–
Trade and other receivables	20	26.8	20.8	277.7	–
Cash and cash equivalents	22	188.5	19.3	–	–
		215.6	41.7	277.7	–
Total assets		1,672.9	1,343.7	725.4	–
Non-current liabilities					
Borrowings, including finance leases	26	(651.5)	(655.4)	–	–
Derivative financial instruments	24	(53.9)	(56.2)	–	–
Pension deficit	40	(2.0)	(3.4)	–	–
Deferred tax provision	30	–	–	–	–
Other provisions	31	(3.3)	(4.0)	–	–
Other payables		–	(0.9)	–	–
		(710.7)	(719.9)	–	–
Current liabilities					
Borrowings, including finance leases	26	(13.1)	(71.0)	–	–
Trade and other payables	25	(65.0)	(460.1)	(1.7)	–
Tax liabilities		(0.7)	–	–	–
		(78.8)	(531.1)	(1.7)	–
Total liabilities		(789.5)	(1,251.0)	(1.7)	–
Net assets		883.4	92.7	723.7	–
Equity					
Share capital	32	155.4	497.5	155.4	–
Other components of equity		728.0	(404.8)	568.3	–
Capital and reserves attributable to owners of the Parent		883.4	92.7	723.7	–
Non-controlling interests		–	–	–	–
Total equity		883.4	92.7	723.7	–

Notes on pages 89 to 124 form part of these consolidated financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 2 March 2011.

I.D. Hawksworth
Chief Executive



S. Das
Finance Director

Statements of changes in equity for the year ended 31 December 2010

Group	Notes	Share capital £m	Share premium £m	Merger reserve £m	Revaluation reserve £m	Capital contribution £m	Other reserves £m	Retained earnings £m	Total equity £m
		2010 Attributable to owners of the Parent							
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	40	**–**	**–**	**–**	**–**	**–**	**–**	**1.4**	**1.4**
Tax on items taken directly to equity	30	**–**	**–**	**–**	**–**	**–**	**–**	**(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	32	**(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	32	**(0.1)**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.1)**
Fair value of share-based payments	39	**–**	**–**	**–**	**–**	**–**	**0.5**	**–**	**0.5**
Dividends paid	13	**–**	**–**	**–**	**–**	**–**	**–**	**(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**

Notes on pages 89 to 124 form part of these consolidated financial statements.

[1] On demerger from Liberty International a number of reserves were realised and pro forma adjustments (made in 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. Also see discussion on Capital Structure which appears within Other Information page 131 .

Statements of changes in equity for the year ended 31 December 2010

Group	Notes	2009 Attributable to owners of the Parent Share capital £m	Share premium £m	Merger reserve £m	Revaluation reserve £m	Retained losses £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	40	–	–	–	–	(0.3)	(0.3)	(0.3)	(0.6)
Tax on items taken directly to equity	30	–	–	–	–	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	23	–	–	–	–	–	–	(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

Notes on pages 89 to 124 form part of these consolidated financial statements.

Company	Notes	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
		2010 Attributable to owners of the Company					
Balance at 3 February 2010		–	–	–	–	–	–
Loss for the period	12	–	–	–	–	(1.6)	(1.6)
Total comprehensive expense for the period ended 31 December 2010		–	–	–	–	(1.6)	(1.6)
Transactions with owners							
Ordinary shares issued		**497.5**	**89.1**	**141.4**	–	–	**728.0**
Capital reduction	32	**(342.0)**	–	–	–	**342.0**	–
Share redemption	32	**(0.1)**	–	–	–	–	**(0.1)**
Fair value of share-based payments	39	–	–	–	**0.5**	–	**0.5**
Dividends paid	13		–	–	–	**(3.1)**	**(3.1)**
Total transactions with owners		**155.4**	**89.1**	**141.4**	**0.5**	**338.9**	**725.3**
Balance as at 31 December 2010		**155.4**	**89.1**	**141.4**	**0.5**	**337.3**	**723.7**

Notes on pages 89 to 124 form part of these consolidated financial statements.

Statements of cash flows for the year ended 31 December 2010

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Cash generated from operations	35	**38.6**	81.4	**3.4**	–
Interest paid		**(41.4)**	(71.0)	**–**	–
Interest received		**1.3**	1.9	**–**	–
Taxation		**1.0**	–	**(0.3)**	–
Cash flows from operating activities		**(0.5)**	12.3	**3.1**	–
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 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	32	**0.1**	–	**0.1**	–
Redemption of redeemable shares	32	**(0.1)**	–	**(0.1)**	–
Cash transferred to restricted accounts	22	**(6.0)**	–	**–**	–
Borrowings drawn	26	**6.0**	–	**–**	–
Borrowings repaid	26	**(68.0)**	(69.7)	**–**	–
Funding from Liberty International	26	**244.0**	–	**–**	–
Termination of swaps		**(7.4)**	(5.5)	**–**	–
Equity dividends paid	13	**(3.1)**	–	**(3.1)**	–
Cash flows from financing activities		**165.5**	(75.2)	**(3.1)**	–
Net increase in unrestricted cash		**163.2**	2.8	**–**	–
Unrestricted cash at 1 January		**19.3**	16.5	**–**	–
Unrestricted cash at 31 December	22	**182.5**	19.3	**–**	–

Notes on pages 89 to 124 form part of these consolidated financial statements.

Notes to the accounts

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.

Capital & Counties Properties PLC was incorporated and registered in England and Wales on 3 February 2010 under the Companies Act as a public company limited by shares with registration number 7145051 . The registered office of the Company is 15 Grosvenor Street, London, W1K 4QZ. The principal activity of the Company is to act as the ultimate parent company of Capital & Counties Properties PLC Group, whose principal activity is the development and management of investment property.

Basis of preparation

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 Company's financial statements cover the period from incorporation to 31 December 2010, therefore references appearing in these financial statements to the year ended should, for the Company, be read as being for the period ended. The Directors have taken advantage of the exemption offered by Section 408 of the Companies Act 2006 not to present a separate income statement for the Parent Company.

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 page 131 in Other information.

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

These accounts include the consolidation of the following limited partnerships: Capital & Counties CGP, Capital & Counties CGP 9 and Capco CGP 2010 LP. The members of these qualifying partnerships have taken advantage of disclosure exemptions available in Statutory Instrument 2008/569 and therefore will not produce consolidated accounts at the partnership level.

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

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 intragroup balances resulting from intragroup 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 is 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 and 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:

Notes to the accounts

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.

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.

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 believes 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 instrument 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.

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 comprises 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.

Investment in Group companies
Investment in Group companies, which is eliminated on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. Impairment losses are determined with reference to the investment's fair value less estimated selling costs. Fair value is derived from the subsidiary's net assets at the balance sheet date. On disposal, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

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.

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 to the accounts

2 Segmental reporting

For management and reporting purposes the Group is organised into four operating divisions being The 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.

Reportable segments

	2010				
	The 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 represents £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 and a majority of the Group's cash balances.
(3) Total assets and total liabilities exclude loans between and investments in Group companies.

2 Segmental reporting continued

	2009				
	The 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					(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 represents £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 total 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 to the accounts

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 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 Employee information

a) Employee costs	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Wages and salaries	**17.8**	15.4	**–**	–
Social security costs	**1.9**	1.6	**–**	–
Other pension costs	**0.9**	0.7	**–**	–
Share-based payments	**0.4**	–	**–**	–
	21.0	17.7	**–**	–

b) Employee numbers Total number of people (including Executive Directors) employed	Group 2010	Group 2009	Company 2010	Company 2009
Covent Garden Restaurants Group	**78**	85	**–**	–
Earls Court & Olympia	**288**	277	**–**	–
Capco head office	**50**	24	**–**	–
Total headcount at 31 December	**416**	386	**–**	–

Average number of people (including Executive Directors) employed	Group 2010	Group 2009	Company 2010	Company 2009
Covent Garden Restaurants Group	**82**	83	**–**	–
Earls Court & Olympia	**303**	358	**–**	–
Capco head office	**36**	20	**–**	–
Total average headcount	**420**	461	**–**	–

9 Auditors' remuneration

	2010 £'000	2009 £'000
Remuneration to the principal auditor in respect of audit fees:		
Statutory audit of the Company and consolidated accounts	**174**	–
Remuneration to the principal auditor in respect of other services:		
Statutory audit of subsidiary accounts	**80**	82
Statutory audit of the pension funds	**–**	–
Other services pursuant to legislation	**70**	–
Corporate finance advisory services	**62**	–
Taxation advisory services	**6**	16
Other services	**–**	–
	392	98
Remuneration to other auditors comprises:		
Statutory audit of UK subsidiaries	**157**	146
Tax services to UK subsidiaries	**99**	229

Notes to the accounts

10 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, 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.

11 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

11. Taxation continued

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.

12 Loss for the period attributable to shareholders of Capital & Counties Properties PLC

Losses of £1.6 million are dealt with in the accounts of the holding Company in respect of the period (2009 – nil). No income statement is presented for the Company as permitted by Section 408 Companies Act 2006.

13 Dividends

Group and Company	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**	–

Details of the shares in issue are given in note 32.

Notes to the accounts

14 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)
Basic 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

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

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 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 period.

14 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.

15 Investment and development property

Group	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**

Group	**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, 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 to the accounts

16 Plant and equipment

Group	2010 Cost £m	2010 Accumulated depreciation £m	2010 Net £m	2009 Cost £m	2009 Accumulated depreciation £m	2009 Net £m
At 1 January	**1.2**	**(0.2)**	**1.0**	0.5	(0.4)	0.1
Additions	**0.1**	**–**	**0.1**	1.1	–	1.1
Disposals	**–**	**–**	**–**	(0.4)	0.4	–
Charge for the year	**–**	**(0.1)**	**(0.1)**	–	(0.2)	(0.2)
At 31 December	**1.3**	**(0.3)**	**1.0**	1.2	(0.2)	1.0

Plant and equipment includes fixtures, fittings and other office equipment.

17 Investment in Group companies

Company	2010 Cost £m	2009 Cost £m
At 3 February	**–**	–
Additions	**446.6**	–
At 31 December	**446.6**	–

18 Joint ventures

	2010		
	The Great Capital Partnership £m	**The Empress State Limited Partnership £m**	**Total £m**
Summarised income statement			
Gross rental income	**16.1**	**6.6**	**22.7**
Net rental income	**13.6**	**6.5**	**20.1**
Surplus on revaluation and sale of investment and development property	**33.5**	**8.1**	**41.6**
Administration expenses	**(0.4)**	**(0.1)**	**(0.5)**
Net finance costs	**(5.8)**	**(5.6)**	**(11.4)**
Deferred tax	**–**	**(2.5)**	**(2.5)**
Profit after tax	**40.9**	**6.4**	**47.3**
Summarised balance sheet			
Investment and development property	**264.2**	**102.5**	**366.7**
Other non-current assets	**1.0**	**–**	**1.0**
Current assets	**7.9**	**2.7**	**10.6**
Partners' loans [1]	**113.8**	**–**	**113.8**
Current liabilities	**(6.8)**	**(5.4)**	**(12.2)**
Non-current liabilities	**(124.2)**	**(85.0)**	**(209.2)**
Net assets	**255.9**	**14.8**	**270.7**
Capital commitments	**1.2**	**–**	**1.2**

[1] Eliminates on consolidation.

	2009			
	The Great Capital Partnership £m	The Empress State Limited Partnership £m	Other £m	Total £m
Summarised income statement				
Gross rental income	15.2	10.4	0.2	25.8
Net rental income	13.8	10.3	0.2	24.3
Other (expense)/income	(0.1)	–	0.7	0.6
Deficit on revaluation and sale of investment and development property	(21 .3)	(12.2)	–	(33.5)
Administration expenses	(0.4)	–	(0.1)	(0.5)
Net finance costs	(6.0)	(6.0)	–	(12.0)
(Loss)/profit after tax	(14.0)	(7.9)	0.8	(21.1)
Summarised balance sheet				
Investment and development property	252.0	94.4	–	346.4
Other non-current assets	0.9	–	–	0.9
Current assets	10.3	3.9	–	14.2
Partners' loans [1]	85.9	–	–	85.9
Current liabilities	(17.6)	(13.0)	–	(30.6)
Non-current liabilities	(116.4)	(77.0)	–	(193.4)
Net assets	215.1	8.3	–	223.4
Capital commitments	–	–	–	–

[1] Eliminates on consolidation.

Notes to the accounts

18 Joint ventures continued

Joint ventures are accounted for in the Group accounts using proportional consolidation. The Group's share of the assets, liabilities, income and expenditure shown above are included in the consolidated financial statements on a line-by-line basis. All joint ventures are held with other joint venture investors on a 50:50 basis.

Joint ventures comprise The Great Capital Partnership ("GCP"), The Empress State Limited Partnership ("ESLP") and the Stockwell Street Greenwich Limited Partnership ("SSGLP").

The GCP was established in 2007 with our partner, Great Portland Estates plc, to own, manage and develop a number of central London properties. GCP's properties are located in central London's prime property markets, with the largest concentration being in the West End around Piccadilly and Regent Street. All major decisions are taken by the GCP Board, through which the Group shares in the overall strategic control of the estate. The GCP has a 31 March year end reporting date.

The ESLP owns and manages the Empress State Building adjacent to the Group's property at Earls Court in central London. The partnership was established in 2008 with our partner, Land Securities Group PLC. All major decisions are taken by the ESLP Board, through which the Company shares in the overall strategic control of the asset.

The SSGLP owned and managed a property in Greenwich, London. The property was disposed of on 29 April 2009. The partnership was dissolved on 8 December 2010.

19 Available for sale investments

	Group 2010 £m	Group 2009 £m
Harvest China Real Estate Fund I	**33.8**	25.4
Harvest China Real Estate Fund II	**32.5**	20.6
Available for sale investments	**66.3**	46.0

The Group has a 20 per cent holding in Harvest China Real Estate Fund I and a 50 per cent holding in Harvest China Real Estate Fund II, both of which have interests in a variety of real estate projects in China. The total cost of these investments was £33.3 million (2009 - £35.7 million).

These investments are carried at fair value based on the market value of the underlying properties.

20 Trade and other receivables

	Group 2010 £m	Group 2009 £m	**Company 2010 £m**	Company 2009 £m
Amounts falling due after more than one year				
Loan notes receivable[1]	**3.4**	8.2	**–**	–
Other receivables	**–**	0.4	**1.1**	–
Prepayments and accrued income	**9.0**	5.9	**–**	–
Trade and other receivables	**12.4**	14.5	**1.1**	–
Amounts falling due within one year				
Rents receivable	**10.2**	7.8	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**277.2**	–
Tax recoverable	**–**	–	**0.3**	–
Loan notes receivable	**2.9**	–	**–**	–
Other receivables[2]	**5.2**	7.1	**0.2**	–
Prepayments and accrued income	**8.5**	5.9	**–**	–
Trade and other receivables	**26.8**	20.8	**277.7**	–

[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.

Amounts owed by subsidiary undertakings are unsecured, repayable on demand and, for amounts falling within formalised loan agreements, interest bearing.

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

21 Trading property

	Group 2010 £m	Group 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.

22 Cash and cash equivalents

	Group 2010 £m	Group 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.

Notes to the accounts

23 Business combinations

The Empress State Limited Partnership
On 18 August 2009 a call option the Group held against the residual 50 per cent of The 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. See note 18 for further information on joint ventures.

24 Derivative financial instruments

Derivative liabilities held for trading	**Group 2010 £m**	Group 2009 £m
Interest rate swaps	**52.9**	55.3
Interest rate options	**1.0**	0.9
Derivative financial instruments	**53.9**	56.2

25 Trade and other payables

	Group 2010 £m	Group 2009 £m	**Company 2010 £m**	Company 2009 £m
Amounts falling due within one year				
Rents received in advance	**22.0**	21.9	**–**	–
Accruals and deferred income	**26.5**	22.2	**1.7**	–
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	**1.7**	–

[1] Includes sundry creditors and amounts due from joint venture partners.
[2] Intercompany balances due to the former Liberty International PLC group, previously eliminated on consolidation. As a result of the demerger, the amounts are now treated as external payables for comparative purposes.

26 Borrowings, including finance leases

Group	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
	2010					
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**					

Group	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
	2009					
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					

Notes to the accounts

26 Borrowings including finance leases continued

Analysis of movement in net debt for the year ended 31 December 2010	**Cash and cash equivalents £m**	**Current borrowings £m**	**Non-current borrowings £m**	**Net debt £m**
Balance at 1 January 2010	**19.3**	**(71.0)**	**(655.4)**	**(707.1)**
Funding from Capital Shopping Centres Group	**244.0**	**–**	**–**	**244.0**
Borrowings repaid	**(68.0)**	**–**	**68.0**	**–**
Borrowings drawn down	**6.0**	**(6.0)**	**–**	**–**
Other net cash movements	**(12.8)**	**–**	**–**	**(12.8)**
Other non-cash movements	**–**	**63.9**	**(64.1)**	**(0.2)**
Balance at 31 December 2010	**188.5**	**(13.1)**	**(651.5)**	**(476.1)**

Analysis of movement in net debt for the year ended 31 December 2009	Cash and cash equivalents £m	Current borrowings £m	Non-current borrowings £m	Net debt £m
Balance at 1 January 2009	16.5	(14.3)	(864.1)	(861 .9)
Borrowings repaid	(69.7)	–	69.7	–
Other net cash movements	76.2	–	–	76.2
Other non-cash movements	–	(57.8)	61 .8	4.0
Loss of deemed control of former subsidiary	(3.7)	1 .1	77.2	74.6
Balance at 31 December 2009	19.3	(71 .0)	(655.4)	(707.1)

The market value of assets secured as collateral against borrowings is £1,370.8 million.

The fair values of financial assets and liabilities have been established using the market value, where available. For those instruments without a market value, a discounted cash flow approach has been used.

The maturity profile of gross debt (excluding finance leases) is as follows:

	Group 2010 £m	Group 2009 £m
Wholly repayable within one year	**12.2**	69.9
Wholly repayable in more than one year but not more than two years	**125.0**	6.8
Wholly repayable in more than two years but not more than five years	**409.1**	530.9
Wholly repayable in more than five years	**111.5**	111 .8
	657.8	719.4

Certain borrowing agreements contain financial and other conditions that, if contravened, could alter the repayment profile. See disclosures regarding financial covenants within Other information page 134.

27 Finance lease obligations

	Group 2010 £m	Group 2009 £m
(a) Minimum lease payments under finance leases fall due		
Not later than one year	**0.9**	0.8
Later than one year and not later than five years	**3.6**	3.6
Later than five years	**22.6**	22.1
	27.1	26.5
Future finance charges on finance leases	**(20.3)**	(19.5)
Present value of finance lease liabilities	**6.8**	7.0
(b) Present value of minimum finance lease obligations		
Not later than one year	**0.9**	0.8
Later than one year and not later than five years	**3.6**	3.6
Later than five years	**2.3**	2.6
	6.8	7.0

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

Finance lease liabilities are effectively secured obligations, as the rights to the leased asset revert to the lessor in the event of default.

28 Operating leases

The Group earns rental income by leasing its investment properties to tenants under operating leases.

In the United Kingdom standard commercial leases vary considerably between markets and locations but typically are for a term of five to 15 years at market rent with provisions to review to market rent every five years.

The future minimum lease amounts receivable under non-cancellable operating leases are as follows:

	Group 2010 £m	Group 2009 £m
Not later than one year	**66.2**	67.4
Later than one year and not later than five years	**213.4**	223.6
Later than five years	**242.7**	280.3
	522.3	571 .3

The income statement includes £0.1 million (2009 – £0.2 million) recognised in respect of expected increased rent resulting from outstanding reviews where the actual rent will only be determined on settlement of the rent review.

The future minimum lease amounts payable under non-cancellable operating leases are as follows:

	Group 2010 £m	Group 2009 £m
Not later than one year	**0.2**	–
Later than one year and not later than five years	**1.7**	–
Later than five years	**–**	–
	1.9	–

Notes to the accounts

29 Financial risk management

The Group is exposed to a variety of risks arising from the Group's operations: market risk (including interest rate risk, foreign exchange risk, and market price risk), liquidity risk and credit risk.

The majority of the Group's financial risk management is carried out by Group Treasury under policies approved by the Board of Directors. The policies for managing each of these risks and the principal effects of these policies on the results for the year are summarised below.

Market risk

a) Interest rate risk

Interest rate risk comprises both cash flow and fair value risks:

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market interest rates.

The Group's interest rate risk arises from borrowings issued at variable rates that expose the Group to cash flow interest rate risk, whereas borrowings issued at fixed interest rates expose the Group to fair value interest rate risk.

Bank debt is typically at floating rates linked to LIBOR.

It is Group policy, and often a requirement of our lenders, to eliminate substantially all short and medium-term exposure to interest rate fluctuations in order to establish certainty over medium-term cash flows by using floating to fixed interest rate swaps. Such swaps have the economic effect of converting borrowings from floating to fixed rates.

As a consequence, the Group is exposed to market price risk in respect of the fair value of its fixed rate derivative financial instruments, as discussed in the Financial review on pages 42 to 48.

The table below shows the effects of interest rate swaps on the borrowings profile of the Group:

	Fixed 2010 £m	**Floating 2010 £m**	Fixed 2009 £m	Floating 2009 £m
Borrowings	**6.8**	**657.8**	7.0	719.4
Derivative impact (nominal value of interest rate swaps)	**624.7**	**(624.7)**	684.8	(684.8)
Borrowings profile net of derivative impact	**631.5**	**33.1**	691.8	34.6
Interest rate protection		**95.0%**		95.2%

Group policy is to ensure that interest rate protection is within the range of 75 per cent to 100 per cent.

The weighted average rate of interest rates swaps currently effective is 4.8 per cent (2009 – 5.0 per cent).

The approximate impact of a 50 basis point shift upwards in the level of interest rates would be a positive movement of £9.8 million (2009 – £11 .6 million) in the fair value of derivatives. The approximate impact of a 50 basis point shift downwards in the level of interest rates would be a negative movement of £9.8 million (2009 – £11 .8 million) in the fair value of derivatives. Movements in the fair value of derivatives are dealt with in the income statement. In practice, a parallel shift in the yield curve is highly unlikely. However, the sensitivity analysis above is a reasonable illustration of the possible effect from the changes in slope and shifts in the yield curve that may actually occur. Because the fixed rate derivative financial instruments are matched by short-term floating rate debt, the overall effect on Group cash flow of such a movement would be very small.

b) Foreign exchange risk

The Group's largest exposure to foreign exchange movements is in respect of its investments in two Chinese investment funds which are denominated in US dollars. The Group's policy is generally not to hedge foreign currency exposures that are less than 15 per cent of its net assets. Foreign currency exposures in excess of this amount, as far as practicable, will be hedged by borrowing in foreign currencies and through entering into cross-currency interest rate swaps and forward exchange contracts.

The approximate impact of a 10 per cent strengthening of sterling against the US dollar would have decreased the net gain taken directly to equity for the year ended 31 December 2010 by £6.0 million (2009 – increased the net loss taken directly to equity by £4.2million). The approximate impact of a 10 per cent weakening of sterling against the US dollar would have increased the net gain taken directly to equity for the year ended 31 December 2010 by £6.6 million (2009 – decreased the net loss taken directly to equity by £4.6 million).

29 Financial risk management continued

c) Market price risk

The financial results are subject to movements in the value of underlying investment properties, interest rates and economic sentiment.

Liquidity risk

Liquidity risk is managed to ensure that the Group is able to meet future payment obligations when financial liabilities fall due. Liquidity analysis is intended to provide sufficient headroom to meet the Group's operational requirements and investment commitments. The Group's treasury policy also includes maintaining adequate cash, as well as maintaining adequate committed facilities.

A key factor in ensuring existing facilities remain available to the Group is the borrowing entities' ability to meet the relevant facilities' financial covenants. The Group has a process to monitor regularly both current and projected compliance with the financial covenants. A detailed analysis of the Group's financial covenant position is set out on page 134 in Other information.

The Group's policy is to seek to minimise its exposure to liquidity risk by managing its exposure to interest rate risk and to refinancing risk. The Group seeks to borrow for as long as possible at the lowest acceptable cost.

The Group regularly reviews the maturity profile of its financial liabilities and will seek to avoid concentrations of maturities through the regular replacement of facilities and by staggering maturity dates. Re-financing risk may be reduced by reborrowing prior to the contracted maturity date, effectively switching liquidity risk for market risk. This is subject to credit facilities being available at the time of the desired re-financing.

The tables below set out the maturity analysis of the Group's financial liabilities based on the undiscounted contractual obligations to make payments of interest and to repay principal. Where interest payment obligations are based on a floating rate the rates used are those implied by the par yield curve.

	2010									
Group	**1 yr £m Interest**	**£m Principal**	**Less than 1-2 yrs £m Interest**	**£m Principal**	**Between 2-5 yrs £m Interest**	**£m Principal**	**Between Over 5 yrs £m Interest**	**£m Principal**	**Totals £m Interest**	**£m Principal**
Asset-specific secured borrowings	**8.3**	**7.2**	**11.8**	**1.3**	**23.4**	**409.1**	**10.9**	**112.0**	**54.4**	**529.6**
Other secured borrowings	**4.5**	**5.0**	**0.6**	**124.3**	**–**	**–**	**–**	**–**	**5.1**	**129.3**
Finance lease obligations	**–**	**0.9**	**–**	**0.9**	**–**	**1.8**	**–**	**3.2**	**–**	**6.8**
Tax and other payables	**–**	**17.2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17.2**
Interest rate derivatives payable	**30.1**	**–**	**24.3**	**–**	**32.5**	**–**	**12.2**	**–**	**99.1**	**–**
Interest rate derivatives receivable	**(5.2)**	**–**	**(7.5)**	**–**	**(18.7)**	**–**	**(9.6)**	**–**	**(41.0)**	**–**
	37.7	**30.3**	**29.2**	**126.5**	**37.2**	**410.9**	**13.5**	**115.2**	**117.6**	**682.9**

	2009									
Group	Less than 1 yr £m Interest	£m Principal	Between 1-2 yrs £m Interest	£m Principal	Between 2-5 yrs £m Interest	£m Principal	Over 5 yrs £m Interest	£m Principal	Totals £m Interest	£m Principal
Asset-specific secured borrowings	8.5	37.5	14.7	2.1	54.4	409.5	17.6	112.0	95.2	561 .1
Other secured borrowings	4.2	32.7	6.2	5.0	0.9	124.3	–	–	11 .3	162.0
Finance lease obligations	–	0.8	–	0.8	–	2.8	–	2.6	–	7.0
Tax and other payables	–	416.0	–	0.9	–	–	–	–	–	416.9
Interest rate derivatives payable	33.3	–	30.6	–	51 .9	–	18.4	–	134.2	–
Interest rate derivatives receivable	(5.2)	–	(12.7)	–	(44.7)	–	16.0	–	(78.6)	–
	40.8	487.0	38.8	8.8	62.5	536.6	20.0	114.6	162.1	1,147.0

Contractual maturities reflect the expected maturities of financial instruments.

Notes to the accounts

29 Financial risk management continued

Credit risk

Credit risk is the risk of financial loss if a tenant or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables relating to tenants but also from the Group's holdings of assets with counterparties such as cash deposits and loans.

Credit risk associated with trade receivables is actively managed; tenants are managed individually by asset managers, who continuously monitor and work with tenants, anticipating and wherever possible identifying and addressing risks prior to default.

Prospective tenants are assessed through an internally conducted review process, including obtaining credit ratings and reviewing financial information. As a result deposits or guarantees may be obtained. The amount of deposits held as collateral at 31 December 2010 is £1.7 million (2009 – £1.1 million).

In relation to the Group's exhibition income, receivables greater than 90 days are fully provided against. Additionally, specific provisions are made for trade receivables less than 90 days where active credit control highlights recoverability issues.

Due to the nature of tenants being managed individually by asset managers, it is the Group's policy to calculate any impairment specifically on each contract.

The amounts of trade receivables presented in the balance sheet are net of allowances for doubtful receivables.

The ageing analysis of these trade receivables, past due but not impaired, is as follows:

	Group 2010 £m	Group 2009 £m
Up to three months	**9.8**	5.9
Over three months	**0.4**	1.9
Trade receivables	**10.2**	7.8

Also included within receivables are £6.3 million (2009 – £8.2 million) of loan notes. All loan notes have been reviewed for potential impairment and are considered to be receivable as at the year end.

In 2010 trade receivables impaired amounted to £0.4 million (2009 £0.6 million), this is considered to be an immaterial amount and within budgeted levels given current economic conditions.

The credit risk relating to cash, deposits and derivative financial instruments is actively managed by Group Treasury. Relationships are maintained with a number of Tier 1 institutional counterparties, ensuring compliance with Group policy relating to limits on the credit ratings of counterparties (between BBB+ and AAA).

Excessive credit risk concentration is avoided through adhering to authorised limits for all counterparties.

Counterparty	Credit rating	Authorised limit	**Group 2010 £m**
Bank #1	AAA	150.0	**50.0**
Bank #2	AA-	100.0	**26.8**
Bank #3	AA-	20.0	**20.0**
Bank #4	A+	75.0	**27.0**
Bank #5	A	50.0	**30.2**
Sum of five largest exposures			**154.0**
Sum of deposits and derivative assets			**188.5**
Five largest exposures as a percentage of total amount at risk			**82%**

29 Financial risk management continued

Classification of financial assets and liabilities

The tables below set 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.

2010	**Carrying value £m**	**Fair value £m**	**Loss to income statement £m**	**Gain to other comprehensive income £m**
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)**	**–**	**–**

2009	Carrying value £m	Fair value £m	Gain to income statement £m	Loss to other comprehensive income £m
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 to the accounts

29 Financial risk management continued

Capital structure

The Group seeks to enhance shareholder value both by investing in the business so as to improve the return on investment and by managing the capital structure. The Group uses a mix of equity, debt and financial instruments and aims to access both debt and equity capital markets with maximum efficiency and flexibility.

The key ratios used to monitor the capital structure of the Group are the debt to assets ratio and the interest coverage ratio. The Group aims not to exceed an underlying debt to asset ratio of more than 45 per cent and to maintain interest cover above 125 per cent. These are discussed in the Financial review on pages 42 to 48.

Debt to assets ratio	Group 2010 £m	Group 2009 £m
Investment property	**1,377.6**	1,240.5
Trading property	**0.3**	0.3
	1,377.9	1,240.8
Net external debt	**(476.1)**	(707.1)
	35%	57%

Interest cover	Group 2010 £m	Group 2009 £m
Finance costs	**(40.3)**	(50.1)
Finance income	**1.4**	2.6
	(38.9)	(47.5)
Underlying operating profit	**50.5**	65.1
	130%	137%

The maximum debt to assets ratio for the period was 57 per cent and occurred on 1 January 2010. The minimum interest coverage ratio for the period was 130 per cent and occurred on 31 December 2010.

29 Financial risk management continued

Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels are defined as follows:
Level 1: valuation based on quoted market prices traded in active markets.
Level 2: valuation based on inputs other than quoted prices included within Level 1 that maximise the use of observable data either directly from market prices or indirectly derived from market prices.
Level 3: where one or more inputs to valuation are not based on observable market data. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models. Such testing has not indicated that any material difference would arise due to a change in input variables.

The table below presents the Group's assets and liabilities recognised at fair value at 31 December 2010.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments				
Total available for sale investments	–	–	66.3	66.3
Total assets	–	–	66.3	66.3
Derivative financial liabilities				
Fair value through profit or loss	–	(53.9)	–	(53.9)
Total liabilities	–	(53.9)	–	(53.9)

The table below presents the Group's assets and liabilities recognised at fair value at 31 December 2009.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments				
Total available for sale investments	–	–	46.0	46.0
Total assets	–	–	46.0	46.0
Derivative financial liabilities				
Fair value through profit or loss	–	(56.2)	–	(56.2)
Total liabilities	–	(56.2)	–	(56.2)

The table below presents a reconciliation of Level 3 fair value measurements for the year:

	Group 2010 £m	Group 2009 £m
At 1 January	46.0	61.1
Additions	–	1.1
Disposals	(0.5)	(11.5)
Amortisation	(0.7)	–
Unrealised gains/(losses)	21.5	(4.7)
At 31 December	66.3	46.0

All of the Group's Level 3 financial instruments are unlisted equity investments. These investments are externally valued quarterly, with valuations performed by examining expected yields of the underlying property and expectations relating to the property market and wider economic factors.

Notes to the accounts

30 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).

Group	Accelerated capital allowances £m	Fair value of investment & development properties £m	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 the future periods.

31 Other provisions

Group	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 redevelopment 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.

Analysis of total provisions:	**2010 £m**	2009 £m
Non-current	**3.3**	4.0
Current	**–**	–
	3.3	4.0

32 Share capital and share premium

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

Group	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**

Company	Share capital £m	Share premium £m
Issued and fully paid:		
At 3 February 2010	**–**	**–**
Issued – 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**

Full details of the rights and obligations attached to the ordinary shares are contained in the Company's Articles of Association. These rights include an entitlement to receive the Company's Report and Accounts, to attend and speak at General Meetings of the Company, to appoint proxies and to exercise voting rights. Holders of ordinary shares may also receive dividends and may receive a share of the Company's assets on the Company's liquidation. There are no restrictions on the transfer of the ordinary shares.

At 28 February 2011, the Company had an unexpired authority to repurchase shares up to a maximum of 62,182,850 shares with a nominal value of £15.5 million, and the Directors have an unexpired authority to allot up to a maximum of 207,276,167 shares with a nominal value of £51 .8 million.

33 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).

34 Contingent liabilities

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

Notes to the accounts

35 Cash generated from operations

	Notes	**Group 2010 £m**	Group 2009 £m	**Company 2010 £m**	Company 2009 £m
Profit/(loss) before tax		**132.5**	(150.0)	**(2.7)**	–
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	10	**40.3**	50.1	**–**	–
Finance income		**(1.4)**	(2.6)	**–**	–
Other finance costs	10	**7.1**	47.2	**–**	–
Change in fair value of derivative financial instruments		**0.3**	(16.9)	**–**	–
Change in working capital:					
Change in trading properties		**(0.1)**	4.0	**–**	–
Change in trade and other receivables		**(3.9)**	3.1	**4.4**	–
Change in trade and other payables		**(5.2)**	8.4	**1.7**	–
Cash generated from operations		**38.6**	81 .4	**3.4**	–

36 Principal subsidiary undertakings

The principal subsidiary undertakings, all of which are included in the consolidated accounts, are shown below. A full list of Group companies will be included in the Company's next annual return in accordance with Section 410 of the Companies Act 2006.

Company and principal activity	Class of share capital	% held
Capital & Counties Limited (holding) and its subsidiary undertakings:	Ordinary shares of 25p each	100
Covent Garden Restaurants Limited (holding Company) and its principal subsidiary undertaking:	Ordinary shares of £1 each	100
Tuttons Brasserie Limited (restaurant)	Ordinary shares of £1 each	100
C&C Properties UK Limited (property)	Ordinary shares of £1 each	100
Capital & Counties CG Limited* acting as General Partner of Capital & Counties CGP (property)	Ordinary shares of £1 each	100
Capital & Counties CG 9 Limited* acting as General Partner of Capital & Counties CGP 9 (property) and its principal subsidiary undertaking:	Ordinary shares of £1 each	100
Capco Floral Place Limited (property)	Ordinary shares of £1 each	100
Capco CG 2010 Limited* acting as General Partner of Capco CGP 2010 LP (property)	Ordinary shares of £1 each	100
Capvestco Limited (property and financing) (Jersey) and its principal subsidiary undertaking:	Ordinary shares of £1 each	100
Capvestco China Limited (Investments) (Jersey)	Ordinary shares of £1 each	100
Capital & Counties Asset Management Limited	Ordinary shares of £1 each	100
Matterhorn Capital EC&O Limited* (holding Company) and its principal subsidiary undertakings:	"A" Ordinary shares of £1 each	100
	"B" Ordinary shares of £1 each	100
Martineau Properties Limited (property)	Ordinary shares of £1 each	100
N.A.R Limited (Property) Jersey)	Ordinary shares of £1 each	100
Earls Court & Olympia Group Limited* (financing) and its principal subsidiary undertaking:	Ordinary shares of £1 each	100
Earls Court and Olympia Limited (venues) and its principal subsidiary undertakings:	Ordinary shares of £1 each	100
Earls Court Limited (venues)	Ordinary shares of £1 each	100
Olympia Limited (venues)	Ordinary shares of £1 each	100
The Brewery by EC&O Limited (venues)	Ordinary shares of £1 each	100
C&C Management Services Limited (services)	Ordinary shares of £1 each	100
Capco Group Treasury Limited (treasury management)	Ordinary shares of £1 each	100

*Shareholdings in companies marked * are held by intermediate subsidiary undertakings.

The companies listed above are those subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the figures in the Company's annual accounts.

Companies are incorporated and registered in England and Wales unless otherwise stated.

Notes to the accounts

37 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group. Significant transactions between the Parent Company and its subsidiaries are shown below:

Subsidiary	Nature of transaction	2010 £m	2009 £m
Capital & Counties Limited	Assignment of investment on demerger	**444.4**	–
Capital & Counties Asset Management Limited	Assignment of investment on demerger	**1.1**	–
C&C Management Services Limited	Assignment of investment on demerger	**1.0**	–
Capco Group Treasury Limited	Assignment of loan on demerger	**281.3**	–
Capco Group Treasury Limited	Interest	**2.7**	–

Significant balances outstanding between the Parent Company and its subsidiaries are shown below:

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
Subsidiary	2010 £m	2009 £m	2010 £m	2009 £m
Capco Group Treasury Limited	**277.2**	–	**–**	–

The amount due from Capco Group Treasury Limited is unsecured, interest bearing at the Bank of England base rate plus one per cent and repayable on demand.

Key management compensation [1]	2010 £m	2009 £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

[1] 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.

38 Directors' emoluments

The details of individual Director's remuneration and pension benefits as set out in the tables contained in the Directors' remuneration report on pages 70 to 77 form part of these financial statements.

39 Share-based payment

The Group operates a number of share-based payment schemes relating to employee benefits and incentives. All schemes are equity settled, as such the cost recognised relates to the fair value of equity instruments determined at the grant date of the instruments. The expense is recognised on a straight-line basis over the vesting period based on Group estimates of the number of shares that are expected to vest.

A reconciliation of movements in incentive schemes is given in the table opposite.

39 Share-based payment continued

Share Option Scheme

Options to subscribe for ordinary shares may be awarded under the Capital & Counties Properties PLC Performance Share Plan.

Exercise is subject to appropriately challenging performance conditions determined by the Remuneration Committee at the time of grant. For awards made in 2010, awards are subject to performance conditions relating to:

(a) the Company's total return ("TR") over three consecutive financial years (the "TR Performance Period") relative to the median of the TRs over the equivalent period of Capital Shopping Centres Group PLC, Capital & Counties Properties PLC, Land Securities Group plc, British Land Company plc, Hammerson plc, Segro plc, Derwent London plc, Great Portland Estates plc and Shaftesbury plc (the "Comparator Group"); and

(b) the Company's total shareholder return ("TSR") over a period of three years (the "TSR Performance Period") relative to the median of the TSRs over the same period of the Comparator Group.

One half of each award will be subject to the TR performance condition and the other half to the TSR performance condition.

TR is the growth in the adjusted, diluted net asset value per ordinary share plus dividends per ordinary share paid during the TR performance period. In calculating TR for a company which is not a REIT (including Capital & Counties), any provision for contingent capital gains tax will be added back. For full vesting to be achieved, the target is median +2.5 per cent per annum.

TSR is the increase in the price of an ordinary share plus the value of any dividends paid during the TSR performance period re-invested in ordinary shares. For full vesting to be achieved, the target is median +4 per cent per annum.

For performance at median, 33 per cent of an award will vest. For intermediate performance above median, vesting will be on a straight-line basis from 33 per cent to 100 per cent.

In order for any awards to vest, the Committee must satisfy itself that TR and TSR performance figures are a genuine reflection of underlying financial performance.

Where events occur which cause the Committee to consider that the performance conditions have become inappropriate or impractical, the Committee may amend, relax or waive such conditions as it deems appropriate, provided that the conditions after the changes are not materially tougher or easier to achieve than was intended at the outset.

During any performance period, the Committee may, at its discretion, remove from the comparator group a company which has ceased to be quoted or to exist or the relevance of which as a comparator has, in the opinion of the Committee, significantly diminished. The Committee may also, at its discretion, add to the comparator group (whether to replace a removed member or otherwise) if it believes that such addition will enhance the relevance of the comparator group.

The options have a vesting period of three years and a maximum contractual life of ten years. Options are forfeited if the employee leaves the Group before the options vest.

Share options outstanding at 31 December 2010 were exercisable between 103.87p and 125.4p and have a weighted average remaining contractual life of ten years.

The total expense recognised in the income statement in respect of share options for the year ended 31 December 2010 was £0.5 million (2009 – £nil).

Year of grant	**2010**	**2010**	**2010**	**2010**
Exercise price (pence)	**103.87**	**113.27**	**115.93**	**125.40**
Outstanding at 1 January 2010	–	–	–	–
Awarded during the year	**6,857,395**	**22,071**	**43,129**	**325,956**
Forfeited during the year	–	–	–	–
Vested during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding at 31 December 2010	**6,857,395**	**22,071**	**43,129**	**325,956**
Exercisable at 31 December 2010	–	–	–	–
Exercisable:				
from	**2013**	**2013**	**2013**	**2013**
to	**2020**	**2020**	**2020**	**2020**

Conditional awards of free shares may also be awarded under the Performance Share Plan, however no awards of conditional shares were made during 2010.

Notes to the accounts

39 Share-based payment continued

Fair value of share-based payment

The fair value of share options are calculated using the Black-Scholes option pricing model. Inputs to the model for options awarded during the year are as follows:

Option grant date	11 June 2010	24 Aug 2010	24 Aug 2010	7 Sept 2010
Weighted average share price	108.0p	116.5p	116.5p	128.8p
Exercise price at grant date	103.87	113.27	115.93	125.4
Expected option life in years	5 years	5 years	5 years	5 years
Risk-free rate	1.19% to 2.29%	0.81% to 1.77%	0.81% to 1.77%	0.91% to 1.92%
Expected volatility	35%	35%	35%	35%
Expected dividend yield*	1.1% p.a.	1.1% p.a.	1.1% p.a.	1.1% p.a.
Value per option	13p	15p	14p	19p

*Expected dividend yield is based on public pronouncements about future dividend levels, all other measures are based on historical data.

Bonus Share Scheme

Under the Capital & Counties Properties PLC Bonus Scheme, deferred shares may be awarded as part of any bonus.

The release of deferred share awards is not dependent on the achievement of any further performance conditions other than that participants remain employed by the Group for a specified time, typically three years, from the date of the award. The first awards of deferred shares are expected to be made in 2011 . The fair value of share awards will be determined by the market price of the shares at the grant date. The weighted average share price during the year was 127.1p (2009 – n/a).

Matching Share Plan

Matching shares may be awarded under the Capital & Counties Properties PLC Matching Share Plan. Awards may be made in respect of certain shares purchased by Directors or in respect of awards of deferred shares made under the Company's annual bonus scheme. The matching share award comprises the same number of shares as are purchased or deferred except in certain circumstances where the matching awards may comprise or be increased to 200 per cent of the number of shares purchased or deferred.

Vesting of matching shares is subject to appropriately challenging performance conditions and will occur on the later of the third anniversary of grant and the date on which the performance outcome is finally determined. The performance conditions that apply to the awards of matching shares made in 2010 are the same as those that apply to the awards of options made under the Performance Share Plan during 2010.

Matching shares lapse if the employee leaves the Company or sells any of the related purchased or deferred shares.

Year of grant	**2010**
Outstanding at 1 January 2010	**–**
Awarded during the year	**1,251,984**
Forfeited during the year	**–**
Vested during the year	**–**
Outstanding at 31 December 2010	**1,251,984**

The Chairman does not participate in the Partnership Share Plan or Matching Share Plan, however for any shares purchased within 12 months of the demerger and with a value of 150 per cent of his base fee, the Company was to make a 1:1 matching award of deferred shares on a gross of tax basis. The Chairman's matching share award carries no performance conditions and will vest on the third anniversary of the date of demerger subject to the Chairman remaining in office for three years and having retained ownership of his invested shares. The Chairman invested more than 150 per cent of his base fee in the Company's shares during 2010, and accordingly an award of 529,536 deferred shares was made to him on 1 September 2010.

40 Pensions

(a) Current pension arrangements

Earls Court & Olympia group ("EC&O") has a hybrid pension scheme comprising an ongoing money purchase section and a final salary section which was closed to new members in 2000, but continues to accrue future service benefits for those employees who were members at date of closure. The final salary section is a funded defined benefit scheme which is contracted out of State Second Pension.

The Group's current policy is largely to provide future retirement benefits through defined contribution arrangements.

(b) Pension costs

(i) Defined benefit scheme
Amounts are recognised in the income statement in respect of EC&O's pension scheme (the "Scheme").

Amounts recognised in respect of the Scheme	Included in income statement within:	**2010** **£m**	2009 £m
Current service cost	Administration expenses	**0.3**	0.3
Interest cost	Interest payable	**0.7**	0.6
Expected return on the Scheme's assets	Interest payable	**(0.7)**	(0.5)
		0.3	0.4

Amounts recognised in the statement of other comprehensive income	**2010** **£m**	2009 £m
Actuarial (gain)/loss on defined benefit scheme	**(1.4)**	0.6

Whilst the actuarial gains and losses in respect of the Scheme are dealt with in the statement of other comprehensive income, the difference between the notional interest cost on the Scheme's liabilities and the expected return on the Scheme's assets is included in the Group's net interest cost.

For the year ended 31 December 2010 this amounts to a cost of £nil (2009 – debit of £0.1 million). Of the current service cost for the year £0.3 million (2009 – £0.3 million) has been included in administration expenses.

Notes to the accounts

40 Pensions continued

Amounts recognised in the consolidated balance sheet	2010 £m	2009 £m
Fair value of Scheme's assets	**11.4**	10.0
Present value of Scheme's liabilities	**(13.4)**	(13.4)
Deficit in the Scheme	**(2.0)**	(3.4)
Related deferred tax asset	**0.6**	1.0
Net pension liability	**(1.4)**	(2.4)

Movements in the fair value of Scheme's assets	2010 £m	2009 £m
At 1 January	**10.0**	8.0
Expected return on Scheme's assets	**0.7**	0.5
Actuarial gains	**0.6**	1.3
Employer contributions paid	**0.2**	0.3
Member contributions paid	**0.1**	0.1
	11.6	10.2
Benefits paid	**(0.2)**	(0.2)
Scheme's assets at 31 December	**11.4**	10.0

The weighted average assets allocations for the year end were as follows:

Asset category:	31 Dec 2010 %	31 Dec 2009 %
Equities	**79**	78
Index-linked gilts	**9**	9
Corporate bonds	**12**	12
Cash	**–**	1
Total	**100**	100

Movements in the fair value of Scheme's liabilities	2010 £m	2009 £m
At 1 January	**13.4**	10.8
Current service cost	**0.3**	0.4
Interest cost	**0.7**	0.6
Past service cost	**–**	–
Actuarial (gain)/loss	**(0.8)**	1.8
	13.6	13.6
Benefits paid	**(0.2)**	(0.2)
Scheme's liabilities at 31 December	**13.4**	13.4

40 Pensions continued

The main economic assumptions used to calculate the present value of the Scheme's liabilities at 31 December were as follows:

	2010 % (per annum)	2009 % (per annum)
Discount rate	**5.40**	5.50
Rate of inflation (based on RPI)	**3.20**	3.30
Earnings increases	**4.70**	4.80
Increases to pensions in payment (LPI 5%)	**3.20**	3.30
Increases to deferred pensions before payment	**3.20**	3.30
Expected return on Scheme's assets	**6.90**	6.98

	2010 £m	2009 £m
Actual return/(loss) on Scheme's assets in the year	**1.3**	(1 .8)

Mortality assumptions are based on standard tables provided by the Institute of Actuaries using insurance Company data updated from time to time to reflect current trends. The standard tables used by the Scheme are the SI PXA (Year of Birth), CMI (1 .25%) (2009 - PNKA00 medium cohort tables.) This standard table which makes allowance for future improvements in longevity based on the year of birth of each member.

		2010	2009
The mortality assumptions used in this valuation were:			
Life expectancy at age 65 (current age 45) -	Male	**88.8**	88.0
	Female	**91.0**	90.1
Life expectancy at age 65 (current age 65) -	Male	**86.9**	86.9
	Female	**89.0**	89.1

To develop the expected long-term rate of return on assets assumption for the Scheme, the company considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected annual return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

This resulted in the selection of the 5.4 per cent assumption as at 31 December 2010.

History of experience gains and losses for the year to 31 December:

	2010	2009	2008	2007
Present value of Scheme's liabilities (£m)	(13.4)	(13.4)	(10.8)	(11 .2)
Fair value of Scheme's assets (£m)	11 .4	10.0	8.0	10.1
Deficit	(2.0)	(3.4)	(2.8)	(1 .1)
Experience adjustment on Scheme liabilities:	0.3	0.1	(0.1)	0.2
Changes in assumptions used to value Scheme liabilities	0.4	(1 .9)	1 .4	(1 .0)
Experience adjustment on Scheme assets	0.6	1 .3	(3.1)	(0.1)

The Group has no significant exposure to any other post-retirement benefit obligations.
The estimated contributions expected to be paid to the Scheme during 2011 is £0.2 million.

(ii) Defined contribution arrangements
The pension charge in respect of other schemes are the actual contributions paid. These amounted to £0.5 million (2009: £0.4 million).

Notes to the accounts

41 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 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.

42 Directors' interests

(a) In shares and bonds in Capital & Counties Properties Group companies

As at 31 December 2010 the number of ordinary shares of the Company in which the Directors were beneficially interested were:

	2010	2009
Chairman:		
I.C. Durant	**290,230**	–
Executive:		
I.D. Hawksworth	**284,621**	–
S. Das	**105,000**	–
G.J. Yardley	**240,160**	–
Non-Executive:		
I.J. Henderson	**12,601**	–
D.A. Fischel	**549,322**	–
G.J. Gordon	**2,305,268**	–
A.J.M. Huntley	**50,000**	–
A.D. Strang	**–**	–
H.E. Staunton	**50,000**	–

(b) Share dealings

No Director had any dealings in the shares of any Group company between 31 December 2010 and 28 February 2011, being a date less than one month prior to the date of the notice convening the Annual General Meeting.

Other than as disclosed in these accounts, no Director of the Company had a material interest in any contract (other than service contracts), transaction or arrangement with any Group company during the year ended 31 December 2010.

Other information

Works at Olympia Two will improve servicing and connectivity with the rest of Olympia.

Investment and development properties (unaudited)

1. Property data as at 31 December 2010

	Market value £m	Ownership	Initial yield (EPRA)(1),(3)	Nominal equivalent yield(1),(4)	Passing rent(1) £m	ERV(1) £m	Occupancy(1) (EPRA)	Weighted average unexpired lease(1) years	Gross area million(5) 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**
The 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 does 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%, for GCP 5.41%.
(4) Nominal equivalent yield at 31 December 2009 for Covent Garden was 5.53%, for GCP 5.92%.
(5) Area shown is gross area of the portfolio, 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**
The 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 2010 £m	Market Value 2009 £m	Revaluation surplus(1) 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)
The 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				
Covent Garden	**639.8**	548.4	**77.8**	14.0%
Earls Court & Olympia	**480.8**	434.8	**23.4**	5.1%
The 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%).

4. Analysis of income in the period

Like-for-like properties

	2010 £m	2009 £m	Change %
Covent Garden	**25.7**	26.6	(3.4)%
Earls Court & Olympia	**29.1**	32.9	(11.6)%
The 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

	2010 £m	2009 £m	Change %
Covent Garden	**25.7**	26.6	(3.4)%
Earls Court & Olympia	**29.1**	36.8	(20.9)%
The 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.

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 property	**(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 intragroup debt due to Liberty International and included a pro forma allocation of administration costs likely to be incurred by the Group once operating on a standalone basis. Likewise, intragroup 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.

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 S612 of the Companies Act 2006. Qualifying for relief under S612 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 intragroup 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 in this announcement should consult their own professional tax advisers.

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

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 will be 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 will be 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

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)

				As at 31 December 2009		
	Prospectus	Remove non-demerged entities (3)	Reclassify amounts due to CSC Group (4)	Remove pro forma 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

				Year ended 31 December 2009		
	Prospectus	Remove non-demerged entities (3)	Reclassify amounts due to CSC Group (4)	Remove pro forma 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.

Financial covenants

Financial covenants on non-recourse debt excluding joint ventures

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

Financial covenants on joint ventures non-recourse debt

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

[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 of 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 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 the 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.

Board, management and advisers

Chairman
Ian Durant

Executive Directors
Ian Hawksworth, Chief Executive
Soumen Das, Finance Director
Gary Yardley, Investment Director

Non-executive Directors
Ian Henderson (Deputy Chairman and Senior Independent Director)
Graeme Gordon (Alternate Raymond Fine)
Andrew Huntley
Henry Staunton
Andrew Strang

Company Secretary
Ruth Pavey

Capital & Counties Senior Management
Bill Black, Property Director, Earls Court
Beverley Churchill, Director of Marketing and Communications
Donald Grant, Financial Controller
Andrew Hicks, Property Director, Covent Garden
Gavin Mitchell, Director of Project Management
Richard Powell, Director of Planning and Development, EC&O
Bob Tattar, Commercial Controller
Michael Vaughan-Johns, Director of Portfolio Management

Registered Office
15 Grosvenor Street
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W1K 4QZ
Telephone: 020 3214 9150
Fax: 020 3214 9151

Registered Number
7145051

Website:
www.capitalandcounties.com

Earls Court & Olympia
Nigel Nathan, Group Managing Director, EC&O
Yvonne Denyer, Finance Director, EC&O
Telephone: 020 7385 1200
www.eco.co.uk

Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Solicitors
Linklaters LLP

Brokers and Financial Advisers
Bank of America Merrill Lynch
Rothschild
UBS

SA Sponsor
Merrill Lynch South Africa

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 payment of the proposed final dividend:

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

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 of shares will be possible from 11 April 2011 to 15 April 2011 inclusive. No transfers between the UK and South Africa registers may take place from 31 March 2011 to 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 or CSC
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 and 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, 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.

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.

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.

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.

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

ITZA
In Terms of Zone A. ITZA is a method of calculating the floor area of a retail unit with relation to the frontage and first 20 feet/6.1 metres of depth and the value relating to that floor area.

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 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.

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.

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 such as from car parks etc. Contracted annual rents in respect of tenants in administration are excluded.

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

REIT
Real Estate Investment Trust.

Section 34A Housing Act 1985
An amendment to the 1985 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

Glossary

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.

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 team.

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.

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

Shareholder information

Registrars
All enquiries concerning shares or shareholdings, including notification of change of address, queries regarding loss of a share certificate and dividend payments should be addressed to:

For shareholders registered in the UK:
Capita Registrars
The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 8.30 am – 5.30 pm Monday – Friday)
Telephone outside UK: +44 (0)208 639 3399 (outside UK)
Fax: 020 8639 2342
Email: ssd@capitaregistrars.com
www.capitaregistrars.com

For shareholders registered in South Africa:
Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg 2001
South Africa
Postal address:
PO Box 61051
Marshalltown 2107, South Africa
Telephone: +27 86 110 0933
Fax: +27 11 688 5217
www.computershare.com

Payment of dividends
If you are a shareholder and wish to have your dividends paid directly into a bank or building society, please complete a mandate form which is available from the appropriate registrar.

Share price information
The latest information on the Capital & Counties Properties PLC share price is available on the Company's website www.capitalandcounties.com. The shares are traded on the LSE with LSE code CAPC, ISIN GBOOB62G9D36. The shares are traded on the JSE under the abbreviated name CAPCO and JSE code CCO.

Web-based enquiry service for shareholders
Shareholders registered in the UK can register at www.capitashareportal.com to access a range of online services including:

- Online proxy voting
- Electing to receive shareholder communications electronically
- Viewing your holding balance, indicative share price and valuation
- Viewing any transaction on your holding including any dividend payments you have received
- Updating your address details or registering a bank mandate to have your dividends paid directly to your bank account
- Accessing a wide range of shareholder information, including downloadable forms.

To register to use this service, you will need your investor code (IVC), which can be found on your share certificate(s).

Share dealing Services
The Company's shares can be traded through most banks, building societies and stockbrokers. Additionally, UK shareholders may trade their shares using the online and telephone dealing service that Capita Registrars provide. To use this service, shareholders should contact Capita: within the UK 0871 664 0364 (calls cost 10p per minute plus network extras; lines are open 8.30 am – 5.30 pm Monday to Friday); from Ireland: 1 890 946 375; or from outside UK: +44 20 3367 2686 or you can log on to www.capitadeal.com.

Electronic communication
On demerger from Liberty International PLC, existing elections to receive electronic communications from Liberty International PLC were applied automatically to holdings of Capital & Counties Properties PLC shares unless the shareholder gave an alternative notification.

All of the Group's annual results, interim results and interim management statements will be published on the Company's website www.capitalandcounties.com. If you are a shareholder and wish to elect to receive electronic communications, please contact the appropriate registrar.

Shareholders who wish to receive hard copies of shareholder information may revoke a previous instruction to receive electronic communications at any time.

ShareGift
ShareGift is a charity share donation scheme for shareholders who may wish to dispose of a small quantity of shares where the market value makes it uneconomical to sell on a commission basis. Further information can be found on its website www.sharegift.org or by calling them on 020 7930 3737.

Boiler room scams
In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/register/
- If they are not properly authorised, report the matter to the FSA either by calling 0300 500 5000 or visiting www.moneymadeclear.fsa.gov.uk
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.
The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the CFEB website www.moneymadeclear.fsa.gov.uk.

Capital & Counties Properties PLC
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