

capco

Capital & Counties Properties PLC
Annual Report & Accounts
2012



POSITIVE MOMENTUM

Capital & Counties Properties PLC (“Capco”) is in a unique position within central London which is an important global city. The year has been one of positive momentum and we are making excellent progress towards realising longer term goals. We are in a prime position to deliver growth through our key strengths:


Focused and clear strategy

 For more information
pages 10 to 11

Active asset management and selective redevelopment potential

Rental resilience and capital value appreciation


Prime assets

 For more information
pages 16 to 35

A focus on prime central London

Dominant holdings concentrated in large estates

A strong capital structure

 For more information
pages 36 to 41

Conservative leverage and substantial liquidity

Experienced management

 For more information
pages 48 to 49

Strong track record

Effective governance

 For more information
pages 50 to 75

Strong commitment to effective corporate governance

Capco is one of the largest listed property investment and development companies in central London. Our estates, held directly or through joint ventures, are valued at £1.7 billion.

We aim to unlock the potential for significant value creation through entrepreneurial asset management and deliver superior and long-term returns to our shareholders.

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HOW WE GOVERN OUR BUSINESS

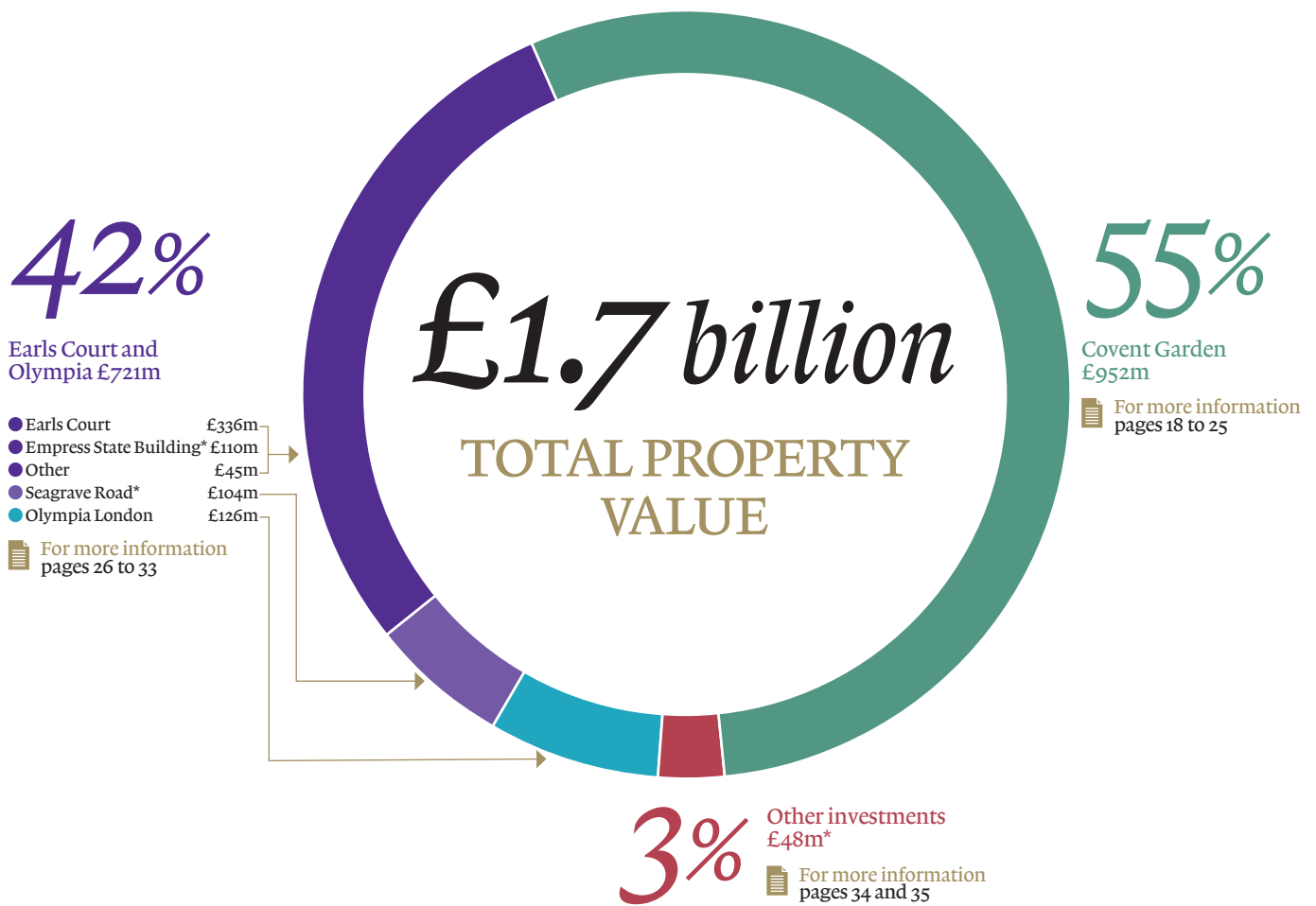
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ABOUT CAPCO

OUR PROPERTY PORTFOLIO



ASSET SNAPSHOT

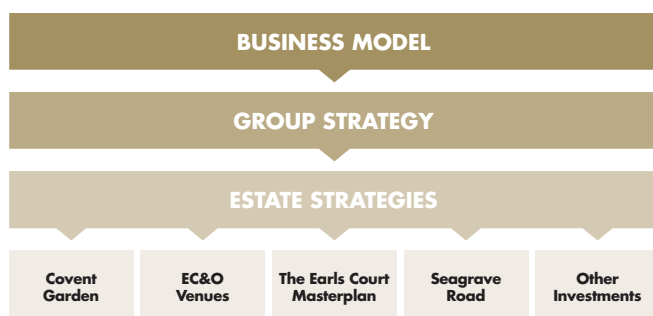
	Covent Garden	Earls Court and Olympia	Other investments
Square feet (net)	898,000	1,763,000	130,000
Occupancy	99%	N/A	74.6%
Passing rent	£37.9m	£7.5m*	£1.1m*
EBITDA	N/A	£14.0m	N/A

* Capco share

OUR BUSINESS MODEL AND STRATEGY

With a focus on central London, Capco aims to be an entrepreneurial place-maker delivering long-term value to our shareholders by bringing new life to districts creatively, commercially and responsibly, benefiting Londoners and visitors as well as the Group's customers.

We unlock value through growth in capital value and rental levels across the estates, generating superior, long-term returns for our shareholders, through the following priorities:

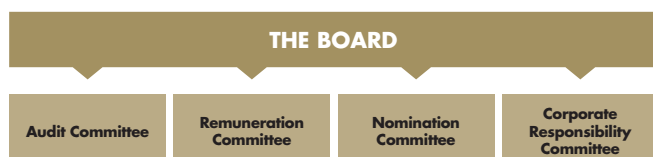


For more information pages 10 to 11

UNDERPINNED BY EFFECTIVE GOVERNANCE

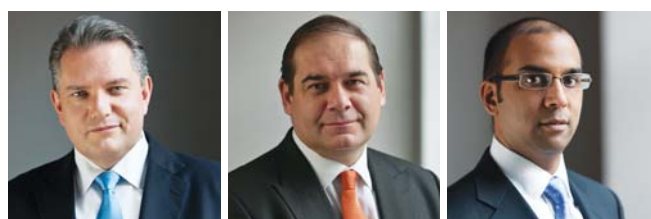
Capco's governance structure comprises a framework of oversight, controls and reporting which supports the business and allows us to operate with transparency to achieve the Company's objectives. Key events during 2012 include:

- The appointment of Demetra Pinsent as a Non-executive Director
- A review of the remuneration policy
- A review of Group strategy



For more information pages 50 to 77

OUR MANAGEMENT TEAM



Capco's experienced management team leads the Group in delivering its strategy. The Executive Directors are incentivised to deliver strong returns for shareholders and are supported by a senior management team which leads the Group's business units. The Non-executive Directors bring a wealth of knowledge to the Board's discussions.

For more information pages 48 and 49

FINANCIAL HIGHLIGHTS

TOTAL PROPERTY RETURN

21.7%

TOTAL RETURN

22.6%

EPRA NET ASSET VALUE PER SHARE

203p

TOTAL SHAREHOLDER RETURN

32.1%

PROPERTY VALUATION UPLIFT ON A LIKE-FOR-LIKE BASIS

16.7%

LOAN TO VALUE (LTV)

10%

A YEAR OF MOMENTUM



Formal planning consent for the Seagrave Road scheme

The London Borough of Hammersmith & Fulham (LBHF) grants planning permission to create 808 new homes based around an 81m-long garden square



Joint venture on Seagrave Road scheme completed

Cash proceeds of £65 million released to Capco

QUEEN'S DIAMOND JUBILEE

LONDON 2012 OLYMPIC GAMES



March

April

May

June

July

August

Three new acquisitions in Covent Garden

Properties acquired on Bedford Street and Henrietta Street



Public realm works completed in Covent Garden

The newly resurfaced King Street is launched to the local community



Jermyn Street estate sold

Five properties are sold by GCP for £60 million (Capco's share)

MEATmarket comes to Covent Garden

Cult burger and milkshake joint opens in Jubilee Hall



Chanel and Jamie's Union Jacks open in the Market Building

The couture house's only beauty boutique and a new dining concept from Jamie Oliver launch in time for the Olympics





Opening Ceremony flagship store launches on King Street

Cutting-edge fashion emporium opens its only European outlet in Covent Garden



100 Regent Street and Regent Arcade House sold

GCP sells properties on Regent Street for £57 million (Capco's share)



Covent Garden acquisitions

Properties on Henrietta Street and Floral Street plus a block on the corner of Wellington Street and Tavistock Street expand the Covent Garden portfolio



Balthazar and its branded bakery open

Covent Garden's transition into a high-end dining destination reinforced with the launch of the only Balthazar brasserie and bakery outside the US

DELIVERING VALUE



Ian Durant, Chairman

“Capco is well positioned to maintain its momentum following a year of progress and value creation.”

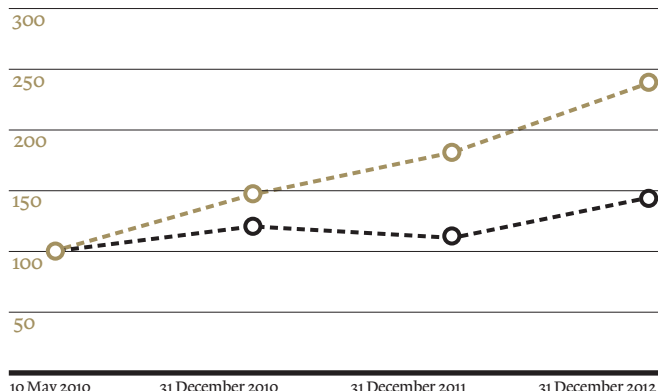
TOTAL RETURN

22.6%

DIVIDEND

1.5p

TOTAL SHAREHOLDER RETURN



○ Capco ○ FTSE 350 Real Estate Index

Capco's strong performance in 2012 continues the positive momentum generated since the Company was established in 2010. Over this period, the Company has delivered market leading returns to its shareholders as a result of a focus on executing its strategy of unlocking value across its business supported by effective capital management.

At the asset level Covent Garden has performed well with the continued evolution of the tenant mix and expansion of the estate through key acquisitions. An equity placing in September raised £149 million of new capital to support this strategy. Key planning milestones for the Earls Court Masterplan have been achieved alongside formal planning consent and the formation of a joint venture to develop the Seagrave Road project. This year has also seen continued reallocation of capital from non-core assets, particularly from GCP, to Earls Court and Covent Garden.

The Olympic Games were a highlight of 2012, and I am pleased that our Earls Court venue was the host of the successful volleyball tournament which attracted over half a million visitors.

Engagement with the communities in which the Company operates complements the strategy and has been an area of much activity during 2012. Our entrepreneurial and diverse company culture is essential to the creative approach to place-making and the Corporate Responsibility (CR) strategy. Events such as

the Poppy Appeal in Covent Garden and the ongoing Earls Court Education Project show commitment to embedding the CR strategy in the areas in which the Company operates, whilst initiatives including volunteer days are undertaken by staff throughout the year.

RESULTS AND DIVIDENDS

In 2012 Capco delivered strong results with a total return of 22.6 per cent. EPRA adjusted, diluted NAV per share was the main component of this, rising from 167 pence to 203 pence driven by the increase in valuation of the assets which were up 16.7 per cent on a like-for-like basis. Total shareholder return was 32.1 per cent. It should be noted that these results have been achieved with exceptionally low leverage; at December 2012 the Group's LTV was 10 per cent.

I would like to thank the Executive Directors and all staff for their hard work and commitment over the past year which has contributed to this strong performance.

The Directors propose a final dividend of 1.0 pence per share, bringing the total dividend paid and payable for 2012 to 1.5 pence per share.

GOVERNANCE

The Board has established an open culture which encourages dialogue and debate between the Executive and Non-executive Directors. The values of the Board in regard to both governance and corporate responsibility are embedded throughout the Group.

The Audit Committee has had a busy year of diligent oversight of the controls, risks and reporting, thus assuring the Board that the Company's reporting is balanced, consistent and compliant. The Remuneration Committee has committed much time and effort to its review of Executive remuneration in 2012, and I am grateful to the Committee members for their contribution. The Committee has had a difficult job in reconciling the views of a minority of shareholders and its conclusions are described on pages 59 to 75.

As stated in the 2011 report, the diversity and composition of the Board have been reviewed and we were pleased to welcome Demetra Pinsent who joined as a Non-executive Director in May. Demetra is a former partner of McKinsey & Co and was leader of its European Apparel, fashion and luxury goods practice for five years, advising leading high street, aspirational and luxury retailers and brands.

The Group's ongoing strategy was a focus of debate and discussion for the Board during the year, and the business model focusing on central London retail and residential property was affirmed whilst keeping an open mind on opportunities to allow the business to develop further. People development and succession planning have also been a focus of the Board. I am grateful to the Non-executive Directors who are participating in a mentoring programme with senior members of the management team below Board level to

develop, strengthen and create depth in management capability.

MOVING FORWARD

In 2012 London took its place on the world stage as host city of the Olympics and centre of the Queen's Diamond Jubilee celebrations, and its success under the spotlight has enhanced its standing as a global city and an attractive location for investment. The global capital flows into London have underpinned the central London real estate markets despite the continued poor macroeconomic outlook for the UK, but London's 'safe haven' status should not be taken for granted.

Nevertheless, as we move forward I am confident that Capco's strategy to unlock value from its core estates whilst maintaining a strong financial position will enable it to capitalise on opportunities for its shareholders and continue to achieve market leading returns.



Ian Durant
Chairman

28 February 2013

Commitment to Corporate Responsibility (CR)

Our entrepreneurial culture encourages a creative and holistic approach to place-making, which takes into consideration our impact on the environment and on the local communities where our estates are based. CR has become embedded into the fabric of our day-to-day work. For more about the specific initiatives that illustrate our strategy, including the Apple Market Challenge (pictured right), please see our dedicated CR section on pages 42 to 47.



DRIVING PROGRESS



Ian Hawksworth, Chief Executive

2012 was a year of continued progress for Capco as our focus on unlocking value generated further momentum to deliver superior returns for shareholders. Capco has a clear business model focusing on retail and residential London property. This delivered significant uplift at the Group level, with adjusted NAV per share up 22 per cent.

Capco's creative asset management and place-making skills at Covent Garden continued to drive value, whilst our ability to deliver complex planning projects was evident in the significant milestones achieved with the Earls Court Masterplan and Seagrave Road project in 2012.

A strong balance sheet allowing Capco to retain high levels of liquidity alongside conservative gearing ratios underpins Capco's estate strategies. This year £320 million was realised mainly from disposals within the non-core investments of GCP and China as well as the completion of the Seagrave Road joint venture. In May, a new five-year £70 million revolving credit facility was agreed, establishing a more flexible financing structure, and in September, the equity placing raised gross proceeds of £149 million to be invested in Covent Garden.

OPERATING AND FINANCIAL REVIEW Valuations

The Group benefited from strong revaluations across its business during 2012, with a like-for-like valuation increase of 16.7 per cent representing the main component of a total property return of 21.7 per cent.

Covent Garden increased in value reflecting rental growth as well as the continued strong demand for prime assets from a wide range of investors. The Earls Court and Seagrave Road land interests experienced a significant valuation increase due to the positive momentum of each project as well as the strong central London residential market. Other assets, mainly comprising Empress State and the last remaining asset in GCP, increased in value reflecting the strong investment market for those properties.

Covent Garden

Since taking ownership in 2006 over 50 new brands have opened in the Covent Garden area making it one of London's most vibrant estates. There have been a number of new lettings in 2013 demonstrating continued demand for space on the estate. The successful introduction of new retail and dining at the

“Capco's clear and focused business model and strategy have delivered strong results in 2012 and the assets continue to offer the potential for outperformance going forward.”

ground level has enabled the strategy to expand into premium residential conversions of the upper floors. This has continued to deliver value uplift with the overall estate valued at £952 million, an increase of 7.2 per cent on a like-for-like basis.

In line with the successful repositioning strategy at Covent Garden, the equity placing in September raised capital for further investment in the district. The ERV target was also revised to £60-65 million by the end of 2015. In 2012 £89 million of acquisitions were completed growing Capco's ownership in the area by 13 per cent, creating a scale in line with historic London landed estates.

Capco's active asset management approach achieved landmark lettings including the first permanent stand alone fragrance and beauty concept from Chanel and a flagship store for Jo Malone. Balthazar, Keith McNally's French brasserie concept backed by Caprice Holdings, opened in February 2013. Further growth is expected through the tenant engineering strategy which drives the continued repositioning of other areas of the estate as well as the introduction of new larger-scale developments and interventions.

VALUATION

	Market value Dec-12 £m	Market value Dec-11 £m	Market Value change ^{1,2}	ERV change ¹	Initial yield	Equivalent yield
Covent Garden	952	808	7.2%	4.2%	3.8%	5.1%
Earls Court	336	195	57.6%			
Seagrave Road	104 ³	116	61.5%			
Olympia London	126	121	(4.1)%			
Other ⁴	203	384	9.8%			
Total Properties	1,721	1,624	16.7%			

1 Like-for-Like

2 Valuation change takes account of amortisation of lease incentives, capital expenditure and fixed head leases.

3 Represents Capco's 50 per cent share.

4 GCP (Capco's 50 per cent share), Empress State Building (Capco's 50 per cent share) and peripheral assets.

Earls Court & Olympia

The Earls Court Masterplan received resolutions to grant outline planning consent from the London Borough of Hammersmith & Fulham (LBHF) and the Royal Borough of Kensington & Chelsea (RBKC) in September and November respectively. We are now working towards obtaining formal planning consent in the first half of 2013, which will require the issue of the Stage Two report by the Greater London Authority (GLA) and finalisation of the Section 106 agreements. The valuation of Capco's Earls Court interests has increased considerably to £336 million as at December 2012, an increase of 58 per cent in 2012.

Formal planning consent for the Seagrave Road development was received in March. The 50:50 joint venture with the KFI in respect of this project completed in August realising net cash proceeds to Capco of £65 million. The joint venture has now moved into its implementation phase, resulting in certain proposed enhancements to the design of the scheme as well as a detailed planning application to extend the scheme up to Lillie Road which will be submitted shortly to LBHF. The sales and marketing strategy is being finalised with a view to launching the

scheme in the next 12 months. The progress in taking forward this project has led to Capco's 50 per cent interest increasing in value by 62 per cent (on a like-for-like basis) during 2012 to £104 million.

In January 2013, the Conditional Land Sale Agreement (CLSA) was signed with LBHF enabling the inclusion of its land in a comprehensive redevelopment of the Earls Court & West Kensington Opportunity Area (EOA). The Council is applying for approval of this deal from the Secretary of State and a decision is expected in the coming months. Discussions continue with Transport for London (TfL) for a regear of Capco's existing leasehold interests at Earls Court, as this was not concluded in 2012.

Olympia has officially relaunched as Olympia London following a significant £30 million investment over the past two years. It will be the focus of the Group's exhibitions business, providing dynamic and flexible events space to cater for the needs of the exhibitions industry.

OPPORTUNITIES AND OUTLOOK

Capco is well positioned within its core central London retail and residential property markets, and our assets continue to offer the

potential for outperformance going forward. The fundamental drivers of long-term growth in London are strong, however we remain mindful of the short-term risks presented by the challenging macroeconomic conditions as we progress our plans.

In Covent Garden we will continue the creative place-making, active asset management and strategic acquisitions as well as initiating selective development. At Earls Court, we will look to deliver the formal planning consents for the Earls Court Masterplan, create the detailed design of the first phase of the redevelopment and finalise a transaction with TfL in relation to our land interests whilst assisting the local authorities as appropriate to respond to the judicial review challenges faced. The Seagrave Road project will focus on achieving a successful launch under its new branding of Lillie Square.



Ian Hawksworth
Chief Executive

28 February 2013

UNLOCKING VALUE AND GENERATING LONG-TERM RETURNS

BUSINESS MODEL

With a focus on central London, Capco aims to be an entrepreneurial place-maker delivering long-term value to our shareholders by bringing new life to districts creatively, commercially and responsibly, benefiting Londoners and visitors as well as the Group's customers

GROUP STRATEGY

To unlock value through growth in capital value and rental levels across the estates, generating superior, long-term returns for our shareholders, through the following priorities:



Active asset management



Planning and development activities



Opportunistic acquisitions and disposals



Strong capital structure



Active engagement with communities

ESTATE STRATEGIES

Underpinning our returns-focused Group Strategy are Estate Strategies to ensure we invest in the right projects and plans to deliver profitable growth

Covent Garden

Maximise the estate's potential as a world-class retail, leisure and residential district driving ITZA, ERV and NRI growth

pages 18 to 25

The Earls Court Masterplan

Finalise planning consents for a residential-led, mixed-use scheme. Agree land assembly deals with our partners and consider options to create further value from the scheme

pages 26 to 30

Seagrave Road

Successfully develop the site with our partners

pages 31 to 32

EC&O Venues

Invest in the enhancement of Olympia London and maximise its utilisation by winning new customers and transitioning shows currently held at Earls Court

page 33

Other Investments

Maximise value of retained assets and consider new investments opportunistically

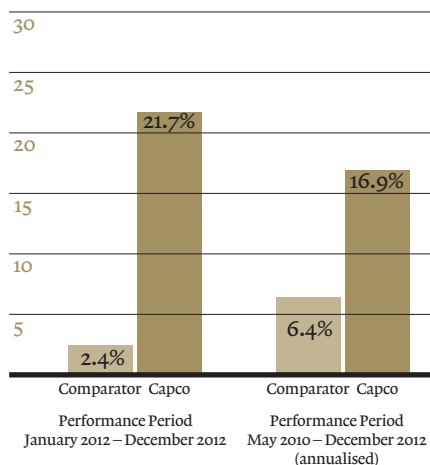
pages 34 to 35

MEASURING OUR PERFORMANCE

The Group's Key Performance Indicators are selected to ensure clear alignment between its strategy, shareholder interests and remuneration of its employees.

TOTAL PROPERTY RETURN

21.7%



DESCRIPTION

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 allows comparability to the IPD Total Return All Property Index.

★ PART OF EXECUTIVE DIRECTORS' 2012 BONUS

TARGET

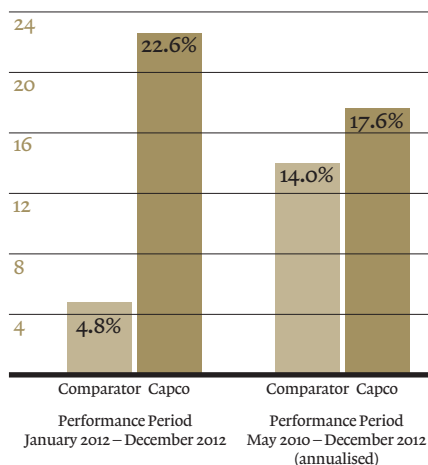
1.5 per cent pa outperformance since listing.

PERFORMANCE

During the year, the Group has outperformed by 19.4 per cent.

TOTAL RETURN

22.6%



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 the median of a comparator group of the nine largest constituents of the FTSE 350 Real Estate Index, is identified as a key measure of the success of Capco's strategy.

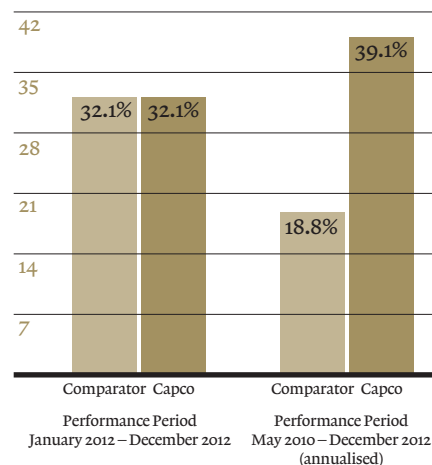
★ PART OF EXECUTIVE DIRECTORS' LONG-TERM INCENTIVE, TOGETHER WITH SPECIFIC ANNUAL NAV TARGETS

2.5 per cent pa outperformance on a rolling three-year basis.

The Group has generated a total return of 17.6 per cent per annum on a rolling three-year basis, outperforming the comparator group by 3.1%.¹

TOTAL SHAREHOLDER RETURN

32.1%



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 median total shareholder return of a comparator group of the nine largest constituents 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.

★ PART OF EXECUTIVE DIRECTORS' LONG-TERM INCENTIVE

4.0 per cent pa outperformance on a rolling three-year basis.

The Group generated a total shareholder return of 39.1 per cent per annum on a rolling three-year basis, outperforming the comparator group by 17.1%.

¹ Based on consensus estimates for comparator group.

A number of other indicators of performance are considered by the Board either at a 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 operating reviews in the Financial Review.

All three key performance indicators are directly linked to Executive Directors' remuneration. These three indicators are carefully aligned with the Group's strategy of unlocking value and delivering market-leading total returns over the longer-term. Total Property Return, underlying earnings per share and net asset value are linked to annual bonuses available to certain of the Group's employees.

EFFECTIVE RISK MANAGEMENT

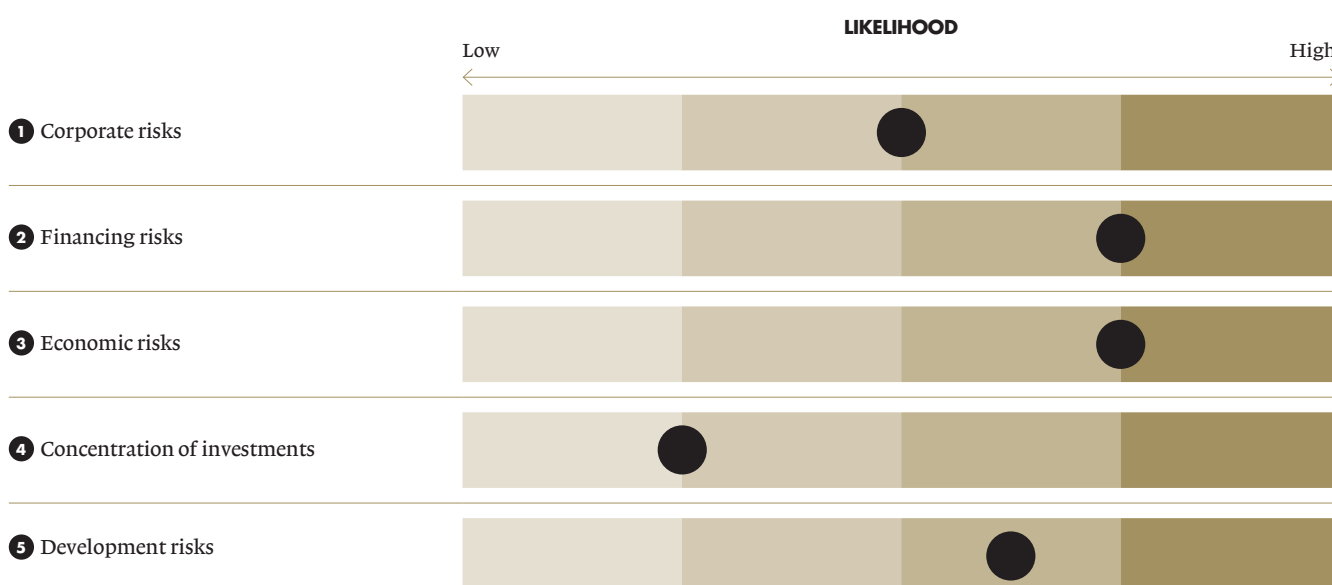
Through risk management and internal control systems the Group is able to identify, assess and prioritise risk within the business and seeks to minimise, control and monitor their impact on profitability whilst maximising the opportunities they present.

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

Executive Directors together with Senior Management from every division and corporate function of the business complete a Group risk register. 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. Review meetings are held to ensure consistency of response and adequacy of grading. Detailed risk registers are reviewed twice yearly and upon any material change in the business with a full risk review undertaken annually, at which point it is also reviewed in detail by the Audit Committee with new or emerging risks considered by the Committee as appropriate. This allows the Audit Committee to monitor the most important controls and prioritise risk management and internal audit activities accordingly.



RISK HEAT MAP



On the following pages are the principal risks and uncertainties from across the business and are reflective of where the Board has invested time during the year. These are not exhaustive. The Group monitors a number of additional risks and adjusts those considered 'principal' as the risk profile of the business changes.

1 Corporate risks

Risk	Impact potential	Mitigation factors
Impact: The Group's ability to maintain its reputation, revenue and value could be damaged by corporate risks		
Responding to regulatory and legislative challenges.	Reduced flexibility and increased cost base.	Sound governance and internal policies with appropriately skilled resource and support from external advisers as appropriate.
Responding to reputational, communication and governance challenges.	Reputational damage and increased costs.	Appointment of experienced individuals with clear responsibility and accountability. Clear statements of corporate and social responsibility, skilled Executive and Non-executive Directors, with support from external advisers as appropriate. Continuous stakeholder communication and consultation.
Inability to implement strategy or correctly allocate capital.	Constraints on growth and reduced profitability.	Regular strategic reviews and monitoring of performance indicators. Corporate level oversight of capital allocation. Detailed capital planning and financial modelling. Maintain adequate cash and available facilities together with conservative leverage.
Adequacy of partner evaluation and management of key suppliers.	Reduced profitability, delay or reputational damage.	Appropriate due diligence and consultation.
Group structure brings heightened tax exposure. Non-REIT status has a potential competitive disadvantage when bidding for new assets.	Competitive disadvantage. Lower returns.	Group tax policy. Open and transparent engagement with HM Revenue & Customs.
Risk associated with attracting and retaining staff.	Inability to execute business plan.	Succession planning, performance evaluations, training & development, long-term incentive rewards. Sound systems and processes to effectively capture and manage information.
Failure to comply with health and safety or other statutory regulations or notices.	Loss or injury to employees, tenants or contractors and resultant reputational damage.	Comprehensive health and safety procedures in place across the Group and monitored regularly. External consultants undertake annual audits in all locations. Safe working practices well established, including staff communication and training.

Further information on Corporate risks can be found within the Financial Review on pages 36 to 41 and the Corporate Governance report on pages 50 to 58.

2 Financing risks

Risk	Impact potential	Mitigation factors
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.		
Decline in market conditions or a general rise in interest rates could impact the availability and cost of debt financing.	Reduced financial and operational flexibility and delay to works.	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. Development phasing to enable flexibility and reduce financial exposure.
Reduced availability of equity capital.	Constrained growth, lost opportunities, higher finance costs.	Maintain appropriate liquidity to cover commitments. Target conservative overall leverage levels.

Further information on Financing risks can be found within the Financial Review on pages 36 to 41 and Financial Covenants on page 126.

3 Economic risks

Risk	Impact potential	Mitigation factors
Impact: Economic factors may threaten the Group's ability to meet its strategic objectives.		
Increased competition, changes in social behaviour or deteriorating profitability and confidence during a period of economic uncertainty.	Declining profitability. ERV targets not achieved. Reduced rental income and/or capital values.	Focus on prime assets and quality tenants with initial assessment of credit risk and active credit control. Diversity of occupier mix with limited exposure to any single tenant. Strategic focus on creating retail destinations and residential districts with unique attributes.
Decline in UK commercial or residential real estate market heightened by continued global macro-economic conditions or currency fluctuations.	Declining valuations.	Focus on prime assets. Regular assessment of investment market conditions including bi-annual external valuations.
Restricted availability of credit and higher tax rates and macroeconomic factors may lead to reduced consumer spending and higher levels of business failure.	Decline in demand for the Group's rental properties, declining valuations, reduced profitability.	Regular monitoring of covenants with headroom maintained.

Further information on Economic risks can be found within the Financial Review on pages 36 to 41.

4 Concentration of investments

Risk	Impact potential	Mitigation factors
Impact: Heightened exposure to events that threaten or disrupt central London.		
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. Changes to or failure of infrastructure. Concentration of higher profile events in central London.	Loss or injury, business disruption or damage to property.	Terrorist insurance in place. Security and health & safety policies and procedures in offices. Close liaison with police and National Counter Terrorism Security Office (NaCTSO). Disaster recovery and business continuity planning. Active involvement in organisations and industry bodies promoting London.

5 Development risks

Risk	Impact potential	Mitigation factors
Impact: Inability to deliver against development plans, particularly regarding ECOA.		
Unable to secure planning consent due to political, legislative or other risks inherent in the planning environment. Risk of change or delay due to Mayor of London or Secretary of State intervention or judicial reviews. Inability to gain the support of influential stakeholders. Failure to demonstrate or implement viable development due to environmental, transportation and affordable housing impact or other technical factors.	Delayed implementation or reduced development opportunity with corresponding impact on valuation.	Pre-application and continued 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.
Inability to reach agreement on lease extension, renegotiation of use or land deals with adjacent landowners on acceptable terms (including risk of Section 34A of the Housing Act 1985 in relation to land subject to CLSA).	Higher volatility in valuations and Group's returns or delay to works.	Informed market valuation and open dialogue with adjacent landowners. Earls Court Masterplan designed to allow phased implementation.
Construction costs increase e.g. due to market pricing, unforeseen site issues or longer build period. Punitive cost, design or other implications. Volatility in sales price.	Reduced profitability of development.	Extensive consultation, design and technical work undertaken. Properly tendered or negotiated processes to select contractors and manage costs. Market demand assessments. Pre-sales and marketing.

Further information can be found in the Operating Review on pages 18 to 35.

OUR PRIME ASSETS

Our assets are concentrated around three main estates in central London with a combined value of £1.7 billion.





Covent Garden



Capco Head Office



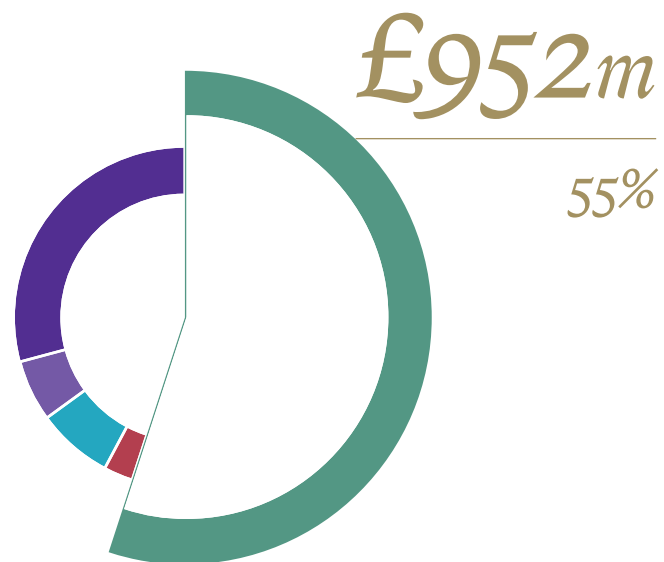
A LONDON ICON REVITALISED





Capco has transformed Covent Garden into a vibrant retail, leisure and residential district. The neighbourhood's new take on luxury mixes premium retailers with one-off craft stalls, street theatre with the Royal Ballet and world-class brands with emerging designers to create an atmosphere unlike anywhere else in London.

PROPERTY VALUE



COVENT GARDEN

Highlights

- Equity placing raised £149 million to fund expansion opportunities
- 14 new retailer and restaurant signings
- Acquisitions of £89 million including Wellington Portfolio and a number of units on Henrietta and Floral Streets
- Ownership expanded to 898,000 sq ft
- Property value of £952 million up 7.2 per cent on a like-for-like basis

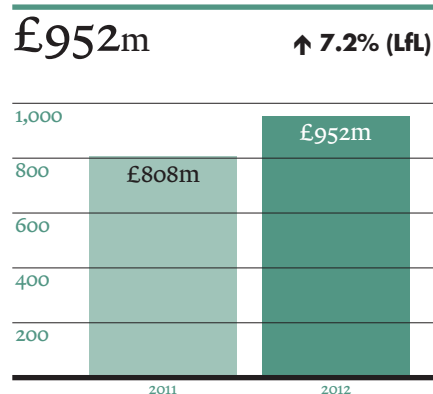
Strategy

- Achieve new ERV target of £60-65 million by 2015
- Drive passing rent
- Extend the residential portfolio
- Unlock value through tactical acquisitions and larger scale interventions
- Reinforce the dining offer
- Expand the contemporary luxury offer
- Selective redevelopment

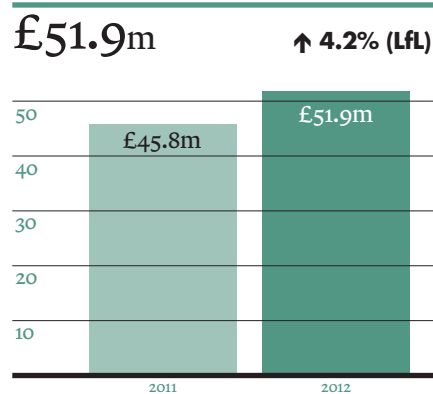


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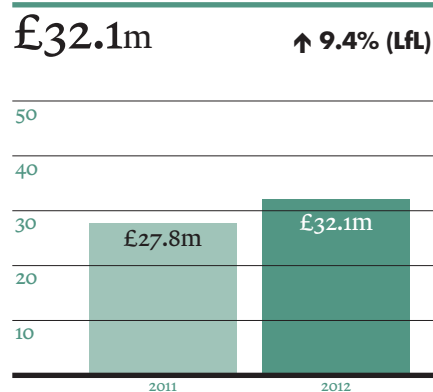
COVENT GARDEN CAPITAL VALUE



COVENT GARDEN ERV



COVENT GARDEN NET RENTAL INCOME



OPERATING PERFORMANCE

Overview

The Covent Garden estate continues to perform well with a capital value of £952 million as at December 2012, a 7.2 per cent like-for-like uplift year-on-year. In total, Capco owns 62 buildings comprising 380 lettable units and over 898,000 sq ft of lettable space in Covent Garden. At 31 December 2012, gross income (representing passing rent plus non-leased income) was £39.4 million.

In line with the successful repositioning strategy at Covent Garden an equity placing was undertaken in September raising £149 million of capital for further investment in the district. Proceeds from the placing in September were used to fund several acquisitions including:

- The Wellington Portfolio consisting of three properties with 52,700 sq ft of mixed use space
- 17-18 Floral Street and 25-29 Henrietta Street which together include 15 retail & F&B units
- 14 Garrick Street leased to The Forge restaurant

In total, £89 million of acquisitions were completed in 2012 which expanded the estate by over 105,000 sq ft and, combined with the purchase of Kings Court in 2011, allow for further residential and retail opportunities as well as larger-scale interventions to unlock value from the estate. In January 2013, Capco exercised its option to acquire a 125 year lease for 38 King Street from the Trustees of the Africa Centre.

At the time of the placing, the ERV target was revised to £60-65 million by the end of 2015 which would support an estate valuation at current yields of approximately £1.3 billion over this three-year timeframe. In 2012, 27 new lettings (excluding those with non-standard terms such as development breaks) were negotiated at 4.6 per cent above December 2011 ERV. Tenant demand remains strong across the estate which is operating at near full occupancy at 99 per cent.

Retail activity

King Street, the home of Covent Garden's contemporary luxury offering, saw the opening of Opening Ceremony, Jo Malone, 7 for All Mankind and a new concept from Hackett in 2012. The upcoming additions of Aesop and Twenty8Twelve as well as the recent signing of Sandro, part of the LVMH group, continue the evolution of the street with 40 per cent of the brands changing in the last 12 months. In addition, public realm works to King Street were completed in May bringing the streetscape in line with the retail mix and creating a better experience for visitors.

In November, Ralph Lauren announced it would be closing its Rugby brand globally in February 2013. Whilst disappointing, the unit is leased to Ralph Lauren until 2021, and offers the opportunity to introduce a new brand into an attractive Piazza location in due course.

A successful pop-up luxury fragrance and beauty concept by Chanel which opened in July in the Market Building has now led to a permanent lease for the brand in the same location. In addition, Casio opened its G Shock West concept store in April, alongside Links of London.

Footfall in Covent Garden is consistently strong at 45 million. The ABC1 audience is now 89 per cent of UK visitors and dwell time has increased to over 90 minutes for Londoners and visitors, up from 78 minutes in 2011.

Dining

The food and dining offer at Covent Garden now ranges from cult concepts to fine dining. May saw the opening of MEATmarket on the balcony of Jubilee Hall, the latest cult burger concept from the team behind MEATliquor and MEATeasy. In July, Jamie Oliver's new British concept, Union Jacks, opened in the Market Building, taking over part of the space vacated by Ponti's in the North Hall. Brasserie Blanc, from chef Raymond Blanc, opened on the Opera Terrace in spring and late summer saw the arrival of Venchi in the Market Building, its only location outside of Italy.

In February 2013, the Balthazar restaurant opened in the former Flower Cellars Building, with Balthazar Bakery next door. It is the only outpost of Keith McNally's Balthazar outside Manhattan.

In November, it was announced that Covent Garden will be the home of Union Square Group's Shake Shack, a highly successful concept in its native New York City. The restaurant will be taking space in the South Wells of the Market Building in space formerly occupied by New York Deli and The Icecreamists and will be opening in summer 2013.

The most recent new signing, Sticks 'n' Sushi, is a Danish and Japanese fusion concept and will be opening later this year on Henrietta Street in space formerly occupied by Walkabout.

Residential

In line with the successful repositioning of the estate, Capco has been actively seeking opportunities to bring Covent Garden back to its residential roots, identifying office conversions to create luxury residential space overlooking a London landmark. The first residential conversion, The Henrietta, was completed in early 2012 and included three luxury lateral apartments and a duplex penthouse which set a new benchmark for quality in the area. All of the apartments in The Henrietta have now been sold at an average value of £2,250 per square foot, a significant uplift on prevailing values in the area. The sales generated trading profits on sale of £2.9 million during 2012, and provided the basis for a 19 per cent increase in the value of the residential space at Covent Garden.

The Russell, on the corner of the Piazza and Russell Street, will be completed in spring 2013 and will create a further five luxury apartments including two penthouses. Conversion work on The Beecham has started on site to create a further seven apartments and work on The Southampton, a fourth residential project, will begin in the coming months.

Surrounding streets



1 Sandro, the go-to brand for Parisian chic



2 Opening Ceremony, New York's edgy fashion emporium opens its first shop in Europe on King Street



3 The new Hackett House concept includes an in-house barber and tailoring across three floors



4 Twenty8Twelve, known for its uniquely British, effortless style



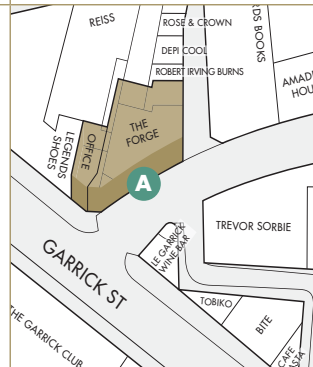
5 7 for All Mankind, the premium Californian denim brand which focuses on the cut and colour of its jeans



6 British brand Jo Malone, the quality benchmark for home fragrance



7 Luxury Australian skin care brand Aesop, famed for its use of botanical ingredients



8 Iconic New York brasserie Balthazar opened in February 2013 with a branded bakery next door



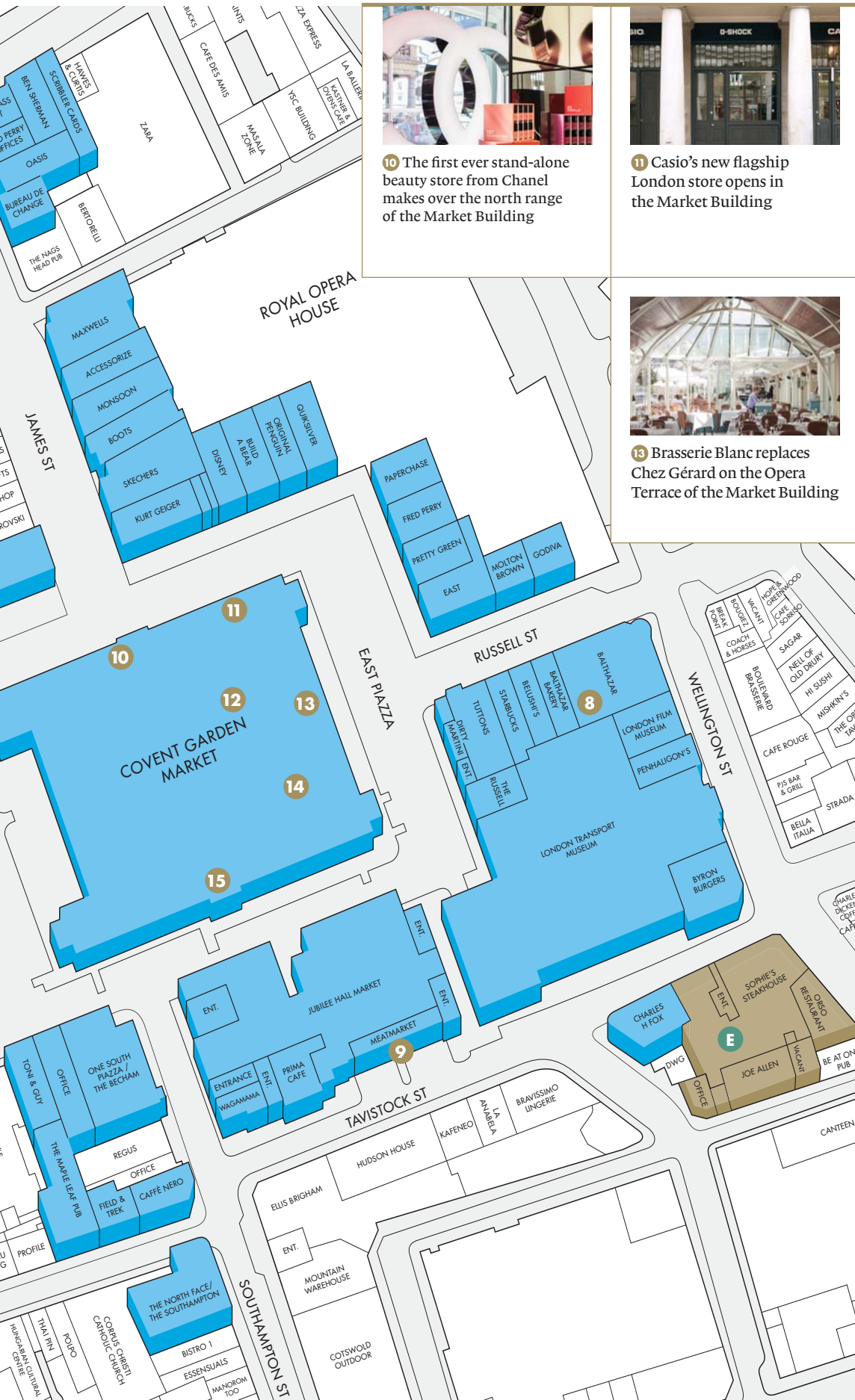
9 Cult burger brand MEATmarket opens for business in Jubilee Hall Market



Acquisitions in 2012 totalling £89m

- A** 14 Garrick Street (f&b and offices) acquired in August
- B** 17-18 Floral Street (retail) and 25-29 Henrietta Street (retail) purchased in October
- C** 13-15 Floral Street (retail) purchased in November
- D** 16 and 19 Henrietta Street (f&b) and 37 Bedford Street (retail) purchased in March
- E** The Wellington Portfolio (f&b, retail and offices), consisting of 25 Wellington Street, 15 Exeter Street and 12 Burleigh Street purchased in November ... and in February 2013
- F** Capco acquired 125-year lease of 38 King Street

The Market Building



10 The first ever stand-alone beauty store from Chanel makes over the north range of the Market Building



11 Casio's new flagship London store opens in the Market Building



12 Jamie Oliver and master baker Chris Bianco open their new dining concept based on flatbreads with British flavours



13 Brasserie Blanc replaces Chez Gérard on the Opera Terrace of the Market Building



14 Venchi, purveyor of Italy's finest handmade chocolate and gelato



15 Lease agreed for London's first Shake Shack by US chef Danny Meyer, another exclusive for the estate due to open in summer 2013

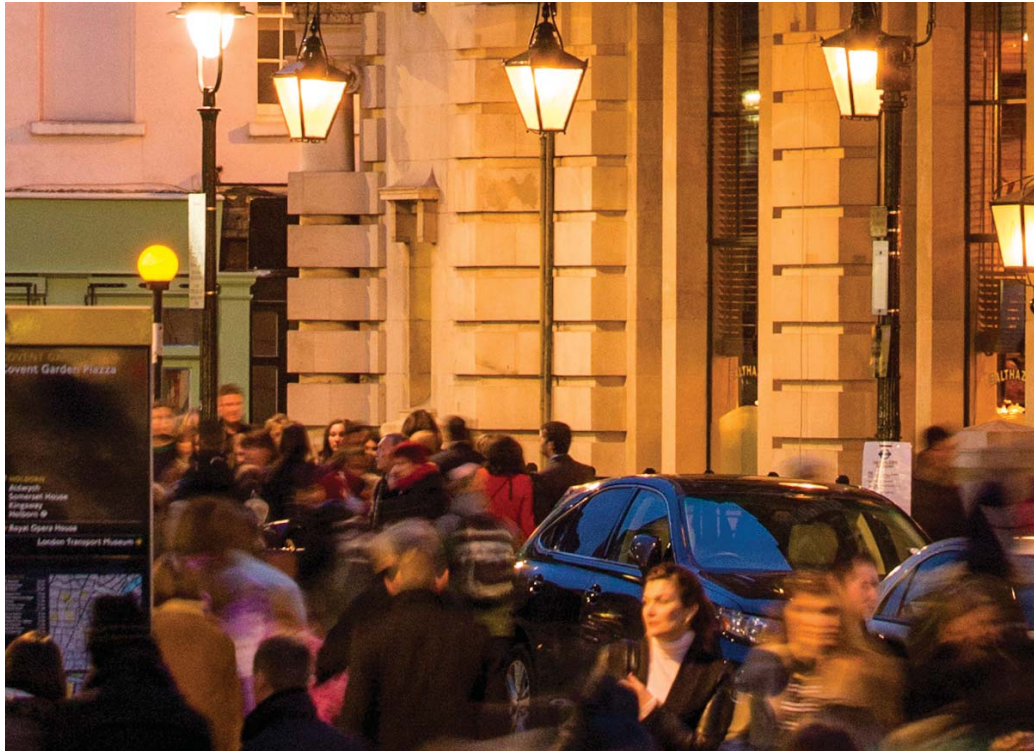
 Capco Ownership
 Acquisitions since Dec 2011

FUTURE PRIORITIES

Capco's strategy in Covent Garden remains on track, driving momentum and unlocking value through creative asset management and place-making. Consistent with the revised ERV target for the end of 2015, Capco will be seeking geared total returns of at least 10 per cent from its Covent Garden holdings.

Going forward the focus will remain on tenant engineering and the retail and dining mix in order to bring rental values in line with the wider West End retail areas. Growing the estate through tactical acquisitions will remain a priority with an active approach to buying within and around the boundaries of the existing estate.

Strategic development and large-scale intervention opportunities are being considered for the estate. A planning application for Kings Court is being prepared for submission in the first half of 2013. The scheme would create new retail and residential space and improve pedestrian flows between King Street and Floral Street.



Reviving Covent Garden's residential heritage

The Henrietta

Capco launched its first luxury residential conversion, The Henrietta, in Covent Garden in February. The quality, design and specification of three lateral three-bedroom apartments and a duplex penthouse matched the best developments in Knightsbridge, Mayfair and Chelsea. All four properties have been sold, setting new standards for price and quality in the district and paving the way for Capco's second residential offering, The Russell, which comes to market in Spring 2013.





Creating a unique dining concept

In February 2013, Keith McNally and Caprice Holdings opened Balthazar, the only outpost of the iconic Manhattan brasserie, in the site of the former Flower Cellars. The opening of the restaurant, following on from the launch of the Film Museum in April 2012, completes the development of this site which housed a Theatre Museum when it was acquired by Capco in 2006. The redevelopment delivered a return on capital employed of 43 per cent.



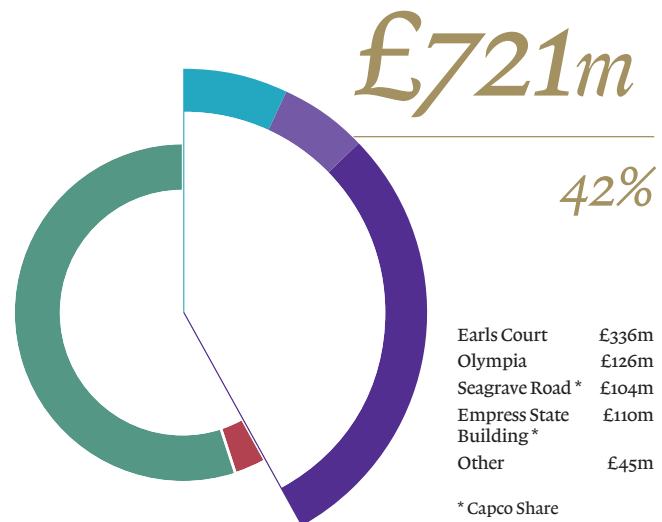
A NEW DISTRICT FOR LONDON





Significant progress continues on the Earls Court Masterplan to implement Sir Terry Farrell’s vision for ‘Four Urban Villages and a 21st Century High Street’ on the Earls Court & West Kensington Opportunity Area (EOA). In September, the London Borough of Hammersmith & Fulham (LBHF) resolved to grant consent for the outline Earls Court Masterplan application followed by the Royal Borough of Kensington & Chelsea (RBKC) in November 2012.

PROPERTY VALUE

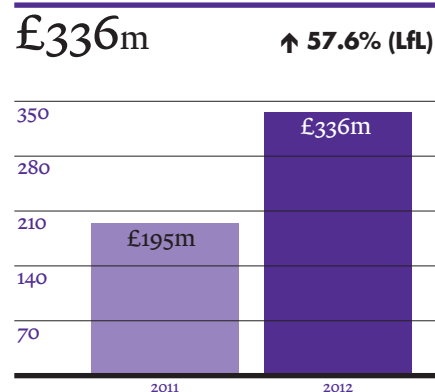


EARLS COURT MASTERPLAN



“Significant milestones were reached with the Earls Court Masterplan throughout the year which created considerable value for shareholders.”

EARLS COURT CAPITAL VALUE



Highlights

- Resolutions to grant outline planning consent given for Earls Court Masterplan from LBHF and RBKC in September and November 2012 respectively
- CLSA signed with LBHF for inclusion of its land in the Masterplan



For more information visit www.capitalandcounties.com

Strategy

- Finalise planning consents
- Agree land assembly transactions
- Consider options to participate in future development and prepare detailed design of first phase

The Earls Court Masterplan represents a unique opportunity to regenerate a substantial part of central London, creating thousands of new homes and jobs. Bordered by some of the most prime real estate neighbourhoods in London, the redevelopment offers the potential for significant value creation by implementing Sir Terry Farrell’s vision to create ‘Four New Urban Villages and a 21st Century High Street’ across the 70 acre ‘Earls Court & West Kensington Opportunity Area’ (ECO). In addition to 7,500 homes and 12,000 jobs, the Masterplan will also create new health, education, cultural and community facilities as well as 23 acres of green space including the 5 acre Lost River Park.

In 2012 the Royal Borough of Kensington and Chelsea (RBKC) and the London Borough of Hammersmith & Fulham (LBHF) resolved to grant planning consent for the Earls Court Masterplan. These are the most significant milestones achieved to date in the strategy to unlock value through the outline planning process from Capco’s interests in the area which comprise the leaseholds of the Earls Court Exhibition Centres, the freehold of the Northern Access Road and certain other assets in the area.

The Earls Court Masterplan covers the ECO as designated in the Mayor’s London Plan, earmarking the site as one for redevelopment and regeneration in London. The redevelopment of the ECO is also in line with the core strategies of both local authorities and the Supplementary Planning Document (SPD) which was adopted by both RBKC and LBHF outlining the preferred option for comprehensive redevelopment of the Opportunity Area.



As a result of the progress in the planning process, most notably the two resolutions to grant consent for the Earls Court Masterplan, and greater clarity around the potential costs of implementing the development such as Section 106 agreement and other costs, the valuation of Capco's interests within the ECOA undertaken by Jones Lang Lasalle, the external valuer, has increased significantly. These interests are now valued at £336 million, a valuation surplus of £123 million on the December 2011 valuation, and represent £14.8 million per acre.

As previously reported, judicial review applications have been submitted against LBHF and RBKC regarding the SPD and against LBHF regarding the Conditional Land Sale Agreement (CLSA). In January the High Court refused to grant permission for the judicial review relating to the CLSA to proceed; the applicant has exercised his right to review his application for permission at an oral hearing, which is expected to take place in April. The judicial review relating to the SPD is expected to be heard in July 2013.

Consultation has taken place with the local community throughout the Earls Court Masterplan planning process and will continue throughout the project.

In terms of land assembly, continued discussions during 2012 have not yet led to a conclusion of arrangements with Transport for London (TfL) regarding its land at Earls Court. TfL is the freeholder of Capco's leasehold interests of the Earls Court Exhibition Centres; TfL also owns the Lillie Bridge Depot which is currently used for operational purposes. However formal agreement has now been reached with LBHF regarding its land in the ECOA (see below).

CONDITIONAL LAND SALE AGREEMENT WITH LBHF

Capco and LBHF formally signed the Conditional Land Sale Agreement (CLSA) in January 2013. Under the CLSA, Capco is entitled to acquire the Council's 22 acres of land in the ECOA on a phased basis for a total cash consideration of £105 million, plus reversion (as part of the future development) of the 760 homes currently on the West Kensington and Gibbs Green estates (the Estates).

The total cash consideration of £105 million is payable as follows: Capco paid £15 million in July 2011 at the time of entering into the Exclusivity Agreement with LBHF which has

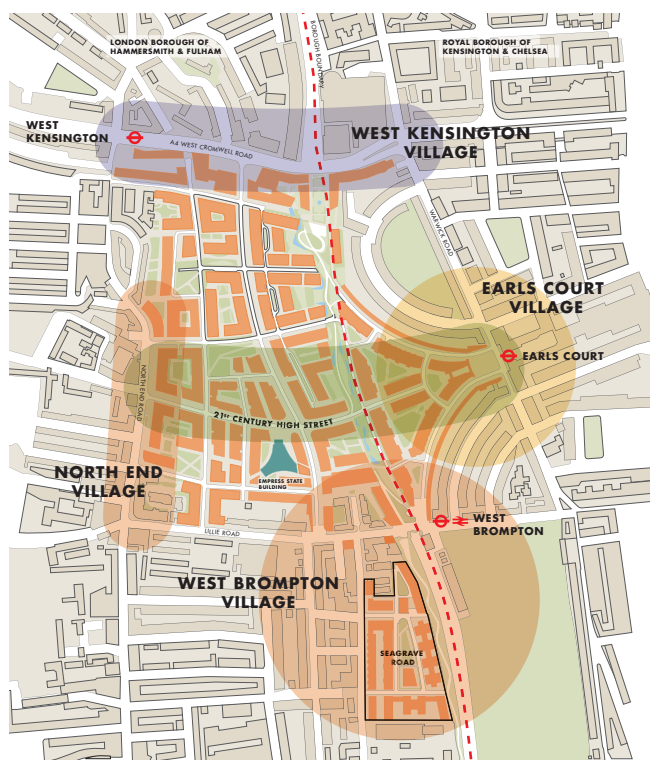
been regarded as the first instalment of the consideration. A further payment of £15 million was paid on signing of the CLSA for the Farm Lane and Gibbs Green School sites: legal title of Farm Lane was transferred on signing; Gibbs Green School will continue to be used by Queensmill School until the school relocates to new premises in 2014 and legal title will be transferred at that time.

The remaining £75 million is payable in five equal annual instalments of £15 million each once Capco exercises its option to acquire the land. This option is exercisable until the earlier of (a) five years from the date of entering into the CLSA and (b) nine months from completion of the affordable housing on Seagrave Road. If the option is not exercised by December 2015 the annual payments will be increased in line with RPI. Land can be drawn down in phases until 2035 but no phase can be transferred unless Capco has first provided replacement homes for the residents of the relevant phase. If the CLSA terminates or expires before all the land is drawn down, there are provisions dealing with the pro rata refund of the £75 million cash consideration where specified events subsist at the date of termination. Overage of up to £65 million is payable in

the event that the total area developed across the ECOA exceeds that set out within the Masterplan planning applications.

Whilst the purchase of the Farm Lane and Gibbs Green school sites is unconditional, the disposal of the Estates is conditional on receiving approval from the Secretary of State for the Department of Communities and Local Government. LBHF has resolved to send the decision to the Secretary of State for formal approval and a decision is anticipated in the coming months. £10 million of the initial cash consideration is recoverable if the Secretary of State does not approve the sale of the Estates and the CLSA is terminated.

In addition, the CLSA provides that Capco will acquire any private residential units on the Estates in the event that LBHF is required to purchase these properties as a result of an owner bringing forward a valid claim under certain provisions of the Town and Country Planning Act 1990 which relate to Statutory Blight. This replaces the agreement signed in March 2012 between Capco and LBHF. There is a cap of £55 million for such purchases, which includes certain other related costs of up to £10 million.



Separately, if a resident who owns their home on the Estates chooses not to take up the offer of a new home within the development and wishes to move away early, Capco has offered to purchase such homes up to a cap of £7.5 million from the date of signing of the CLSA. Once the Secretary of State has issued a satisfactory consent and a satisfactory planning consent has been granted, and both these consents are free from challenge, this cap will increase to £15 million. Once the option is exercised, the cap for all purchases under these provisions relating to Statutory Blight and early purchases will be £55 million. Sums paid by Capco to acquire existing homes would be offset against the cash consideration where these homes are included in a phase that is transferred to Capco.

FUTURE PRIORITIES

Formal planning consent is targeted for the first half of 2013 which will require finalisation of the Section 106 agreements and the issue of the Stage Two report by the Greater London Authority (GLA). The Section 106 agreements are being progressed with the local authorities, the GLA and TfL, and will outline the local community benefits of the development, including improvements in transport as well as investment in training and employment for the community.

The risk of further judicial challenge against the planning decisions and land assembly transactions cannot be discounted, and will in part depend on the outcome of the existing judicial reviews.

Now that the planning process is well advanced and agreement has been reached with LBHF, the next objective is to conclude discussions with TfL as freeholder of land in the ECOA. To facilitate this, the parties are currently focused on the restructuring of Capco’s leasehold interests at Earls Court whilst TfL considers how it could cease its operational activities at Lillie Bridge Depot. The intention remains to secure an extension of Capco’s existing leasehold leases and inclusion of development rights to enable Sir Terry Farrell’s Masterplan to be implemented whilst providing TfL with some participation in the value generated from any future development of the land.

Discussions with Network Rail in regard to the air rights above the West London Line are agreed in principle and the detailed terms are currently being negotiated.

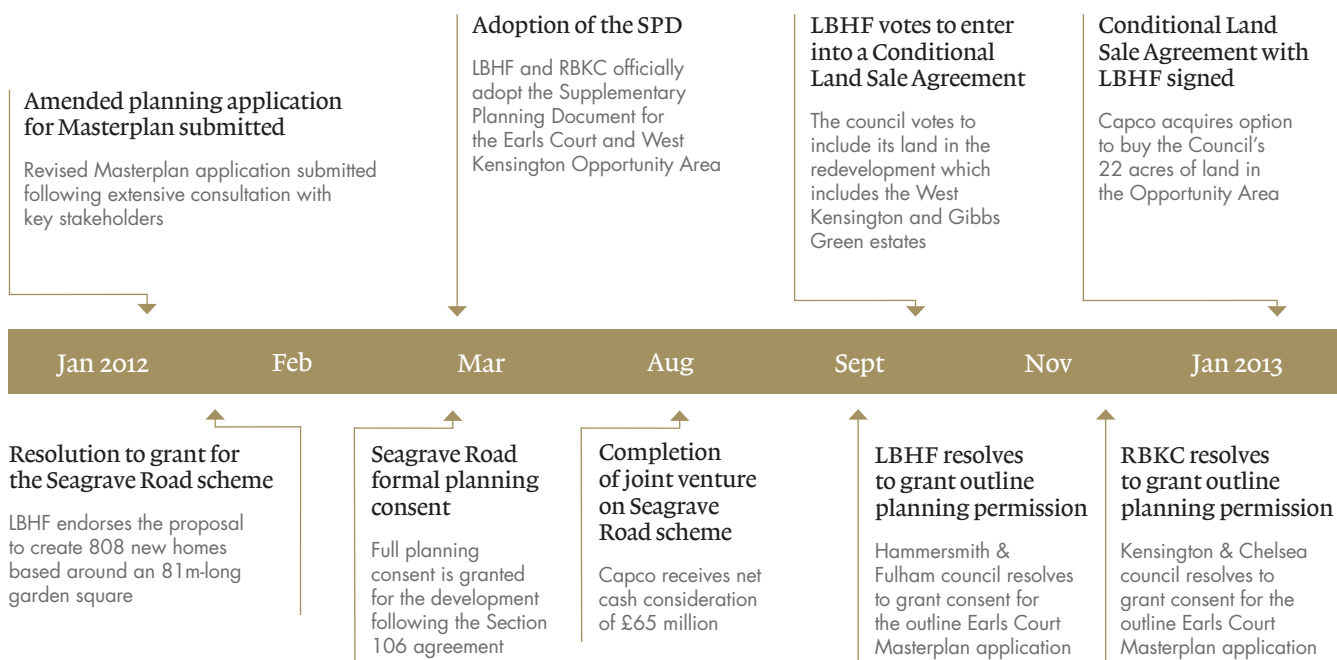
In anticipation of finalising the outline planning process and land assembly discussions, Capco is considering how

it can best participate in the implementation of the Earls Court Masterplan which offers the potential for significant value creation over the medium and long-term. Detailed design work has begun on what would likely be the first phase of development, the ‘Earls Court Village’, with the aim of submitting detailed planning applications later in 2013.

EMPRESS STATE BUILDING

Capco has a 50 per cent stake in this landmark office building which is adjacent to the ECOA. The 31 storey tower is the highest building in LBHF. Fully renovated in 2003, the entire building is let to the Metropolitan Police Authority on a long lease which expires in June 2019. Capco’s share of net rental income for 2012 was £7.3 million.

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



SEAGRAVE ROAD

Highlights

- Formal planning consent granted for Seagrave Road development
- Joint venture completed with the Kwok Family Interests
- Further acquisitions to complete land assembly

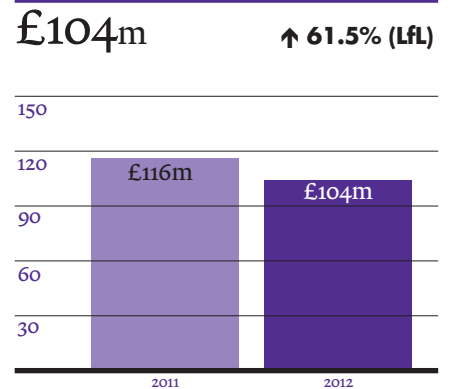
Strategy

- Successfully develop the high-quality, residential-led scheme with joint venture partner



For more information visit
www.capitalandcounties.com

SEAGRAVE ROAD CAPITAL VALUE



In March the Seagrave Road project received formal planning consent from LBHF. In August the 50:50 joint venture with the Kwok Family Interests (KFI) completed following the satisfaction of all conditions precedent and Capco received £65 million at closing. The joint venture with KFI brings in the expertise of a partner experienced in high quality residential developments.

Capco notes the ongoing legal situation in Hong Kong regarding charges brought by the ICAC against certain members of the Kwok family, but this has not impacted the operation of the Seagrave Road joint venture.

As a result of the positive planning consent and work undertaken on implementation of the development, including work on unit sizes, mix and internal specification which have significantly enhanced the quality of the scheme, Capco's share of the Seagrave Road site has been valued at £104 million. This represents a significant 62 per cent like-for-like increase since the December 2011 valuation.

Certain amendments to the existing planning consent will be submitted shortly to LBHF which the joint venture partners believe will improve the scheme. The joint venture is considering certain small acquisitions on the edge of the existing site, in particular to extend the northern end of the scheme to Lillie Road, and a detailed planning application for this new part of the scheme will be submitted shortly.



FUTURE PRIORITIES

Adjacent to the wider Earls Court Masterplan, the Seagrave Road project is one of the largest development projects in West London and offers an exciting opportunity to transform the area, with the potential to achieve sales values in line with established neighbourhoods near the site.

The sales and marketing strategy for the Seagrave Road project is being finalised with the aim of launching the first phase of the scheme to the market in the next 12 months. As part of this, the development will be branded “Lillie Square”. Construction activity will follow the launch.

The enhanced quality of the scheme, together with the proposed extension to the north, have increased total development costs (excluding land) which are now estimated to be in the region of £380 million. However the peak capital requirement for the joint venture (excluding land) is still envisaged to be circa £100 million (Capco share: £50 million) due to the phased construction programme.

New Identity

Seagrave Road will be launched to market as Lillie Square. The naming is based on the adjoining Lillie Road as well as the garden square at the heart of the scheme.



This view is looking into the main access road of the scheme with mansion blocks on either side. The glass building which can be seen in the distance will be named One Lillie Square.

EXHIBITIONS BUSINESS

Highlights

- Business rebranded as Olympia London

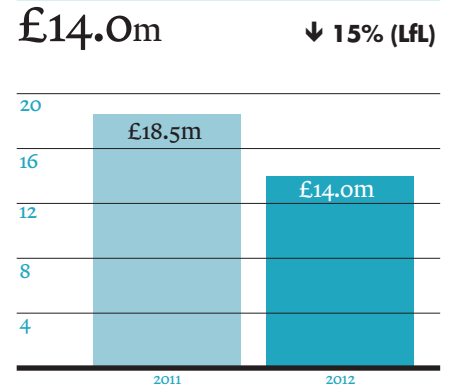


For more information visit www.capitalandcounties.com

Strategy

- Finalise transition plan to reinforce Olympia London as the home for the exhibitions business

EBITDA PERFORMANCE



OPERATING PERFORMANCE

Capco's exhibitions, conference and events business currently operates from the enhanced Olympia venue and the two exhibition halls at Earls Court. EBITDA for 2012 was £14 million, down 15 per cent on a like-for-like basis year-on-year in line with expectations due to the ongoing uncertainty around the future of the Earls Court venue.

Olympia celebrated its 125 year anniversary in 2012 and recently announced its rebranding as Olympia London, offering flexible and dynamic events spaces in central London. Capco has invested £30 million over the past two years to enhance Olympia, including the completion of Olympia West (previously the West Hall) in 2011 to create 97,000 sq ft of modern exhibition space, works to create

enhanced event spaces at Olympia Central (previously Olympia Two), and an improved conference centre which was completed in September 2012.

Earls Court successfully hosted the Olympic volleyball tournament in summer 2012 which generated approximately £3 million of EBITDA. During the two weeks of the Games, 76 volleyball matches were played welcoming over half a million visitors overall, more than 35 per cent of the venue's annual attendance.

In 2012 a number of shows recorded increases in visitor figures including Olympia Beauty, which achieved a 7 per cent increase from 2011 by welcoming 23,500 visitors and the London Vet Show, which posted a record attendance of 3,300 vets.

FUTURE PRIORITIES

The focus is to maintain a robust exhibitions business focusing on the enhanced Olympia London, attracting new customers whilst preparing for the transition of business from Earls Court. Olympia London is now a more flexible space allowing it to cater for the changes in the exhibitions business, especially the trend for smaller shows.

In the short-term the business performance will continue to reflect the ongoing uncertainty of Earls Court's future as an events venue, particularly following the positive planning consents for the Earls Court Masterplan and without the one-off impact of the Olympics. 67 per cent of 2013 budgeted licence fees are currently contracted. At this time, bookings for Earls Court are being taken until mid-2014.



CONTINUED CAPITAL RECYCLING



Highlights

- £218m of sales from Great Capital Partnership
- £18m returned from China

Strategy

- Selectively consider opportunities for further non-core investments



For more information visit
www.capitalandcounties.com



The majority of capital employed in the Group's non-core assets, GCP and China, has now been recycled at a considerable profit.

THE GREAT CAPITAL PARTNERSHIP

The Great Capital Partnership is a joint venture between Capco and Great Portland Estates plc. Capco's strategy over the last two years has been to release value from the portfolio, capitalising on the strong demand for central London real estate. In 2012 £218 million (Capco share) was realised from the joint venture through sales including Park Crescent East, the Jermyn Street Estate and the Regent Street assets. The sales were completed at a 9 per cent premium to the December 2011 valuation.

There is one asset left within the joint venture, Park Crescent West, which was valued at £48 million (Capco share) as at December 2012, up 17.6 per cent during the year reflecting the potential for a residential conversion demonstrated in the price achieved on the sale of Park Crescent East.

At the time of demerger, the GCP portfolio consisted of 34 assets valued at £247 million as at December 2009; net of external debt, Capco had equity of £135 million invested in the joint venture. Based on the distributions from the partnership over the past 3 years and assuming realisation of the remaining asset at its December 2012 valuation, Capco's investment in GCP has generated an equity multiple of 1.7 times and an IRR of 30 per cent.

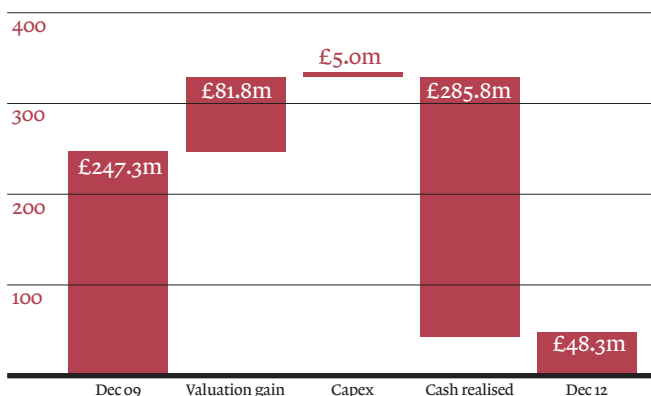
CHINA

The investment into two China real estate funds offered the opportunity to generate superior returns while building long-term strategic relationships. The last investment was sold in 2012, and Capco received £18 million during 2012. Capco's remaining interest of £4 million as at December 2012 mainly represents retentions that are expected to be paid during 2013. Since demerger, over £72 million has been realised from the China investment. This has generated an equity multiple of 1.6 times and an IRR of 31 per cent.

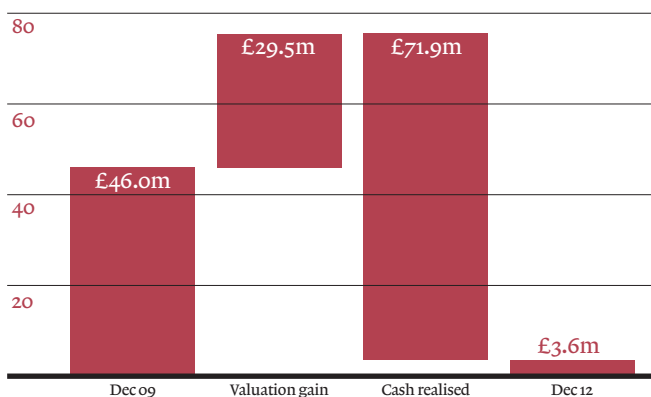
FUTURE OPPORTUNITIES

Capco's track record in its non-core investments in GCP and China has been strong, delivering significant returns both in terms of realised profits and IRRs. Accordingly, new opportunities may be considered and allocated a modest proportion of the Group's balance sheet should they offer the potential to generate advantageous returns or complement the core activities of the Group.

GCP – VALUE UPLIFT AND REALISATION



CHINA – VALUE UPLIFT AND REALISATION



A BALANCE SHEET FOR GROWTH



Soumen Das, Finance Director

“Capco ended 2012 in a strong financial position with exceptionally low leverage of 10 per cent and over £400 million of liquidity.”

Financial highlights

- 22% increase in EPRA adjusted, diluted NAV to 203p per share
- 15% increase in total property value to £1.7bn
- 23% total return
- £320m raised through asset disposals
- £149m raised through placing
- £70m revolving credit facility secured
- Property LTV 10%
- £401m cash and undrawn facilities

During 2012 the retail and residential sectors of the London property market continued to perform well with strong tenant and investor demand for well managed properties in prime central London locations.

The Group's property portfolio increased in value by 15.4 per cent, £228 million during the year to 31 December 2012, 16.7 per cent on a like-for-like basis. This capital growth was a significant element of the Group's total property return, which including rental income and profits from disposal as well as the revaluation, was 21.7 per cent.

The valuation increase also helped deliver a pre-tax profit of £245.5 million compared to £161.9 million in 2011.

EPRA adjusted, diluted net assets per share rose 22 per cent during the year, increasing from 167 pence at 31 December 2011 to 203 pence. This 36 pence increase together with the 1.5 pence dividend paid during the year represents a total return of 22.6 per cent.

Underlying earnings were £12.5 million which compares favourably to £9.6 million in 2011, the stronger outturn attributed to the reduction in underlying finance costs exceeding the loss of net rental income.

In May the Group secured its first revolving credit facility, providing increased financial flexibility and allowing its cash reserves to be utilised more efficiently. Weighted average debt maturity has been extended to 4.8 years, from 3.6 years at 31 December 2011. In September a capital raising was completed providing liquidity for the continued expansion of Covent Garden.

The Group's property LTV now stands at 10 per cent versus 29 per cent in 2011 and 35 per cent in 2010.

Restatement of 2011 comparatives

The adoption of the recent amendments to IAS 12 'Income Taxes', has required the Group to represent its deferred tax position as though the amended standard had been in effect at 31 December 2011. The amendment introduces a presumption that investment property assets

accounted for under IAS 40 'Investment Property' will normally be recovered through sale rather than use. This change in calculation basis increased the 31 December 2011 IFRS reported net asset position and profit after tax by £4.8 million. As a result, the 2011 EPRA adjusted, diluted net assets per share increased by 1 pence to 167 pence.

FINANCIAL POSITION

At 31 December 2012 the Group's EPRA adjusted net assets were £1.6 billion representing 203 pence per share adjusted and diluted, an increase of 36 pence per share on 2011.

The primary driver behind this increase was the gain on revaluation and sale of the Group's property portfolio which lifted net asset value per share by 34 pence. There was a positive valuation performance across all three estates but most notably at Earls Court & Olympia.

Following the resolutions by LBHF and RBKC to grant outline planning consent in September and November respectively, the Group's valuer of Earls Court & Olympia, Jones Lang LaSalle, continues to recognise that the value of the redevelopment potential of the Group's interests at Earls Court exceeds that of its existing use as an exhibition centre. This step change in valuation basis first occurred in the second half of 2011. The valuation at 31 December 2012 attributed a land value of £14.8 million per acre to the site which compares to £8.6 million at 31 December 2011.

At Covent Garden higher rental levels were achieved on retail and F&B assets together with the residential conversion potential of certain buildings. Like-for-like property values increased 7.2 per cent, a good performance against the backdrop of macroeconomic uncertainty that compares favourably to the IPD Capital Growth index for the corresponding period which recorded 4.2 per cent decrease.

SUMMARY CONSOLIDATED BALANCE SHEET

	2012 £m	Restated 2011 £m
Investment and trading property	1,670.6	1,617.0
Investments	3.6	19.5
Net debt	(163.5)	(463.7)
Other assets and liabilities	(32.9)	(64.9)
IFRS net assets	1,477.8	1,107.9
Fair value of derivative financial instruments	30.8	36.4
Unrecognised surplus on trading properties	37.5	1.0
Deferred tax liabilities on exceptional items	6.9	7.3
EPRA adjusted net assets	1,553.0	1,152.6
EPRA adjusted, diluted net assets per share (pence)	203	167

Trading Property

When the Group undertakes the development for sale of certain property interests, these will cease to be held for investment purposes and will instead be appropriated to trading property. Most notably in 2012 this applied to Seagrave Road which was appropriated following completion of the Seagrave Road joint venture with the Kwok Family Interests. Certain properties at Covent Garden which have been or will be converted from office to residential use are also now held as trading assets.

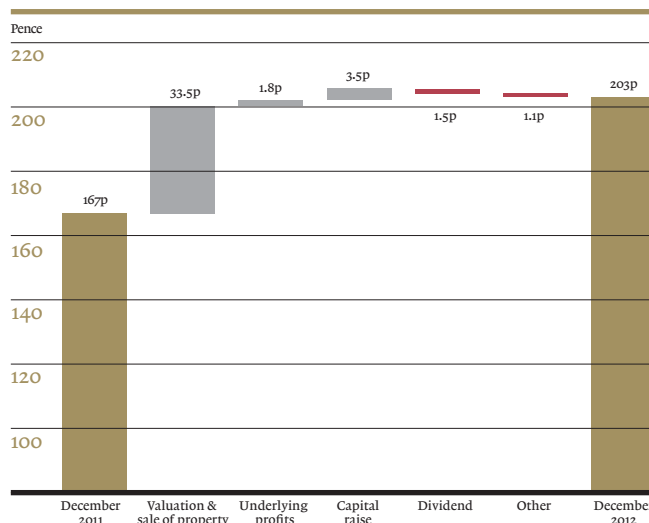
Valuation surpluses on properties held for trading cease to be recorded in the consolidated income statement and their balance sheet valuation no longer reflects market value but rather the lower of cost or market value. Any difference between the carrying value and market value is however captured within the EPRA adjusted, diluted net asset measure.

At 31 December 2012, the unrecognised surplus on trading property was £37.5 million, up from £1 million at 31 December 2011.

Capital raising

In September 2012 the Group completed a placing of 68.4 million new ordinary shares at a price of 218 pence per share to fund expansion opportunities at Covent Garden. The placing, which was priced at market value, generated net proceeds of £145 million. The number of ordinary shares on issue now stands at 753.1 million (752.7 million when adjusted for treasury shares acquired through the odd-lot offer discussed below).

EPRA ADJUSTED, DILUTED NET ASSETS PER SHARE NAV +22% TO 203P



Odd-lot offer

At the Company's Annual General Meeting in April, shareholder approval was received for an odd-lot offer to facilitate a reduction in the number of shareholders in the Company in a fair and equitable manner. This offer was launched in November 2012 and upon closing in December 2012 a 35 per cent reduction in the Company's shareholder base was achieved.

The Company acquired 0.4 million shares for £1.0 million (representing 236 pence per share), a £0.2 million premium to net asset value per share. At the balance sheet date these shares are held as treasury shares.

At 31 December 2012, following the odd-lot offer, 27.9 per cent of the Group's shares were held on the South African register.

Capital recycling

2012 saw continued momentum towards unlocking liquidity from non-core assets in support of the Group's core strategy.

During the year £320 million was released, principally from The Great Capital Partnership for use in the Group's core estates, and on completion of the Seagrave Road joint venture in August.

	2012 £m	2011 £m
Acquisitions	93.5	96.5
Redevelopment expenditure	41.4	64.6
Less: Sale of property & investments	(254.6)	(103.2)
Completion of Seagrave Road joint venture	(65.4)	–
Net liquidity (generated)/invested	(185.1)	57.9

The Great Capital Partnership contributed £218 million towards proceeds from property sales. These sales represented a 9 per cent premium to the December 2011 valuation.

The Group was contractually committed to £21.4 million as at 31 December 2012 (2011: £14.0 million).

Debt & Gearing

Net debt reduced by £300 million to £164 million, gross debt by £205 million to £348 million with cash and undrawn committed facilities increasing to £401 million.

In May 2012 the Group signed a £70 million revolving credit facility secured over certain assets within the Covent Garden estate, therefore retaining the Group's non-recourse debt structure. This facility provided sufficient financial flexibility and liquidity to allow the Group to repay in full the remaining debt of £93 million secured

over Earls Court & Olympia. At 31 December 2012 the revolving credit facility was undrawn.

Further debt prepayments totalling £112 million reduced the Group's joint venture debt, primarily following the sale of non-core properties from within The Great Capital Partnership.

The gearing measure most widely used in the industry is loan-to-value ("LTV"). LTV as at 31 December 2012 was 10 per cent, an unusually low figure, mainly as a result of the proceeds of the capital raising in September 2012 and the liquidity generated from property disposals, together with the increase in value of the Group's property assets. Given the current economic climate, the Group considers LTV of below 40 per cent to be prudent.

	2012	2011
Property Loan-to-value	10%	29%
Interest cover	172%	134%
Weighted average debt maturity	4.8 years	3.6 years
Weighted average cost of debt	5.2%	5.8%
Proportion of gross debt with interest rate protection	100%	95%

Debt prepayment and repayment have been targeted at shorter-dated maturities, helping to reduce the cost of debt, extend the weighted average debt maturity to 4.8 years and reduce refinancing risk. The Group now has £72 million of debt maturing in 2013, £67 million relating to debt secured over the Empress State Building held in a joint venture. This debt is due to mature in August 2013 and refinancing discussions are underway. A detailed breakdown of debt by maturity together with the latest covenant test results is shown on page 126.

Derivatives

The Group's policy is to substantially eliminate the short and medium-term risk arising from interest rate volatility. The Group's banking facilities are arranged on a floating-rate basis, but swapped to fixed-rate or capped using derivative contracts coterminous with the relevant debt facility. At 31 December 2012 the proportion of gross debt with interest rate protection was 100 per cent, with the Group's derivative contracts comprising 76 per cent swaps and 24 per cent caps or collars.

Investments in China

The exit of the Group's existing interests has continued as planned with £18 million returned during the year. All assets have now been sold and the final distributions relating mainly to retentions totalling £4 million are expected to be received during 2013.

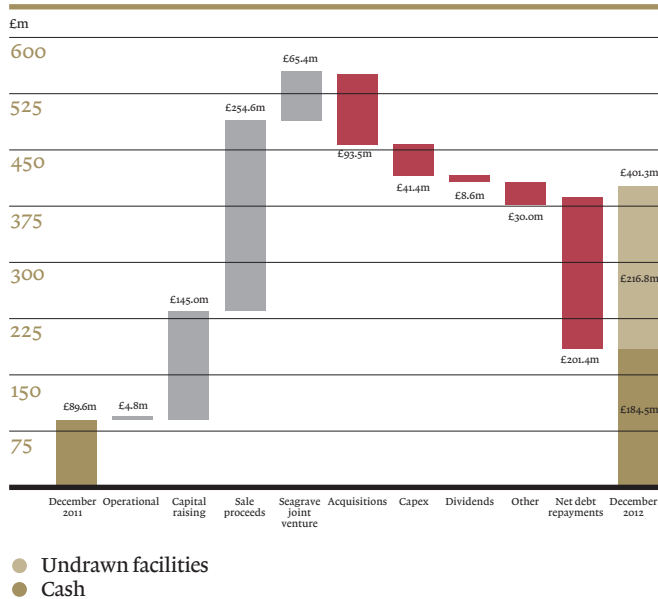
CASH FLOW

A summary of the Group's cash flow for the year ended 31 December 2012 follows.

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

	2012 £m	2011 £m
Recurring cash flows after interest and tax	4.8	1.2
Property investment and developments	(134.9)	(161.1)
Sale proceeds of property and investments	254.6	103.2
Demerger costs	–	(1.3)
Loss of control of former subsidiary	65.4	–
Exclusivity agreement with LBHF	–	(15.0)
Pension funding	–	(3.6)
VAT paid on internal restructure	(22.2)	22.2
Cash flow before financing	167.7	(54.4)
Financing	(64.2)	(34.9)
Dividends paid	(8.6)	(9.6)
Net cash flow	94.9	(98.9)

CASH AND UNDRAWN FACILITIES



Typically the main cash flow items are operating cash flows, dividends paid and capital transactions undertaken.

Recurring cash inflows were £4.8 million compared to £1.2 million for 2011, due mainly to the lower interest costs.

Capital transactions comprise property acquisitions and disposals, together with investment and divestment in other long-term assets.

Property investments and developments comprise acquisitions of £94 million, £86 million of which was invested in strategic acquisitions within the Covent Garden estate. Development expenditure totalled £41 million, £32 million of which was invested towards the redevelopment of Earls Court and Seagrave Road and improving Olympia London.

Sale proceeds of property and investments comprised £255 million, principally from The Great Capital Partnership as well as £18 million returned from investments in China.

Completion of a joint venture arrangement with the Kwok Family Interests occurred in August. The venture, to develop land interests at Seagrave Road, resulted in the loss of control of the former subsidiary Seagrave Road GP Limited, and the disposal of a 50 per cent limited partnership interest in Seagrave Road LP. The disposal of the net assets of the partnership, less costs of arrangement and the reorganisation of internal funding resulted in a net cash inflow of £65.4 million.

To align the corporate structure to long-term strategy an internal reorganisation was undertaken in November 2011 to segregate the operating business at Earls Court and Olympia from the investment properties. The internal sale and purchase was determined to constitute a VAT supply between two internal VAT groups. During 2011 input VAT of £22 million had been received from HMRC but, due to the timing of returns, the equal and offsetting output VAT was not settled until January 2012.

Financing cash outflows relate primarily to the effect of net debt prepayments and repayments (£201 million) offset by proceeds from the September 2012 capital raising (£145 million), as discussed above.

Dividends paid of £8.6 million reflect the final dividend payment made in respect of the 2011 financial year and the interim dividend paid in September. This is slightly lower than the previous year due to the scrip dividend alternative now offered to shareholders.

FINANCIAL PERFORMANCE

The Group has presented an underlying calculation of profit after tax and adjusted earnings per share figures in addition to the amounts reported under IFRS. The Directors consider this presentation to provide useful information on the underlying performance of the business as it removes exceptional and other one-off items.

SUMMARY CONSOLIDATED INCOME STATEMENT

	2012 £m	Restated 2011 £m
Net rental income	65.3	69.0
Other income	6.1	0.8
Gain on revaluation and sale of investment property	213.9	123.3
Administration expenses	(26.1)	(22.2)
Net finance costs	(24.1)	(35.2)
Profit on available for sale investments	10.0	30.5
Re-measurement of deferred consideration	–	(4.2)
Other	0.4	(0.1)
Taxation	(5.5)	(3.4)
IFRS profit for the year attributable to owners of the Parent	240.0	158.5
Adjustments:		
Other income	(6.1)	(0.8)
Gain on revaluation and sale of investment property	(213.9)	(123.3)
Profit on available for sale investments	(10.0)	(30.5)
Other adjustments	0.9	4.7
Taxation on non-underlying items	1.6	1.0
Underlying profit after tax	12.5	9.6
Underlying earnings per share (pence)	1.8	1.4

Exceptional items

In addition to revaluation surpluses on investment and development property and fair value movements on derivative financial instruments, exceptional items which have been removed from the calculation of underlying profit include:

- Profit on sale of trading property of £6.1 million;
- Finance charges of £2.0 million relating to the termination of interest rate swaps following debt prepayments and arrangement fees for the Group's revolving credit facility;
- £10.0 million following further divestment of China investments
- Impairment charges arising on trading property of £0.9 million

Income

Net rental income fell 5.3 per cent in the year largely the result of the sale of properties from The Great Capital Partnership which occurred in both the current and prior year. Like-for-like net rental income increased 1.8 per cent (£0.9 million) to £56.2 million, with the reduction

in exhibition income at Earls Court and Olympia offset by increased income at Covent Garden. Of the residual £8.8 million non like-for-like net rental income, £4.4 million arose following acquisitions in 2011 and 2012 with £4.4 million attributed to disposals during 2012, 7 per cent of total net rental income.

The continued uncertainty surrounding the venues business at Earls Court resulted in lost shows and a reduction in the size of certain exhibitions retained. This was offset in part by a good performance at Olympia and the RPI-linked rental uplift at Empress State, resulting in a 5.8 per cent fall in like-for-like net income for the EC&O segment.

Net rental income at Covent Garden has increased 9.4 per cent on a like-for-like basis most notably from new letting activity in 2011 and 2012.

Other income of £6.1 million comprises trading property profits, £2.9 million of which arose on the sale of residential developments at Covent Garden.

Property valuation and sales

As outlined earlier the gain on revaluation and sale of the Group's investment property portfolio (£213.9 million) taken together with profits achieved on the sale of trading property (£6.1 million) and the movement in the unrecognised trading property valuation surplus of £36.5 million have collectively contributed 34 pence to the Group's EPRA net asset value per share.

Profits of £16.4 million were realised on the sale of investment properties during the year, notably from The Great Capital Partnership. In total since demerger the Group has recognised valuation gains of £81.8 million from GCP.

Administration expenses

Underlying administration expenses increased 18 per cent to £26.1 million. This is the result of becoming a standalone business in May 2010 and the expiration of transitional services provided by the Group's former parent in June 2011. This increase is in line with expectation and now broadly indicative of normalised operating costs.

Net finance costs

Excluding gains and losses on the change in fair value of derivatives, one-off costs incurred on the termination of interest rate swaps and arrangement fees relating to the Group's revolving credit facility, underlying net finance costs for the year fell to £22.8 million from £34.8 million in 2011.

This reduction reflects the impact of various debt prepayments and repayments together with the benefit of refinancing during a period of historically low interest rates.

Profit on available for sale investments

Profits recognised in the income statement have arisen from investments held in China. These have largely been recycled from the Group's revaluation reserve following receipt of distributions.

Taxation

The total tax charge for the year ended 31 December 2012 was £5.5 million which is made up of both underlying tax and exceptional tax. Underlying tax is the amount of tax charged on the underlying profits of the Group and was £3.9 million for the year on underlying profits of £16.4 million. This tax charge reflects an underlying tax rate of 24 per

cent which is in line with the standard rate of UK corporation tax. The standard rate of UK corporation tax will fall to 22 per cent from April 2014 onwards. Exceptional tax of £1.6 million arises from the profits on disposal of trading properties.

Contingent tax, the amount of tax that would become payable on a theoretical disposal of all investment properties held by the Group is £nil (2011: £nil). The contingent tax position is arrived at after allowing for indexation relief and Group loss relief.

A disposal of the Group's trading properties at their market values as per note 16 would result in a corporation tax charge to the Group of £9 million (24 per cent of £37.5 million).

The Group's Tax Policy, which has been approved by the Board and has been disclosed to HM Revenue & Customs, is aligned with the business strategy. The Group seeks to protect shareholder value by structuring operations in a tax efficient manner which complies with all relevant tax law and regulations and does not adversely impact our reputation as a responsible taxpayer. As a Group, we are committed to acting in an open and transparent manner.

Consistent with the Group's policy of complying with relevant tax obligations and its goal in respect of its stakeholders, the Group maintains a constructive and open working relationship with HM Revenue & Customs which regularly includes obtaining advance clearance on key transactions where the tax treatment may be uncertain.

Dividends

At the Company's Annual General Meeting in April 2012, the proposed scrip dividend scheme was approved by Shareholders and a scrip dividend alternative was offered to Shareholders in respect of the final 2011 dividend and again for the interim dividend of 2012. Take-up was 16 per cent, with 799,301 new ordinary shares issued during the year in respect of the scheme.

The Board has proposed a final dividend of 1.0 pence per share to be paid on 20 June 2013 to Shareholders on the register at 24 May 2013. Subject to SARB approval, the Board again intends to offer a scrip dividend alternative.

Going Concern

With an improved weighted average debt maturity, sufficient headroom against financial covenants and in excess of £400 million in cash and available facilities at 31 December 2012, there continues to be a reasonable expectation that the Company and the Group have adequate resources to meet both ongoing and future commitments for the foreseeable future. Accordingly the Directors present the 2012 annual report and accounts on a going concern basis.



Soumen Das
Finance Director

28 February 2013

EPRA PERFORMANCE MEASURES

Measure	Definition of Measure	2012	Restated 2011
Adjusted earnings	Recurring earnings from core operational activity	£21.1m	£42.4m
Adjusted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	3.0p	6.4p
Adjusted net assets	Net asset value adjusted to exclude fair value movements on interest rate swaps	£1,553m	£1,153m
Adjusted net assets per share	Adjusted diluted net assets per share	203p	167p
Triple net assets	Adjusted net assets amended to include the fair value of financial instruments and debt	£1,517m	£1,112m
Triple net assets per share	Diluted triple net assets per share	198p	161p
Net initial yield	Annualised rental income less non-recoverable costs as a percentage of market value plus assumed purchaser's costs	4.2%	4.1%
Topped-up initial yield	Net initial yield adjusted for the expiration of rent-free periods	4.4%	4.4%
Occupancy	ERV of occupied space as a percentage of ERV of combined portfolio	98.1%	94.3%

COMMUNITY AND ENVIRONMENT



“The two threads of corporate responsibility that run through our business are community and environment.”

From the Chairman of the Corporate Responsibility Committee

Our corporate responsibility strategy is important to the ongoing success of the Company. At Capco, we have an opportunity to positively impact the urban landscape both environmentally and socially. We recognise that there is a great deal to achieve in both these areas and consequently we have set ourselves challenging targets for 2013.

The two threads of corporate responsibility that run through our business are community and environment. By focusing on these broad themes, we have an opportunity to make a significant difference to the areas where our assets are based.

An example of our commitment to promoting good environmental practice was the assessment and certification of both the Earls Court & Olympia Venues to ISO 20121, the international standard for sustainable event management, in June 2012.

Of our community activities, an initiative of particular note this year is the Earls Court Education Programme which engaged students at both primary and secondary level with issues associated with sustainable urban regeneration.

We value the feedback received from our stakeholders on environmental and community issues and these views influence the design of our future strategy. The opinions of our employees are taken into consideration when determining the direction of our human resources strategy.

GOVERNANCE

The CR Committee, which I chair, ensures that CR initiatives and charitable donations are firmly aligned with corporate strategy. The implementation of the CR strategy is managed by the CR Executive Committee, which is chaired by Jill Pett, Director of HR and CR. Capco's Business Code of Practice and Company policies set out long-term commitments to high standards of social, ethical and environmental practices. They also frame the CR annual objectives which are set and reviewed every year.

PROGRESS

In last year's Annual Report we set out our CR objectives for 2012. In the following section we report on the progress made against these goals and set out our targets for the coming year.

A handwritten signature in dark ink that reads "Ian Henderson".

Ian Henderson
Chairman of the Corporate Responsibility Committee

28 February 2013





Key





- ★ Some progress
- ★★ Satisfactory progress
- ★★★ Good progress

Commitment made last year	Progress	What we achieved in 2012	2013 objective
Corporate CR Strategy – embedded into the fabric of our day-to-day work			
Continue to build engagement with the CR agenda across the Group.	★★	CR initiatives aligned to corporate strategy by the CR Committee. CR strategy is driven by the CR Executive Committee.	Continue to build engagement with the CR agenda across the Group.
Continue to manage potential risks with care, escalating concerns promptly where appropriate.	★★	CR-related risks are included in the Capco risk register and reviewed externally by Environ annually. Further information on the risk management process can be found on page 12.	Manage potential risks on an ongoing basis, escalating concerns promptly where appropriate.
Participate in the 2012 Carbon Disclosure Project index.	★★	Capco participated in the Carbon Disclosure Project and achieved a position in the lower third quartile within our sector.	Participate in the Carbon Disclosure Project again and aim to improve our performance.
Measure our performance using the Global Reporting Initiative (GRI).		Progress was monitored against specific environmental and social GRI indicators.	Measure performance using the GRI.
Maintain membership of FTSE4Good and consider membership of another leading index.		Capco's accreditation in the FTSE4Good Index was retained.	Maintain FTSE4Good accreditation.





Since 2006 Capco has had a team based in its Covent Garden estate, allowing the business to become an integrated and active member of the community as well as the majority land owner in the area. In its plans and vision for the area Capco recognises the need for a highly collaborative approach with local stakeholders including the Covent Garden Area Trust, a body which protects the special interest of the Covent Garden Conservation Area and the Covent Garden Community Association, which looks after the interests of residents in the area. The Covent Garden team is also represented on the Area 1 committee, a group of neighbours, ward councillors, police representatives and stakeholders in the area which meets regularly to discuss and agree solutions for issues facing Covent Garden. This approach of embedding the business within the Covent Garden community has been instrumental to the overall success of repositioning the estate and creating value for the business through generating support for planning initiatives and new concepts.

Commitment made last year	Progress	What we achieved in 2012	2013 objective
Corporate CR Strategy – embedded into the fabric of our day-to-day work			
Support charitable initiatives in communities in which we invest. We particularly wish to help organisations that support the well-being and development of young people in London with an emphasis on homelessness, education, health and sport. We will participate in and support appropriate charities linked to the property industry and we will continue our long-standing involvement with associations that help injured service personnel.		This year the Group donated £104,150 to various charities particularly those benefiting young people. The Company donated £39,500, representing £500 on behalf of every head office and Covent Garden employee, to selected charities at Christmas. The EC&O charitable trust collaborated with Hammersmith & Fulham Council in support of its opportunity fund which benefits disadvantaged young people in the community. The Group contributed £10,000 to the trust during 2012.	Further support charitable initiatives in communities in which we invest. We will continue to help organisations that support the well-being and development of young people in London with an emphasis on homelessness, education, health and sport, and appropriate charities linked to the property industry, and continue our long-standing involvement with associations that help injured service personnel.
Continue to encourage shareholder involvement in business strategy and dialogue with the Executive Directors and Chairman.		Our Executive Directors, Chairman and Deputy Chairman engage regularly with shareholders and invite dialogue. The Executive Directors undertook 134 1:1 meetings with shareholders during 2012 and undertook roadshows in South Africa, the United States and Canada.	Encourage shareholder involvement in business strategy and dialogue with the Executive Directors and Chairman.
Environment – our creative and holistic approach to place-making protects the environment where our estates are based			
Produce a carbon footprint map for Capco.		Capco's first carbon footprint, prepared during 2012, showed that we produced 15,321 tonnes of carbon dioxide equivalent (CO ₂ e). Of this, 77% was from electricity usage, 14% from gas, 5% from waste and 4% from other sources. By location, Earls Court accounted for 52% of emissions (7,984 t/CO ₂ e), Olympia 27% (4,140 t/CO ₂ e), Covent Garden 11% (1,707 t/CO ₂ e), and 15 Grosvenor Street 2% (248 t/CO ₂ e) with the remaining 8% (1,150 t/CO ₂ e) being produced by The Brewery by EC&O, which was sold during the year.	Continue to monitor our carbon footprint.
Monitor and assess the success of EC&O Venues' participation in the Carbon Voyage scheme.		Following the success of EC&O's participation in the Carbon Voyage scheme, the project was included as a case study in a full Technology Strategy Board report on the Creative Industries Knowledge Transfer Network. The most used part of the service is the shuttle service to Gatwick and then Heathrow, and we have started to engage with the major freight providers on this service. Over the last year, we have engaged 25 major shows and events companies in this initiative.	Develop the Carbon Voyage scheme in conjunction with other stakeholders.
Continue to ensure our compliance and manage our participation in the Carbon Reduction Commitment (CRC) scheme.		We continue to participate in the CRC scheme, purchasing £160,000 of carbon credits for the current period.	Participate in the CRC scheme.

Commitment made last year	Progress	What we achieved in 2012	2013 objective
Environment – our creative and holistic approach to place-making protects the environment where our estates are based			
<p>Aim for a 5% reduction in consumption on a like-for-like basis against 2011 figures.</p> <p>Review the existing Energy Performance Certificates for Covent Garden to assess existing performance levels and identify areas of concern.</p> <p>Undertake a pilot study at Covent Garden to prepare Display Energy Certificates (DEC) for several buildings and review the findings.</p>		<p>We achieved a 4% reduction, which equated to a fall of 514,793kg of CO₂ emissions after adjusting the data to exclude the impact of Earls Court being used as an Olympic venue (based on internally calculated figures).</p> <p>We have completed a review of our Energy Performance Certificates for those premises surveyed to date: 56% were graded A to E.</p> <p>We undertook a pilot DEC study of two buildings, which achieved a Grade D and a Grade B.</p>	<p>Achieve a 3% reduction in utilities consumption on a like-for-like basis against 2012 figures.</p> <p>We intend to continue our work on EPCs, particularly those properties within the F/G Bands and improve their ratings where opportunities arise.</p>
<p>Minimise energy consumption and CO₂ emissions during the design phase of the Seagrave Road development in line with the Mayor's energy strategy. This will include using energy efficient building materials and creating a sustainable living environment.</p> <p>Continue to review the inclusion of sustainable elements in our development programme to suit our occupiers.</p>		<p>We have developed our Seagrave Road energy strategy in line with the Mayor's objectives to reduce energy consumption and CO₂ emissions by various means.</p> <p>We will actively encourage sustainable living through:</p> <ul style="list-style-type: none"> – Smart metering to monitor energy consumption; – Well-informed and trained 'Green Champions' on-site who will promote recycling. 	<p>Work with contractors to ensure waste to landfill is minimised, targeting 50% plus being recycled or re-used and implement a Construction Environmental Management Plan.</p> <p>In design phase, embed sustainability through initiatives such as photovoltaic panels, meeting level 4 requirements of the Code for Sustainable Homes.</p> <p>All future major developments in Covent Garden are to meet BREEAM for Refurbishment 'Very Good' standard where constraints permit within a Conservation Area and when refurbishing listed buildings.</p>
<p>Aim to increase waste recycling from our Covent Garden tenants, produce reliable statistical data for ongoing monitoring and investigate options for rolling this out across our estate.</p> <p>Continue to work closely with our contractors to minimise waste sent to landfill.</p>		<p>At Covent Garden proactive management of our tenants' waste meant we achieved zero waste to landfill with 33% of the diverted waste stream being recycled and 67% being used in an 'energy from waste' process.</p> <p>We have renovated approx 92,500 sq ft of our existing portfolio during 2012. All current major works meet and/or exceed building energy efficiency standards where constraints permit within a Conservation Area and when refurbishing listed buildings.</p> <p>At 15 Grosvenor Street, we are encouraging waste reduction by providing desk-side paper recycling facilities to all staff and cutting down on non-recyclable waste. During 2012 we increased our recycling output by almost 75% resulting in a saving of 8,610 kg of CO₂e. We expect this to stabilise in the next few years but with some improvement. The recycling statistics are published monthly on our Intranet and a focus on green initiatives is actively encouraged.</p>	<p>During 2013, it is our aim to expand our tenant engagement programme on environmental issues such as waste reduction, recycling and energy management.</p> <p>In executing our major development projects at Covent Garden, we will aim to achieve a target of less than 15% of waste going to landfill.</p>
<p>Assess ways in which we can create efficiencies through improved monitoring and reduced water consumption.</p>		<p>Procedures are being put into place to monitor and record metered water usage.</p>	<p>Monitor metered water usage across our portfolio.</p>

Commitment made last year	Progress	What we achieved in 2012	2013 objective
Local Communities – we make a positive impact on the local communities where our assets are located			
Continue to support community projects which specifically benefit young people in London and in the areas where our assets are located.		<p>Earls Court As part of the 2012 Earls Court Education Programme, children from two primary schools participated in development programmes related to environmental issues associated with urban redevelopment.</p> <p>We then extended the programme into secondary schools and hosted the ‘Big Debate’ between Henry Compton and Fulham Cross Schools.</p> <p>As part of the ‘Hammersmith and Fulham Partnership against crime’ scheme, the EC&O Venues team have continued to work with the police and local stakeholders to combat gang crime in the area.</p> <p>We encourage our contractors to employ local skills and will ensure that labour employed on the Earls Court development is from the local boroughs.</p> <p>Covent Garden The Covent Garden team consolidated its strong relationship with the Covent Garden Area Trust and other local community groups.</p> <p>The 2012 Schools Apple Market Challenge engaged 10 schools and approximately 600 young people in designing and marketing a product to be sold on the market. The winning team designed a highly innovative, voice-activated lunch box.</p> <p>In March Damien Hirst joined children from local schools in spin painting activities in conjunction with the Kids Company Charity.</p>	Support community projects which specifically benefit young people in London and in the areas where our assets are located.
Further enhance our property management strategy for the benefit of all stakeholders.		<p>In March 2012 Earls Court was recognised as ‘Exhibition Venue of the Year’ at the Exhibitions News Awards. Olympia was highly recommended in the category of ‘Exhibition Venue of the Year’ at the Events Awards.</p> <p>The Covent Garden property management team have launched a number of initiatives for the benefit of stakeholders, including quarterly Customer Forum Meetings and ‘sparkle weeks’ involving an enhanced cleaning regime in partnership with retailers.</p> <p>King Street was re-opened in June following major works to improve the road surface and streetscape.</p>	Further develop our property management strategy for the benefit of all stakeholders.
Health & Safety – regular reporting and monitoring			
Update the H&S Management Plan and further improve our H&S reporting across the Group.		<p>The Group H&S Committee, which is chaired by the Investment Director and includes representatives from all parts of the business, meets twice a year and has implemented the H&S Management Plan across the Group.</p> <p>The Capco Board and subsidiary Boards receive regular H&S reports.</p> <p>With estimated combined visitor numbers of more than 50 million to EC&O and Covent Garden, there were 30 RIDDOR accidents reported for the year and no prohibition notices served. In respect of the 326 employees there was one reportable incident.</p> <p>In addition, each business holds its own meetings and promotes H&S with suppliers and contractors.</p>	Further improve our H&S reporting across the Group.

Commitment made last year	Progress	What we achieved in 2012	2013 objective
Capco people – we employ people with a diverse range of experience and expertise			
Launch corporate intranet site to improve internal communications.		All staff attend regular business briefings given by the Chief Executive. The intranet was successfully launched in September and is updated regularly.	Launch the next level of our Leadership Development Programme and further develop learning programmes that will enhance the capability and performance of our people.
Implement internal development programmes that will enhance the capability and performance of our people. Introduce succession planning at all levels within the business.		A leadership development programme was launched in September 2012 and 60% of head office and Covent Garden employees attended training during 2012. Discussions regarding succession planning have progressed in order to ensure the ongoing success of the business.	
Continue to encourage employees to engage in CR initiatives and contribute 120 Group employee hours to supporting these projects.		Capco staff completed over 275 hours of CR-related activities during 2012. This included team activities such as the day the Finance team spent building a new vegetable garden for the Earls Court YMCA.	Encourage employees to engage in CR initiatives and contribute 300 Group employee hours to supporting these projects. Agree a CR-related personal objective for each employee.
We will encourage individual fundraising activities of our people and their immediate families through the staff recognition fund.		Employee fundraising of £4,000 was matched by the Capco staff recognition fund.	Increase the limit set for Company matched funding and encourage individual fundraising.

PEOPLE

The number of people employed across the Group at the year end totalled 326 of which 55 are based at head office.

As a consequence of recruiting the best people with entrepreneurial flair, we have high-performing staff who deliver Capco's demanding business plan. Typically, we accelerate career development for individuals by giving them significant responsibility early in their careers. Our fast-moving business requires high performance at all levels and we set clear objectives during a review process which measures performance in key skills and ensures that individual goals are clearly linked to Company strategy.

In 2012 we launched an internal Leadership Development Programme for our senior management team. The aim of the

programme is to develop the leadership capability of the participants through a combination of interactive simulation sessions and practical skills workshops. Delegates have developed a personal development plan following participation in a 360 feedback process and have benefited from senior level mentoring throughout the programme.

We further support our people in their professional development through academic study and currently have six employees working towards professional qualifications. We have also introduced a series of lunchtime seminars for staff covering relevant business topics.

We believe that high performance should be recognised and therefore bonus awards are linked to ratings received during the review

process. Furthermore, as part of our remuneration strategy employees participate in our share schemes, ensuring alignment to business strategy.

We value the well-being of our workforce and aim to encourage healthy and balanced lifestyles. Diversity is important to us and we recognise the benefits of employing people with varied perspectives. The ratio of women to men within our senior management team is 1:2. Information on our approach to Board diversity can be found in the Governance section on page 51.

Aware of the challenges that young people are facing entering the job market, we aim to provide work experience placements across the business.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS



Ian Hawksworth
Chief Executive Age 47

Ian leads Capco, shaping strategy and driving performance. He has over 25 years' experience in large scale global real estate development, asset and corporate management, having been a senior director of both Hongkong Land and Liberty International. Ian is a Chartered Surveyor and a member of leading international industry bodies.



Soumen Das
Finance Director Age 36

Soumen is an experienced corporate financier responsible for leading the finance function of Capco which includes reporting, treasury, corporate finance and tax. Formerly an executive director of UBS specialising in real estate, he joined Capco from Liberty International having coordinated the demerger of the companies in 2010.



Gary Yardley
Investment Director Age 47

Gary has been a senior deal maker in the UK and European real estate market for over 25 years. He leads Capco's real estate investment and development activities overseeing all real estate transactions. Previously Chief Investment Officer of Liberty International, Gary is a Chartered Surveyor and a former partner of King Sturge.

COMMITTEE MEMBERSHIP

Corporate Responsibility Committee
Nomination Committee

EXTERNAL APPOINTMENTS

Association of Foreign Investors in Real Estate
Japan Residential Investment Company Limited

CHAIRMAN AND NON-EXECUTIVE DIRECTORS



Ian Durant
Chairman Age 54

Ian is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Ian is a Chartered Accountant with a background in international financial and commercial management. Ian's career includes leadership roles with the retail division of Hanson and Jardine Matheson, Hongkong Land, Dairy Farm International, Thistle Hotels, SeaContainers and Liberty International.

COMMITTEE MEMBERSHIP

Nomination Committee (Chairman)
Corporate Responsibility Committee

EXTERNAL APPOINTMENTS

Eurosite Power, Inc (Advisory Board member)
Greene King plc (Senior Independent Director)
Greggs plc (Chairman designate and Chairman of the Audit Committee)
Home Retail Group plc



Ian Henderson CBE
Non-executive Deputy Chairman and Senior Independent Non-executive Director Age 69

Formerly Chief Executive of Land Securities Group PLC, Ian, a Fellow of the Royal Institution of Chartered Surveyors, has been widely involved in property industry matters, including being a past President of the British Property Federation.

COMMITTEE MEMBERSHIP

Corporate Responsibility Committee (Chairman)
Remuneration Committee (Chairman)
Audit Committee
Nomination Committee

EXTERNAL APPOINTMENTS

Dolphin Square Foundation (Chairman)
Ishaan Real Estate PLC (Chairman)
The Natural History Museum
(Chairman of Property Advisory Group)
The Royal Albert Hall



Graeme Gordon
Non-executive Director Age 49

Graeme was a Non-executive director of Liberty International for 14 years before joining the Board in May 2010. He is the son of Sir Donald Gordon, the founder of Liberty International, and represents the Gordon Family Interests on the Board.

EXTERNAL APPOINTMENTS

CFS – Europe Limited
Creative Investments Limited
Fieldstall Limited
Mymarket Limited



Andrew Huntley
Non-executive Director Age 74

A Chartered Surveyor with 40 years' experience who rose to be Chairman of Richard Ellis from 1993 to 2002.

COMMITTEE MEMBERSHIP

Nomination Committee
Remuneration Committee

EXTERNAL APPOINTMENTS

Ashfern Developments Ltd
Intu Properties plc
LondonMetric Property Plc
(Chairman of the Remuneration Committee)



Demetra Pinsent
Non-executive Director Age 38

A former partner of McKinsey & Co, Demetra was leader of McKinsey's European Apparel, Fashion and Luxury Goods Practice for five years and has also acted as an adviser to emerging British luxury businesses.

COMMITTEE MEMBERSHIP

Corporate Responsibility Committee
Nomination Committee



Henry Staunton
Non-executive Director Age 64

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. Previously Finance Director of Granada and ITV.

COMMITTEE MEMBERSHIP

Audit Committee (Chairman)
Nomination Committee
Remuneration Committee

EXTERNAL APPOINTMENTS

Legal & General Group plc
(Vice Chairman and Senior Independent Director)
Merchants Trust PLC (Senior Independent Director)
Standard Bank Plc (Audit Committee Chairman)
WH Smith PLC (Senior Independent Director)



Andrew Strang
Non-executive Director Age 60

Andrew was Managing Director of Threadneedle Property Investments Limited for 17 years until January 2008. He was Executive Chairman of Hermes Real Estate Investment Management until 2011.

COMMITTEE MEMBERSHIP

Audit Committee
Nomination Committee
Remuneration Committee

EXTERNAL APPOINTMENTS

AEW UK (Member of Investment and Governance Committees)
British Property Federation
Intu Properties plc
Norges Bank Investment Management
(Real Estate Advisory Board member)

A GOVERNANCE STRUCTURE TO ENGENDER TRUST



“Good governance is not only about formal annual report disclosures.”

From the Chairman

I am pleased to introduce Capco’s 2012 Corporate Governance Report. Capco’s governance structure comprises a framework of oversight, controls and reporting which supports the business. This allows us to operate with transparency to achieve the Company’s objectives and engender trust from shareholders, employees and other stakeholders.

The Corporate Governance and Board Committee reports contained in this section of the Annual Report describe the operation of the Board and its Committees and explain how we applied the principles of good governance set out in the UK Corporate Governance Code during 2012.

There are two areas that I particularly wish to bring to shareholders’ attention this year: executive remuneration and Board composition.

Following Capco’s exceptional performance since 2010, the Remuneration Committee has undertaken a review of the Remuneration Policy and remuneration arrangements for Executive Directors. The conclusions of the review are set out in the Directors’ Remuneration Report from page 59.

At the time of last year’s report, we were in the process of recruiting a new Non-executive Director, and we welcomed Demetra Pinsent to the Board in May 2012. A former partner of McKinsey & Co, Demetra has brought extensive luxury retail experience and an understanding of brand creation to the Board, and I am pleased to report that she is making a great contribution to the Board’s discussions. During 2013 we will continue to consider Board composition to ensure that the balance of skills, experience and diversity remains appropriate.

Finally, in 2012 a revised UK Corporate Governance Code was introduced, and new regulations on remuneration disclosures and narrative reporting have been proposed. The new regulations do not apply to Capco until 2013, however we are monitoring their

development closely and have incorporated additional disclosures where appropriate this year, including restructuring the Directors’ Remuneration Report into a policy report and implementation report. Good corporate governance is not only about formal Annual Report disclosures but also a cultural commitment the Board and management make to conduct themselves with openness, transparency and fairness, to engage with shareholders constructively, and to maximise the long-term value of the business within an acceptable framework of risk and with due regard to all stakeholders. This is a responsibility we all take very seriously.

By order of the Board

Ian Durant
Chairman

28 February 2013

STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Company was fully compliant with the UK Corporate Governance Code during 2012.

THE BOARD

Board composition

As at 31 December 2012 the Board comprised the Chairman, three Executive Directors and six Non-executive Directors. The table below summarises the membership of the Board and Committees. In addition, biographies of all the Directors including information on their skills and experience can be found on pages 48 and 49.

Board independence

The UK Corporate Governance Code requires that, excluding the Chairman, at least half the Board should comprise Non-executive Directors determined to be independent. 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.

Diversity

As we reported last year, the Board was keen to improve its gender diversity. We are delighted that Demetra Pinsent was appointed as an additional Non-executive Director in May

2012, bringing a wealth of luxury retail and branding experience to the Board, and thus increasing diversity in several respects. Information on the way we recruit new Directors and our induction programme can be found on page 57.

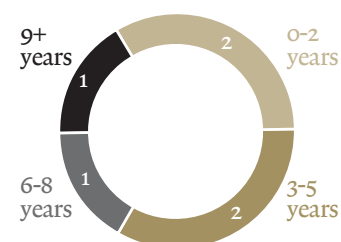
Diversity is important to Capco across the Group and we recognise the business benefits of employing people with varied outlooks. We are keen to develop female talent and the ratio of women to men within our senior management team is 1:2. Further information on our people practices, including our learning and development strategies, is contained in the Corporate Responsibility Report on pages 42 to 47.

The Board does not feel that it is appropriate to set targets on gender diversity as all appointments must be made on merit, however gender and wider diversity issues will continue to be taken into consideration when evaluating the skills, knowledge and experience desirable to fill each Board vacancy.

AN EFFECTIVE LEADERSHIP STRUCTURE

The Board is collectively responsible for the long-term success of the Company, and for its leadership, strategy, control and management.

LENGTH OF TENURE OF NON-EXECUTIVE DIRECTORS



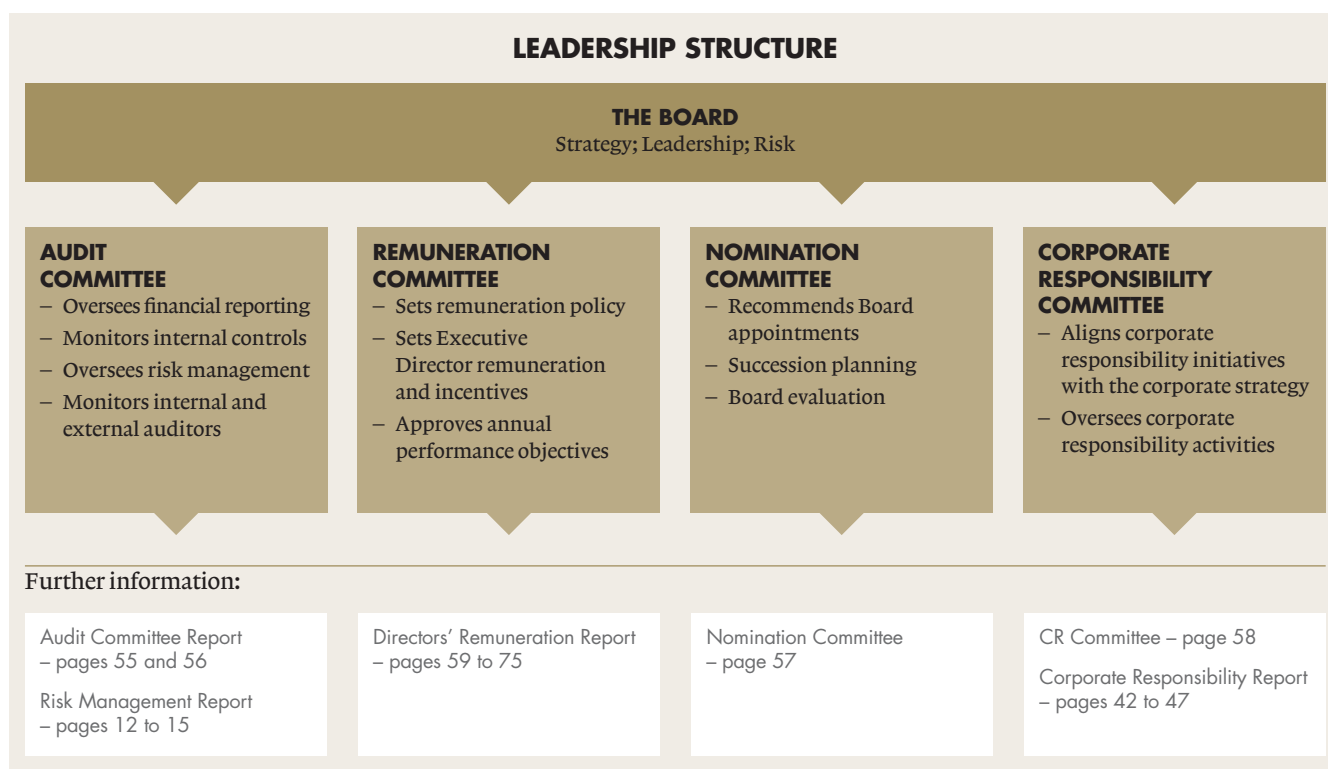
The roles of the Chairman and Chief Executive are distinct and formally documented, with the Chairman being responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda, and the Chief Executive for developing the Company's strategic direction, implementing policies and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

Day-to-day management of the Group is delegated to the Executive Directors, subject to formal delegated authority limits, however certain matters have been reserved for consideration by the Board. These matters are reviewed annually and include: Board

BOARD INDEPENDENCE

NAME	INDEPENDENT	AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE	CR COMMITTEE
Ian Durant (Chairman)	n/a			★	★
Ian Hawksworth (Chief Executive)	No			★	★
Soumen Das	No				
Gary Yardley	No				
Graeme Gordon	No				
Ian Henderson * (Senior Independent Director)	Yes	★	★	★	★
Andrew Huntley *	Yes		★	★	
Demetra Pinsent	Yes			★	★
Henry Staunton	Yes	★	★	★	
Andrew Strang *	Yes	★	★	★	
	56%				

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



and Committee composition, Company strategy, significant funding decisions and corporate transactions, delegated authority limits and dividend policy.

Through the Chairman, the Company Secretary is responsible for advising the Board on matters

of corporate governance, and ensures good information flows within the Board and its Committees and between senior management and Non-executive Directors.

The Board meets formally throughout the year with main meetings timed around the

financial calendar, and additional meetings convened to consider specific matters as required. Attendance at Board and Board Committee meetings held during 2012 is shown in the table on page 54. If matters require approval at short notice, written approval is sought from the Directors.

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.

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

It is in the nature of the Company’s business that matters requiring the Board’s decision are often large, complex and slow moving. To assist the Board, informal update meetings are held between Board meetings which are designed to allow Board members adequate time and preparation to explore, understand and challenge decisions in preparation. These are sometimes combined with site visits and provide an opportunity for the Non-executive Directors to meet senior management. Three such updates were held during 2012.

THE BOARD IN 2012

During 2012 the Board received regular asset and performance updates from the Executive Directors, and reports from the Company Secretary, Director of HR & CR and Committee Chairmen. Other matters considered by the Board during the year are shown below:

- Strategy
- Annual and interim results, interim management statements and dividends
- Finance matters including budgets, taxation, cash and treasury management
- Significant investment decisions including property acquisitions, disposals and leases
- Property valuations, market and broker updates
- £70m revolving credit facility
- 9.99% share placing
- Risk governance
- Delegated authority limits
- AGM resolutions including the Scrip Dividend Scheme and the Odd-lot Offer
- Outcome of Board evaluation, including Board diversity
- Committees’ terms of reference and schedule of matters reserved for Board decision

ENSURING AN EFFECTIVE BOARD

Board performance and evaluation

Recognising that Capco's Board must be effective, the Board conducts an annual evaluation of its own performance and that of its Committees and Directors. In 2012 an internal review was conducted. Directors were asked to answer questions on a wide range of topics, and to highlight any areas they felt needed additional focus. The outcome of the review was positive, with the Board judged to be effective and open, however several areas have been identified for attention during 2013. Further information on the evaluation process, the priorities identified and progress against actions arising from the 2011 review is set out below.

In addition to the Board evaluation, during the year the Senior Independent Director and Non-executive Directors conducted an annual appraisal of the Chairman's performance, and the Chairman undertook an appraisal of the Chief Executive's performance.

The UK Corporate Governance Code requires that an externally facilitated review is undertaken every three years. It is expected that Capco will commission its next externally facilitated review in 2013 as the last external evaluation took place in 2010.

COMMUNICATION WITH STAKEHOLDERS

Our policy

The Board is keen to ensure that our shareholders and potential investors have a good understanding of Capco's business and performance, and that Directors are aware of any issues and concerns which shareholders may have. The Company communicates with stakeholders in a number of ways.

Corporate website

Our corporate website www.capitalandcounties.com allows visitors to access Company information, annual reports, results presentations and webcasts. The site also includes links to our business unit websites and contact details for shareholder queries.

Annual General Meeting

Our AGM allows the Board to update our shareholders on Capco's progress, and provides an opportunity for shareholders to pose questions to the Directors, and meet senior executives. Shareholders are encouraged to vote on the resolutions put to the meeting, either in person at the meeting, online or by submitting a proxy card. We publish the

EVALUATION PROCESS

Chairman and Company Secretary considered the approach to be taken

Thinking Board, provided by Independent Audit Limited, was recommended to the Nomination Committee and Board

Questionnaires were prepared and issued to Directors

The responses were collated

The findings were presented to the Board for discussion

An action plan was agreed

ACTIONS FOR 2012	PROGRESS	ACTIONS FOR 2013
Appointment of Henry Staunton to Nomination Committee	Henry Staunton was appointed to the Nomination Committee	Develop Board succession plan
Increase Board diversity	Demetra Pinsent has been appointed to the Board. Diversity remains under review	Improve challenge and objective debate at meetings
Improve planning of Committees' annual agendas	Annual agendas have been agreed for each Board Committee	Ensure Directors remain up to date on regulatory developments
Develop Board succession plan	Board succession planning remains an area of focus	Ensure regular Board updates are held outside of formal Board meetings
Expand Non-executive Director development opportunities	The Company Secretary circulates details of training and development opportunities to the Directors Directors were asked to advise the Company Secretary of areas where they felt they would benefit from additional development and briefing sessions were arranged	

ATTENDANCE AT MEETINGS

The following table shows Directors' attendance at Board and Committee meetings held during 2012.

Name	Board	Audit	Remuneration	Nomination	CR
Ian Durant	7/7	–	–	2/2	4/4
Ian Hawksworth	7/7	–	–	2/2	4/4
Soumen Das	7/7	–	–	–	–
Gary Yardley	7/7	–	–	–	–
Ian Henderson	6/7	4/4	12/12	2/2	4/4
Graeme Gordon **	6/7	–	–	–	–
Andrew Huntley	7/7	–	10/12	2/2	–
Demetra Pinsent *	6/6	–	–	1/1	2/3
Henry Staunton	7/7	4/4	12/12	2/2	–
Andrew Strang	6/7	4/4	12/12	2/2	–
	7	4	12	2	4

* Appointed 1 May 2012.

** Graeme Gordon appointed Raymond Fine as his alternate in respect of the one meeting which he was unable to attend.

results of the votes on all resolutions on our website following the meeting.

Our 2013 AGM will be held on 3 May 2013. 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, and in accordance with the UK Corporate Governance Code, each of the Directors will offer themselves for election or re-election.

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.

Communications with shareholders

Communication with the Company's investors is a priority for the Board. The Company has an extensive investor relations programme, and the Chief Executive and Finance Director hold meetings with institutional shareholders throughout the year, including results presentations, webcasts, road shows, one-to-one meetings and investor tours.

During 2012, the Chairman of the Remuneration Committee discussed proposed amendments to the Executive Directors' remuneration with Capco's major shareholders. The Company's major shareholders are encouraged to meet with the Chairman and

the Senior Independent Director to discuss any matters they may wish to raise.

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

Private shareholders may raise questions through the Company Secretary's office either by telephone or by email (feedback@capitalandcounties.com).

Odd-lot Offer

In November 2012, the Company launched an Odd-lot Offer to reduce the number of small, inactive shareholdings on the register. All shareholders were able to elect to retain their shares. The Company repurchased shares representing 0.06% of the issued share capital, and the Company's shareholder base was reduced by 35%.

CONFLICTS OF INTEREST

The Chairman's other business commitments are set out in his biography on page 49. During the year it was announced that the Chairman would be appointed as Non-executive Chairman of Greggs plc in May 2013. The Board remains satisfied that this additional commitment will not interfere with the performance of his duties as Chairman of Capco.

The Deputy Chairman has been appointed as a Director of the supervisory Board of Capco's

joint venture in respect of the Seagrave Road development. He receives no remuneration for this appointment. The Board considered this appointment carefully before confirming its approval and is satisfied that there is no conflict of interest and that the appointment does not compromise his independence.

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 Board remains satisfied that all Non-executive Directors are contributing effectively to the operation of the Board.

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.

BOARD COMMITTEES

The Board has established Audit, Remuneration, Nomination and Corporate Responsibility Committees. The terms of reference of each Committee are available on the Company's website www.capitalandcounties.com. The activity of each Committee is described on pages 55 to 75.

GOING CONCERN

A statement on going concern is set out on page 77.

DTR DISCLOSURE

The disclosures required under DTR 7.2 of the Disclosure and Transparency Rules are contained in this report, the Audit Committee and the Nomination Committee Report, except for information required under DTR 7.2.6 which is contained in the Directors' Report on pages 76 and 77.

AUDIT COMMITTEE REPORT



“A focus on effective controls and robust financial reporting.”

Audit Committee

I am pleased to introduce Capco’s 2012 Audit Committee Report.

As the delivery of Capco’s strategy progressed during 2012, the Committee gave particular focus to the property valuations, both meeting with the independent valuers and discussing the basis of valuation with the external auditors. I am happy to confirm that the Committee is satisfied with the valuation process and the valuations.

In 2013 we will continue to ensure that Capco’s financial reporting, risk management and internal controls are appropriate for a company of Capco’s standing.

Henry Staunton
Chairman of the Audit Committee

28 February 2013

Members:

Henry Staunton (Chairman)
Ian Henderson
Andrew Strang

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. As at 31 December 2012 and the date of this report the Committee comprises three independent Non-executive Directors, and is chaired by Henry Staunton who is considered to have significant, recent and relevant financial experience.

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. Members of senior management, including the Head of Tax, attend by invitation to present such reports as are required for the Committee to discharge its responsibilities.

The Audit Committee met four times during 2012. Attendance at these meetings is shown in the table on page 54.

The Committee follows an annual programme that ensures it gives thorough consideration to matters of particular importance to the Company, and considers additional matters when appropriate.

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

(a) External auditors

The Committee has oversight of the relationship with the external auditors, and is responsible 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. Capco tendered its external audit contract in 2010, and PricewaterhouseCoopers LLP (PwC) were appointed as Group auditors on an annual rolling contract. The Committee monitored PwC’s effectiveness and performance during 2012, and considered a paper prepared by the Financial Controller which confirmed that in management’s view PwC were providing the audit service agreed during the tender process. The Committee is satisfied with the service received from PwC and has therefore recommended to the Board that PwC be reappointed in 2013.

(b) Internal auditors

Capco has appointed BDO LLP as its internal auditor. During 2012 BDO followed the second year of a five-year audit plan focused on areas highlighted in the Group risk register. The work conducted by BDO during 2012 included reviews of payroll, IT security, Covent Garden turnover leases, risk management, disaster recovery and business continuity planning, The Bribery Act 2010, budgetary control and financial management information, lease income from property management and treasury and cash flow. It is intended that the 2013 internal audit programme will have a more strategic focus.

(c) Non-audit services

The Company has adopted a policy to ensure that 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

A SUMMARY OF THE MATTERS CONSIDERED DURING 2012 IS SET OUT BELOW:

- Updates from the Financial Controller
- Preliminary results and Annual Report
- Representation letters
- Going concern
- Management accounts
- Corporate governance policies
- Valuers’ reports and valuations
- Internal audit plan and reports
- Tax Policy and taxation
- Risk management review
- Controls update
- External audit plan
- Reappointment of external auditors
- Accounting treatment of matters requiring the use of judgement and estimates which are summarised on page 87
- Interim results and interim management statements
- Regulatory developments
- Capital expenditure
- Group holding structure

this limit must be approved in advance 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 Committee is satisfied that the policy is effective.

The total fees paid and payable to PwC in 2012 were £401,000, of which £64,000 related to non-audit work. These fees primarily relate to advice on corporate transactions and a staff presentation on the Bribery Act 2010. The Committee is satisfied that the external auditors remain independent and objective.

(d) 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. A summary of the risk management framework is set out on page 12. 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 throughout the year. These controls 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 are 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 received regular updates on strategy and project developments at the formal Board meetings and Board updates
- A formal whistleblowing procedure is in place under which staff may raise matters of concern (no calls were received during the year)

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 and financial covenants
- The internal audit programme undertaken by BDO. The Committee is satisfied that the internal audit services provided by BDO were independent and effective
- 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

An annual risk management process is followed to identify risks and review the effectiveness of mitigating controls. Risk registers are completed by the Executive Directors and senior management across the Group and used to compile the Group risk register. The Group risk register is reviewed twice a year and upon any material change to the business, with a full review being undertaken annually, at which point it is also reviewed by the Audit Committee with new or emerging risks considered by the Committee as appropriate. The Group's principal risks and uncertainties are set out on pages 13 to 15.

(e) Taxation

During 2012 the Audit Committee received regular updates from the Head of Tax and considered the Group's Tax Policy which is referred to on page 41. The Committee is satisfied that the Tax Policy is appropriate for the Group.

NOMINATION COMMITTEE REPORT



“New Non-executive Director to strengthen the Board.”

Nomination Committee

I am pleased to introduce Capco’s 2012 Nomination Committee Report.

The main activity of the Committee during 2012 was making progress on our intention of improving Board diversity through the recruitment of Demetra Pinsent following a rigorous and transparent recruitment process. We have set out details of our recruitment process and Demetra’s induction programme on this page.

Next year the Committee expects to focus on Board composition, succession planning and our externally facilitated Board evaluation.

Ian Durant
Chairman of the Nomination Committee

28 February 2013

Members:

Ian Durant (Chairman)
Ian Hawksworth
Ian Henderson
Andrew Huntley
Demetra Pinsent
Henry Staunton
Andrew Strang

NON-EXECUTIVE DIRECTOR RECRUITMENT, INDUCTION AND DEVELOPMENT

The process followed in recruiting Demetra Pinsent to the Board was:

- The Committee discussed Board composition and determined that increased gender diversity was desirable
- A shortlist of three executive search firms was drawn up and, after a selection process, the Zygos Partnership was engaged to assist with the recruitment process
- A person specification for the role was prepared and a list of candidates identified
- The Chairman and Chief Executive met with shortlisted candidates and gave their feedback to the Committee
- All Directors met the preferred candidate
- The Committee recommended the appointment of Demetra Pinsent to the Board

Demetra Pinsent’s induction programme included:

- Individual meetings with the Chairman, Executive Directors, Company Secretary and members of senior management
- Site visits to Covent Garden, Earls Court & Olympia and Seagrave Road
- Company information pack, including copies of Board and Committee papers and minutes
- Introduction by the Chairman to the Company’s brokers, advisers and lawyers
- Briefings on topics such as Directors’ duties and responsibilities and the property market

Ongoing development opportunities for Non-executive Directors include:

- Training opportunities and information on seminars are circulated by the Company Secretary
- Periodic briefings from external advisers
- Directors are able to take independent advice at the Company’s expense
- Directors have access to the advice and services of the Company Secretary

The Nomination Committee has responsibility for making recommendations on Board appointments and succession to the Board. As at 31 December 2012 and the date of this report, the members of the Committee were as set out in the shaded box below. The Nomination Committee met twice during the year. Attendance at these meetings is shown in the table on page 54.

During 2012 the Zygos Partnership assisted with the recruitment of an additional Non-executive Director. The Zygos Partnership provides no other services to the Group.

NON-EXECUTIVE DIRECTOR RECRUITMENT, INDUCTION AND DEVELOPMENT

Capco operates a rigorous and transparent recruitment process for new Directors. On appointment new Directors are given a tailored

induction to the Company which includes site visits and introductions to senior management and advisers. Information on the recruitment of Demetra Pinsent and the content of her induction programme is set out above.

MATTERS CONSIDERED BY THE COMMITTEE DURING THE YEAR INCLUDE:

- Non-executive Director time commitments
- Board diversity
- Board and Committee composition
- Proposed recruitment of Non-executive Director
- Chairman and Chief Executive performance reviews
- Board evaluation

CORPORATE RESPONSIBILITY COMMITTEE REPORT



“The two threads of corporate responsibility that run through our business are community and environment.”

Corporate Responsibility Committee

I am pleased to introduce Capco’s 2012 Corporate Responsibility Committee Report.

The Corporate Responsibility Committee ensures that Capco’s CR initiatives and charitable donations are firmly aligned with corporate strategy.

A summary of the Committee’s activities during the year is set out on this page, and our full Corporate Responsibility report can be found on pages 42 to 47.



Ian Henderson
Chairman of the Corporate Responsibility Committee

28 February 2013

Members:

Ian Henderson (Chairman)
Ian Durant
Ian Hawksworth
Demetra Pinsent

MATTERS CONSIDERED BY THE COMMITTEE DURING THE YEAR INCLUDE:

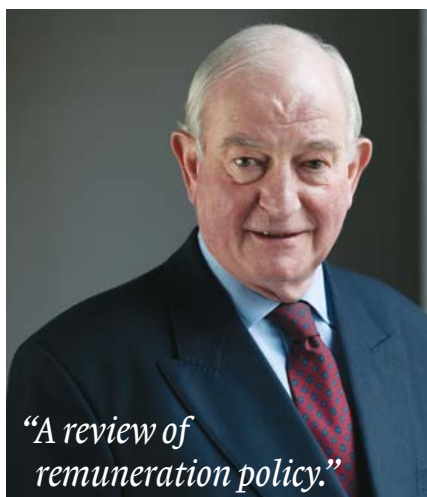
- 2011 and 2012 CR reporting
- The Company’s CR strategy
- Updates on the activity of the CR Executive Committee
- Briefing on sustainable development at Covent Garden
- Charitable donations and spend against budget

The Corporate Responsibility Committee has responsibility for overseeing the Group’s activities in the area of corporate responsibility on behalf of the Board. As at 31 December 2012 and the date of this report, the members of the Committee were as set out in the shaded box below. The Committee met four times during 2012. Attendance at these meetings is shown in the table on page 54.

During 2012 it was decided that the remit of the Charity Committee would be incorporated into that of the Corporate Responsibility Committee.

The Group’s full Corporate Responsibility report can be found on pages 42 to 47.

DIRECTORS' REMUNERATION REPORT



"A review of remuneration policy."

Remuneration Committee

I am pleased to introduce Capco's 2012 Directors' Remuneration Report. In advance of the implementation of the revised BIS disclosure regulations, we have restructured this year's report to include a policy report and an implementation report. We have also included a number of the forthcoming new disclosures.

Signed on behalf of the Board

Ian Henderson
Chairman of the Remuneration Committee

28 February 2013

Members

Ian Henderson (Chairman)
Andrew Huntley
Henry Staunton
Andrew Strang

2012 was a particularly busy year for the Remuneration Committee. As foreshadowed in last year's Directors' Remuneration Report, we undertook a review of Capco's executive remuneration policy and arrangements, and have recently discussed the Committee's conclusions with our major shareholders. An explanation of the review and briefing process, and the Committee's proposals for executive remuneration in 2013 are contained within this report.

Capco has performed exceptionally well since its launch in 2010, generating a total shareholder return of 139.8 per cent, which exceeds the performance of the comparator group for Capco's long-term incentive schemes by some 52.0 per cent. The remuneration arrangements put in place on Capco's launch were intended to support the initial three-year business plan of the Company, and the Committee feels they have done this most effectively. As a result of Capco's performance since launch, it is expected that the majority, and potentially all, of the initial three-year incentive awards will vest during 2013.

The Committee feels it is important to ensure that the Company's remuneration structure remains effective and appropriately aligned with Company strategy and shareholder interests to support the business. In conducting its review, the Committee was mindful of the remuneration arrangements of other Group employees, the current economic environment and the market.

The Committee received positive support from the majority of shareholders consulted, but a small proportion of shareholders did not fully endorse the original proposals. The full range of views were carefully considered in finalising the arrangements although it has proved impossible to satisfy all of the, at times conflicting, responses. However, the Committee believes that in light of the discussions held with shareholders the final proposals set out in this report are appropriate for 2013.

The outcomes of the review are listed on page 61. The two main recommendations were that Executive Directors' salaries be increased (in the case of the Chief Executive and the Investment Director for the first time since 2010) and that the Executive Directors be offered a further opportunity to co-invest in the Company's shares subject to revised

performance targets which will require performance to exceed the current stretch targets, and hence substantial returns to be generated for shareholders, for the awards to vest in full. We have also taken the opportunity to increase the shareholding requirement for Executive Directors, and to introduce bonus-malus in respect of share awards made in 2013 and beyond. This year we have expanded our retrospective disclosures on Directors' performance targets, and we intend to further expand on this in 2013.

The salary increase awarded to the Chief Executive for 2013 equates to approximately 3 per cent per annum since the last increase at listing. Whilst strong performance has been demonstrated each year, the Committee considered it to be more aligned with shareholders' interests to wait three years before reviewing salary levels in order to provide a reasonable length of time for what was a new executive management team to properly establish itself operationally, and demonstrate its ability to deliver a sustained level of strong performance. The overall impact of the proposals (which operate within existing discretions) is to increase the fair value of the Chief Executive's total remuneration by approximately 0.9 per cent per annum relative to the 2010 arrangements, the last time the overall package was reviewed. The Committee believes that the salary of the Chief Executive will remain below the level that reflects the recent outperformance by the Company as compared with our peer group, and therefore will focus on ensuring that this is appropriately reflected in due course.

STATEMENT OF COMPLIANCE

This Directors' 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 under 3.1 on page 67 and Tables b) to d) on pages 73 to 75. The structure of this report has been modified from previous years based on the proposed regulations put forward by the Department for Business, Innovation & Skills (BIS). This report has been approved by the Board of Directors for submission to shareholders for their approval at the AGM.

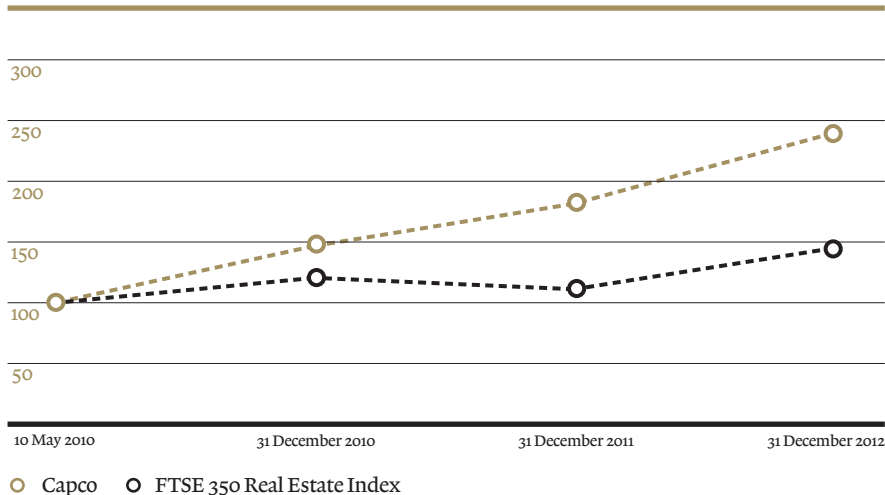
In addition to updating you on the revised executive remuneration proposals, the report also explains the other matters considered by the Committee during the year, and the implementation report sets out details of the amounts paid to Directors during 2012, and their outstanding share awards.

It is important that Capco's executive remuneration remains fair and appropriate for the Company. The Committee believes that the remuneration policy and remuneration package set out in this report for 2013 is appropriate.

1. REMUNERATION COMMITTEE

The Remuneration Committee is responsible for determining and recommending to the Board the policy for the remuneration of the Executive Directors, setting targets for the Company's incentive schemes and determining the total individual remuneration package for each Executive Director.

FIGURE 1: TOTAL SHAREHOLDER RETURN



The graph above shows the Total Shareholder Return at 31 December 2012 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. £100 invested in Capital & Counties Properties PLC at the start of the first day of trading in its shares would have been worth £239.80 at 31 December 2012.

MATTERS CONSIDERED BY THE COMMITTEE DURING THE YEAR INCLUDE:

- Review of remuneration policy and Executive Director remuneration
- Shareholder discussion meetings held in connection with the remuneration review
- Forthcoming changes to disclosure requirements and shareholder rights, including the Company's response to the BIS consultation on shareholder voting rights
- Directors' Remuneration Report
- Committee terms of reference
- Institutional investor voting reports
- Evaluation of performance against Executive Directors' 2011 performance targets and setting of Executive Directors' 2012 performance targets
- Annual bonus structure and application across the Group
- Share scheme awards
- 2012 and 2013 performance targets under the PSP and MSP
- Chairman and Chief Executive's expenses
- Market updates

Membership of the Committee as at 31 December 2012 and the date of this report is set out in the panel on page 59. In addition, the Company Chairman, Chief Executive and the Director of HR & CR are invited to attend Committee meetings and contribute, except on matters relating to their own remuneration.

The Committee met more frequently than usual during 2012 as a result of its review of Capco's remuneration policy and executive remuneration. Attendance at the 12 meetings held during the year is shown in the table on page 54 and a summary of the matters considered by the Committee during the year is set out in the adjacent shaded box.

2. POLICY REPORT

This section of the Directors' Remuneration Report sets out Capco's remuneration policy. Details of actual remuneration paid, share awards made, and the associated performance conditions are set out within the implementation report which starts on page 66.

2.1 Remuneration policy

The key objectives of the Company's remuneration policy are to:

- Strongly align executive remuneration with shareholders' interests
- Underpin a pay-for-performance culture

- Support the retention, motivation and recruitment of talented people who are commercially astute and creative
- Encourage executives to acquire a meaningful holding of Capco shares

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

The remuneration policy is aligned to the strategy and nature of the Company, and reflects the importance of total return and the long-term nature of Capco's business rewarding the Executive Directors for delivering strong performance against the Company's Key Performance Indicators (KPIs).

Details of each element of remuneration, their purpose and link to strategy and performance metrics are set out in the policy table in section 2.3.

2.2 Review of remuneration policy

As explained in the introduction to this report, during the year the Committee conducted a review of Capco's remuneration policy and practices to ensure that they continue to be appropriately aligned with Company strategy and shareholder interests. The Committee concluded that the remuneration policy remains broadly appropriate and that the initial three-year remuneration package, which included a 2-for-1 co-investment opportunity, had been highly effective in motivating the Executive Directors to deliver exceptional returns to shareholders. The Committee further considered that the structure of the reward arrangements does not in any way encourage inappropriate risk taking. Details of the remuneration policy can be found in section 2.3.

As part of its review, the Committee developed a suite of proposals for Capco Executive Director remuneration which are fully described within this report and are summarised in the shaded box above.

The Committee has taken the opportunity to respond to a number of comments received from shareholders in response to our 2011 Directors' Remuneration Report, including changing the balance of personal and financial objectives for the Executive Directors, requiring more stretching performance for full vesting of awards made under the PSP and MSP, and the phased introduction of retrospective disclosure of annual bonus performance targets.

In addition the Committee has increased the shareholding requirement for Executive Directors and introduced bonus-malus on share-based incentive awards made from 2013 onwards.

The Committee Chairman and Company Chairman discussed the proposals with the Company's largest shareholders, and the Association of British Insurers (ABI) and Institutional Shareholder Services (ISS) during November and December 2012. The Committee Chairman subsequently also wrote to other shareholders to brief them on the proposals and seek their feedback. In total, the holders of more than 80 per cent of Capco's shares were briefed on the proposals as part of the review and the initial proposals were amended to take into account comment from a minority of shareholders who did not fully endorse the proposals.

SUMMARY OF CHANGES TO EXECUTIVE REMUNERATION IN 2013

- Increase Executive Director salary levels from April 2013 to move towards appropriate market positioning
- Move from three-yearly to annual salary reviews for Executive Directors
- Up-weight financial performance in the annual bonus from 50% to 75% of the bonus to reflect shareholder feedback (and correspondingly reduce the weighting on individual performance from 50% to 25%)
- Exercise discretion to increase the 2013 PSP award from 150% to 200% of salary on an exceptional basis. The additional 50% will only be earned for performance above the current stretch targets and will be subject to a two-year post-vesting holding period
- Offer the Executive Directors the opportunity to co-invest up to 150% of 2013 salary over the next three years under the MSP when permitted by scheme headroom with an exceptional matching opportunity of 2-for-1. Any matching opportunity above 1-for-1 will only be earned for performance above the current stretch targets
- Increase the individual Executive Director shareholding requirement from 150% of salary to 200% (300% for the Chief Executive) to further strengthen Executive Directors' alignment with shareholders' interests
- Introduce bonus-malus on share-based incentive awards made from 2013 onwards

The two main amendments were to limit executive salary increases in 2013 to 10 per cent and to include a two-year holding period on the additional 2013 PSP award.

The overall impact of the proposals (which operate within existing discretions) is to increase the fair value of the Chief Executive's total remuneration by approximately 10 per cent relative to the arrangements for 2012 (in line with his salary increase, with the tougher long-term incentive performance conditions offsetting the additional PSP opportunity). This figure equates to approximately 3.2 per cent per annum since Capco's listing. Relative to 2010, the last time an equivalent level of opportunity was offered, the increase is 0.9 per cent per annum which reflects the 3.2 per cent per annum increase in salary offset by a reduction in expected value due to the tougher long-term incentive performance conditions. As a percentage of salary, the overall expected value of incentives is lower than in 2010 due to the additional performance required to achieve the same matching levels.

It is the view of the Committee that individuals with the necessary capabilities and experience to deliver Capco's strategy successfully are few in number. The proposed level of salary for the Chief Executive is below median for the Company's peer group and the Committee will look to address this over time.

The Executive Directors will have the opportunity to earn incentives, but mainly over the long term and only based on performance against notably stretched targets, as described in section 3.6 of this report.

The Committee believes that the proposals will provide Capco with a remuneration structure for 2013 which supports the creation of sustainable shareholder value and will continue to align the interests of Executive Directors with those of shareholders by rewarding the Executive Directors for performance which achieves Capco's objectives and generates exceptional returns for shareholders. The Committee believes that the changes to Executive Director remuneration for 2013 are appropriate given their performance to date and the need to support delivery of Capco's strategy. An engaged and creative management team will have the opportunity to generate significant further growth for shareholders, however Capco's exceptional performance to date raises the bar for continued outperformance from these levels.

2.3 Policy table

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Changes for 2013
Base salary				
<p>To place appropriate emphasis on the performance-related elements of remuneration, while ensuring base salary remains appropriately competitive</p> <p>The Committee believes base salary for experienced Executive Directors should be at or above median, with the potential for an upper quartile total package</p>	<p>Reviewed on an annual basis, with any increase taking effect from 1 April</p> <p>The Committee reviews base salaries with reference to:</p> <ul style="list-style-type: none"> – other property companies (including the constituents of the long-term incentive plans' comparator group) – UK companies of a similar size – each Executive Director's performance and contribution during the year – scope of each Executive Director's responsibilities – changes to the remuneration and overall conditions of other employees <p>When reviewing base salaries, the Committee is mindful of the gearing effect that increases in base salary will have on the potential total remuneration of the Executive Directors</p>	<p>Base salary increases will be applied in line with the outcome of the annual review</p>	<p>Individual and Company performance are considerations in setting base salary</p>	<p>Introduction of annual salary reviews for Executive Directors</p> <p>Base salary increases that start to address the current misalignment with this policy will be effective from 1 April 2013 as set out in the implementation report on page 67</p>
Benefits				
<p>To be appropriately competitive with those offered at comparator companies</p>	<p>Benefits typically include private healthcare, life insurance and a cash car allowance</p>	<p>Benefits may vary by role and are reviewed periodically</p>	<p>Not performance-related</p>	<p>None</p>
Pension				
<p>To be appropriately competitive with that offered at comparator companies</p>	<p>Defined contribution pension scheme</p> <p>Executive Directors may elect to be paid some or all of this entitlement in cash</p>	<p>Current Company contribution is 24 per cent of base salary for Executive Directors</p>	<p>Not performance-related</p>	<p>None</p>

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Changes for 2013
Annual bonus				
<p>Performance measures and targets are selected each year to reinforce the strategic business priorities for the year</p> <p>Bonus deferral into shares is designed to provide further alignment with shareholders' interests</p>	<p>The annual bonus is reviewed prior to the start of each financial year to ensure performance measures and weightings are appropriate and support the business strategy</p> <p>The Committee reviews performance against the annual bonus targets but has the ability to take into account broader factors. Adjudication of bonuses will be explained in the Directors' Remuneration Report</p> <p>50 per cent of any bonus earned is deferred in Capco shares or nil-cost options for three years (under the MSP) subject to risk of forfeiture should an Executive Director leave the Company</p>	<p>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</p> <p>These limits may be exceeded in exceptional circumstances, such as supporting recruitment</p>	<p>Executives' performance is measured relative to challenging targets in key financial, operational, and strategic measures. The measures selected and their weightings vary each year according to the strategic priorities</p> <p>Measures and respective weightings used for the 2012 annual bonus, and proposed for the 2013 annual bonus are set out in the implementation report on pages 68 and 69</p>	<p>The weighting on financial performance was increased from 50% to 75% of bonus, while the weighting on individual performance decreased from 50% to 25%</p>
Performance Share Plan (PSP)				
<p>To incentivise and reward long-term outperformance, and help retain Executive Directors over the longer term</p>	<p>Executive Directors are eligible to receive awards under the PSP in market value share options, shares, or nil-cost options, at the discretion of the Committee</p>	<p>Each year participants may be granted up to 150 per cent of salary in shares or nil-cost options or up to 300 per cent of salary in market value share options</p> <p>In exceptional circumstances the Committee can make awards of up to 200 per cent of salary in shares or nil-cost options or up to 400 per cent of salary in market value share options</p>	<p>PSP awards vest on the third anniversary of the date of grant</p> <p>The vesting of awards is subject to the following conditions:</p> <ul style="list-style-type: none"> – continued employment – the Company's performance over a three-year performance period <p>Performance conditions applied to the PSP are reviewed annually by the Committee to ensure they remain relevant to the Company strategy and suitably stretching. Details of the performance conditions for the 2012 awards and those proposed for 2013 awards are provided in the implementation report on pages 70 to 72</p>	<p>For 2013 the Committee has decided to exercise discretion to award 200 per cent of salary in nil-cost options. However, the additional 50 per cent of salary to be awarded in 2013 can only be earned for performance above the current stretch targets and is subject to a two-year post-vesting holding period</p> <p>Bonus-malus will be introduced on PSP awards made from 2013 onwards</p>

2.3 Policy table continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Changes for 2013
Matching Share Plan (MSP)				
<p>To further align Executive Directors with shareholder interests</p> <p>To enable participants to enhance their long-term incentive opportunity by committing to significant long-term investment in the Company</p> <p>To provide a link between short-term and long-term remuneration</p>	<p>50 per cent of any bonus earned by an Executive Director is deferred in Capco shares or nil-cost options for three years under the MSP, subject to risk of forfeiture should an Executive Director leave the Company</p> <p>Executive Directors may also be offered the opportunity to co-invest up to 150% of salary in aggregate (across outstanding award cycles) under the MSP</p>	<p>Participants may earn up to one matching share for each invested share, in normal circumstances (up to 2-for-1 in exceptional circumstances)</p>	<p>MSP awards vest on the third anniversary of the date of grant</p> <p>The vesting of awards is subject to the following conditions:</p> <ul style="list-style-type: none"> – continued employment – the Company's performance over a three-year performance period <p>Performance conditions applied to the MSP are reviewed annually by the Committee to ensure they remain relevant to the Company strategy and suitably stretching. Details of the performance conditions for the 2012 awards and those proposed for 2013 awards are provided in implementation report on pages 70 to 72</p>	<p>Executive Directors will be offered the opportunity to co-invest up to 150% of salary over the next three years under the MSP with an exceptional matching opportunity of 2-for-1. The additional matching opportunity (i.e. above 1-for-1) can only be earned for performance above the 2010 co-investment award stretch targets</p> <p>The matching opportunity on deferred bonuses will remain at the normal level and subject to the same performance conditions as have applied to earlier awards</p> <p>Bonus-malus will be introduced on MSP awards made from 2013 onwards</p>

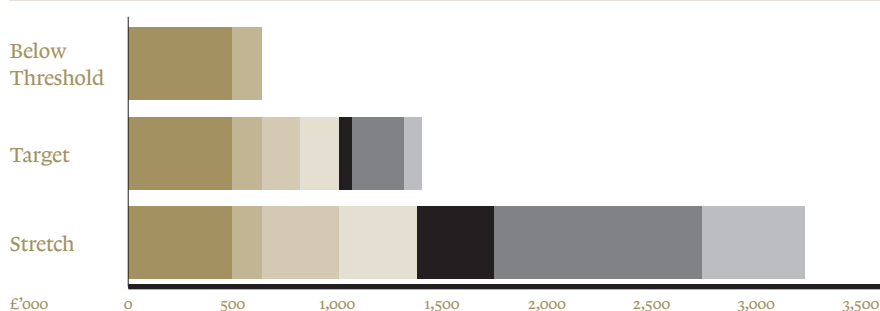
2.4 Performance scenarios

The potential reward opportunities illustrated in figure 2 on the following page are based on the policy which will apply in 2013, applied to the base salary at the salary review date 1 April 2013. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for 2013. It should be noted that the PSP and MSP awards granted in a year do not normally vest until the third anniversary of the date of grant. The co-investment award assumes co-investment by the individual of 50 per cent of salary in 2013. The projected values of long-term incentives shown here exclude the impact of share price movement and dividends. In illustrating potential reward opportunities the following assumptions have been made:

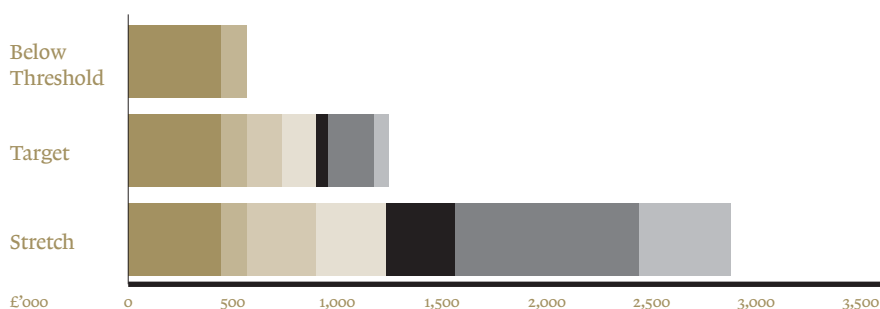
Scenario	Annual bonus	PSP and MSP	Fixed pay
Below threshold	No bonus payable	Threshold not achieved	
Target	On target bonus	Performance warrants threshold vesting	Base salary, pension, benefits
Stretch	Maximum bonus	Performance warrants full vesting	

The graphs below provide estimates of the potential future reward opportunity for each Executive Director, and the potential split between the different elements of remuneration under three different performance scenarios; 'Below threshold', 'Target' and 'Stretch'.

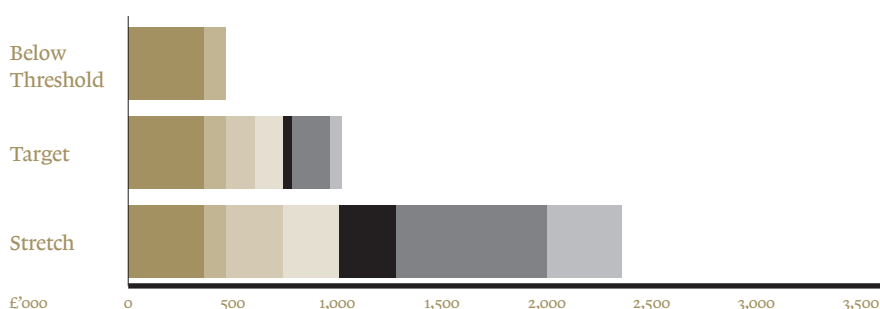
FIGURE 2:
CHIEF EXECUTIVE



INVESTMENT DIRECTOR



FINANCE DIRECTOR



● Salary ● Pension and Benefits ● Cash Bonus
 ● Def Bonus ● MSP
 ● PSP ● Co-investment Plan

2.5 Remuneration of senior executives below the Board

The policy and practice with regard to the remuneration of senior executives below the Board is consistent with that for the Executive Directors. These executives have not, to date, participated in the MSP but do participate in the PSP with past awards being subject to the same performance conditions as those made to Executive Directors. The 2013 awards made to senior executives below the Board will be subject to the same performance conditions as previous years' awards.

In exceptional circumstances, such as recruitment, long-term incentive awards may be granted without performance conditions to participants below the Board.

2.6 Employment contracts and policy on 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. 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. An individual would generally be considered a 'good leaver' if they left the Group's employment by reason of injury, ill-health, disability approved by the Committee, redundancy or retirement with the agreement of the employing company. However an individual may be considered a 'good leaver' for any other reason at the absolute discretion of the Committee.

2.7 Summary of Executive Directors' service contracts

	Commencement Date	Notice Period
Ian Hawksworth	17 May 2010	12 months
Soumen Das	17 May 2010	12 months
Gary Yardley	17 May 2010	12 months

2.8 Relative importance of spend on pay

The graphs in figure 3 below illustrate Capco's profit after tax, dividends, and total employee pay expenditure (this includes pension, variable pay, and social security) for the financial years ended 31 December 2011 and 31 December 2012, and the percentage change in each. The measures above are those prescribed by the new disclosure requirements, however they do not reflect Capco's KPIs, which are explained on page 11. Accordingly, graphs showing Capco's one-year total property return and total return are also included below.

2.9 How the Committee takes account of employee views, general employee pay increases and shareholder views

When setting Executive Director pay the Committee considers the remuneration and overall conditions of all employees. The Committee does not consult with employees when deciding remuneration policy, however the Committee receives regular updates on salary increases, bonus and share awards made to Group employees and is aware of how the remuneration of Directors compares to that of other employees. These matters were taken into account when conducting the review of executive remuneration.

The Chief Executive is to receive a pay increase of 10 per cent in 2013. This is his first increase in salary since Capco listed in 2010 and is equivalent to an increase of 3.2 per cent per annum since 2010. The average salary increase awarded to all Group employees below Board level in respect of 2013 is expected to be 4.3 per cent.

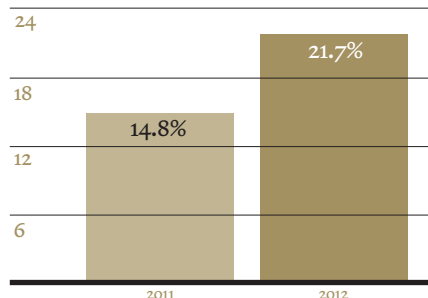
It is the Remuneration Committee's policy to consult with major shareholders prior to any major changes to its executive remuneration policy. The shareholder engagement undertaken by the Committee Chairman and Company Chairman during November and December 2012, and its conclusions, are described in section 2.2 of this report.

3. IMPLEMENTATION REPORT

This section of the Directors' Remuneration Report explains how Capco's remuneration policy has been implemented during the year. The implementation report contains details of the emoluments paid to each Director, and details of each Director's shareholdings.

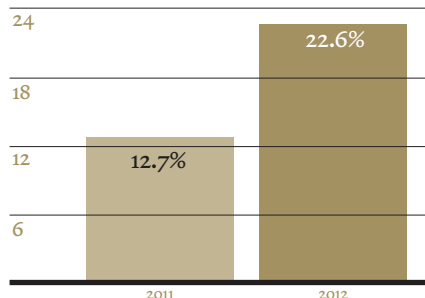
FIGURE 3: RELATIVE SPEND ON PAY

TOTAL PROPERTY RETURN



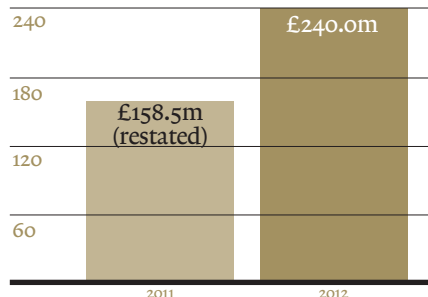
6.9% change from 2011 to 2012

TOTAL RETURN



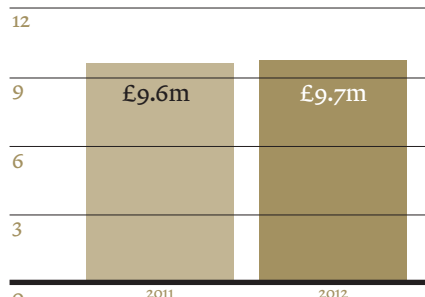
9.9% change from 2011 to 2012

PROFIT AFTER TAX



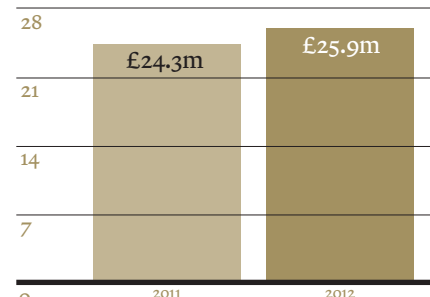
51.4% change from 2011 to 2012

DIVIDENDS



1.0% change from 2011 to 2012

EMPLOYEE COSTS



6.6% change from 2011 to 2012

3.1 Directors' emoluments

Name	Salary and service contract remuneration £	Benefits in kind ³ £	Annual bonus £	Other £	Directors' fees £	Aggregate emoluments 2012 £	Aggregate emoluments 2011 £	2012 pension contributions £
Chairman								
Ian Durant ¹	–	3,060	–	68,000	180,000	251,060	250,235	–
Executive Directors								
Ian Hawksworth ²	450,000	3,411	320,625	126,000	–	900,036	888,735	–
Soumen Das ²	337,500	3,168	250,000	99,000	–	689,668	604,735	–
Gary Yardley ²	400,000	3,411	285,000	114,000	–	802,411	792,235	–
Non-executive Directors								
Ian Henderson	–	–	–	–	70,000	70,000	70,000	–
Graeme Gordon	–	–	–	–	40,000	40,000	40,000	–
Andrew Huntley	–	–	–	–	50,000	50,000	50,000	–
Demetra Pinsent ⁴	–	–	–	–	30,000	30,000	–	–
Henry Staunton	–	–	–	–	60,000	60,000	55,247	–
Andrew Strang	–	–	–	–	55,000	55,000	55,000	–
<i>Former Director</i>								
David Fischel	–	–	–	–	–	–	6,667	–
Total	1,187,500	13,050	855,625	407,000	485,000	2,948,175	2,812,854	–

1 The original terms of the Chairman's remuneration have been varied such that a proportion is paid into a SIPP arrangement and a cash payment is made in lieu of pension contributions. These amounts are included in 'Other' above.

2 As permitted by their service contracts, the Executive Directors have elected to receive a cash payment in lieu of pension contributions. A proportion of these payments has been paid into SIPP arrangements. These amounts are included in 'Other' above and '2012 pension contributions' have been reduced accordingly. Cash car allowances are also included under 'Other' above.

3 The benefits in kind provided to the Chairman and Executive Directors comprise medical insurance.

4 Appointed 1 May 2012.

3.2 Salary increases

On listing, the Executive Directors' salaries were fixed for three years to allow the Committee to assess a then unproven management team. During 2012, Soumen Das' salary was increased from £300,000 to £350,000 following the Committee's assessment of his performance in the role of Finance Director and his ongoing contribution to Capco. As explained above, no other Executive Director has received a salary increase since the Company's listing in 2010.

Over the three years since listing, the salary positioning of the Executive Directors has fallen below the levels that the Committee believes to be appropriate for the contribution and experience of the individuals concerned and it is intended that they will be increased with effect from 1 April 2013 to start to address this.

When setting Executive Director pay the Committee also considers changes to the remuneration and conditions of other employees.

The proposed revised salaries for the Executive Directors are set out in the table below:

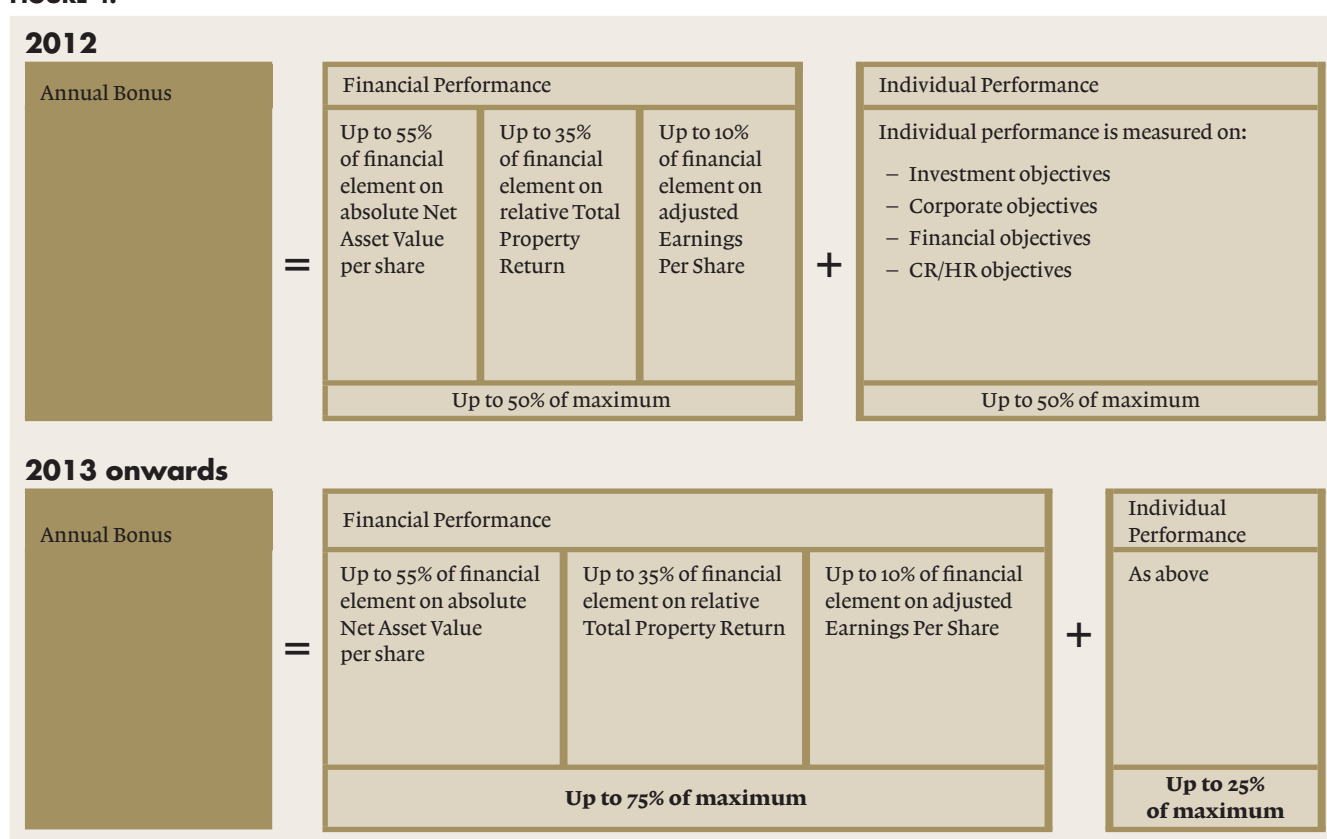
Executive Director salaries – 2012 and 2013

Executive Director	2012/13 salary	2013/14 salary	% Increase	Date of increase	Notes
Ian Hawksworth Chief Executive	£450,000	£495,000	10.0%	1 April 2013	Equivalent to +3.2% p.a. since listing
Gary Yardley Investment Director	£400,000	£440,000	10.0%	1 April 2013	Equivalent to +3.2% p.a. since listing
Soumen Das Finance Director	£350,000	£360,000	2.9%	1 April 2013	In line with salary increases across the Group

3.3 Variable pay – additional disclosures

Executive Directors may earn bonuses depending on the Company's financial performance and their own individual performance. Since 2010 the annual bonus has been awarded 50 per cent on financial performance, and 50 per cent on individual performance. For 2013 onwards, in response to feedback from shareholders, it is intended that awards will be based 75 per cent on financial performance, and 25 per cent on individual performance. The current and revised structures are illustrated below.

FIGURE 4:



The financial performance element for the year ended 31 December 2012 was based on growth in absolute NAV per share, Total Property Return relative to the IPD Total Return All Property Index, and adjusted EPS. The Committee has decided that, subject to the rebalancing of weightings between financial and individual performance measures shown above, these measures remain appropriate for 2013 as they reflect the KPIs by which the Company measures its success. Further information on the Company's KPIs can be found on page 11.

The revised weightings of each financial measure reflect the Committee's view of their relative importance for 2013 given the current stage in the execution of Capco's

strategy. The key area of focus for 2013 continues to be capital growth.

The annual financial performance targets are set by the Committee in the first quarter of each year following an analysis of external and internal expectations compiled by the Committee's independent adviser, Kepler Associates. The Committee sets targets it believes to be appropriately stretching, but achievable.

In determining the annual targets for these measures in 2012, the Committee recognised the long-term nature of some aspects of the Company's strategy, particularly with regard to its land interests at Earls Court, and the extent to which this would be reflected in these measures on a 12-month horizon.

In respect of the year ended 31 December 2012, the Company performed strongly against each of its financial targets, for example both NAV per share and adjusted EPS were over 9 per cent higher than the top end of the target range set by the Committee, whilst the Total Property Return at 21.7 per cent compares to 2.4 per cent for the IPD index. Accordingly awards of 75 per cent of salary were made to each Executive Director in respect of the financial performance measures.

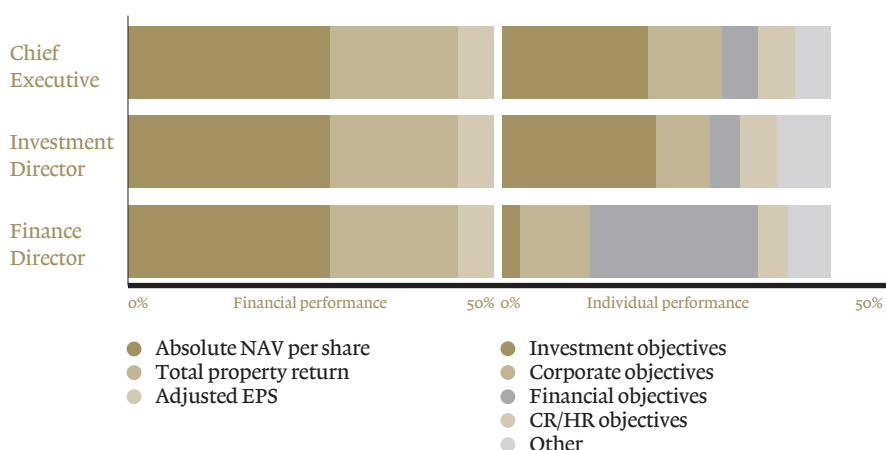
The annual individual performance targets for the Executive Directors are approved by the Committee in the first quarter of each year following discussion between the Committee Chairman and the Chief Executive.

Why is each performance measure appropriate for Capco?	
Measure	Reason
Growth in Net Asset Value per share	Considered by the Committee to be the most important driver of value creation for Capco at the present time, in particular in connection with the Earls Court land interests
Relative Total Property Return	Rewards the additional value added to the portfolio by management over and above any changes in value from tracking the property market as a whole, as measured by IPD
Earnings per share	Rewards growth in net rental income (of particular relevance to the Covent Garden portfolio and the exhibitions business), as well as the management of financing and other costs. However, given the current stage of the Company's development, the Committee considers EPS to be less relevant as an indicator of value creation than capital growth

The individual targets for the Executive Directors encompassed all the key aspects of the business and included specific investment objectives relating to Capco's assets including targets relating to investments, disposals and developments, financial objectives relating to reporting, treasury, debt, corporate finance and taxation, and objectives which focused on CR, HR and personal development. The weighting of each measure varies by role, and the specific objectives are tailored to the key areas of focus for each individual. The Executive Directors were each considered to have delivered excellent performance in 2012, including the securing of planning consents for Seagrave Road and resolutions to grant planning consent for the Earls Court Masterplan, significant progress towards finalising the CLSA and the achievement of the financial objectives. Accordingly, awards of 67.5 per cent of salary were made to each Executive Director in respect of the individual performance measures.

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, under the MSP, subject to risk of forfeiture should the Executive Director leave the Company. Figure 5 above summarises performance against both the financial and individual performance targets for 2012.

FIGURE 5: OUTCOME OF 2012 BONUS PERFORMANCE OBJECTIVES



SUMMARY OF EXECUTIVE DIRECTOR BONUSES 2012

Executive Director	Cash	Deferred shares	Total
Ian Hawsworth	£320,625	£320,625	£641,250
Soumen Das	£250,000	£250,000	£500,000
Gary Yardley	£285,000	£285,000	£570,000

3.4 Matching Share Plan (MSP)

Executive Directors may earn one matching share or nil-cost option for each deferred share awarded under the annual bonus, based on performance over three years. Details of the performance conditions are provided in the long-term incentive performance conditions section below. The matching opportunity on deferred bonus shares may be increased to 200 per cent in exceptional circumstances, however this discretion has not been exercised by the Committee to date.

In 2010 (the inception year of Capco), Executive Directors were invited to co-invest up to 150 per cent of salary in 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 Committee had discretion to extend the initial investment period to 24 months, and exercised this discretion during 2011 as the Company was subject to extended restricted periods during which Directors were unable to purchase Capco shares.

The normal matching level permitted for co-investment under the MSP is a 1-for-1 match although this may be increased to a 2-for-1 match in exceptional circumstances. There is no grossing up for tax in determining the level of matching award on co-investments made. The higher matching level of the initial co-investment opportunity was intended to help 'kick-start' the plan by ensuring executives were highly motivated to maximise their commitment, and drive the long-term performance of Capco. Ian Hawksworth (£675,000) and Gary Yardley (£600,000) invested the maximum investment permitted under these arrangements in 2011, and Soumen Das made investments totalling 80 per cent (£359,000) of the maximum during the co-investment period.

The Committee considers that the MSP has been highly successful and has played a crucial role in motivating and retaining management. Accordingly, and in light of the Company's strong performance since 2010, delivering total shareholder return of 139.8 per cent and outperforming the comparator group by 52.0 per cent (which significantly exceeds the maximum level of performance rewarded under the current performance conditions) the Committee intends to offer the Executive Directors an opportunity to invest up to 150 per cent of 2013 salary over the next three years when

permitted by scheme headroom with an exceptional matching opportunity of 2-for-1. The additional matching opportunity can only be earned for performance above the 2010 co-investment stretch targets, as illustrated in figure 6.

3.5 Performance Share Plan (PSP)

The operation of, and the maximum opportunities under, the PSP are explained on page 63. In 2011 and 2012, in line with common market practice, the Committee made awards to Executive Directors of 150 per cent of salary in nil-cost options which utilise a lower proportion of the Company's share capital than market value share options. Following the review of executive remuneration the Committee has decided that an exceptional award of 200 per cent of salary in nil cost options will be made in 2013 in light of the Company's strong performance since demerger, delivering total shareholder return of 139.8 per cent and outperforming the comparator group by 52.0 per cent (which significantly exceeds the maximum level of performance rewarded under the current performance conditions).

Details of the performance conditions that apply to awards made under the PSP are set out in the next section. The potential additional 50 per cent of salary to be awarded in 2013 can only be earned for performance above the current stretch targets, as illustrated in figure 6 and will be subject to a two-year post-vesting holding period.

The Committee continues to explore ways 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. No changes are proposed at this time.

3.6 Long-term incentive performance conditions

The current performance conditions are the same for both the MSP and PSP and comprise two measures:

- Three-year relative Total Return (TR, growth in NAV per share plus dividends)
- Three-year relative Total Shareholder Return (TSR, increase in price of an ordinary share plus dividends)

The measures are weighted equally, i.e. 50 per cent of an award is subject to performance against each of these measures.

The Committee believes that these two measures are the most appropriate measures of long-term success for Capco as long-term relative performance provides an appropriately objective and relevant measure of Capco's success which is strongly aligned with shareholders' interests.

The Committee believes that NAV is the most important internal measure of success for Capco. Accordingly the Committee considered it appropriate to reward NAV performance under both the short and long-term incentive arrangements, with absolute NAV being used in respect of the annual bonus arrangements and relative NAV (as the main component of TR) being used in respect of the PSP and MSP. NAV is used as a performance measure by around 70 per cent of FTSE 350 property companies in their annual bonus arrangements.

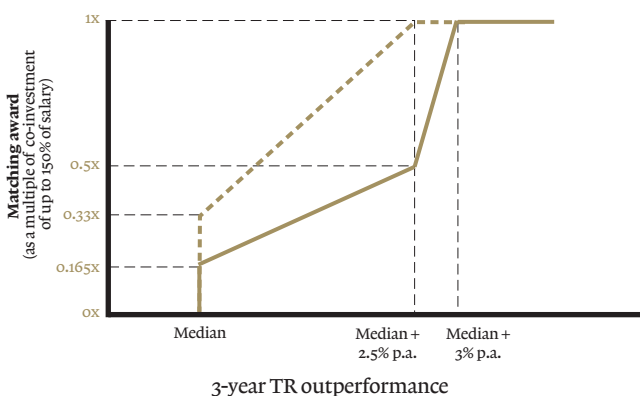
Relative TSR helps align the interests of Executive Directors with shareholders by incentivising share price growth, and, in the Committee's view, provides an objective measurement of the Company's long-term success.

Following its review of executive remuneration, the Committee concluded that the existing performance measures remained appropriate but that more stretching targets would be required for full vesting of PSP and co-investment awards to be made in 2013. The new performance conditions were set by the Committee following an analysis of internal and external expectations, and are believed to be appropriately stretching. The Committee believes relative TSR outperformance of +4 per cent per annum to be broadly equivalent to an upper quartile level of performance. Additionally, as Capco's shares currently trade at a premium to NAV, achieving the TSR outperformance target will be tougher than for others of the comparator group.

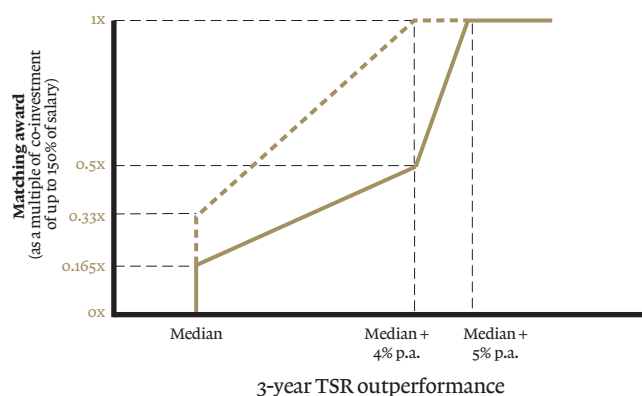
The performance conditions for the MSP and PSP awards made previously (which will continue to apply to MSP awards made in respect of deferred bonus) and the new performance conditions for MSP co-investment and PSP awards to be made in 2013 are illustrated in figure 6 on page 71. Under the new performance conditions, for all levels of outperformance below the 2010 stretch targets, the matching opportunity will be half the co-investment opportunity offered in 2010.

FIGURE 6: PERFORMANCE MEASURES FOR THE MSP

50% ON TR



50% ON TSR

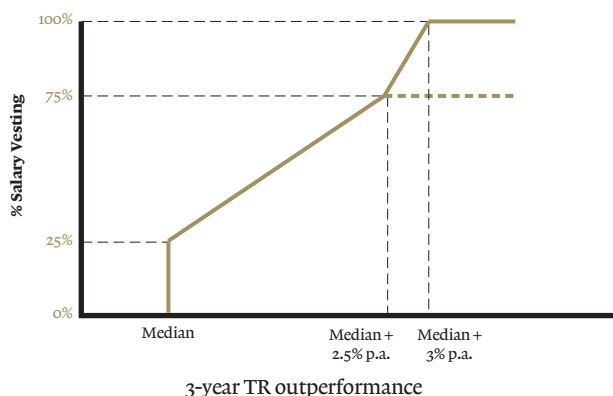


— 2013 - - - 2010 co-investment and awards made in respect of deferred bonus

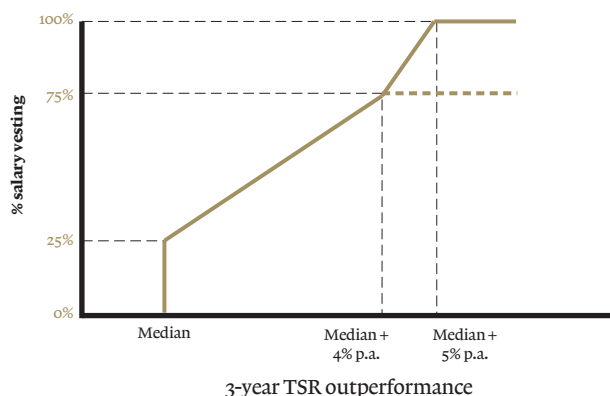
Under the revised performance targets a lower proportion of the award vests for median performance and the 1-for-1 match will vest if performance meets the current stretch targets. More stretching performance is needed for the award to vest in full.

PERFORMANCE MEASURES FOR THE PSP

50% ON TR



50% ON TSR



— 2013 - - - 2012 and previous years

Under the revised targets the maximum standard award of 150% of salary will vest if performance meets the current stretch targets. More stretching performance is required for the award to vest in full.

TR AND TSR COMPARATOR GROUP FOR THE PSP AND MSP

British Land	Intu Properties
Capco	Land Securities
Derwent London	Segro
Great Portland Estates	Shaftesbury
Hammerson	

Performance is measured relative to a comparator group comprising the eight largest FTSE 350 property companies and Capco. Following its review of executive remuneration, the Committee concluded that the existing comparator group remained appropriate for the 2013 awards. The members of the comparator group are shown in figure 6.

In order for any awards to vest, the Committee must also 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.

3.7 Chairman and Non-executive Director service contracts and remuneration

The Chairman has been appointed for an initial term, subject to annual re-election by shareholders, which will expire at the 2013 AGM. The Chairman's annual base fee was originally £200,000 plus an annual car allowance of £18,000, although this has been varied such that a proportion is paid into a SIPP arrangement. During his first three years the Chairman also received a supplement of 15 per cent of his base fee in lieu of any pension contributions. In addition, the Company made a matching award of deferred shares comprising 200 per cent of the number of invested shares in respect of each Capco share he purchased within the first 12 months of inception of Capco (up to 150 per cent of his base fee.) This represented a 1-for-1 match, grossed up on the basis of an income tax rate of 50 per cent. The award will vest on the third anniversary of inception of Capco on 10 May 2013, subject to his continuing in office.

The Remuneration Committee has reviewed the Chairman's remuneration arrangements

in light of his performance since Capco's inception and with regard to market comparatives, and has agreed that the Chairman's fee be increased to £225,000 per annum, subject to annual review, with effect from his re-election at the 2013 AGM. All other transitional benefits will cease at this date with the exception of private health cover which will be maintained. As a result of the cessation of transitional benefits the Chairman's ongoing remuneration will fall by 9 per cent (£23,000).

The remuneration of the Non-executive Directors is considered by the Chairman and the Chief Executive, with regard to market comparatives, and recommended to the Board as a whole. The Non-executive Director fees are reviewed annually and have not changed since the demerger. The basic annual fee for Non-executives has been £40,000 with an additional £5,000 for membership of a committee and £10,000 for chairing a committee and for the Senior Independent Director role. The fees were reviewed during 2012, and it was agreed that they would be increased as set out below with effect from 1 May 2013.

Fee	2010-2012	2013
Basic fee	£40,000	£44,000
Committee member	£5,000	£5,500
Committee Chairman	£10,000	£11,000
Senior Independent Director	£10,000	£11,000

The Non-executive Directors do not receive any pension, bonus or long-term incentive benefits from the Company. With the exception of Demetra Pinsent, whose letter of appointment contains a one-month notice period, the letters of appointment of the Non-executive Directors have no notice periods. The letters of appointment are reviewed by the Board annually.

3.8 Statement of shareholder voting

At the Company's 2012 Annual General Meeting, a total of 454,863,806 votes were cast on the advisory vote approving the 2011 Directors' Remuneration Report. Of these votes, 399,712,356 (87.88 per cent) votes were cast in favour of the resolution. The following table shows the results of the advisory vote on the 2011 Directors' Remuneration Report at the 20 April 2012 AGM:

For	Against	Abstentions
87.8%	12.1%	0.1%

It is the Committee's policy to consult with major shareholders prior to any major changes to its executive remuneration structure. The shareholder engagement undertaken by the Committee Chairman and Company Chairman during November and December 2012, and its conclusions, are described in section 2.2 of this report.

3.9 Remuneration Committee advisers

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 Associates is a member of the Remuneration Consultants Group and adheres to its code of conduct.

Other than advice to the Committee no other services were provided by Kepler Associates to the Company. During 2012 the Company paid a total of £221,000 to Kepler Associates, whose fees were charged on a time basis.

During the year the Committee also received legal advice from Norton Rose LLP. Other than advice to the Committee no other services were provided by Norton Rose LLP to the Company. During 2012 the Company paid a total of £3,000 to Norton Rose LLP, whose fees were charged on a time basis.

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

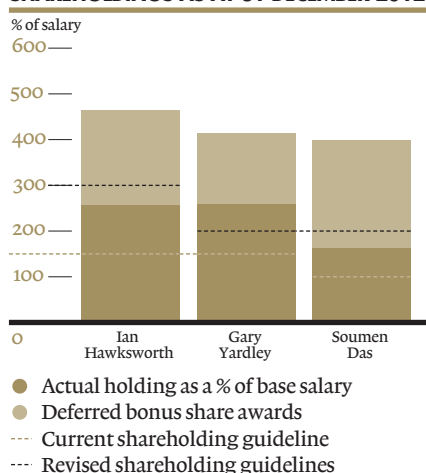
	Date of appointment	Date of most recent letter of appointment	Unexpired term
Graeme Gordon	23 Feb 2010	23 April 2012	3 months
Ian Henderson	23 Feb 2010	23 April 2012	3 months
Andrew Huntley	23 Feb 2010	23 April 2012	3 months
Demetra Pinsent	1 May 2012	28 March 2012	27 months
Henry Staunton	2 June 2010	7 June 2010	3 months
Andrew Strang	23 Feb 2010	23 April 2012	3 months

3.10 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 122.

At present 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. Each Executive Director has met the existing shareholding requirement. The Committee has decided that, with effect from 2013, the shareholding requirement will be increased to 300 per cent of salary in the case of the Chief Executive and 200 per cent in the case of the other Executive Directors, to be achieved by retaining at least 50 per cent of any vested share awards (net of tax) and/or within three

FIGURE 7: EXECUTIVE DIRECTOR SHAREHOLDINGS AS AT 31 DECEMBER 2012



years. The Committee believes that the revised shareholding requirements are the most stringent in the UK property sector. The current shareholdings of the Executive Directors are illustrated in figure 7.

3.11 External Non-executive Directorships

The Company's policy is to encourage each Executive Director to take up one or more Non-executive Directorships, subject to Board approval. Fees received for serving as a Non-executive Director of a company outside the Capco Group are retained by the Executive Director. During the year Ian Hawksworth received a fee of £25,000 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.

Directors' interests in shares and share schemes:

(a) Summary of Directors' interests in shares and share schemes

Executive Director	Shares held	Deferred nil-cost share options ¹	Share options awarded under PSP ²	MSP nil-cost options ²	Matching share awards ²	Total
Ian Hawksworth	479,069	382,514	2,524,349	771,410	564,826	4,722,168
Soumen Das	236,470	255,009	1,686,068	517,949	210,000	2,905,496
Gary Yardley	427,972	340,013	2,244,922	715,637	477,158	4,205,702
Total	1,143,511	977,536	6,455,339	2,004,996	1,251,984	11,833,366

¹ Subject to three-year holding period.

² Subject to performance conditions.

The Executive Directors have interests in a total of 11,833,366 shares.

(b) Outstanding awards made under Performance Share Plan¹

Name	Year granted	Option price (pence)	Held at 1 January 2012	Granted during the year	Exercised during the year	Held at 31 December 2012	Exercisable between
Ian Hawksworth	2010	103.87	1,732,935	—	—	1,732,935	28/05/13 – 27/05/20
Ian Hawksworth	2011	157.73	19,019	—	—	19,019	21/03/14 – 20/03/21
Ian Hawksworth	2011	NIL	418,436	—	—	418,436	21/03/14 – 20/03/21
Ian Hawksworth	2012	NIL	—	353,929	—	353,959	09/03/15 – 08/03/22
Soumen Das	2010	103.87	1,155,290	—	—	1,155,290	28/05/13 – 27/05/20
Soumen Das	2011	157.73	19,019	—	—	19,019	21/03/14 – 20/03/21
Soumen Das	2011	NIL	275,787	—	—	275,787	21/03/14 – 20/03/21
Soumen Das	2012	NIL	—	235,972	—	235,972	09/03/15 – 08/03/22
Gary Yardley	2010	103.87	1,540,387	—	—	1,540,387	28/05/13 – 27/05/20
Gary Yardley	2011	157.73	19,019	—	—	19,019	21/03/14 – 20/03/21
Gary Yardley	2011	NIL	370,886	—	—	370,886	21/03/14 – 20/03/21
Gary Yardley	2012	NIL	—	314,630	—	314,630	09/03/15 – 08/03/22
Total			5,550,778			6,455,339	

¹ Subject to performance conditions that apply to awards made under the PSP and MSP, as set out on page 71.

The market price of Capital & Counties Properties PLC shares on 31 December 2012 was 242p and during the year the price varied between 179.1p and 250.6p.

(c) Matching Share Plan

 (i) Deferred shares ¹

The following awards of deferred nil-cost options made to Executive Directors in respect of annual bonus are outstanding:

Name	Year granted	Market price on date of grant	Option price (pence)	Held at 1 January 2012	Granted during the year	Exercised during the year	Held at December 2012	Exercisable between
Ian Hawksworth	2011	£1.60	NIL	205,535	–	–	205,535	18/03/14 – 17/03/21
Ian Hawksworth	2012	£1.91	NIL	–	176,979	–	176,979	09/03/15 – 08/03/22
Soumen Das	2011	£1.60	NIL	137,023	–	–	137,023	18/03/14 – 17/03/21
Soumen Das	2012	£1.91	NIL	–	117,986	–	117,986	09/03/15 – 08/03/22
Gary Yardley	2011	£1.60	NIL	182,698	–	–	182,698	18/03/14 – 17/03/21
Gary Yardley	2012	£1.91	NIL	–	157,315	–	157,315	09/03/15 – 08/03/22
Total				525,256			977,536	

 (ii) Matched deferred shares ¹

The following awards of matching nil-cost options made to Executive Directors following their award of deferred nil-cost options in respect of annual bonus are outstanding:

Name	Year granted	Market price on date of grant	Option price (pence)	Held at 1 January 2012	Granted during the year	Exercised during the year	Held at December 2012	Exercisable between
Ian Hawksworth	2011	£1.60	NIL	205,535	–	–	205,535	18/03/14 – 17/03/21
Ian Hawksworth	2012	£1.91	NIL	–	176,979	–	176,979	09/03/15 – 08/03/22
Soumen Das	2011	£1.60	NIL	137,023	–	–	137,023	18/03/14 – 17/03/21
Soumen Das	2012	£1.91	NIL	–	117,986	–	117,986	09/03/15 – 08/03/22
Gary Yardley	2011	£1.60	NIL	182,698	–	–	182,698	18/03/14 – 17/03/21
Gary Yardley	2012	£1.91	NIL	–	157,315	–	157,315	09/03/15 – 08/03/22
Total				525,256			977,536	

¹ Subject to performance conditions that apply to awards made under the PSP and MSP, as set out on page 71.

(iii) Matching of Directors' co-investment ¹

The following awards of matching nil-cost options made to Executive Directors following their purchase of ordinary shares in the Company are outstanding:

Name	Year granted	Option price (pence)	Held at 1 January 2012	Granted during the year	Exercised during the year	Held at December 2012	Exercisable between
Ian Hawksworth	2011	NIL	386,066	–	–	386,066	21/12/14 – 20/12/21
Ian Hawksworth	2011	NIL	2,830	–	–	2,830	22/12/14 – 21/12/21
Soumen Das	2011	NIL	62,692	–	–	62,692	03/06/14 – 04/06/21
Soumen Das	2012	NIL	–	125,400	–	125,400	28/03/15 – 27/03/22
Soumen Das	2012	NIL	–	40,000	–	40,000	15/05/15 – 14/05/22
Soumen Das	2012	NIL	–	34,848	–	34,848	16/05/15 – 15/05/22
Gary Yardley	2011	NIL	354,870	–	–	354,870	21/12/14 – 20/12/21
Gary Yardley	2011	NIL	18,020	–	–	18,020	21/12/14 – 20/12/21
Gary Yardley	2011	NIL	2,734	–	–	2,734	22/12/14 – 21/12/21
Total			827,212			1,027,460	

The following awards of matching shares made to Executive Directors following their purchase of ordinary shares in the Company are outstanding:

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

¹ Subject to performance conditions that apply to awards made under the PSP and MSP, as set out on page 71.

(d) Awards made under the Chairman's matching arrangements

The following awards of matching shares made to the Chairman are outstanding:

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

DIRECTORS' REPORT

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 December 2012.

PRINCIPAL BUSINESS ACTIVITIES

The Group manages and develops a portfolio of property investments concentrated in west London and the West End.

BUSINESS REVIEW

Together with the Corporate Governance section, the information referred to below fulfils the requirements of the business review provisions in Section 417 of the Companies Act 2006, and is contained within the following sections of the Annual Report:

	Pages
– Chairman's statement	6 and 7
– Chief Executive's review	8 and 9
– Our business model and strategy	10
– Key performance indicators	11
– Principal risks and uncertainties	12 to 15
– Operating review	18 to 35
– Financial review	36 to 41
– Corporate Responsibility Report	42 to 47

DIRECTORS

The Directors of the Company who held office during the year were as follows:

Chairman:

I.C. Durant

Executive Directors:

I.D. Hawksworth

S. Das

G.J. Yardley

Non-executive Directors:

I. J. Henderson

G. J. Gordon

A. J. M. Huntley

D. Pinsent (appointed 1 May 2012)

H. E. Staunton

A. D. Strang

Biographies of each Director can be found on pages 48 and 49 and details of each Director's interests in the Company's shares are set out on page 122.

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.

The rules governing the appointment and replacement of Directors are contained in the Company's Articles of Association and UK legislation. In compliance with the UK Corporate Governance Code, at the 2013 Annual General Meeting all the Directors will retire from office and will offer themselves for election or re-election.

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 scheme may cause share 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.

DIRECTORS' CONFLICTS OF INTEREST

The Company has procedures in place for managing conflicts of interests. Should a Director become aware that they, or a connected party, have an interest in an existing or proposed transaction with the Group, they should notify the Company Secretary before the next meeting or at the meeting. Directors have a continuing obligation to update any changes to these conflicts.

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' liability insurance which is reviewed annually.

ARTICLES OF ASSOCIATION

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

DIVIDENDS

The Directors have proposed the following dividends:

Interim dividend paid on 1 8 September 2012	0.5 p per ordinary share
Proposed final dividend to be paid on 20 June 2013	1.0 p per ordinary share
Total proposed dividend for 2012	1.5 p per ordinary share

Pursuant to the Capco Scrip Dividend Scheme approved at the 2012 AGM, a scrip dividend alternative was offered to shareholders in respect of the 2011 final dividend and the 2012 interim dividend. Subject to SARB approval a scrip dividend alternative will also be offered to shareholders in respect of the proposed final dividend for 2012.

The proposed final dividend will be paid on 20 June 2013 to shareholders whose names are on the register at 24 May 2013.

CAPITAL STRUCTURE

Details of the Company's issued ordinary share capital, including details of movements in the issued share capital during the year, authorities to issue or repurchase shares and details of shares repurchased by the Company during the year, are shown in notes 31 and 32 to the financial statements on page 113. Each share carries the right to one vote at general meetings of the Company, with the exception of shares held in treasury which carry no voting rights.

There are no specific restrictions on the transfer of shares 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. Details of significant shareholdings are set out on the next page.

CHANGE OF CONTROL PROVISIONS

There are a number of agreements which take effect, alter or terminate upon a change of control of the Company. The agreements that would be considered significant are the £300m Covent Garden debt facility, the £70m revolving credit facility and the Seagrave Road joint venture.

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 2013, are shown in the table below:

Holder	Shares held at time of last notification	Per cent held at time of last notification	Nature of holding	Date of last notification
BlackRock, Inc.	127,278,181	16.91%	Indirect interest	25 January 2013
Gordon Family Interests	92,143,204	12.23%	Direct interest	2 October 2012
Coronation Asset Management (pty) Limited	91,098,284	12.10%	Direct interest	22 October 2012
Norges Bank	58,005,475	7.70%	Direct interest	28 September 2012
Public Investment Corporation	37,326,761	4.96%	Direct interest	13 February 2013

EMPLOYEES

The Group employees are employed by C & C Management Services Limited, Earls Court & Olympia Limited and Olympia Limited. The Group's employees are kept informed of its activities and financial performance through head office briefings at key points during the year and the circulation of corporate announcements and other relevant information to staff which are supplemented by updates on the intranet.

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 116 to 119.

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 all employees.

Information relating to employees is given in note 9 on page 93. The Group provides retirement benefits for the majority of its employees. Details of the Group pension arrangements are set out in note 40 on pages 120 to 122.

CORPORATE RESPONSIBILITY

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 Corporate Responsibility activity is set out on pages 42 to 47.

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 continuously to 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 £104,150 (2011: £118,217). Further information on charitable donations can be found in the Corporate Responsibility report on page 44. There were no political donations made during the year.

CREDITOR PAYMENT POLICY

Capco is a signatory to the Prompt Payment Code. 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 2012 and the amounts owed to its creditors as at 31 December 2012 was nil days (2011: nil).

OVERSEAS BRANCH REGISTER

For the purposes of its listing on the JSE, 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 significant headroom against its financial covenants, as disclosed on page 126.

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 or herself 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 2013 Annual General Meeting of the Company will be held on 3 May 2013. The Notice of the Meeting, together with an explanation of the business to be dealt with at the Meeting, is included as a separate document sent to shareholders who have elected to receive hard copies of shareholder information and is also available on the Company's website.

By Order of the Board



R. E. Pavey
Company Secretary

28 February 2013

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 prepared 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 (EU) 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 28 February 2013.



Ian Hawksworth
Chief Executive



Soumen Das
Finance Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPITAL AND COUNTIES PROPERTIES PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPITAL & COUNTIES PROPERTIES PLC (COMPANIES REGISTRATION NUMBER 7145051)

We have audited the Group and Parent Company financial statements (the "financial statements") of Capital & Counties Properties PLC for the year ended 31 December 2012 which comprise the Group and Company Balance Sheets, the consolidated Income Statement, the consolidated Statement of Comprehensive Income, the Group and Company Statements of Cash Flow, the Group and 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 78, 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. In addition, we read all the financial and non-financial information in the Annual Report & Accounts 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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 50 to 58 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 branches 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 77, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.



Mark Pugh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

28 February 2013

Notes:

- 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.
- 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 2012**

	Notes	2012 £m	Restated 2011 £m
Revenue	2	115.3	108.4
Rental income		97.5	108.4
Rental expenses		(32.2)	(39.4)
Net rental income	2	65.3	69.0
Other income	3	6.1	0.8
Gain on revaluation and sale of investment and development property	4	213.9	123.3
Profit on sale of available for sale investments	5	10.0	30.5
Profit on sale of subsidiaries	6	1.7	–
Loss of control of former subsidiary	7	(1.0)	–
Remeasurement of deferred consideration	30	–	(4.2)
Write down of trading property		(0.9)	(0.1)
Write back of impairment of other receivables	8	0.6	–
		295.7	219.3
Administration expenses		(26.1)	(22.2)
Operating profit		269.6	197.1
Finance costs	11	(23.6)	(36.5)
Finance income		0.8	1.7
Other finance costs	11	(2.0)	(14.5)
Change in fair value of derivative financial instruments		0.7	14.1
Net finance costs		(24.1)	(35.2)
Profit before tax		245.5	161.9
Current tax		(3.1)	(2.5)
Deferred tax		(2.4)	(0.9)
Taxation	12	(5.5)	(3.4)
Profit for the year		240.0	158.5
Earnings per share from continuing operations			
Basic earnings per share	15	34.1p	23.9p
Diluted earnings per share	15	34.0p	24.0p
Weighted average number of shares	15	703.7m	662.1m

Adjusted earnings per share are shown in note 15.

Notes on pages 86 to 122 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £m	Restated 2011 £m
Profit for the year		240.0	158.5
Other comprehensive income			
Realise revaluation reserves on available for sale investments		(9.1)	(28.5)
Actuarial losses on defined benefit pension schemes	40	(1.7)	(1.4)
Fair value gains on available for sale investments and other movements	28	–	6.3
Tax on items taken directly to equity	29	2.4	0.9
Other comprehensive income for the year		(8.4)	(22.7)
Total comprehensive income for the year		231.6	135.8

Notes on pages 86 to 122 form part of these consolidated financial statements.

BALANCE SHEETS AS AT 31 DECEMBER 2012

	Notes	Group 2012 £m	Restated Group 2011 £m	Company 2012 £m	Company 2011 £m
Non-current assets					
Investment and development property	16	1,586.2	1,616.8	–	–
Plant and equipment	17	1.0	1.2	–	–
Investment in Group companies	18	–	–	566.8	446.5
Available for sale investments	20	3.6	19.5	–	–
Derivative financial instruments	23	0.5	0.4	–	–
Pension asset	40	–	1.0	–	–
Trade and other receivables	21	39.4	34.2	–	–
		1,630.7	1,673.1	566.8	446.5
Current assets					
Trading property	16	84.4	0.2	–	–
Derivative financial instruments	23	–	0.6	–	–
Trade and other receivables	21	25.9	26.7	391.7	369.1
Cash and cash equivalents	22	184.5	89.6	0.4	–
		294.8	117.1	392.1	369.1
Total assets		1,925.5	1,790.2	958.9	815.6
Non-current liabilities					
Borrowings, including finance leases	25	(269.6)	(534.6)	–	–
Derivative financial instruments	23	(29.3)	(36.9)	–	–
Pension deficit	40	(0.4)	–	–	–
		(299.3)	(571.5)	–	–
Current liabilities					
Borrowings, including finance leases	25	(78.4)	(18.7)	–	–
Derivative financial instruments	23	(2.0)	(0.5)	–	–
Other provisions	30	(7.3)	(7.3)	–	–
Trade and other payables	24	(58.6)	(82.4)	(0.4)	(0.4)
Tax liabilities		(2.1)	(1.9)	–	–
		(148.4)	(110.8)	(0.4)	(0.4)
Total liabilities		(447.7)	(682.3)	(0.4)	(0.4)
Net assets		1,477.8	1,107.9	958.5	815.2
Equity					
Share capital	31	188.3	170.9	188.3	170.9
Other components of equity		1,289.5	937.0	770.2	644.3
Total equity		1,477.8	1,107.9	958.5	815.2

Notes on pages 86 to 122 form part of these consolidated financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 28 February 2013.



Ian Hawksworth
Chief Executive



Soumen Das
Finance Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

Group	Notes	Share capital £m	Share premium £m	Treasury shares £m	Merger reserve £m	Revaluation reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2012 (restated)		170.9	95.1	–	196.2	10.8	2.2	632.7	1,107.9
Profit for the year		–	–	–	–	–	–	240.0	240.0
Other comprehensive income:									
Realise revaluation reserves on available for sale investments		–	–	–	–	(9.1)	–	–	(9.1)
Actuarial losses on defined benefit pension schemes	40	–	–	–	–	–	–	(1.7)	(1.7)
Tax on items taken directly to equity	29	–	–	–	–	–	–	2.4	2.4
Total comprehensive income for the year ended 31 December 2012		–	–	–	–	(9.1)	–	240.7	231.6
Transactions with owners									
Ordinary shares issued		17.4	22.6	–	106.0	–	–	–	146.0
Merger reserve realised ¹		–	–	–	(24.4)	–	–	24.4	–
Fair value of share-based payments		–	–	–	–	–	3.0	–	3.0
Purchase of treasury shares ²	32	–	–	(1.0)	–	–	–	–	(1.0)
Dividends paid	14	–	–	–	–	–	–	(10.3)	(10.3)
Adjustment for scrip dividend	14	–	–	–	–	–	–	0.6	0.6
Total transactions with owners		17.4	22.6	(1.0)	81.6	–	3.0	14.7	138.3
Balance at 31 December 2012		188.3	117.7	(1.0)	277.8	1.7	5.2	888.1	1,477.8

Group	Notes	Share capital £m	Share premium £m	Merger reserve £m	Revaluation reserve £m	Other reserves £m	Restated Retained earnings £m	Restated Total equity £m
Balance at 1 January 2011		155.4	89.1	141.4	33.0	0.5	464.0	883.4
Profit for the year (restated)		–	–	–	–	–	158.5	158.5
Other comprehensive income:								
Realise revaluation reserves on available for sale investments		–	–	–	(28.5)	–	–	(28.5)
Fair value gains on available for sale investments	28	–	–	–	6.3	–	–	6.3
Actuarial losses on defined benefit pension schemes	40	–	–	–	–	–	(1.4)	(1.4)
Tax on items taken directly to equity	29	–	–	–	–	–	0.9	0.9
Total comprehensive income for the year ended 31 December 2011		–	–	–	(22.2)	–	158.0	135.8
Transactions with owners								
Ordinary shares issued		15.5	6.0	75.1	–	–	–	96.6
Merger reserve realised ¹		–	–	(20.3)	–	–	20.3	–
Fair value of share-based payments		–	–	–	–	1.7	–	1.7
Dividends paid	14	–	–	–	–	–	(9.6)	(9.6)
Total transactions with owners		15.5	6.0	54.8	–	1.7	10.7	88.7
Balance at 31 December 2011		170.9	95.1	196.2	10.8	2.2	632.7	1,107.9

Notes on pages 86 to 122 form part of these consolidated financial statements.

- 1 Represents qualifying consideration received by the Group following capital raising in September 2012 and May 2011. The residual balance taken to the merger reserve does not currently meet the criteria for qualifying consideration as it forms part of a linked transaction.
- 2 Treasury shares purchased as a result of the odd-lot offer launched in November 2012.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

Company	Notes	Share capital £m	Share premium £m	Treasury shares £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2012		170.9	95.1	–	196.2	2.2	350.8	815.2
Profit for the year		–	–	–	–	–	5.0	5.0
Total comprehensive income for the year ended 31 December 2012		–	–	–	–	–	5.0	5.0
Transactions with owners								
Ordinary shares issued		17.4	22.6	–	106.0	–	–	146.0
Merger reserve realised ¹		–	–	–	(24.4)	–	24.4	–
Fair value of share-based payments		–	–	–	–	3.0	–	3.0
Purchase of treasury shares ²	32	–	–	(1.0)	–	–	–	(1.0)
Dividends paid	14	–	–	–	–	–	(10.3)	(10.3)
Adjustment for scrip dividend	14	–	–	–	–	–	0.6	0.6
Total transactions with owners		17.4	22.6	(1.0)	81.6	3.0	14.7	138.3
Balance at 31 December 2012		188.3	117.7	(1.0)	277.8	5.2	370.5	958.5

Company	Notes	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2011		155.4	89.1	141.4	0.5	337.3	723.7
Profit for the year		–	–	–	–	2.8	2.8
Total comprehensive income for the year ended 31 December 2011		–	–	–	–	2.8	2.8
Transactions with owners							
Ordinary shares issued		–	15.5	6.0	75.1	–	96.6
Merger reserve realised ¹		–	–	–	(20.3)	–	20.3
Fair value of share-based payments		–	–	–	1.7	–	1.7
Dividends paid	14	–	–	–	–	(9.6)	(9.6)
Total transactions with owners		–	15.5	6.0	54.8	1.7	88.7
Balance at 31 December 2011		170.9	95.1	196.2	2.2	350.8	815.2

Notes on pages 86 to 122 form part of these consolidated financial statements.

¹ Represents qualifying consideration received by the Company following capital raising in September 2012 and May 2011. The residual balance taken to the merger reserve does not currently meet the criteria for qualifying consideration as it forms part of a linked transaction.

² Treasury shares purchased as a result of the odd-lot offer launched in October 2012.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Cash generated from operations	35	31.7	38.0	(20.3)	(91.4)
Interest paid		(24.8)	(38.4)	–	–
Interest received		0.8	1.7	5.6	4.1
Taxation		(2.9)	(1.3)	–	0.3
Cash flows from operating activities		4.8	–	(14.7)	(87.0)
Cash flows from investing activities					
Purchase and development of property		(134.9)	(161.1)	–	–
Sale of property		236.8	48.2	–	–
REIT entry charge paid		–	(0.1)	–	–
Sale of available for sale investments		17.6	55.0	–	–
Loss of control of former subsidiary		65.4	–	–	–
Pension funding		–	(3.6)	–	–
Sale of subsidiary companies		0.2	–	–	–
Exclusivity agreement with LBHF		–	(15.0)	–	–
VAT (paid)/received on internal restructure ¹		(22.2)	22.2	–	–
Cash flows from investing activities		162.9	(54.4)	–	–
Cash flows from financing activities					
Issue of shares		145.0	96.6	24.7	96.6
Treasury shares purchased	32	(1.0)	–	(1.0)	–
Borrowings drawn		48.2	145.8	–	–
Borrowings repaid		(249.6)	(259.4)	–	–
Purchase of derivatives		(1.6)	(3.4)	–	–
Other finance costs		(5.2)	(14.5)	–	–
Equity dividends paid	14	(8.6)	(9.6)	(8.6)	(9.6)
Cash flows from financing activities		(72.8)	(44.5)	15.1	87.0
Net increase/(decrease) in unrestricted cash and cash equivalents		94.9	(98.9)	0.4	–
Unrestricted cash and cash equivalents at 1 January		83.6	182.5	–	–
Unrestricted cash and cash equivalents at 31 December	22	178.5	83.6	0.4	–

¹ VAT received on an internal property transfer was deemed to be a VAT supply. Input VAT was received in December 2011 whilst output VAT was not settled until January 2012.

Notes on pages 86 to 122 form part of these consolidated financial statements.

NOTES TO THE ACCOUNTS

General information

The Capital & Counties Properties PLC Group's assets principally comprise investment properties at Covent Garden; Earls Court & Olympia; a 50 per cent interest in Empress State, a building adjacent to the Group's interests at Earls Court; a 50 per cent interest in the Seagrave Road development; and a 50 per cent interest in The Great Capital Partnership, a joint venture focused 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, United Kingdom. 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 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 Directors have taken advantage of the exemption offered by Section 408 of the Companies Act 2006 not to present a separate income statement or statement of comprehensive income 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 instruments 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:

IFRS 7 'Financial Instruments: Disclosures' (amendment re: offset of financial assets and liabilities)
IFRS 10 'Consolidated Financial Statements'
IFRS 11 'Joint Arrangements'
IFRS 12 'Disclosure of Interests in other Entities'
IFRS 13 'Fair Value Measurement'
IAS 19 'Employee Benefits' (revised)
IAS 27 'Separate Financial Statements' (amendment)
IAS 28 'Investment in Associates and Joint Ventures' (amendment)
IAS 32 'Financial Instruments: Presentation' (amendment)

The assessment of amendments issued but not effective are not anticipated to have a material impact on the financial statements with the exception of IFRS 11 'Joint Arrangements'. The standard, which has recently been endorsed by the EU, removes the proportional consolidation option currently available under IAS 31 'Interests in Joint Ventures'. This will impact the Group's existing accounting policy in respect of joint ventures. Rather than proportionally consolidating the Group's share of assets, liabilities, income and expenses on a line-by-line basis, the Group's net interest in the joint venture will be disclosed as a single line item in both the consolidated balance sheet and the consolidated income statement. This change will reduce total assets and total liabilities as currently presented, with no change in net assets. The Group does not intend to early adopt this standard.

During 2012, the following accounting standards and guidance were adopted by the Group:

IFRS 7 'Financial Instruments: Disclosures' (amendment re: transfers of financial assets)
IAS 12 'Income Taxes' (amendment)

Collectively these pronouncements either had no impact on the consolidated financial statements or resulted in changes to presentation and disclosure only, with the exception of IAS 12 'Income Taxes' (amendment) which requires retrospective application and restatement of prior period comparatives, the details of which are set out below.

Restatement of prior year comparatives

The Group has chosen to early adopt the amendment to IAS 12 'Income Taxes' as it is more representative of the Group's recovery basis. This amendment introduces a presumption that investment property assets accounted for at fair value under IAS40 'Investment Property' will normally be recovered through their eventual sale rather than their use.

The impact of this change on the key financial statement line items for the year ending 31 December 2011 was as follows:

		£m
Balance Sheet		
Deferred tax provision	Reduced by	4.8
Consolidated Income Statement		
Deferred tax charge	Reduced by	4.8
<hr/>		
		Pence per share
Earnings per share		
Basic	Increased to	23.9
Diluted	Increased to	24.0

The amendment had no impact on the opening balance sheet at 1 January 2011, consequently no additional balance sheet has been disclosed.

1 PRINCIPAL ACCOUNTING POLICIES

A summary of the Group's principal accounting policies, which have been applied consistently across the Group are set out below.

Going concern basis

As stated in the Directors' Report, 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, Capco CGP 2010 LP, Capco CGP 2012 LP and EC Properties 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 also 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.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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 entity's 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. The valuation of the Group's property portfolio is inherently subjective due to the assumptions as outlined within the investment and development property note. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate and could therefore have a material effect on the Group's financial condition.

Other areas of estimation and uncertainty are included within the accounting policies below, the more significant being:

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

Operating segments

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

Foreign currencies

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

Revenue recognition

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

Lease incentive payments, including surrender premiums paid which can be directly linked to enhanced 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.

In accordance with IAS 12, deferred tax is provided using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of those assets and liabilities. However temporary differences are not recognised to the extent that they arise from the initial recognition of assets and liabilities (other than on a business combination) that at the time of the transaction affect neither accounting nor taxable profit and loss.

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 income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable group or different taxable entities where there is an intention to settle balances 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.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

An investment property accounted for at fair value will normally be recovered through sale rather than use.

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 when the significant risks and rewards attached to the property are transferred to the Group. They are recorded 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 after allowing for future transaction costs. The valuation is based upon assumptions as outlined within the investment and development property note. These assumptions conform with the Royal Institution of Chartered Surveyors' ("RICS") Valuation Professional Standards.

The fair value of properties is arrived at by adjusting the market value as above for directly attributable lease incentive assets and fixed head leases.

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 cease to be held for the purpose of generating rental income or for capital appreciation.

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.

A property ceases to be recognised as investment property and is transferred at its fair value to Trading Property when, in the Directors' judgement, an investment property commences development with the intention of sale. Criteria considered in this assessment include, the Board's stated intention, contractual commitments, financial and technical feasibility.

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 property are accounted for as investment property. Finance leases are recognised as an asset and an obligation to pay future minimum lease payments. The investment property asset is included in the balance sheet at the lower of fair value and the present value of minimum lease payments, 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.

Rental expense under operating leases is charged to the income statement 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 or are to be developed with the intention to sell.

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.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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, historical evidence of collection and probability of deriving future economic benefit 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.

Derivative 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, as an approximation of fair value, 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.

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, current service costs and curtailment gains 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 disclosed where there are present or possible obligations arising from past events, but the economic impact is uncertain in timing, occurrence or amount. 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.

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.

Where the Group's own shares are re-purchased, the consideration paid is classified as treasury shares and deducted from equity. Where such shares are subsequently sold or re-issued, any consideration received is included in equity.

2 SEGMENTAL REPORTING

Management has determined the operating segments based on reports reviewed by the Chief Executive, who is deemed to be the chief operating decision maker. The principal performance measures have been identified as net rental income and net asset value.

For management and reporting purposes the Group is organised into five operating divisions being Covent Garden, Earls Court & Olympia, The Great Capital Partnership, China and Other. The Other segment primarily constitutes the business unit historically known as Opportunities and other head office companies. Due to actions taken by the fund manager who controls the divestment decisions pertaining to the Group's interests in China, this segment has been presented separately as the segment's results in 2011 exceeded the quantitative threshold requiring separate disclosure. 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 consist primarily of costs incurred centrally which are neither directly nor meaningfully attributable to individual segments.

Reportable segments

	2012					
	Covent Garden £m	Earls Court & Olympia ¹ £m	The Great Capital Partnership ⁴ £m	China £m	Other £m	Group total £m
Revenue	54.8	51.1	5.9	–	3.5	115.3
Rent receivable and exhibition income	38.0	51.1	5.6	–	–	94.7
Service charge income	2.5	–	0.3	–	–	2.8
Rental income	40.5	51.1	5.9	–	–	97.5
Service charge and other non-recoverable costs	(8.4)	(23.3)	(0.5)	–	–	(32.2)
Net rental income	32.1	27.8	5.4	–	–	65.3
Other income	2.9	–	–	–	3.2	6.1
Gain on revaluation and sale of investment and development property	50.7	140.8	22.3	–	0.1	213.9
Profit on sale of available for sale investments	–	–	–	10.0	–	10.0
Profit on sale of subsidiaries	0.6	1.1	–	–	–	1.7
Loss of control of former subsidiary	–	(1.0)	–	–	–	(1.0)
Write down of trading property	–	(0.9)	–	–	–	(0.9)
Write back of impairment of other receivables	–	–	–	–	0.6	0.6
Segment result	86.3	167.8	27.7	10.0	3.9	295.7
Unallocated costs						
Administration expenses						(26.1)
Operating profit						269.6
Net finance costs ²						(24.1)
Profit before tax						245.5
Taxation						(5.5)
Profit for the year						240.0
Summary balance sheet						
Total segment assets ³	977.5	736.4	57.2	3.6	10.0	1,784.7
Total segment liabilities ³	(316.0)	(130.2)	(7.0)	–	(10.0)	(463.2)
	661.5	606.2	50.2	3.6	–	1,321.5
Unallocated net assets ²						156.3
Net assets						1,477.8
Other segment items:						
Capital expenditure	(100.8)	(42.5)	(2.2)	–	–	(145.5)
Depreciation	(0.1)	–	–	–	–	(0.1)

1 Empress State represents £7.3 million of the £27.8 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 and 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.

4 During 2012 The Great Capital Partnership disposed of a number of properties to Great Portland Estates plc, the Group's joint venture partner, a related party. Consideration of £135.0 million (Capco share) was received in cash. The aggregate market value of these properties at date of disposal was £124.4 million (Capco share).

2 SEGMENTAL REPORTING CONTINUED

	2011 Restated					Group total £m
	Covent Garden £m	Earls Court & Olympia ¹ £m	The Great Capital Partnership £m	China £m	Other £m	
Revenue	35.9	59.2	13.3	–	–	108.4
Rent receivable and exhibition income	32.8	59.2	12.5	–	–	104.5
Service charge income	3.1	–	0.8	–	–	3.9
Rental income	35.9	59.2	13.3	–	–	108.4
Service charge and other non-recoverable costs	(8.1)	(29.0)	(2.3)	–	–	(39.4)
Net rental income	27.8	30.2	11.0	–	–	69.0
Other income	–	0.4	–	–	0.4	0.8
Gain on revaluation and sale of investment and development property	51.2	46.3	25.3	–	0.5	123.3
Profit on sale of available for sale investments	–	–	–	30.5	–	30.5
Remeasurement of deferred consideration	–	(4.2)	–	–	–	(4.2)
Write down of trading property	–	–	–	–	(0.1)	(0.1)
Segment result	79.0	72.7	36.3	30.5	0.8	219.3
Unallocated costs						
Administration expenses						(22.2)
Operating profit						197.1
Net finance costs ²						(35.2)
Profit before tax						161.9
Taxation						(3.4)
Profit for the year						158.5
Summary balance sheet						
Total segment assets ³	832.9	616.4	256.5	19.6	9.0	1,734.4
Total segment liabilities ³	(301.4)	(254.1)	(128.3)	–	(10.1)	(693.9)
	531.5	362.3	128.2	19.6	(1.1)	1,040.5
Unallocated net assets ²						67.4
Net assets						1,107.9
Other segment items:						
Capital expenditure	(131.7)	(46.4)	(1.4)	–	–	(179.5)
Depreciation	(0.2)	–	–	–	–	(0.2)

1 Empress State represents £7.1 million of the £30.2 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 and 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.

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

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

	Revenue		Total assets		Capital expenditure	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Central London	111.8	108.4	1,921.9	1,770.4	145.5	179.5
Other	3.5	–	3.6	19.8	–	–
	115.3	108.4	1,925.5	1,790.2	145.5	179.5

3 OTHER INCOME

	2012	2011
	£m	£m
Sale of trading property	17.8	–
Cost of sales	(11.7)	–
Profit on sale of trading property	6.1	–
Non-recurring income	–	0.8
Other income	6.1	0.8

4 GAIN ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

	2012	2011
	£m	£m
Gain on revaluation of investment and development property	184.9	119.4
Gain on loss of control and appropriation to trading property	12.6	–
Gain on sale of investment property	16.4	3.9
Gain on revaluation and sale of investment and development property	213.9	123.3

5 PROFIT ON SALE OF AVAILABLE FOR SALE INVESTMENTS

	2012	2011
	£m	£m
Profit on sale of available for sale investments	10.0	30.5

Profit on sale of available for sale investments represents part divestment from Harvest China Real Estate Fund I following property disposals made by the fund as a result of actions taken by the fund manager. Harvest China Real Estate Fund II divested in full during 2011.

6 PROFIT ON SALE OF SUBSIDIARIES

On 9 February 2012, the Group disposed of its shareholding in The Brewery by EC&O Limited for a consideration of £2.0 million, resulting in a profit of £1.1 million.

On 29 February 2012, the Group disposed of its shareholding in Covent Garden Restaurants Limited for a consideration of £1.0 million, resulting in a profit of £0.6 million.

7 LOSS OF CONTROL OF FORMER SUBSIDIARY

On 30 August 2012, the Group completed a joint venture arrangement with the Kwok Family Interests. The venture, to develop land interests at Seagrave Road in West London, resulted in the loss of control of the former subsidiary Seagrave Road GP Limited, and the disposal of a 50 per cent limited partnership interest in Seagrave Road LP. Consideration received of £7.5 million and associated costs resulted in a net loss of £1.0 million.

On the date control was lost, the 50 per cent investment retained was re-measured and reflected at fair value.

The disposal of the net assets of the partnership together with reorganisation of internal funding (previously fully provided by the Group and now reorganised to reflect the respective 50:50 partnership interests) resulted in a net cash inflow of £65.4 million.

8 WRITE BACK OF IMPAIRMENT OF OTHER RECEIVABLES

Following an impairment review of loan notes receivable by the Group, a write back of a previously recognised charge of £0.6 million was recognised in 2012. The write back was calculated with reference to the market value of certain property assets that the Group would have priority over in the event of default. There was no impairment adjustment in 2011.

9 EMPLOYEE INFORMATION

	Group 2012 £m	Group 2011 £m
a) Employee costs		
Wages and salaries	19.8	20.2
Social security costs	2.4	1.7
Other pension costs	0.8	0.9
Share-based payments	2.9	1.5
	25.9	24.3

	Group 2012	Group 2011
b) Employee numbers		
Total number of people (including Executive Directors) employed		
Covent Garden Restaurants Group	–	88
Earls Court & Olympia	248	286
Capco head office & Covent Garden	78	69
Total headcount at 31 December	326	443

	Group 2012	Group 2011
Average number of people (including Executive Directors) employed		
Covent Garden Restaurants Group	12	83
Earls Court & Olympia	229	300
Capco head office & Covent Garden	73	62
Total average headcount	314	445

10 AUDITORS' REMUNERATION

	2012 £m	2011 £m
Remuneration to the principal auditor in respect of audit fees:		
Parent Company and consolidated financial statements	0.1	0.1
Statutory audit of subsidiary undertakings	0.2	0.2
Fees related to the audit of the Company and its subsidiaries	0.3	0.3
Audit related assurance services	0.1	0.1
Total fees for audit and audit related services	0.4	0.4
Remuneration to other auditors comprises:		
Tax services to UK subsidiaries	–	0.1

The Group's auditors, PricewaterhouseCoopers LLP are engaged on assignments additional to their statutory duties where their expertise and experience with the Group are important. Should fees be expected to exceed the lower of £50,000 or 15 per cent of the annual auditor's fee, they are pre-approved by the Chairman of the Audit Committee.

11 FINANCE COSTS

	2012	2011
	£m	£m
Finance costs:		
On bank overdrafts, loans and other	24.3	36.6
Amortisation of issue costs	1.2	0.8
On obligations under finance leases	0.7	0.8
Gross finance costs	26.2	38.2
Interest capitalised on developments	(2.6)	(1.7)
Finance costs	23.6	36.5
Costs of termination of derivative financial instruments	0.7	14.5
Other exceptional finance costs	1.3	–
Other finance costs ¹	2.0	14.5

¹ Treated as exceptional and therefore excluded from the calculation of underlying earnings.

Interest is capitalised, before tax relief, on the basis of the average rate of interest paid of 5.2 per cent (2011: 5.9 per cent) on the relevant debt, applied to the cost of developments during the year.

12 TAXATION

	2012	Restated 2011
	£m	£m
Current income tax:		
Current income tax charge	2.8	2.5
Current income tax on profits excluding exceptional items	2.8	2.5
Deferred income tax:		
On investment and development property	(1.5)	3.3
On accelerated capital allowances	(2.0)	0.4
On losses	2.8	(5.6)
On derivative financial instruments	3.1	3.3
On non-exceptional items	–	(0.5)
Deferred income tax on profits	2.4	0.9
Current income tax charge on exceptional items	1.4	–
Adjustments in respect of previous years	(1.1)	–
Total tax expense reported in the income statement	5.5	3.4

12 TAXATION CONTINUED

Factors affecting the tax charge for the year

The tax assessed for the year is £5.5 million which is lower than the standard rate of corporation tax in the United Kingdom.

The differences are explained below:

	2012 £m	Restated 2011 £m
Profit before tax	245.5	161.9
Profit on ordinary activities multiplied by the standard rate in the UK of 24.5% (2011: 26.5%)	60.1	42.9
UK capital allowances not reversing on sale	(0.4)	(0.6)
Revaluation surplus not recognised in deferred tax	(43.5)	(31.7)
Prior year corporation tax items	(1.1)	–
Expenses disallowed	0.5	0.5
Non-taxable items	(9.3)	(8.1)
(Reduction)/increase in deferred tax following change in corporate tax rate	(0.8)	0.4
Total tax expense reported in the income statement	5.5	3.4

Tax items that are taken directly to equity include deferred tax on an element of the share options and deferred tax on pensions.

‘Revaluation surplus not recognised in deferred tax’ of £43.5 million arises from the Group’s decision to early adopt the new IAS 12 provisions which changed the basis on which deferred tax on investment properties is calculated in the accounts. The amendment introduces a presumption that investment property assets accounted for under IAS 40 ‘Investment Property’ will normally be recovered through sale rather than use. Based on the Group’s holding structure for a number of its investment properties, the majority of the fair valuation movements in the year are not reflected in the deferred tax calculation and so appear as a permanent timing difference in the tax reconciliation. Early adoption of the new IAS 12 provisions has resulted in a restatement of the 2011 amount for this item and the removal of ‘Utilisation of losses (brought)/carried forward’.

Further amendments to the UK corporation tax system were announced in the March 2012 Budget which included changes to the main rates of UK corporation tax. The main rate of corporation tax decreased from 26 per cent to 24 per cent from 1 April 2012. The Budget will reduce the main rate of corporation tax from 24 per cent to 23 per cent from 1 April 2013 with a further 1 per cent reduction in rate from 1 April 2014 resulting in a final corporation tax rate of 22 per cent.

13 PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF CAPITAL & COUNTIES PROPERTIES PLC

Profit of £5.0 million is dealt with in the accounts of the holding Company in respect of the year (2011: £2.8 million). No income statement or statement of comprehensive income is presented for the Company as permitted by Section 408 Companies Act 2006.

14 DIVIDENDS

Group and Company	2012 £m	2011 £m
Ordinary shares		
Prior year final dividend paid of 1.0p per share (2011: 1.0p)	6.8	6.2
Interim dividend paid of 0.5p per share (2011: 0.5p)	2.9	3.4
Dividends expense	9.7	9.6
Shares issued in lieu of cash	(1.1)	–
Cash dividends paid	8.6	9.6
Proposed final dividend of 1.0p per share (2011: 1.0p)	7.5	6.8

Details of the shares in issue are given in note 31.

In 2012, shareholders approved a scrip dividend scheme. A scrip dividend alternative was offered in respect of all dividends paid during the year.

15 EARNINGS PER SHARE AND NET ASSETS PER SHARE

	2012			Restated 2011		
	Earnings £m	Shares ¹ million	Pence per share	Restated Earnings £m	Shares ³ million	Pence per share
(a) Earnings per share						
Basic earnings	240.0	703.7	34.1	158.5	662.1	23.9
Dilutive effect of share option awards ²	3.1	5.9		1.7	4.0	
Dilutive effect of contingently issuable shares ²	–	1.8		–	0.6	
Dilutive effect of matching nil cost options ²	–	3.0		–	1.9	
Dilutive effect of deferred shares ²	–	0.4		–	–	
Diluted earnings	243.1	714.8	34.0	160.2	668.6	24.0
Basic earnings	240.0			158.5		
Adjustments:						
Other income	(6.1)			–		
Gain on revaluation and sale of investment and development property	(213.9)			(123.3)		
Profit on sale of subsidiaries	(1.7)			–		
Loss of control of former subsidiary	1.0			–		
Write down of trading property	0.9			0.1		
Costs of termination of derivative financial instruments	0.7			14.5		
Fair value movement on derivative financial instruments	(0.7)			(14.1)		
Current tax adjustments	1.4			(0.3)		
Deferred tax adjustments	(0.5)			7.0		
EPRA adjusted earnings	21.1	703.7	3.0	42.4	662.1	6.4
Exceptional other income	–			(0.8)		
Profit on sale of available for sale investments	(10.0)			(30.5)		
Remeasurement of deferred consideration	–			4.2		
Write back of impairment of other receivables	(0.6)			–		
Refinancing fees	1.3			–		
Current tax adjustments	(1.1)			0.3		
Deferred tax adjustments	1.8			(6.0)		
Underlying earnings	12.5	703.7	1.8	9.6	662.1	1.4

1 Weighted average number of shares in issue during the year has been adjusted for shares held in Treasury.

2 Further information on these items can be found in note 39 Share-based payments.

3 Weighted average number of shares in issue during the prior year has been adjusted for issue of bonus shares issued in connection with the interim scrip dividend in the current year, 0.3 million (2011: nil)

15 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

Headline earnings per share is calculated in accordance with Circular 3/2012 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.

	2012			Restated 2011		
	Earnings £m	Shares ¹ million	Pence per share	Restated Earnings £m	Shares ³ million	Pence per share
Basic earnings per share	240.0	703.7	34.1	158.5	662.1	23.9
Adjustments:						
Gain on revaluation and sale of investment and development property	(213.9)			(123.3)		
Profit on sale of available for sale investments	(10.0)			(30.5)		
Profit on sale of subsidiaries	(1.7)			—		
Loss of control of former subsidiary	1.0			—		
Write back of impairment of other receivables	(0.6)			—		
Deferred tax adjustments	(3.6)			12.0		
Headline earnings	11.2	703.7	1.6	16.7	662.1	2.5
Dilutive effect of share options awards ²	3.1	5.9		1.7	4.0	
Dilutive effect of contingently issuable shares ²	—	1.8		—	0.6	
Dilutive effect of matching nil cost options ²	—	3.0		—	1.9	
Dilutive effect of deferred shares ²	—	0.4		—	—	
Diluted headline earnings	14.3	714.8	2.0	18.4	668.6	2.8

1 Weighted average number of shares in issue during the period has been adjusted for shares held in Treasury.

2 Further information on these items can be found in note 39 Share-based payments.

3 Weighted average number of shares in issue during the prior year has been adjusted for issue of bonus shares in the current year. 0.3 million (2011: nil)

	2012			Restated 2011		
	Net assets £m	Shares ¹ million	NAV per share (pence)	Net assets £m	Shares million	NAV per share (pence)
b) Net assets per share						
Net assets attributable to owners of the Group	1,477.8	752.7	196.3	1,107.9	683.9	162.0
Adjustments:						
Effect of dilution on exercise of options ²	—	6.7		—	4.4	
Effect of dilution on issue of contingently issuable shares ²	—	1.8		—	0.6	
Effect of dilution on issue of matching nil cost options ²	—	3.0		—	1.9	
Effect of dilution on issue of deferred shares ²	—	0.4		—	—	
Diluted NAV	1,477.8	764.6	193.3	1,107.9	690.8	160.4
Fair value of derivative financial instruments	30.8			36.4		
Unrecognised surplus on trading properties	37.5			1.0		
Deferred tax adjustments	6.9			7.3		
EPRA adjusted, diluted NAV	1,553.0	764.6	203.1	1,152.6	690.8	166.9
Fair value of derivative financial instruments	(30.8)			(36.4)		
Deferred tax adjustments	(5.1)			(4.0)		
EPRA adjusted, diluted NNNNAV	1,517.1	764.6	198.4	1,112.2	690.8	161.0

1 Number of shares in issue at the year end has been adjusted for shares held in Treasury, 0.4 million (2011: nil).

2 Further information on these items can be found in note 39 share based payments.

16 PROPERTY PORTFOLIO

a) Investment and development property

Group	Freehold £m	Leasehold £m	Total £m
At 1 January 2011	697.3	680.3	1,377.6
Reclassification	(15.0)	15.0	–
Additions from acquisitions	114.5	–	114.5
Additions from subsequent expenditure	28.2	36.8	65.0
Disposals	(59.7)	–	(59.7)
Gain on valuation	29.4	90.0	119.4
At 31 December 2011	794.7	822.1	1,616.8
Reclassification	(0.5)	0.5	–
Additions from acquisitions	82.6	13.4	96.0
Additions from subsequent expenditure	17.6	22.8	40.4
Disposals	(54.4)	(155.7)	(210.1)
Loss of control of former subsidiary	(59.2)	(1.6)	(60.8)
Transfers to trading property	(59.1)	(21.9)	(81.0)
Gain on valuation	33.7	151.2	184.9
At 31 December 2012	755.4	830.8	1,586.2

Group	2012 £m	2011 £m
Balance sheet carrying value of investment and development property	1,586.2	1,616.8
Adjustment in respect of tenant incentives	17.1	14.9
Adjustment in respect of head leases	(3.8)	(8.9)
Market value of investment and development property	1,599.5	1,622.8

Included within investment and development properties is £2.6 million (2011: £1.7 million) of interest capitalised during the year on developments and redevelopments in progress.

The fair value of the Group's investment and development properties as at 31 December 2012 was determined by independent, appropriately qualified external valuers Jones Lang LaSalle for Earls Court & Olympia (excluding Empress State), and CB Richard Ellis for the remainder of the Group's investment and development property. The valuation conforms with the Royal Institution of Chartered Surveyors (RICS) Valuation Professional Standards. 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, likely incentives offered to tenants, construction costs, forecast growth rates, yields and sales prices based on known market transactions for similar properties while taking account of tenure and structural condition.

Valuations are based on what is determined to be the highest and best use. When considering the highest and best a valuer will consider, on a property by property basis, the highest valuation which will include its actual and potential uses given current market conditions. Where the highest and best use differs from the existing use, the valuer will consider the cost and the likelihood of achieving and implementing this change in arriving at its valuation.

There are often restrictions on both freehold and leasehold investment property which could have a material impact on the realisation of these assets. Most significant of these occur when a credit facility is in place or when planning permission, lease extension or renegotiation of use are required (as is the case currently regarding Earls Court). These restrictions are factored in to the property's valuation by the external valuer. Also see disclosures surrounding development risks on page 15.

b) Trading property

Group	2012 £m	2011 £m
At 1 January	0.2	0.3
Transfers from investment and development property	87.3	–
Additions from acquisitions	2.4	–
Additions from subsequent expenditure	6.7	–
Disposals	(11.3)	–
Write down of trading property	(0.9)	(0.1)
At 31 December	84.4	0.2
Unrecognised revaluation surplus ¹	37.5	1.0
Market value of trading property	121.9	1.2

¹ The market value of trading property is shown for informational purposes only and is not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value in the financial statements.

17 PLANT AND EQUIPMENT

Group	2012			2011		
	Cost £m	Accumulated depreciation £m	Net £m	Cost £m	Accumulated depreciation £m	Net £m
At 1 January	1.7	(0.5)	1.2	1.3	(0.3)	1.0
Additions	0.5	–	0.5	0.5	–	0.5
Disposals	(1.1)	0.5	(0.6)	(0.1)	–	(0.1)
Charge for the year	–	(0.1)	(0.1)	–	(0.2)	(0.2)
At 31 December	1.1	(0.1)	1.0	1.7	(0.5)	1.2

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

There are no restrictions on the title of any plant and equipment, nor any contractual commitments for the acquisition of further plant and equipment.

18 INVESTMENT IN GROUP COMPANIES

Company	2012 £m	2011 £m
At 1 January	446.5	446.6
Impairment	–	(0.1)
Additions	120.3	–
At 31 December	566.8	446.5

Investments in Group companies are carried at the lower of cost or net book value. An impairment test is performed on an annual basis. An impairment charge of nil was recorded in the current year (2011: £0.1 million).

19 JOINT VENTURES

	2012			Total £m
	The Great Capital Partnership £m	The Empress State Limited Partnership £m	Seagrave Road LP £m	
Summarised income statement				
Gross rental income	5.6	7.3	0.3	13.2
Net rental income	5.4	7.3	0.3	13.0
Gain on revaluation and sale of investment and development property	23.0	7.5	6.9	37.4
Administration expenses	0.1	–	(0.5)	(0.4)
Write down of trading property	–	–	(0.9)	(0.9)
Debt waiver ¹	–	–	0.4	0.4
Net finance costs	(1.8)	(1.9)	(2.5) ¹	(6.2)
Profit after tax	26.7	12.9	3.7	43.3
Summarised balance sheet				
Investment and development property	48.4	110.0	0.6	159.0
Trading property	–	–	69.5	69.5
Other current assets	3.7	2.6	4.0	10.3
Partners' loans ¹	96.5	–	–	96.5
Current liabilities	(7.1)	(78.2)	(8.8)	(94.1)
Non-current liabilities	–	–	(62.1) ¹	(62.1)
Net assets	141.5	34.4	3.2	179.1
Capital commitments	–	–	0.2	0.2

¹ Eliminates on consolidation.

19 JOINT VENTURES CONTINUED

	Restated 2011		Total £m
	The Great Capital Partnership £m	The Empress State Limited Partnership £m	
Summarised income statement			
Gross rental income	12.5	7.1	19.6
Net rental income	11.0	7.1	18.1
Gain on revaluation and sale of investment and development property	25.3	–	25.3
Administration expenses	(0.4)	(0.1)	(0.5)
Net finance costs	(3.0)	(2.8)	(5.8)
Profit after tax	32.9	4.2	37.1
Summarised balance sheet			
Investment and development property	245.8	102.5	348.3
Other non-current assets	0.7	–	0.7
Current assets	7.0	2.6	9.6
Partners' loans ¹	96.5	–	96.5
Current liabilities	(7.0)	(10.4)	(17.4)
Non-current liabilities	(121.2)	(73.2)	(194.4)
Net assets	221.8	21.5	243.3
Capital commitments	0.4	–	0.4

¹ Eliminates on consolidation.

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 since August 2012, Seagrave Road LP ("SRLP").

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 one remaining asset is in a prime central London location. All major decisions are taken by the Board of GCP's General Partner, through which the Group shares in the overall strategic control of the estate. GCP has a 31 March year-end reporting date. The proportionate share of the results of GCP has been included in the Group accounts for the year ended 31 December.

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 Board of ESLP's General Partner, through which the Group shares strategic control.

The SRLP joint venture was established during the year with our partner the Kwok Family Interests to own, manage and develop land interests in the Seagrave Road area of west London. Initial recognition of the assets and liabilities of the joint venture were at fair values. All major decisions are taken by the Board of Seagrave Road LP's General Partner, through which the Group shares strategic control.

20 AVAILABLE FOR SALE INVESTMENTS

	Group 2012 £m	Group 2011 £m
Harvest China Real Estate Fund I	3.6	19.5
Available for sale investments	3.6	19.5

The Group has a 20 per cent limited partnership interest in Harvest China Real Estate Fund I, which has interests in a number of real estate projects in China.

Whilst the Group was a limited partner in the fund, it had no interest or voting power in the General Partner which controls the partnership and which makes all the investment and distribution decisions. The investment is carried at fair value based on the market value of the underlying assets held.

The total cost of the investment is £1.9 million (2011: £9.3 million).

21 TRADE AND OTHER RECEIVABLES

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Non-current				
Loan notes receivable	4.0	3.4	–	–
Other receivables ¹	18.0	15.4	–	–
Prepayments and accrued income	17.4	15.4	–	–
Trade and other receivables	39.4	34.2	–	–
Current				
Rents receivable ²	8.8	15.2	–	–
Amounts owed by subsidiary undertakings	–	–	391.7	369.1
Other receivables	7.0	2.9	–	–
Prepayments and accrued income	10.1	8.6	–	–
Trade and other receivables	25.9	26.7	391.7	369.1

1 Includes £15 million exclusivity payment with LBHF which now forms part of the CLSA contract discussed in note 41.

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 £17.1 million (2011: £14.9 million).

22 CASH AND CASH EQUIVALENTS

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Cash at hand	28.0	20.6	0.4	–
Cash on short-term deposit	150.5	63.0	–	–
Unrestricted cash and cash equivalents	178.5	83.6	0.4	–
Restricted cash	6.0	6.0	–	–
Cash and cash equivalents	184.5	89.6	0.4	–

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

23 DERIVATIVE FINANCIAL INSTRUMENTS

	Group 2012 £m	Group 2011 £m
Derivative assets held for trading		
Non-current		
Interest rate caps	0.4	–
Interest rate collars	0.1	0.4
Derivative financial instruments	0.5	0.4
Current		
Interest rate options	–	0.6
Derivative financial instruments	–	0.6
Derivative liabilities held for trading		
Non-current		
Interest rate swaps	(29.3)	(36.9)
Derivative financial instruments	(29.3)	(36.9)
Current		
Interest rate swaps	(2.0)	(0.5)
Derivative financial instruments	(2.0)	(0.5)

24 TRADE AND OTHER PAYABLES

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Current				
Rents received in advance	17.2	21.9	–	–
Accruals and deferred income	27.4	28.0	0.4	0.4
Trade payables	1.1	0.4	–	–
Other payables ¹	12.6	9.3	–	–
Other taxes and social security	0.3	22.8	–	–
Trade and other payables	58.6	82.4	0.4	0.4

¹ Includes sundry payables and amounts due to joint venture partners.

25 BORROWINGS, INCLUDING FINANCE LEASES

Group	2012					
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
Current						
Bank loans and overdrafts	71.9	71.9	–	–	71.9	71.9
Loan notes	6.0	6.0	–	–	6.0	6.0
Borrowings, excluding finance leases	77.9	77.9	–	–	77.9	77.9
Finance lease obligations	0.5	0.5	–	0.5	–	0.5
Current	78.4	78.4	–	0.5	77.9	78.4
Non-current						
Bank loan 2016	154.6	154.6	–	–	154.6	154.6
Bank loan 2017	111.7	111.7	–	–	111.7	111.7
Borrowings, excluding finance leases	266.3	266.3	–	–	266.3	266.3
Finance lease obligations	3.3	3.3	–	3.3	–	3.3
Non-current	269.6	269.6	–	3.3	266.3	269.6
Total borrowings	348.0	348.0	–	3.8	344.2	348.0
Cash and cash equivalents	(184.5)					
Net debt	163.5					

Group	2011					
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m
Current						
Bank loans and overdrafts	11.5	11.5	–	–	11.5	11.5
Loan notes	6.0	6.0	–	–	6.0	6.0
Borrowings, excluding finance leases	17.5	17.5	–	–	17.5	17.5
Finance lease obligations	1.2	1.2	–	1.2	–	1.2
Current	18.7	18.7	–	1.2	17.5	18.7
Non-current						
Bank loans 2013	270.0	270.0	–	–	270.0	270.0
Bank loan 2016	145.3	145.3	–	–	145.3	145.3
Bank loan 2017	111.6	111.6	–	–	111.6	111.6
Borrowings, excluding finance leases	526.9	526.9	–	–	526.9	526.9
Finance lease obligations	7.7	7.7	–	7.7	–	7.7
Non-current	534.6	534.6	–	7.7	526.9	534.6
Total borrowings	553.3	553.3	–	8.9	544.4	553.3
Cash and cash equivalents	(89.6)					
Net debt	463.7					

25 BORROWINGS, INCLUDING FINANCE LEASES CONTINUED

Analysis of movement in net debt for the year ended 31 December 2012	Cash and cash equivalents £m	Current borrowings £m	Non-current borrowings £m	Net debt £m
Balance at 1 January 2012	89.6	(18.7)	(534.6)	(463.7)
Borrowings repaid	(249.6)	238.6	11.0	–
Borrowings drawn	48.2	(40.0)	(8.2)	–
Other net cash movements	296.3	–	0.5	296.8
Other non-cash movements	–	(258.3)	261.7	3.4
Balance at 31 December 2012	184.5	(78.4)	(269.6)	(163.5)

Analysis of movement in net debt for the year ended 31 December 2011	Cash and cash equivalents £m	Current borrowings £m	Non-current borrowings £m	Net debt £m
Balance at 1 January 2011	188.5	(13.1)	(651.5)	(476.1)
Borrowings repaid	(259.4)	–	259.4	–
Borrowings drawn	145.8	–	(145.8)	–
Other net cash movements	14.7	–	–	14.7
Other non-cash movements	–	(5.6)	3.3	(2.3)
Balance at 31 December 2011	89.6	(18.7)	(534.6)	(463.7)

The market value of investment and development property secured as collateral against borrowings is £1,036.2 million (2011: £1,431.7 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 2012 £m	Group 2011 £m
Wholly repayable within one year	77.9	17.5
Wholly repayable in more than one year but not more than two years	–	270.0
Wholly repayable in more than two years but not more than five years	266.3	145.3
Wholly repayable in more than five years	–	111.6
	344.2	544.4

Certain borrowing agreements contain financial and other conditions that, if contravened, could alter the repayment profile. See disclosures regarding financial covenants on page 126.

26 FINANCE LEASE OBLIGATIONS

	Group 2012 £m	Group 2011 £m
(a) Minimum lease payments under finance leases fall due		
Not later than one year	0.5	1.2
Later than one year and not later than five years	1.9	4.7
Later than five years	12.1	29.3
	14.5	35.2
Future finance charges on finance leases	(10.7)	(26.3)
Present value of finance lease liabilities	3.8	8.9
(b) Present value of minimum finance lease obligations		
Not later than one year	0.5	1.2
Later than one year and not later than five years	1.6	3.8
Later than five years	1.7	3.9
	3.8	8.9

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.

27 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 2012 £m	Group 2011 £m
Not later than one year	56.1	65.5
Later than one year and not later than five years	175.1	203.5
Later than five years	151.8	225.9
	383.0	494.9

The income statement includes £0.1 million (2011: £0.1 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 2012 £m	Group 2011 £m
Not later than one year	0.5	0.5
Later than one year and not later than five years	0.7	1.2
Later than five years	–	–
	1.2	1.7

28 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. Swaps have the economic effect of converting borrowings from floating to fixed rates. Interest rate collars protect the Group by capping the maximum interest rate paid at the collar's ceiling but sacrifices the profitability of interest rate falls below a certain floor. Interest rate swaptions provide the Group with the right but not the obligation to enter into an interest rate swap on a specific future date at a set rate.

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 36 to 41.

The table below shows the effects of derivative contracts that are linked to the drawn borrowings profile of the Group:

	Fixed 2012 £m	Floating 2012 £m	Fixed 2011 £m	Floating 2011 £m
Borrowings	3.8	344.2	8.9	544.4
Derivative impact (nominal value of derivative contracts)	344.2	(344.2)	515.1	(515.1)
Borrowings profile net of derivative impact	348.0	–	524.0	29.3
Interest rate protection		100.0%		94.6%

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 rate swaps currently effective is 3.6 per cent (2011: 4.5 per cent).

The approximate impact of a 50 basis point shift upwards in the level of interest rates would have a positive impact on the movement in fair value of derivative financial instruments recognised in the income statement of £9.8 million (2011: £10.0 million). The approximate impact of a 50 basis point shift downwards in the level of interest rates would have a negative impact on the movement in fair value of derivative financial instruments recognised in the income statement of £9.8 million (2011: £10.0 million). 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 and represents management's assessment of possible changes in interest rates. Because the fixed rate derivative financial instruments are matched by short-term floating rate debt, such a movement would have a very limited effect on Group cash flow overall.

(b) Foreign exchange risk

The Group's largest exposure to foreign exchange movements is in respect of its investments in the Chinese investment fund which is 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 2012 by £0.4 million (2011: £1.8 million). 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 2011 by £0.4 million (2011: £2.0 million). This represents management's assessment of possible changes in exchange rates.

28 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.

A one per cent increase in the valuation of investment and development property would increase the valuation of investment and development property in the income statement by £15.9 million. A one per cent decrease in the valuation of investment and development property would decrease the gain on revaluation of investment and development property in the income statement by £15.9 million.

For further information on covenant positions on investment and development property refer to page 126.

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 126.

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. Refinancing 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 refinancing.

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.

Group	2012									
	1 yr		Less than 1-2 yrs		Between 2-5 yrs		Over 5 yrs		Totals	
	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m
Asset-specific secured borrowings	6.8	71.9	5.9	–	15.7	270.2	–	–	28.4	342.1
Other secured borrowings	–	6.0	–	–	–	–	–	–	–	6.0
Finance lease obligations	–	0.5	–	0.4	–	1.2	–	1.7	–	3.8
Other payables	–	13.7	–	–	–	–	–	–	–	13.7
Interest rate derivatives payable	11.5	–	8.4	–	23.0	–	–	–	42.9	–
Interest rate derivatives receivable	(1.7)	–	(1.6)	–	(6.7)	–	–	–	(10.0)	–
	16.6	92.1	12.7	0.4	32.0	271.4	–	1.7	61.3	365.6

Group	2011									
	1 yr		Less than 1-2 yrs		Between 2-5 yrs		Over 5 yrs		Totals	
	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m
Asset-specific secured borrowings	14.1	11.5	9.5	270.0	23.7	150.0	3.2	112.0	50.5	543.5
Other secured borrowings	–	6.0	–	–	–	–	–	–	–	6.0
Finance lease obligations	–	1.2	–	1.0	–	1.9	–	4.8	–	8.9
Other payables	–	9.7	–	–	–	–	–	–	–	9.7
Interest rate derivatives payable	16.6	–	12.7	–	23.8	–	6.1	–	59.2	–
Interest rate derivatives receivable	(3.8)	–	(3.2)	–	(9.8)	–	(2.5)	–	(19.3)	–
	26.9	28.4	19.0	271.0	37.7	151.9	6.8	116.8	90.4	568.1

Contractual maturities reflect the expected maturities of financial instruments.

28 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 undrawn commitments and holdings of assets such as cash deposits and loans with financial counterparties.

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 2012 is £3.1 million (2011: £2.0 million).

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.

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 concerns.

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 2012 £m	Group 2011 £m
Up to 90 days	8.4	15.5
Over 90 days	0.4	–
Trade receivables	8.8	15.5

Also included within receivables are £4.0 million (2011: £3.4 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 2012 there was an impairment write back on trade receivables of £0.1 million (2011: an impairment of £0.3 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 2012 £m		Authorised limit	Group 2011 £m
			Credit rating			
Bank #1	AAA	150.0	AAA	40.0	150.0	30.0
Bank #2	A-	50.0	A-	42.6	50.0	5.8
Bank #3	A-	50.0	A-	13.0	50.0	3.5
Bank #4	A+	75.0	A+	56.8	75.0	47.8
Bank #5	A	50.0	A	20.0	50.0	2.4
Sum of five largest exposures				172.4		89.5
Sum of cash, cash equivalents and derivative assets				185.0		90.6
Five largest exposures as a percentage of total amount at risk				93%		99%

28 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 2012 and 31 December 2011.

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

	Carrying value £m	Fair value £m	(Loss)/gain to income statement £m	Gain to other comprehensive income £m
2012				
Derivative financial instrument asset	0.5	0.5	(2.1)	–
Total held for trading assets	0.5	0.5	(2.1)	–
Cash and cash equivalents	184.5	184.5	–	–
Other financial assets	65.3	65.3	–	–
Total cash and receivables	249.8	249.8	–	–
Available for sale investments	3.6	3.6	–	–
Total available for sale investments	3.6	3.6	–	–
Derivative financial instrument liabilities	(31.3)	(31.3)	2.8	–
Total held for trading liabilities	(31.3)	(31.3)	2.8	–
Borrowings	(348.0)	(348.0)	–	–
Other financial liabilities	(68.4)	(68.4)	–	–
Total loans and payables	(416.4)	(416.4)	–	–

	Carrying value £m	Fair value £m	(Loss)/gain to income statement £m	Gain to other comprehensive income £m
2011				
Derivative financial instrument asset	1.0	1.0	(2.4)	–
Total held for trading assets	1.0	1.0	(2.4)	–
Cash and cash equivalents	89.6	89.6	–	–
Other financial assets	61.9	61.9	–	–
Total cash and receivables	151.5	151.5	–	–
Available for sale investments	19.5	19.5	–	6.3
Total available for sale investments	19.5	19.5	–	6.3
Derivative financial instrument liabilities	(37.4)	(37.4)	16.5	–
Total held for trading liabilities	(37.4)	(37.4)	16.5	–
Borrowings	(553.3)	(553.3)	–	–
Other financial liabilities (restated)	(91.6)	(91.6)	–	–
Total loans and payables (restated)	(644.9)	(644.9)	–	–

28 FINANCIAL RISK MANAGEMENT CONTINUED

The table below presents the Group's assets and liabilities recognised at fair value at 31 December 2012.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial assets				
Fair value through profit or loss	–	0.5	–	0.5
Investments				
Total available for sale investments	–	–	3.6	3.6
Total assets	–	0.5	3.6	4.1
Derivative financial liabilities				
Fair value through profit or loss	–	(31.3)	–	(31.3)
Total liabilities	–	(31.3)	–	(31.3)

The table below presents the Group's assets and liabilities recognised at fair value at 31 December 2011.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial assets				
Fair value through profit or loss	–	1.0	–	1.0
Investments				
Total available for sale investments	–	–	19.5	19.5
Total assets	–	1.0	19.5	20.5
Derivative financial liabilities				
Fair value through profit or loss	–	(37.4)	–	(37.4)
Total liabilities	–	(37.4)	–	(37.4)

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

	Group 2012 £m	Group 2011 £m
At 1 January	19.5	66.3
Disposals ¹	(15.9)	(53.1)
Unrealised gains ²	–	6.3
At 31 December	3.6	19.5

¹ Profit on sale is recognised in the income statement.

² Unrealised gains are recognised in the statement of comprehensive income until realised.

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.

29 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 sale. For UK properties the relevant tax rate will be 23 per cent (2011: 25 per cent).

The IASB released an amendment to IAS 12, 'Income taxes', on 20 December 2010, which provides an exception to the principles in the existing standard for measuring deferred tax assets or liabilities when investment property is measured at fair value. The amendment introduces a presumption that investment property assets accounted for under IAS 40 'Investment Property' will normally be recovered through sale rather than use. The amendment applies to annual periods beginning on or after 1 January 2014 with early adoption permitted. For the purposes of the financial year ended 31 December 2012 the Group has early adopted the new IAS 12 provision. Early adoption requires retrospective application of the amendments resulting in deferred tax being recalculated under the new provisions resulting in the restatement of the 2011 deferred tax balance on investment & development properties and Group losses.

Under the new IAS 12 provisions the recognised deferred tax liability on investment properties is £1.8 million at 31 December 2012 (2011 restated: £3.3 million). The calculation is on a disposal basis and includes indexation relief, the Group's holding structure and the application of the REIT provisions to disposals occurring 2 years or more post exit (7 May 2012). The Group's contingent tax liability is £nil (2011: £nil). This is after taking into account the availability of Group losses, indexation relief and the rebasing of properties formerly within the REIT regime to their May 2010 Market Value.

A disposal of the Group's trading properties at their market value as per note 16 would result in a corporation tax charge to the Group of £9.0 million (24 per cent of £37.5 million).

Group	Accelerated capital allowances £m	Fair value of investment & development properties £m	Derivative financial instruments £m	Other temporary differences £m	Group losses £m	Total £m
Provided deferred tax (liabilities) / assets:						
At 1 January 2011	12.8	–	(12.5)	(0.3)	–	–
Recognised in income (restated)	0.4	3.3	3.3	(0.5)	(5.6)	0.9
Recognised in other comprehensive income	–	–	–	(0.9)	–	(0.9)
At 31 December 2011 (restated)	13.2	3.3	(9.2)	(1.7)	(5.6)	–
Recognised in income	(2.0)	(1.5)	3.1	–	2.8	2.4
Recognised in other comprehensive income	–	–	–	(2.4)	–	(2.4)
At 31 December 2012	11.2	1.8	(6.1)	(4.1)	(2.8)	–
Unprovided deferred tax asset:						
At 31 December 2011 (restated)	–	–	–	–	(6.0)	(6.0)
Movement in the year	–	–	(2.2)	–	(4.3)	(6.5)
At 31 December 2012	–	–	(2.2)	–	(10.3)	(12.5)

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.

30 OTHER PROVISIONS

Group	Deferred consideration £m	Other £m	Total £m
Non-current			
At 1 January 2011	3.1	0.2	3.3
Extinguished during the year	–	(0.2)	(0.2)
Reclassified to current liabilities	(3.1)	–	(3.1)
At 31 December 2011	–	–	–
At 31 December 2012	–	–	–
Current			
At 1 January 2011	–	–	–
Reclassified from non-current liabilities	3.1	–	3.1
Charged to income statement	–	–	–
– re-measurement of deferred consideration	4.2	–	4.2
At 31 December 2011	7.3	–	7.3
At 31 December 2012	7.3	–	7.3

Deferred consideration is the amount payable on the 2009 acquisition of the non-controlling interests' share in Earls Court & Olympia. The amount of deferred consideration payable is based on a number of factors including a potential redevelopment of the ECOA, with the final details of such a redevelopment dependent on discussions with the owners of the adjacent land and the outcome of the planning process. The maximum potential payment is £20.0 million.

31 SHARE CAPITAL AND SHARE PREMIUM

Group and Company	Number of shares	Share capital £m	Share premium £m
Issued and fully paid ordinary shares of 25 pence:			
At 1 January 2011	621,828,502	155.4	89.1
Shares issued – placing	62,100,000	15.5	6.0
At 31 December 2011	683,928,502	170.9	95.1
Shares issued – placing	68,400,000	17.1	21.8
– scrip dividends	799,301	0.3	0.8
At 31 December 2012	753,127,803	188.3	117.7

In September 2012, the Company completed a placing of 68.4 million new ordinary shares at a price of 218 pence per share. The placing generated gross proceeds of £149.1 million, £145.0 million net of expenses.

In June 2012, the Company offered a scrip dividend alternative to shareholders in respect of the 2011 final dividend. 541,709 shares were issued at a price of 198 pence per share.

In September 2012, the company offered a scrip dividend alternative to shareholders in respect of the 2012 interim dividend. 257,592 shares were issued at a price of 217 pence per share.

In May 2011, the Company completed a placing of 62.1 million new ordinary shares at a price of 162 pence per share. The placing generated gross proceeds of £100.6 million, £96.6 million net of expenses.

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 2013, the Company had an unexpired authority to repurchase shares up to a maximum of 67,961,400 shares with a nominal value of £17.0 million, and the Directors had an unexpired authority to allot up to a maximum of 386,297,081 shares with a nominal value of £96.6 million of which 227,748,191 with a nominal value of £56.9 million can only be allotted pursuant to a fully pre-emptive rights issue.

32 TREASURY SHARES

Group and Company	Number of shares	Treasury shares £m
Ordinary shares of 25 pence:		
At 31 December 2011	–	–
Shares purchased	431,450	1.0
At 31 December 2012	431,450	1.0

Treasury shares were purchased as a result of the odd-lot offer launched in November 2012 and completed in December 2012.

33 CAPITAL COMMITMENTS

At 31 December 2012, the Group was contractually committed to £21.4 million (2011: £14.0 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Of the £21.4 million committed, £21.2 million is committed 2013 expenditure. The Group's share of joint venture commitments included within this amount was £0.2 million (2011: £0.4 million).

In March 2012 a subsidiary of the Group entered into an agreement with LBHF to acquire any private residential units on the West Kensington or Gibbs Green estates in the event that LBHF is required to purchase these properties if an owner brings forward a valid claim under certain provisions of the Town and Country Planning Act 1990 which relate to Statutory Blight suffered as a result of the adoption of the Strategic Planning Document, up to a maximum of £50 million including certain other related costs. It is intended that costs incurred would be offset against the consideration relating to the CLSA in respect of the LBHF land. The agreement was replaced by equivalent provisions within the CLSA which was signed on 23 January 2013. Refer to note 41 for further details.

34 CONTINGENT LIABILITIES

As at 31 December 2012, the Group has no contingent liabilities (2011: £nil).

35 CASH GENERATED FROM OPERATIONS

	Notes	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Profit before tax		245.5	161.9	5.0	3.9
Adjustments for:					
Profit on sale of trading properties	3	(6.1)	–	–	–
Gain on revaluation of investment and development property	4	(184.9)	(119.4)	–	–
Gain on sale of investment property	4	(16.4)	(3.9)	–	–
Gain on loss of control and appropriation to trading property	4	(12.6)	–	–	–
Profit on sale of available for sale investments	5	(10.0)	(30.5)	–	–
Profit on sale of subsidiaries	6	(1.7)	–	–	–
Loss of control of former subsidiary	7	1.0	–	–	–
Re-measurement of deferred consideration		–	4.2	–	–
Write down of trading property	16	0.9	0.1	–	–
Write back of impairment of other receivables		(0.6)	–	–	–
Depreciation		0.1	0.2	–	–
Impairment of investment in Group company		–	–	–	0.1
Amortisation of lease incentives and other direct costs		1.7	0.5	0.6	0.8
Finance costs	11	23.6	36.5	–	–
Finance income		(0.8)	(1.7)	–	–
Other finance costs	11	2.0	14.5	(5.6)	(4.1)
Change in fair value of derivative financial instruments		(0.7)	(14.1)	–	–
Change in working capital:					
Change in trade and other receivables		(2.6)	(7.2)	(20.3)	(92.1)
Change in trade and other payables		(6.7)	(3.1)	–	–
Cash generated from operations		31.7	38.0	(20.3)	(91.4)

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 Company) and its subsidiary undertaking:	Ordinary shares of 25p each	100
EC Properties GP Limited* acting as General Partner of EC Properties LP (property)	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 undertakings:	Ordinary shares of £1 each	100
Capco Floral Place Limited (property)	Ordinary shares of £1 each	100
34 Henrietta Street 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
Capco CG 2012 Limited* acting as General Partner of Capco CGP 2012 LP (property)	Ordinary shares of £1 each	100
Capvestco Limited (property and financing) (Jersey) and its principal subsidiary undertakings:	Ordinary shares of £1 each	100
Capvestco China Limited (Investments) (Jersey)	Ordinary shares of £1 each	100
C&C Properties (Jersey) Limited (financing) (Jersey)	Ordinary shares of £1 each	100
EC Properties Limited* (holding Company) and its principal subsidiary undertaking:	"A" Ordinary shares of £0.01 each	100
	"B" Ordinary shares of £0.01 each	100
Martineau Properties Limited (property)	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
C&C Management Services Limited (services)	Ordinary shares of £1 each	100
Capco Group Treasury Limited (treasury management)	Ordinary shares of £1 each	100
Capital & Counties Asset Management Limited (investment management)	Ordinary shares of £1 each	100

* Shareholdings 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.

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	2012 £m	2011 £m
Colligo (Jersey) Limited	Acquisition of preference shares	120.3	–
Capco Group Treasury Limited	Intercompany loan following placing	24.7	96.6
Capricorn Capital (Jersey) Limited	Acquisition and subsequent redemption of preference shares	–	89.4
Capco Group Treasury Limited	Interest	5.6	4.1

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

Subsidiary	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
	2012 £m	2011 £m	2012 £m	2011 £m
Capco Group Treasury Limited	391.7	369.1	–	–

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	2012 £m	2011 £m
Salaries and short-term employee benefits	2.9	2.8
Pensions and other post-employment benefits	–	0.1
Share-based payments	2.3	1.4
	5.2	4.3

¹ The Directors of Capital & Counties Properties PLC have been determined to be the only individuals with authority and responsibility for planning, directing and controlling the activities of the Company.

During 2012 The Great Capital Partnership disposed of a portfolio of properties to Great Portland Estates plc, the Group's joint venture partner, a related party. Consideration of £135.0 million (Capco share) was received in cash. The market value of these properties at date of disposal was £124.4 million (Capco share).

In September 2012, the company completed a placing of 68.4 million new ordinary shares at a price of 218 pence per share. Blackrock Investment Management (UK) Limited, a related party controlling more than 10% of the voting rights in the company, subscribed for 13.2 million shares at a price of 218 pence per share.

38 DIRECTORS' EMOLUMENTS

The details of individual Directors' remuneration and pension benefits as set out in the tables contained in the Directors' remuneration report on pages 59 to 75 form part of these financial statements.

39 SHARE-BASED PAYMENTS

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.

Reconciliations of movements in incentive schemes are given in the tables on pages 117 to 119.

39 SHARE-BASED PAYMENTS CONTINUED

1. Performance Share Plan

Market value options to subscribe for ordinary shares may be awarded under the Capital & Counties Properties PLC Performance Share Plan (“PSP”).

Exercise is subject to appropriately challenging performance conditions determined by the Remuneration Committee at the time of grant. All awards are subject to performance conditions relating to:

- 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 the Company, Intu Properties plc (formally Capital Shopping Centres Group 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
- 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, any provision for contingent capital gains tax will be added back. For full vesting of the awards made to date 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 of the awards made to date 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. In general, options are forfeited if the employee leaves the Group before the options vest.

A schedule to the PSP was approved by HMRC as a CSOP scheme in 2011; therefore the company may now make a proportion of awards as approved options.

Share options outstanding at 31 December 2012 were exercisable between nil pence and 176.33 pence and have a weighted average remaining contractual life of eight years and are exercisable between 2013 and 2022.

The total expense recognised in the income statement in respect of share options for the year ended 31 December 2012 was £1.8 million (2011: £1.7 million).

(i) Market Value Option Awards

Year of grant	2012		2011	
	Number of Options	Weighted Average Exercise Price (pence)	Number of Options	Weighted Average Exercise Price (pence)
Outstanding at 1 January	9,177,745	117.71	7,248,551	104.94
Awarded during the year	–	–	2,141,127	160.82
Forfeited during the year	(36,782)	157.73	(211,933)	116.32
Exercised during the year	–	–	–	–
Outstanding at 31 December	9,140,963	117.55	9,177,745	117.71
Exercisable at 31 December	–	–	–	–

39 SHARE-BASED PAYMENTS CONTINUED

Conditional awards of free shares, which may be awarded as nil cost options, may also be awarded under the Performance Share Plan.

(ii) Nil Cost Option Awards

Year of Grant	Number of nil cost options	
	2012	2011
Outstanding at 1 January	1,065,109	–
Awarded during the year	904,561	1,065,109
Forfeited during the year	–	–
Exercised during the year	–	–
Outstanding at 31 December	1,969,670	1,065,109
Exercisable at 31 December	–	–

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

Year of Option Award	2012	2011	2010
Average share price	2.08	1.72	1.27
Exercise price	–	0-176.33	103.87 – 124.4
Expected option life	5 years	4 – 5 years	5 years
Risk-free rate	0.37%	0.34 – 2.49%	0.81 – 2.29%
Expected volatility	27%	27 – 30%	35%
Expected dividend yield *	0.8%	0.9 – 1.1%	1.1%
Value per option	85p	21 – 75p	13 – 19p

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

(iii) Deferred Share Awards

Conditional awards of deferred shares may also be made under the performance share plan.

Year of Grant	2012	2011
Outstanding at 1 January	–	–
Awarded during the year	560,582	–
Forfeited during the year	(11,012)	–
Vested during the year	–	–
Outstanding at 31 December	549,570	–

Deferred share awards made under the performance share plan vest on the third anniversary of the date of award, subject to continued employment and satisfaction of performance conditions.

The total expense recognised in the income statement in respect of deferred shares awarded under the PSP was £0.1 million (2011: £nil).

Matching Share Plan

Under the Capital & Counties Properties PLC Matching Share Plan (“MSP”), deferred shares may be awarded as part of any bonus. Awards may also be made as nil cost options.

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. Awards of nil cost options were made in both the current and comparative periods. 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 208 pence (2011: 172 pence).

39 SHARE-BASED PAYMENTS CONTINUED**(i) Deferred Shares – Nil Cost Options**

Year of Grant	Number of nil cost options	
	2012	2011
Outstanding at 1 January	525,256	–
Awarded during the year	452,280	525,256
Forfeited during the year	–	–
Exercised during the year	–	–
Outstanding at 31 December	977,536	525,256
Exercisable at 31 December	–	–

Under the Matching Share Plan, awards, which may be awarded as nil cost options, may also be made in respect of certain shares purchased by Directors or in respect of awards of the deferred shares or nil cost options described above 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 and matching nil cost options is subject to appropriately challenging performance conditions. Vesting of matching shares will occur on the later of the third anniversary of grant and the date on which the performance outcome is finally determined. The matching nil cost options have a vesting period of three years and a maximum contractual life of ten years. The performance conditions that apply to the awards of matching shares made in 2012 are the same as those that apply to the awards of options made under the Performance Share Plan.

Matching shares and matching nil cost options generally lapse if the Director leaves the Company or sells any of the related purchased or deferred shares.

(ii) Matched Share Awards

Year of Grant	2012	2011
Outstanding at 1 January	1,251,984	1,251,984
Awarded during the year	–	–
Forfeited during the year	–	–
Vested during the year	–	–
Outstanding at 31 December	1,251,984	1,251,984

(iii) Matched nil cost options

Year of Grant	2012	2011
Outstanding at 1 January	1,352,468	–
Awarded during the year	652,528	1,352,468
Forfeited during the year	–	–
Exercised during the year	–	–
Outstanding at 31 December	2,004,996	1,352,468
Exercisable at 31 December	–	–

The total expense recognised in the income statement in respect to the MSP was £0.9 million (2011: £0.6 million).

The Chairman does not participate in the Performance Share Plan or Matching Share Plan, however for any shares purchased within 12 months of May 2010 and with a value of 150 per cent of his base fee, the Company made 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 10 May 2013 subject to the Chairman remaining in office 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. The total expense recognised in the income statement in respect of the Chairman's award was £0.2 million (2011: £0.2 million).

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 closed to new members in 2006, and closed to future benefit accrual on 31 December 2011. 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:	2012 £m	2011 £m
Current service cost	Administration expenses	–	0.2
Curtailement gain	Administration expenses	–	(0.6)
Interest cost	Finance costs	0.6	0.7
Expected return on the Scheme’s assets	Finance costs	(0.9)	(0.9)
		(0.3)	(0.6)

Amounts recognised in the statement of other comprehensive income	2012 £m	2011 £m
Actuarial loss on defined benefit scheme	1.7	1.4
Cumulative actuarial loss on defined benefit scheme	5.2	3.5

Whilst the actuarial 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 finance costs.

For the year ended 31 December 2012 this amounts to a credit of £0.3 million (2011: £0.2 million). Of the current service cost for the year, £nil (2011: £0.2 million) has been included in administration expenses.

Amounts recognised in the consolidated balance sheet	2012 £m	2011 £m
Fair value of Scheme’s assets	16.7	15.1
Present value of Scheme’s liabilities	(17.1)	(14.1)
(Deficit)/surplus in the Scheme	(0.4)	1.0
Related deferred tax asset	1.3	0.8
Net pension asset	0.9	1.8

Movements in the fair value of the Scheme’s assets	2012 £m	2011 £m
At 1 January	15.1	11.4
Expected return on Scheme’s assets	0.9	0.9
Actuarial gains/(losses)	0.8	(0.8)
Employer contributions paid	–	3.8
Member contributions paid	–	0.1
	16.8	15.4
Benefits paid	(0.1)	(0.3)
Scheme’s assets at 31 December	16.7	15.1

40 PENSIONS CONTINUED

The weighted average asset allocations at the year-end were as follows:

Asset category:	2012 %	2011 %
Equities	72	70
Index-linked gilts	11	12
Corporate bonds	17	17
Cash	–	1
Total	100	100

Movements in the fair value of the Scheme's liabilities	2012 £m	2011 £m
At 1 January	14.1	13.4
Current service cost	–	0.3
Interest cost	0.6	0.7
Curtailed gain	–	(0.6)
Actuarial loss	2.5	0.6
	17.2	14.4
Benefits paid	(0.1)	(0.3)
Scheme's liabilities at 31 December	17.1	14.1

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

	2012 % (per annum)	2011 % (per annum)
Discount rate	4.10	4.70
Rate of inflation (based on the Retail Prices Index)	2.70	2.70
Earnings increases	–	4.20
Increases to pensions in payment (Limited Prices Index 5%)	2.70	2.70
Increases to deferred pensions before payment	2.20	2.70
Expected return on Scheme's assets	6.10	6.10

	2012 £m	Restated 2011 £m
Actual return on Scheme's assets in the year	1.7	0.1

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 table used by the Scheme in both the current and comparative periods is S1 PXA, CMI (125%), Year of Birth. The table makes allowance for future improvements in longevity based on the year of birth of each member.

The mortality assumptions used in this valuation were:		2012	2011
Life expectancy at age 65 (current age 45) –	Male	89.0	88.8
	Female	91.2	91.0
Life expectancy at age 65 (current age 65) –	Male	87.2	86.9
	Female	89.3	89.0

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.

As a result, a discount rate of 4.1 per cent has been applied as at 31 December 2012 (2011: 4.7 per cent).

40 PENSIONS CONTINUED

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

	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Present value of Scheme's liabilities	(17.1)	(14.1)	(13.4)	(13.4)	(10.8)
Fair value of Scheme's assets	16.7	15.1	11.4	10.0	8.0
(Deficit)/surplus	(0.4)	1.0	(2.0)	(3.4)	(2.8)
Experience adjustment on Scheme liabilities	(0.3)	0.1	0.3	0.1	(0.1)
Changes in assumptions used to value Scheme liabilities	(2.2)	(0.6)	0.4	(1.9)	1.4
Experience adjustment on Scheme assets/liabilities	0.8	(0.8)	0.6	1.3	(3.1)

The Group has no significant exposure to any other post-retirement benefit obligations.

The estimated contribution expected to be paid to the Scheme during 2013 is £nil.

(ii) *Defined contribution arrangements*

The pension charge in respect of other schemes is the actual contributions paid. These amounted to £0.6 million (2011: £0.5 million).

41 EVENTS AFTER THE REPORTING PERIOD

On 23 January 2013 the Group together with LBHF entered into a Conditional Land Sale Agreement (CLSA) which provides for the inclusion of LBHF's land holdings at Earls Court in the redevelopment of the ECOA. The CLSA provides the Group with the option to acquire approximately 22 acres of land from LBHF for a total cash consideration of £105 million.

Of the total consideration payable, £15 million was paid in 2011 as part of the exclusivity agreement entered in to at that time (see note 21), and a further £15 million was paid on signing to acquire 11 Farm Lane and Gibbs Green School. The balance will only become payable upon exercise of the option, which is exercisable until 2017. Further details of this transaction are available on the Company's website and on pages 29 and 30 of this document.

On 28 January 2013, the Group acquired a long leasehold interest in 38 King Street, Covent Garden for £10.5 million.

42 DIRECTORS' INTERESTS

(a) In shares in Capital & Counties Properties PLC

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

	2012	2011
Chairman:		
I.C. Durant	290,230	290,230
Executive:		
I.D. Hawksworth	479,069	479,069
S. Das	236,470	136,346
G.J. Yardley	427,972	427,972
Non-Executive:		
I.J. Henderson	37,601	37,601
G.J. Gordon	30,450,061	30,450,061
A.J.M. Huntley	75,000	75,000
A.D. Strang	–	–
H.E. Staunton	150,000	150,000
D. Pinsent (appointed 1 May 2012)	–	–

(b) Share dealings

No Director had any dealings in the shares of any Group company between 31 December 2012 and 28 February 2013, 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 2012.

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

1. PROPERTY DATA AS AT 31 DECEMBER 2012

	Market value £m	Ownership	Initial yield (EPRA)	Nominal equivalent yield	Passing rent £m	ERV £m	Occupancy rate (EPRA)	Weighted average unexpired lease years	Gross area million ² sq ft
Covent Garden	952.3	100%	3.80%	5.12%		51.9	99.0%	7.3	0.9
Earls Court & Olympia ¹	720.8	100%				9.0			1.8
The Great Capital Partnership ³	48.3	50%				1.8	66.0%	15.1	0.1
Total properties	1,721.4				48.4	62.7			2.8
<i>Investment properties</i>	<i>1,599.5</i>				<i>47.9</i>	<i>62.0</i>			<i>2.8</i>
<i>Trading properties</i>	<i>121.9</i>				<i>0.5</i>	<i>0.7</i>			<i>–</i>

1 Includes the Group's 50 per cent economic interests in the Empress State building (£110 million) and the Seagrave Road JV. Earls Court & Olympia does not report a passing rent, ERV, occupancy, or lease maturity due to the nature of its exhibition business.

2 Area shown is net internal area of the portfolio, not adjusted for proportional ownership.

3 No GCP yields are disclosed as the one remaining asset has been valued on the basis of a development appraisal.

2. ANALYSIS OF CAPITAL RETURN IN THE YEAR

	Market value 2012 £m	Market value 2011 £m	Revaluation surplus/ (deficit) ¹ 2012 £m	Increase
Like-for-like properties				
Covent Garden	867.1	805.7	57.4	7.2%
Earls Court & Olympia	712.7	516.0	165.6	30.3%
The Great Capital Partnership	48.3	41.0	7.3	17.6%
Like-for-like properties	1,628.1	1,362.7	230.3	16.7%
<i>Investment properties</i>	<i>1,512.5</i>	<i>1,286.4</i>	<i>189.6</i>	<i>14.5%</i>
<i>Trading properties</i>	<i>115.6</i>	<i>76.3</i> ³	<i>40.7</i> ³	<i>54.2%</i>
Acquisitions	93.3	–	(2.5)	
Disposals	–	203.8	–	
Loss of control of former subsidiary	–	57.5	–	
Total properties	1,721.4	1,624.0	227.8	15.4%
<i>Investment properties</i>	<i>1,599.5</i>	<i>1,622.8</i>	<i>184.9</i>	<i>13.2%</i>
<i>Trading properties</i>	<i>121.9</i>	<i>1.2</i>	<i>42.9</i> ²	<i>54.2%</i>
All properties				
Covent Garden	952.3	808.0	54.0	6.1%
Earls Court & Olympia	720.8	573.5	166.5	30.0%
The Great Capital Partnership	48.3	241.3	7.3	17.6%
Other trading property	–	1.2	–	
Total properties	1,721.4	1,624.0	227.8	15.4%

1 Revaluation surplus/(deficit) includes amortisation of lease incentives and fixed head leases.

2 Represents realised gains on appropriation and impairment charges and unrecognised surplus on trading properties during the year and is presented for information only.

3 Market values at 31 December 2011 of properties transferred to trading properties during the year are shown as like-for-like where applicable.

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED) CONTINUED

3. ANALYSIS OF NET RENTAL INCOME IN THE YEAR

	2012 £m	2011 £m	Change %
Like-for-like properties			
Covent Garden	27.8	25.4	9.4%
Earls Court & Olympia	27.5	29.2	(5.8)%
The Great Capital Partnership	0.9	0.7	
Like-for-like investment properties	56.2	55.3	1.6%
Like-for-like trading properties	0.3	0.2 ¹	
Total like-for-like properties	56.5	55.5	1.8%
Acquisitions	0.8	–	
Disposals	4.3	11.4	
Like-for-like capital	3.6	2.0	
Loss of control of former subsidiary	0.1	0.1	
Total properties	65.3	69.0	(5.3)%
<i>Investment properties</i>	<i>65.0</i>	<i>69.0</i>	<i>(5.7)%</i>
<i>Trading properties</i>	<i>0.3</i>	<i>–</i>	

All properties

Covent Garden	32.1	27.8	15.8%
Earls Court & Olympia	27.8	30.2	(7.9)%
The Great Capital Partnership	5.4	11.0	
Total properties	65.3	69.0	(5.3)%

¹ Represents the 31 December 2011 net rental income attributable to like-for-like trading properties.

4. ANALYSIS OF PROPERTY BY USE

	31 December 2012 Market Value					31 December 2012 ERV				
	Retail £m	Office £m	Exhibition £m	Residential £m	Total £m	Retail £m	Office £m	Exhibition £m	Residential £m	Total £m
Covent Garden	787.3	126.7	–	38.3	952.3	40.1	10.9	–	0.9	51.9
Earls Court & Olympia	24.6	115.6	570.6	10.0	720.8	1.3	7.5	–	0.2	9.0
The Great Capital Partnership	–	19.8	–	28.5	48.3	–	1.5	–	0.3	1.8
	811.9	262.1	570.6	76.8	1,721.4	41.4	19.9	–	1.4	62.7

**CONSOLIDATED UNDERLYING PROFIT STATEMENT (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012	2011
	£m	£m
Net rental income	65.3	69.0
Administration expenses	(26.1)	(22.2)
Operating profit	39.2	46.8
Finance costs	(23.6)	(36.5)
Finance income	0.8	1.7
Net finance costs	(22.8)	(34.8)
Profit before tax	16.4	12.0
Tax on adjusted profit	(3.9)	(2.4)
Underlying earnings (used for calculation of underlying earnings per share)	12.5	9.6
Underlying earnings per share (pence)	1.8	1.4

FINANCIAL COVENANTS

Financial covenants on non-recourse debt excluding joint ventures

	Maturity	Loan outstanding at 31 January 2013 ¹ £m	LTV covenant	Loan to 31 December 2012 Market value ²	Interest cover covenant	Interest cover Reported ³
Covent Garden ^{4,5}	2016	158.2	70%	34%	130%	248%
Covent Garden ^{4,6}	2017	112.0	70%	45%	120%	170%
Covent Garden (RCF) ^{4,7}	2017	0	65%	0%	130%	483%
Total		270.2				

Financial covenants on joint ventures non-recourse debt

	Maturity	Loan outstanding at 31 January 2013 ^{1,8} £m	LTV covenant	Loan to 31 December 2012 Market value ²	Interest cover covenant	Interest cover Reported ³
The Empress State Partnership ⁹	2013	66.5	N/A	N/A	120%	166%
The Great Capital Partnership ¹⁰	2013	4.8	70%	10%	120%	1,436%
Total		71.3				

1 The loan values are the actual principal balances outstanding at 31 January 2013. The balance sheet value of the loans includes any unamortised fees.

2 The loan to 31 December 2012 market value provides an indication of the impact the 31 December 2012 property valuations on the LTV covenants. The actual timing and manner of testing LTV covenants varies and is loan specific.

3 Based on the latest certified figures, calculated in accordance with loan agreements, which have been submitted during December 2012 and January 2013. The calculations are loan specific and include a variety of historic, forecast and in certain instances a combined historic and forecast basis.

4 There are three separate loans secured against Covent Garden properties.

5 Loan facility provided by a consortium of six banks with BNP Paribas acting as agent, with a further 2 year extension available at Capco's option subject to meeting certain financial covenants.

6 Loan facility provided by NyKredit Realkredit A/s.

7 Loan facility provided by a consortium of two banks with BNP Paribas acting as agent.

8 50 per cent of the debt is shown which is consistent with accounting treatment and the Group's economic interest.

9 Loan facility provided by a consortium of three banks with Eurohypo AG acting as agent, LTV covenant removed until maturity.

10 Loan facility provided by a consortium of four banks with Eurohypo AG acting as agent.

HISTORICAL RECORD

	2012	Restated 2011	2010	2009	Pro-Forma 2009
	£m	£m	£m	£m	£m
Income Statement					
Net rental income	65.3	69.0	69.0	78.1	79.2
Other income	6.1	0.8	0.1	1.5	1.5
Gain/(loss) on revaluation and sale of investment and development property	213.9	123.3	134.6	(128.8)	(140.7)
Non-recurring income/(costs)	10.4	26.2	(6.3)	(8.5)	(12.4)
Administration expenses	(26.1)	(22.2)	(18.6)	(14.5)	(18.5)
Operating profit/(loss)	269.6	197.1	178.8	(72.2)	(90.9)
Net finance costs	(24.1)	(35.2)	(46.3)	(77.8)	(36.1)
Profit/(loss) before tax	245.5	161.9	132.5	(150.0)	(127.0)
Taxation	(5.5)	(3.4)	(0.9)	(1.1)	(1.4)
Non-controlling interests	–	–	–	19.6	19.6
Profit/(loss) for the year	240.0	158.5	131.6	(131.5)	(108.8)
Balance Sheet					
Investment & development property	1,586.2	1,616.8	1,377.6	1,240.5	1,240.5
Other non-current assets	44.5	56.3	79.7	61.5	61.5
Cash and cash equivalents	184.5	89.6	188.5	19.3	263.3
Other current assets	110.3	27.5	27.1	22.4	22.4
Total assets	1,925.5	1,790.2	1,672.9	1,343.7	1,587.7
Non-current borrowings	(269.6)	(534.6)	(651.5)	(655.4)	(655.4)
Other non-current liabilities	(29.7)	(36.9)	(59.2)	(64.5)	(9.5)
Current borrowings	(78.4)	(18.7)	(13.1)	(71.0)	(71.0)
Other current liabilities	(70.0)	(92.1)	(65.7)	(460.1)	(120.9)
Total liabilities	(447.7)	(682.3)	(789.5)	(1,251.0)	(856.8)
Net assets	1,477.8	1,107.9	883.4	92.7	730.9
Per share information					
	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	34.1	23.9	21.2	(21.1)	(17.5)
Underlying earnings per share	1.8	1.4	1.5	2.4	2.0
Basic net assets per share	196.3	162.0	142.1	14.9	117.5
EPRA adjusted, diluted NAV	203.1	166.9	148.4	24.6	127.0
Dividend per share	1.5	1.5	1.5	N/A	N/A

BOARD 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

Andrew Huntley

Demetra Pinsent

Henry Staunton

Andrew Strang

Company Secretary

Ruth Pavey

Registered Office

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Fax: 020 3214 9151

Registered Number

7145051

Websites:

www.capitalandcounties.com

www.myearlscourt.com

www.eco.co.uk

www.coventgardenlondonuk.com

Auditors

PricewaterhouseCoopers LLP

Solicitors

Linklaters LLP

Webber Wentzel (South Africa)

Brokers and Financial Advisers

Bank of America Merrill Lynch

Rothschild

UBS Limited

SA Sponsor

Merrill Lynch South Africa (Pty) Limited

DIVIDENDS

The Directors of Capital & Counties Properties PLC have proposed a final dividend per ordinary share (ISIN GBooB62G9D36) of 1.0 pence payable on 20 June 2013.

Dates

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

Annual General Meeting	3 May 2013
Sterling/Rand exchange rate struck:	9 May 2013
Sterling/Rand exchange rate and dividend amount in Rand announced:	10 May 2013
Ordinary shares listed ex-dividend on the JSE, Johannesburg:	20 May 2013
Ordinary shares listed ex-dividend on the London Stock Exchange:	22 May 2013
Record date for final dividend in UK and South Africa:	24 May 2013
Dividend payment date for shareholders:	20 June 2013

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 17 May 2013 and that no dematerialisation of shares will be possible from 20 May 2013 to 24 May 2013 inclusive. No transfers between the UK and South Africa registers may take place from 10 May 2013 to 24 May 2013 inclusive.

Subject to SARB approval, the Board intends to offer an optional scrip dividend alternative in respect of the 2012 final dividend.

The above dates are proposed and subject to change.

Important Information for South African Shareholders:

Holders of the Company's shares in South Africa should note that National Treasury introduced a new Dividends Tax with effect from 1 April 2012, at a rate of 15 per cent.

The final cash dividend received by a South African shareholder will constitute a foreign dividend and will therefore be subject to Dividends Tax. Dividends Tax will be withheld from the amount of the final dividend at a rate of 15 per cent, unless a shareholder qualifies for an exemption or a reduced rate of Dividends Tax and the prescribed requirements for effecting the exemption or reduction, as set out in the Scrip Dividend Scheme booklet, are in place.

It is the Company's understanding that a receipt of shares pursuant to the scrip dividend alternative will not constitute a foreign dividend in terms of current legislation. Under the current legislation, the scrip dividend will not be subject to Dividends Tax, nor income tax on receipt. The new shares which are acquired under the scrip dividend alternative will be treated as having been acquired for nil consideration.

This information is included only as a general guide to taxation for Shareholders resident in South Africa based on Capco's understanding of the law and the practice currently in force. Any Shareholder who is in any doubt as to their tax position should seek independent professional advice.

Further disclosures required in terms of the JSE Listings Requirements will be detailed in the finalisation announcement to be published on 10 May 2013.

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”.

CLSA

Conditional Land Sale Agreement, an agreement with LBHF relating to its land in the ECOA.

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 NNAV

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.

F&B

Food and Beverage.

GCP

The Great Capital Partnership, a 50:50 joint venture with GPE.

GPE

Great Portland Estates plc. The Group’s joint venture partner in The Great Capital Partnership.

Gross income

The Group’s share of passing rent plus sundry non-leased income.

Interest rate cap

A derivative in which the buyer receives payments at the end of each period in which the interest rate exceeds the agreed strike price.

Interest rate collar

A combination of a purchase of an interest rate cap and a sale of an interest rate floor to create a range for interest rate fluctuations between the cap and floor strike prices to have greater certainty on the floating rate payable by the Group.

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.

IRR

Internal Rate of Return.

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.

Kwok Family Interests (KFI)

Joint venture partner in the Seagrave Road project.

LBHF

The London Borough of Hammersmith & Fulham.

LIBOR

London Interbank Offer Rate.

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 net debt to the book value of property.

Net Debt

Total borrowings less cash and cash equivalents.

Net rental income (NRI)

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

Nominal equivalent yield

Effective annual yield to a purchaser on the gross market value, 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.

RBKC

The Royal Borough of Kensington & Chelsea.

REIT

Real Estate Investment Trust.

SARB

South African Reserve Bank

Section 34A Housing Act 1985

An amendment to the 1985 Act 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), or, to take over responsibility for managing the housing services provided by their local authority landlord. The legislation only applies to social rented tenants of local authorities. It does not apply to tenants of housing associations even where the ultimate owner may be a local authority. Section 34A requires implementation by regulations yet to come into effect. These regulations will be enacted by the Department of Communities and Local Government. No regulations have yet been introduced.

Tenant (or lease) incentives

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

Total property return

Capital growth including gains and losses on disposals plus rent received less associated costs, including ground rent.

Total return

The growth in EPRA adjusted, diluted NAV per share plus dividends per share during the period.

Total shareholder return

The increase in the price of an ordinary share plus dividends during the period assuming re-investment in ordinary shares.

Underlying earnings

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 term

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

Zone A

A means of analysing and comparing the rental value of retail space by dividing it in to zones parallel with the main frontage. The most valuable zone, Zone A, falls within a 6m depth of the shop frontage. Each successive zone is valued at half the rate of the zone in front of it. The blend is referred to as being 'TTZA' ('In Terms of Zone A').

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 9.00 am – 5.30 pm

Monday – Friday)

Telephone outside UK: +44 (0)208 639 3399 (outside UK)

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

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 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 8.00 am – 4.30 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

Capco has adopted electronic communications. This means that shareholders will receive documents from the Company electronically unless they elect to receive hard copies.

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 who receives hard copies of documents and you wish to elect to receive electronic communications, please contact the appropriate registrar.

Shareholders may revoke an election 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.

Odd-lot Offer

During 2012, the Company undertook an odd-lot offer to facilitate a reduction in the number of ordinary shareholders holding fewer than 250 ordinary shares in a fair and equitable manner (the "Odd-lot Offer"). The Odd-lot Offer was launched in November 2012 and, unless an election to keep shares was made, Odd-lot Holders' shares were repurchased by the Company on 12 December 2012.

Further information on the Odd-lot Offer can be found on the Company's website www.capitalandcounties.com.



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