PRESS RELEASE

capco

28 February 2013

CAPITAL & COUNTIES PROPERTIES PLC ("Capco")

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

Ian Durant, Chairman of Capco, commented: *"Capco's strong performance in 2012 continues the positive momentum generated since the Company was established in 2010. 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 achieve market leading returns."*

Ian Hawksworth, Chief Executive of Capco, commented: "*The clear and focused business model and strategy has delivered strong results in 2012 with the continued transformation of Covent Garden and significant planning milestones achieved at Earls Court. We have maintained the pace of capital recycling, underpinning our strong balance sheet and conservative leverage. Capco is well positioned within its core central London retail and residential property markets, and our assets continue to offer the potential for outperformance.*"

Strong valuation performance

- 22 per cent increase in EPRA adjusted, diluted NAV to 203 pence per share (2011 restated: 167 pence)
- 15 per cent increase in total property value to £1.7 billion (17 per cent like-for-like) (2011: £1.6 billion)
- Proposed final 2012 dividend of 1 pence per share giving full-year dividend of 1.5 pence per share
- 23 per cent total return in the period

Transformation of Covent Garden continues to drive value

- Property value of £952 million up 7.2 per cent (on a like-for-like basis) (2011: £808 million)
- 9.99 per cent equity placing for further investment raised £149 million in September
- Revised ERV target of £60-65 million by 2015, new lettings at 4.6 per cent above December 2011 ERV
- 14 new retailer and restaurant signings in 2012 including Chanel and Jo Malone
- Acquisitions of £89 million including the Wellington Portfolio and a number of units on Henrietta Street and Floral Street
- New benchmark set of £2,250 per square foot for premium residential

Resolutions to grant outline planning consent at Earls Court

- 57.6 per cent increase in Earls Court valuation (on a like-for-like basis) to £336 million (£14.8 million per acre) (2011: £195 million)
- Resolutions to grant outline planning consent for the Earls Court Masterplan from LBHF and RBKC
- CLSA signed with LBHF for inclusion of its land in the Masterplan
- Discussions continue with TfL on regear of Earls Court leasehold interests
- Improvement works to Olympia London completed

Planning consent at Seagrave Road and joint venture focused on implementation

- 61.5 per cent increase in valuation (on a like-for-like basis) to £104 million (Capco share) (2011: £116 million)
- Formal planning consent granted for Seagrave Road development and joint venture completed

£320 million of disposals continue capital recycling

- £320 million (Capco share) of disposals in 2012, principally from investments in GCP and China as well as completion of the Seagrave Road JV

Strong financial position with low leverage and high liquidity

- Property LTV reduced to 10 per cent (2011: 29 per cent)
- Cash and available facilities of £401 million as at 31 December 2012 (2011: £245 million)
- £70 million revolving credit facility arranged giving increased financial flexibility

FINANCIAL HIGHLIGHTS

	Comprising	2012	2011
23% Total return in 2012			
EPRA adjusted net asset value		**£1,553m**	£1,153m
EPRA adjusted net asset value per share	22%	**203p**	167p
Dividend per share	1%	**1.5p**	1.5p
22% Total property return in 2012			
Total property portfolio	15%	**£1,721m**	£1,624m
Profits on disposal	3%	**£35m**	£4m
Net rental income	4%	**£65.3m**	£69.0m
Underlying earnings per share		**1.8p**	1.4p

Enquiries

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A presentation to analysts and investors will take place today at 8:30am GMT at UBS, 1 Finsbury Avenue, EC2M 2RH. The presentation will also be available to international analysts and investors through a live audio call and webcast and after the event on the Group's website www.capitalandcounties.com.

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

NOTES TO EDITORS

Capital & Counties Properties PLC is one of the largest listed property investment and development companies in central London. Our landmark estates held directly or through joint ventures are valued at £1.7 billion.

Covent Garden

The Covent Garden estate represents 55 per cent of Capco's property portfolio and showcases its place-making strategy, which is realised through creative asset management, acquisitions, investment, strategic development and creative marketing.

Earls Court and Olympia

The Earls Court and Olympia estate, including Capco's share of Empress State, represent 42 per cent of Capco's property portfolio. Capco's strategy is to maintain a robust exhibitions business at Olympia London whilst unlocking value from its Earls Court interests now that resolutions to grant outline planning consent have been obtained from the local authorities for the Earls Court Masterplan, Sir Terry Farrell's vision to create 'Four Urban Villages and a 21st Century High Street.'

The Seagrave Road project is a joint venture between Capco and KFI to take forward the development of the 7.5 acre site. It has formal planning consent for a residential-led scheme including 808 new homes and a new garden square.

Other Investments

Capco's non-core investments in The Great Capital Partnership and China funds have delivered significant returns which have been reinvested in the core estates.

CHAIRMAN’S STATEMENT

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.

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.

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.

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

CHIEF EXECUTIVE’S STATEMENT

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 benefitted 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.

Market Value

	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.

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 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.

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 (ECOA). 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

OPERATING REVIEW

COVENT GARDEN

Highlights

- Capital value of £952 million, up 7.2 per cent on a like-for-like basis
- Net rental income £32.1 million, up 9.4 per cent on a like-for-like basis
- ERV £51.9 million, up 4.2 per cent on a like-for-like basis

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.

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.

EARLS COURT & OLYMPIA

The Group's interests at Earls Court & Olympia increased significantly in value during the year.

	Market Value Dec-12 £m	Market Value Dec-11 £m	Market Value Change [1,2]
Earls Court	336	195	57.6%
Seagrave Road	104[3]	116	61.5%
Olympia London	126	121	(4.1%)
Empress State	110[3]	103[3]	7.3%
Other	45	39	8.1%
Total properties	**721**	**574**	**30.3%**

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

EXHIBITIONS BUSINESS

Highlights

- EBITDA of £14 million, down 15 per cent on a like-for-like basis
- Olympia London rebranded following completion of works to improve the venue

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.

THE EARLS COURT MASTERPLAN

Highlights

- Earls Court interests valued at £336 million, up 58 per cent on a like-for-like basis, representing £14.8 million per acre
- Resolutions to grant outline planning consent from RBKC and LBHF
- CLSA signed with LBHF

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' (ECOA). 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 ECOA as designated in the Mayor's London Plan, earmarking the site as one for redevelopment and regeneration in London. The redevelopment of the ECOA 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 reprovision (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

- Seagrave Road site valued at £104 million (Capco 50 per cent share), up 62 per cent on a like-for-like basis
- Formal planning consent received in March
- Joint venture completed in August

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.

OTHER INVESTMENTS

Highlights

- £218 million realised from GCP in 2012
- £18 million realised from China in 2012

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.

FINANCIAL REVIEW

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.

	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).

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 in Appendix 3.

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.

	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)

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.

	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 sale of 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 13 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.

PRINCIPAL RISKS AND UNCERTAINTIES

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.

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.

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.

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.

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.

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities
The statement of Directors' responsibilities has been prepared in relation to the Group's full Annual Report for the year ended 31 December 2012. Certain parts of the Annual Report are not included within this announcement.

We confirm to the best of our knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Business and Financial Review includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board on 28 February 2013.

Ian Hawksworth
Chief Executive

Soumen Das
Finance Director

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	20	**–**	(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	9	**(23.6)**	(36.5)
Finance income		**0.8**	1.7
Other finance costs	9	**(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	10	**(5.5)**	(3.4)
Profit for the year		**240.0**	158.5
Earnings per share from continuing operations			
Basic earnings per share	12	**34.1p**	23.9p
Diluted earnings per share	12	**34.0p**	24.0p
Weighted average number of shares	12	**703.7m**	662.1m

Adjusted earnings per share are shown in note 12.

Notes on pages 27 to 47 form part of these consolidated financial statements.

The notes provide full details of the prior year comparatives restatement.

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 reserve on disposal of available for sale investments		**(9.1)**	(28.5)
Actuarial losses on defined benefit pension schemes		**(1.7)**	(1.4)
Fair value gains on available for sale investments and other movements		**–**	6.3
Tax on items taken directly to equity	19	**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 27 to 47 form part of these consolidated financial statements.

The notes provide full details of the prior year comparatives restatement.

BALANCE SHEET

as at 31 December 2012

	Notes	**2012 £m**	Restated 2011 £m
Non-current assets			
Investment and development property	13	**1,586.2**	1,616.8
Plant and equipment		**1.0**	1.2
Available for sale investments		**3.6**	19.5
Derivative financial instruments	18	**0.5**	0.4
Pension asset		**–**	1.0
Trade and other receivables	14	**39.4**	34.2
		1,630.7	1,673.1
Current assets			
Trading property	13	**84.4**	0.2
Derivative financial instruments	18	**–**	0.6
Trade and other receivables	14	**25.9**	26.7
Cash and cash equivalents	15	**184.5**	89.6
		294.8	117.1
Total assets		**1,925.5**	1,790.2
Non-current liabilities			
Borrowings, including finance leases	17	**(269.6)**	(534.6)
Derivative financial instruments	18	**(29.3)**	(36.9)
Pension deficit		**(0.4)**	–
		(299.3)	(571.5)
Current liabilities			
Borrowings, including finance leases	17	**(78.4)**	(18.7)
Derivative financial instruments	18	**(2.0)**	(0.5)
Other provisions	20	**(7.3)**	(7.3)
Trade and other payables	16	**(58.6)**	(82.4)
Tax liabilities		**(2.1)**	(1.9)
		(148.4)	(110.8)
Total liabilities		**(447.7)**	(682.3)
Net assets		**1,477.8**	1,107.9
Equity			
Share capital	21	**188.3**	170.9
Other components of equity		**1,289.5**	937.0
Total equity		**1,477.8**	1,107.9

Notes on pages 27 to 47 form part of these consolidated financial statements.

The notes provide full details of the prior year comparatives restatement.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	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		**–**	**–**	**–**	**–**	**–**	**–**	**(1.7)**	**(1.7)**
Tax on items taken directly to equity	19	**–**	**–**	**–**	**–**	**–**	**–**	**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]	22	**–**	**–**	**(1.0)**	**–**	**–**	**–**	**–**	**(1.0)**
Dividends paid		**–**	**–**	**–**	**–**	**–**	**–**	**(10.3)**	**(10.3)**
Adjustment for scrip dividend		**–**	**–**	**–**	**–**	**–**	**–**	**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**

	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		–	–	–	6.3	–	–	6.3
Actuarial losses on defined benefit pension schemes		–	–	–	–	–	(1.4)	(1.4)
Tax on items taken directly to equity	19	–	–	–	–	–	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	11	–	–	–	–	–	(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 27 to 47 form part of these consolidated financial statements.

The notes provide full details of the prior year comparatives restatement.

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 CASH FLOWS

for the year ended 31 December 2012

	Notes	**2012 £m**	2011 £m
Cash generated from operations	25	**31.7**	38.0
Interest paid		**(24.8)**	(38.4)
Interest received		**0.8**	1.7
Taxation		**(2.9)**	(1.3)
Cash flows from operating activities		**4.8**	–
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
Treasury shares purchased	22	**(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	11	**(8.6)**	(9.6)
Cash flows from financing activities		**(72.8)**	(44.5)
Net increase/(decrease) in unrestricted cash and cash equivalents		**94.9**	(98.9)
Unrestricted cash and cash equivalents at 1 January		**83.6**	182.5
Unrestricted cash and cash equivalents at 31 December	15	**178.5**	83.6

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 27 to 47 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 IAS 40 '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:

Balance Sheet		**£m**
Deferred tax provision	Reduced by	4.8
Consolidated Income Statement		
Deferred tax charge	Reduced by	4.8
Earnings per share		**Pence 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.

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.

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.

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

2 SEGMENTAL REPORTING CONTINUED

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					
	Covent Garden £m	Earls Court & Olympia [1] £m	The Great Capital Partnership £m	China £m	Other £m	Group total £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 £m	2011 £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 £m	2011 £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 £m	2011 £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 FINANCE COSTS

	2012 £m	2011 £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.

10 TAXATION

	2012 £m	Restated 2011 £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

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

10 TAXATION CONTINUED

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.

11 DIVIDENDS

	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 21.

12 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(a) Earnings per share	2012			Restated 2011		
	Earnings £m	**Shares [1] million**	**Pence per share**	Restated Earnings £m	Shares [2] million	Pence per share
Basic earnings	**240.0**	**703.7**	**34.1**	158.5	662.1	23.9
Dilutive effect of share option awards	**3.1**	**5.9**		1.7	4.0	
Dilutive effect of contingently issuable shares	**–**	**1.8**		–	0.6	
Dilutive effect of matching nil cost options	**–**	**3.0**		–	1.9	
Dilutive effect of deferred shares	**–**	**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 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, 0.3 million (2011: nil)

12 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 [2] 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	**3.1**	**5.9**		1.7	4.0	
Dilutive effect of contingently issuable shares	**–**	**1.8**		–	0.6	
Dilutive effect of matching nil cost options	**–**	**3.0**		–	1.9	
Dilutive effect of deferred shares	**–**	**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 year has been adjusted for shares held in Treasury.

2 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		
b) Net assets per share	**Net assets £m**	**Shares million[1]**	**NAV per share (pence)**	Net assets £m	Shares million	NAV per share (pence)
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	**–**	**6.7**		–	4.4	
Effect of dilution on issue of contingently issuable shares	**–**	**1.8**		–	0.6	
Effect of dilution on issue of matching nil cost options	**–**	**3.0**		–	1.9	
Effect of dilution on issue of deferred shares	**–**	**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 NNNAV	**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).

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13 PROPERTY PORTFOLIO

a) Investment and development property

	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**

	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 20.

13 PROPERTY PORTFOLIO CONTINUED

b) Trading property

	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.

14 TRADE AND OTHER RECEIVABLES

	2012 £m	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
Other receivables	**7.0**	2.9
Prepayments and accrued income	**10.1**	8.6
Trade and other receivables	**25.9**	26.7

1 Includes £15 million exclusivity payment with LBHF which now forms part of the CLSA contract discussed in note 27.

2 Includes exhibition trade and 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).

15 CASH AND CASH EQUIVALENTS

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

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

16 TRADE AND OTHER PAYABLES

	2012 £m	2011 £m
Current		
Rents received in advance	**17.2**	21.9
Accruals and deferred income	**27.4**	28.0
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

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

17 BORROWINGS, INCLUDING FINANCE LEASES

	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**					

17 BORROWINGS, INCLUDING FINANCE LEASES CONTINUED

	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					

18 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.

2012	**Carrying value £m**	**Fair value £m**	**(Loss)/gain to income statement £m**	**Gain to other comprehensive income £m**
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)**	**–**	**–**

2011	Carrying value £m	Fair value £m	(Loss)/gain to income statement £m	Gain to other comprehensive income £m
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)	–	–

19 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 13 would result in a corporation tax charge to the Group of £9.0 million (24 per cent of £37.5 million).

	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)**

19 DEFERRED TAX PROVISION CONTINUED

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.

20 OTHER PROVISIONS

	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.

21 SHARE CAPITAL AND SHARE PREMIUM

		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 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 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.

21 SHARE CAPITAL AND SHARE PREMIUM CONTINUED

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.

22 TREASURY SHARES

	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.

23 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 27 for further details.

24 CONTINGENT LIABILITIES

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

25 CASH GENERATED FROM OPERATIONS

	Notes	2012 £m	2011 £m
Profit before tax		**245.5**	161.9
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	13	**0.9**	0.1
Write back of impairment of other receivables		**(0.6)**	–
Depreciation		**0.1**	0.2
Amortisation of lease incentives and other direct costs		**1.7**	0.5
Finance costs	9	**23.6**	36.5
Finance income		**(0.8)**	(1.7)
Other finance costs	9	**2.0**	14.5
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)
Change in trade and other payables		**(6.7)**	(3.1)
Cash generated from operations		**31.7**	38.0

26 RELATED PARTY TRANSACTIONS

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.

27 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 14), 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 page 9 of this document.

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

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 sq ft [2]
Covent Garden	**952.3**	**100%**	**3.80%**	**5.12%**		**51.9**	**99.0%**	**7.3**	**0.9**
Earls Court & Olympia [1]	**720.8**					**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**
Investment properties	***1,599.5***				***47.9***	***62.0***			***2.8***
Trading properties	***121.9***				***0.5***	***0.7***			***-***

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

Like-for-like properties	Market value 2012 £m	Market value 2011 £m	Revaluation surplus/ (deficit) [1] 2012 £m	Increase
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%
Investment properties	***1,512.5***	*1,286.4*	***189.6***	*14.5%*
Trading properties	***115.6***	*76.3*[3]	***40.7***[2]	*54.2%*
Acquisitions	**93.3**	–	**(2.5)**	
Disposals	**–**	203.8	**–**	
Loss of control of former subsidiary	**–**	57.5	**–**	
Total properties	**1,721.4**	1624.0	**227.8**	**15.4%**
Investment properties	***1,599.5***	*1,622.8*	***184.9***	*13.2%*
Trading properties	***121.9***	*1.2*	***42.9***[2]	*54.2%*

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 appropriate and impairment charges and unrecognised surplus on trading properties, 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.

3. ANALYSIS OF NET RENTAL INCOME IN THE YEAR

Like-for-like properties	2012 £m	2011 £m	Change %
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)%
Investment properties	***65.0***	*69.0*	*(5.7)%*
Trading properties	***0.3***	-	
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 £m	2011 £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%	1436%
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.

DIVIDENDS

THE DIRECTORS OF CAPITAL & COUNTIES PROPERTIES PLC HAVE PROPOSED A FINAL DIVIDEND PER ORDINARY SHARE (ISIN GB00B62G9D36) 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 NNNAV
EPRA diluted NAV adjusted to reflect the fair value of derivatives and to include deferred taxation on revaluations.

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

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

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

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.

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.

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 'ITZA' ('In Terms of Zone A')

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