capco

Capital & Counties Properties PLC

Annual Report & Accounts 2013

CREATING VALUE, GROWING VALUE

Capital & Counties Properties PLC (Capco) is one of the largest listed property companies in central London. Our key assets are the Covent Garden and Earls Court estates. We create value and grow value through a combination of asset management, strategic investment and development

Competitive strengths

FOCUSED AND CLEAR STRATEGY *See p.10*

- Active asset management and selective redevelopment
- Rental resilience and capital value appreciation

PRIME ASSETS *See p.16*

- A focus on prime central London
- Dominant holdings concentrated in large estates

A STRONG CAPITAL STRUCTURE *See p.36*

- Conservative leverage and substantial liquidity

EXPERIENCED MANAGEMENT *See p.50*

- Strong track record

EFFECTIVE GOVERNANCE *See p.52*

- Strong commitment to effective corporate governance

For more information visit:
www.capitalandcounties.com

In this report

Shake Shack in the Market Building South Hall, Covent Garden

Strategic report

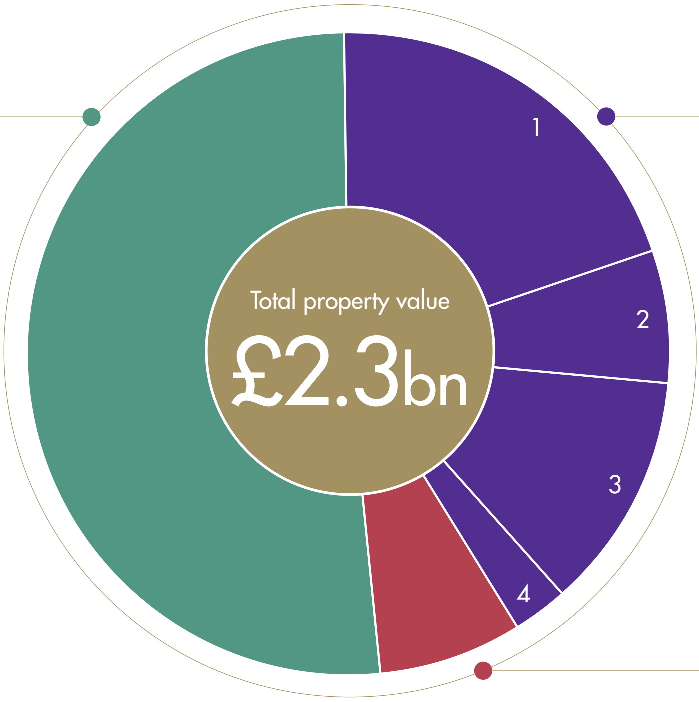
Artist's impression of junction of The Broadway and The High Street within the Earls Court Masterplan

Governance

Financial statements

Cover image: Market Building and East Piazza, Covent Garden.

PROPERTY PORTFOLIO



Covent Garden

£1,156m
51%

See page 20

Earls Court Properties

£934m
42%

1. EC1 & EC2	£453m
2. Lillie Square	£153m
3. Empress State Building	£265m
4. Other	£63m

See page 28

Venues

£161m
7%

See page 35

Covent Garden offers al fresco dining year-round

Artist's impression of the Lost River Park in the Earls Court Masterplan

BUSINESS MODEL AND STRATEGY

Capco is a property company with a strong emphasis on distinctive place-making, innovation and enterprise. It unlocks, creates and grows value to deliver sustainable growth and deliver long-term market leading returns for shareholders

BUSINESS MODEL

GROUP STRATEGY

ESTATE STRATEGIES

Covent Garden

Earls Court Properties

Venues

See page 10

EFFECTIVE GOVERNANCE

The framework of oversight, controls and reporting provided by Capco's governance structure supports the business and allows Capco to operate with transparency to achieve its objectives. Our 2013 Annual Report includes enhanced Audit Committee and Remuneration Reports

THE BOARD

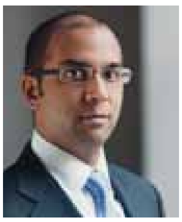
Audit Committee	Remuneration Committee	Nomination Committee	Corporate Responsibility Committee

See page 52

EXPERIENCED MANAGEMENT


Ian Hawksworth


Gary Yardley


Soumen Das

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

See page 50

STRONG FINANCIAL RESULTS

Total property return

22%

Total return

23%

EPRA net asset value per share

249p

Total shareholder return

37%

Property valuation uplift on a like-for-like basis

20%

Loan to value (LTV)

15%

See pages 11 & 36

A MILESTONE YEAR

Covent Garden

Launch of The Russell
Capco's second office-to-residential conversion overlooking the Piazza created five outstanding apartments

Covent Garden

Five new openings in Covent Garden
Burger restaurant Shake Shack, beauty brand Aesop, fashion label Sandro, chocolatier Godiva and parfumier Penhaligon's open

Covent Garden

New look rental apartments launch in Covent Garden
The first three interior-designed flats in the rental portfolio are let at £65 per sq ft, setting a new price benchmark in the area

JANUARY 2013 | APRIL | MAY | JULY | SEPTEMBER

Earls Court Properties

CLSA endorsed by Secretary of State
The Government approves the Conditional Land Sale Agreement (CLSA) relating to the West Kensington and Gibbs Green estates following the signing of the CLSA in January

Earls Court Properties

100% ownership of Empress State Building
Capco purchases 50 per cent of the Empress State Building for £117m, becoming sole owner

Earls Court Properties

The Mayor of London endorses the Earls Court Masterplan
The Mayor of London confirms his acceptance of the Earls Court Masterplan and the Section 106 agreement, a package of benefits for the local community

Covent Garden

Dior Beauty boutique opens

Dior's first stand-alone beauty boutique in the UK opens in the Market Building with exclusive products and bespoke services

Covent Garden

Two new luxury tenants in the Market Building

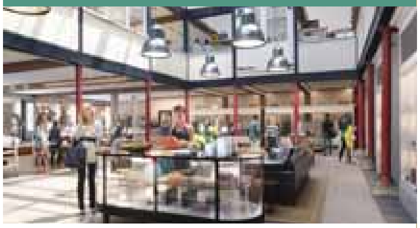
Burberry Beauty Box and Miller Harris open, confirming Covent Garden's attraction to premium luxury brands

Covent Garden

lululemon athletica secures flagship store on Long Acre

lululemon athletica agrees the lease for a flagship store on Long Acre, a UK exclusive

Covent Garden

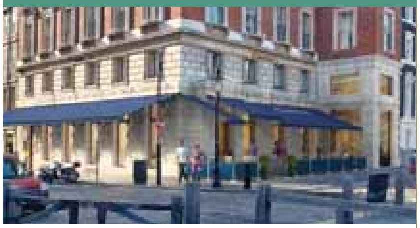


Artist's impression

Resolutions to grant planning consent for Kings Court and Carriage Hall

New retail and restaurant units and 45 premium apartments between Floral Street and King Street

Covent Garden



Artist's impression

Caprice Restaurant Group agrees the lease for One South Piazza

All-day dining from breakfast until after theatre, from the team behind The Ivy restaurant

OCTOBER | NOVEMBER | DECEMBER | FEBRUARY 2014

Earls Court Properties

Planning consent granted for the Earls Court Masterplan

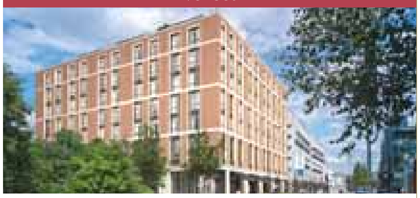
The Section 106 Agreement is signed. Capco exercises its option under the CLSA

Earls Court Properties

Earls Court Masterplan wins award

Sir Terry Farrell's Earls Court Masterplan is named winner of the Future Projects Masterplanning Award at the World Architecture Festival

Venues

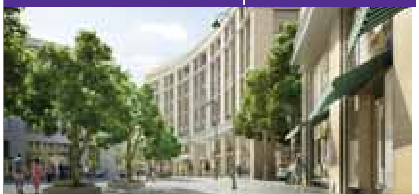


Artist's impression

Planning permission for further improvements at Olympia London

LBHF grants approval for further improvements to Olympia London, as well as a new 242-bed hotel

Earls Court Properties



Artist's impression

Transport for London Board approves terms for a proposed joint venture with Capco

The proposed joint venture would bring forward the first phases of the Earls Court Masterplan

Ian Durant, Chairman

DELIVERING VALUE WITH RESPONSIBILITY

"This was another year of significant performance for Capco. Our focus on London and our strong financial position will enable us to build on the momentum and continue to deliver market-leading total returns for our shareholders from both our landmark estates."

Total return

23%

Dividend

1.5p

Total shareholder return

I am pleased to report that 2013 was a year of excellent performance for Capco. This is our fourth set of annual results following our establishment as an independent company, a period in which the business has grown in value and capability with a strong focus on its two estates in central London, Covent Garden and Earls Court Properties. In 2013, significant milestones were achieved across the business as Capco continued to execute its strategy to generate market-leading total returns for shareholders.

At Covent Garden, ERV increased by 11 per cent to £58.0 million and we have welcomed a number of luxury brands to the estate, including Dior Beauty, Burberry Beauty Box and Miller Harris. In December 2013, Westminster Council resolved to grant planning consent for a redevelopment of Kings Court and Carriage Hall which will cover over 90,000 square feet, our first major development at Covent Garden.

The Earls Court Masterplan has achieved outline planning consent and a detailed planning application in respect of Earls Court Village to progress the design of the scheme has been submitted. As the development is implemented, the local community will benefit through commitments made under the Section 106 agreement. Discussions with Transport for London ("TfL") regarding a proposed joint venture to enable the development of EC1 & EC2 in line with the Earls Court Masterplan are progressing well. At Lillie Square, our joint venture is preparing to launch the first phase of a residential scheme that will provide over 800 new homes.

Following recent investment to enhance the Olympia venue, the exhibitions business has been re-launched as Olympia London.

In December 2013 the Company became a constituent of the JSE 40 index in South Africa which comprises the largest companies listed on the Johannesburg Stock Exchange. Capco remains a member of the FTSE 250 index in the UK.

RESULTS AND DIVIDENDS

In 2013, Capco delivered strong performance with a total return of 23 per cent, of which the main component was the increase in EPRA adjusted, diluted NAV per share from 203 pence to 249 pence. The valuation of the Group's property assets increased by 19.9 per cent on a like-for-like basis. Total shareholder return was 37 per cent.

The Directors are proposing a final dividend of 1.0 pence per share, bringing the total dividend paid and payable for 2013 to 1.5 pence per share.

I would like to thank the Executive Directors and all Capco's staff for their hard work and commitment during 2013 which has generated the Group's performance.

THE BOARD AND ITS ACTIVITIES

Capco's Board operates openly and transparently, allowing dialogue and debate between the Executive and Non-executive Directors. The effective operation of the Board was endorsed by an external Board evaluation undertaken during the year, which is described on page 55. I would like to thank the Non-executive Directors for their continued commitment during 2013.

During the year, the Board considered the Group's strategy and confirmed that the focus on central London retail and residential property, with the flexibility to consider non-core opportunities, remained appropriate.

2013 saw the application of a revised UK Corporate Governance code as well as new remuneration reporting regulations. Our Audit Committee Report on page 57 and Directors' Remuneration report on page 62 reflect these new disclosure requirements.

More details on the Board's activities may be read in the Corporate Governance Report on page 52.

COMMUNITY

Our corporate strategy is complemented by continued investment and participation in the communities where our estates are based. Many of our staff participated in our Corporate Responsibility ("CR") programme during the year, contributing over 515 hours to supporting projects. In 2013 the CR programme included fund raising events for The Sir Simon Milton Foundation and the Covent Garden charity Mousetrap Theatre Projects, engagement with schools in both Earls Court and Covent Garden and the sponsorship and organisation of a Community Fun Day at Earls Court.

MOVING FORWARD

London continues to thrive as a global city and the value of this remains attractive to investors. As we begin 2014, macroeconomic conditions appear to be improving, but we must not be complacent and we will continue to focus on the delivery of Capco's strategy.

I am confident that this clear strategy, with its focus on London, and Capco's strong financial position will enable the Company to capitalise on the momentum of 2013 and continue to deliver attractive returns for shareholders, whilst embarking on exciting place-making initiatives at both of our landmark estates.

I.C. Durant
Chairman

25 February 2014

Ian Hawksworth, Chief Executive

DELIVERING VALUE THROUGH PERFORMANCE

"Our strategy is clear and focused. The creative place-making strategy at Covent Garden has established the estate as a world-class retail and dining destination. At Earls Court, a number of major planning and land assembly milestones, including the receipt of outline planning consent for the Masterplan, have enabled us to drive further momentum as we progress this exciting scheme."

Capco performed strongly in 2013 as a result of the strategy to grow value at Covent Garden and create value at Earls Court. Adjusted NAV per share grew 22.4 per cent to 249 pence per share, driven by a total property return of 21.9 per cent. Underlying earnings were 1.0 pence per share in 2013.

The central London property market continues to perform strongly, with a deep pool of investors and occupiers. London continues to thrive as a global city, benefiting the retail and residential sectors on which Capco focuses.

The creative place-making strategy at Covent Garden has again enabled the estate to outperform other areas in central London. The Group's vision for Earls Court has led to the outline planning consent for a 10.1 million sq ft scheme, adding further momentum to the project.

Valuations

The Group benefited from strong valuations across the business. The property portfolio is valued at £2.3 billion as at 31 December 2013, an increase of 19.9 per cent like-for-like over the year.

Covent Garden

The Covent Garden estate has performed strongly in 2013. The neighbourhood is now established as a vibrant and exciting district of central London and is receiving global recognition as a world-class retail destination.

The estate is valued at £1,156 million as at 31 December 2013, a like-for-like increase of 19.2 per cent during 2013. The major component of this increase is the strong growth in ERV, up 11.0 per cent on a like-for-like basis to £58.0 million. The ERV target has been revised to £75.0 million by December 2016.

Over the past four years, since Capco was established as an independent company, the valuation of Covent Garden has grown at an annual like-for-like rate of 12.3 per cent, and ERV has grown at 8.9 per cent.

The arrival of a number of luxury retail and restaurant brands, including Dior Beauty and Burberry Beauty Box, alongside Chanel Beauty boutique, Ladurée and Balthazar, has made Covent Garden the destination of choice in central London for both Londoners and visitors.

	Market Value Dec-13 £m	Market Value Dec-12 £m	Market Value Change[1,2]	ERV Change[1]	Initial Yield	Equivalent Yield
Covent Garden	1,156	952	19.2%	11.0%	3.3%	4.7%
Earls Court Properties						
EC1 & EC2	453	336	24.0%			
Lillie Square	153[3]	104[3]	31.1%			
Empress State	265	110[3]	19.9%			
Other	63	25	21.8%			
Venues	161	146	6.3%			
Other[4]	–	48	–			
Total Property	**2,251**	**1,721**	**19.9%**			

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), in 2013 a discontinued operation.

The value creation at Covent Garden has progressed with the resolutions to grant planning consent for the Kings Court and Carriage Hall schemes. This will have a major impact on the area, opening up a new pedestrian route between Long Acre and King Street, and establishing new, high quality retail and restaurant space in and around Floral Street.

Earls Court

The receipt of outline planning consent for the Earls Court Masterplan is a major success and is the culmination of the initial strategy that commenced when Capco acquired its first interest at Earls Court in 2007.

The valuation of Capco's interests at Earls Court, represented by Earls Court Properties, has grown strongly in the year to £934 million. EC1 & EC2, principally the Group's interests in the Earls Court exhibition centres, has benefited from the strong London residential market and planning consent, increasing by 24.0 per cent to £453 million.

Lillie Square continues to progress towards a formal sales and marketing launch. The project team has focused on creating a high quality product that will be competitive in the current marketplace. The intention remains to commence construction of the scheme later this year.

The remaining interest in the Empress State Building was acquired during 2013, giving Capco 100 per cent ownership of this major office building at the heart of the Earls Court area. Proposals have been submitted for a conversion to residential use.

Venues

The performance of Venues in 2013 reflects the continued uncertainty over the Earls Court venue. The Olympia venue was rebranded Olympia London, following Capco's significant investment over the past three years to prepare it for the full transition of the business to this venue. The team has successfully negotiated the transfer of a number of shows to Olympia from Earls Court for 2015, including the International Book Fair and Top Drawer.

Outlook

Capco remains well positioned to create significant further value for shareholders from its value growth and value creation strategy at Covent Garden and Earls Court. The central London property market remains strong, and expectations for the economy are positive, although the impact of rising interest rates and the withdrawal of central bank liquidity will need to be carefully monitored. The capital structure remains conservative with sufficient levels of liquidity maintained to manage the increased activity across the Group.

At Covent Garden, the focus will continue to be on introducing new retail and restaurant brands across the estate, and implementing residential conversions where appropriate. The Kings Court and Carriage Hall schemes offer the potential to transform the north-western area of the estate and drive rental values. We will continue to redefine global luxury in London and cement the district's status as a thriving dining destination.

At Earls Court, the detailed planning applications start the process of re-imagining the area and creating a new neighbourhood where Kensington, Chelsea and Fulham meet. The team at Lillie Square is focusing on achieving a successful launch shortly.

Ian Hawksworth
Chief Executive

25 February 2014

DEFINING PERFORMANCE

Our unique business model underpins our strategy to deliver sustainable value

BUSINESS MODEL

Capco is a property company with a strong emphasis on distinctive place-making, innovation and enterprise. It unlocks, creates and grows value to deliver sustainable growth and deliver long-term market leading returns for shareholders

GROUP STRATEGY

To create value and grow value in its assets and estates, through a combination of strategic investments, active asset management and development

- ★ STRONG CAPITAL STRUCTURE
- ★ STRATEGIC INVESTMENTS AND PARTNERSHIPS
- ★ ACTIVE ASSET MANAGEMENT
- ★ LAND ASSEMBLY AND PLANNING
- ★ SELECTIVE DEVELOPMENTS
- ★ ENGAGEMENT WITH STAKEHOLDERS AND PARTICIPATION IN COMMUNITIES

ESTATE STRATEGIES

COVENT GARDEN

Value growth in Covent Garden

TRANSFORMATION

Covent Garden is re-defining global luxury for London. Attract new tenants to grow ERV and NRI, and set new pricing levels for residential space

Read more on p.18

VENUES

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

Read more on p.35

EARLS COURT PROPERTIES

Value creation in Earls Court

RE-IMAGINATION

The re-imagination is underway of Earls Court into a world class residential district in London where Kensington, Chelsea and Fulham meet

LILLIE SQUARE

Successfully develop the site with our partner

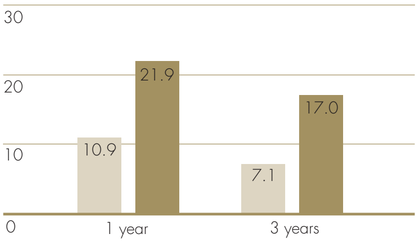
Read more on p.26

MEASURING PERFORMANCE

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

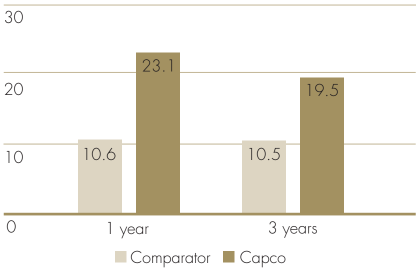
TOTAL PROPERTY RETURN

21.9%



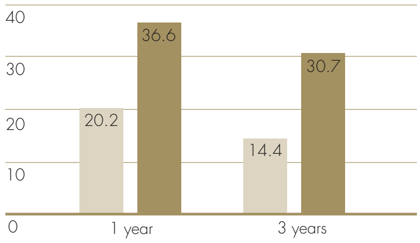
TOTAL RETURN

23.1%



TOTAL SHAREHOLDER RETURN

36.6%



DESCRIPTION

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

★ PART OF EXECUTIVE DIRECTORS' 2013 BONUS

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

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

★ PART OF EXECUTIVE DIRECTORS' LONG-TERM INCENTIVE, TOGETHER WITH SPECIFIC ANNUAL NAV TARGETS RELATING TO 2013 BONUS

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

The Group's total shareholder return is benchmarked against the median total shareholder return of a comparator group of the nine largest constituents of the FTSE 350 Real Estate Index

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

★ PART OF EXECUTIVE DIRECTORS' LONG-TERM INCENTIVES

TARGET

Total property return: 1.5 per cent per annum outperformance since listing

Total return: 2.5 per cent per annum outperformance on a rolling three-year basis

Total shareholder return: 4.0 per cent per annum outperformance on a rolling three-year basis

PERFORMANCE

Total property return: During the year the Group has outperformed by 9.9 per cent

Total return: The Group has generated a total return of 19.5 per cent per annum on a rolling three-year basis, outperforming the comparator group by 8.1 per cent[1]

Total shareholder return: The Group generated a total shareholder return of 30.7 per cent per annum on a rolling three-year basis, outperforming the comparator group by 14.3 per cent

1 Based on consensus estimates at 19 February 2014 for comparator group where results unavailable.

Three year measures above are based on annualised returns to 31 December 2013.

A number of other indicators of performance are considered by the Board either at a Group level (including underlying earnings per share) or specifically relevant to each estate, for example ERV at Covent Garden and EBITDA at Venues. These are discussed further in the asset-specific operating reviews in the Strategic Report.

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

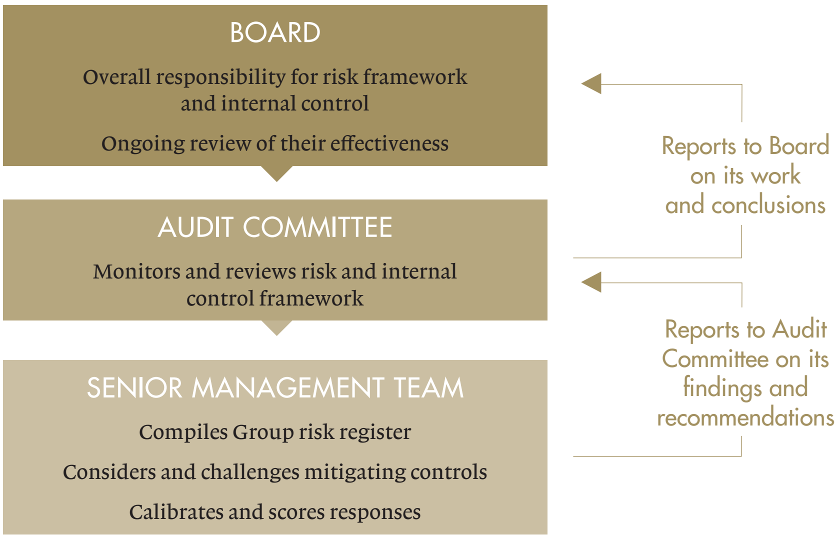
EFFECTIVE RISK MANAGEMENT

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

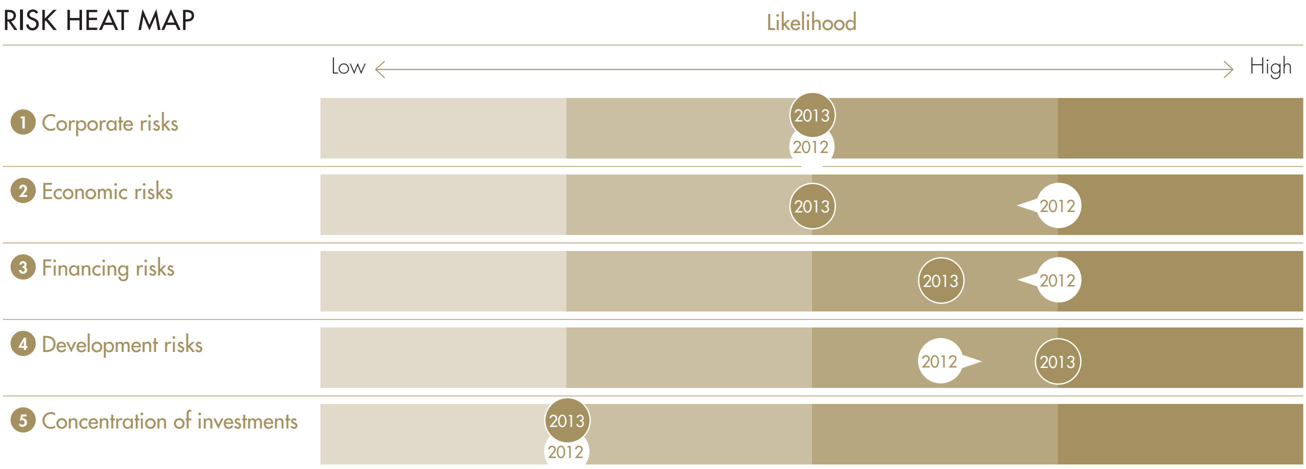
The Board has overall responsibility for Group risk management. It reviews principal risks and uncertainties regularly, together with the actions taken to mitigate them. The Board has delegated responsibility for the assurance for the risk management process and the review of mitigating controls to the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

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

RISK ORGANISATIONAL STRUCTURE



RISK HEAT MAP



As set out below and on the following pages are the principal risks and uncertainties from across the business and these 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. See also the risks inherent in the compilation of financial information, as disclosed within note 1 to the consolidated financial statements, 'Estimation and uncertainty'.

1 CORPORATE RISKS

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

Risk	Impact potential	Mitigation factors
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 agents.	Reduced profitability, delay or reputational damage.	Appropriate due diligence, procurement and consultation.
Ineffective operation of joint ventures.	Inability to execute business plan.	Appropriate governance structure and documentation. Regular dialogue and reporting.
Risk associated with attracting and retaining staff.	Inability to execute business plan.	Succession planning, performance evaluations, training and development, long-term incentive rewards. Sound systems and processes to effectively capture and manage employee 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.
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.
Failure of IT systems/loss of data. Cyber crime compromises data security, websites and applications.	Lack of access to data restricting ability to operate effectively. Loss of data and accessing of commercially sensitive data by unauthorised persons.	Disaster recovery plan in place including frequent replication of data. Extensive testing of security. Staff security training.

Further information on Corporate risks can be found within the Financial Review on pages 36 to 41 and the Corporate Governance report on pages 52 to 56.

2 ECONOMIC RISKS

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

Risk	Impact potential	Mitigation factors
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 tenant 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, currency fluctuations or the political landscape.	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 properties, declining valuations, and reduced profitability.	Regular monitoring of covenants with headroom maintained. Ability to monitor tenants on turnover leases.

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

3 FINANCING RISKS

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

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

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

4 DEVELOPMENT RISKS

Impact: Inability to deliver against development plans, particularly regarding Earls Court Properties		
Risk	Impact potential	Mitigation factors
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 legal, contractual, environmental, transportation, affordable housing or other technical factors. Complexity of legal agreements relating to planning and land assembly for Earls Court Properties.	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. Close monitoring and control over key dates and triggering of obligations.
Inability to achieve lease extension, renegotiation of use or vacant possession. Failure to reach agreement on 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).	Inability to execute business plan. Likely negative impact on valuations and Group's returns or delay to works. Restricted optionality in delivery of development.	Informed market valuation and open dialogue with adjacent landowners. Earls Court Masterplan designed to allow phased implementation.
Construction costs increase e.g. due to market pricing, unforeseen site issues or longer build period. Punitive cost, design or other implications. Volatility in sales price.	Reduced profitability of development.	Extensive consultation, design and technical work undertaken. Properly tendered or negotiated processes to select contractors and manage costs. Market demand assessments. Pre-sales and marketing.

Further information on Development risks can be found within the Operating Review on pages 18 to 35.

5 CONCENTRATION OF INVESTMENTS

Impact: Heightened exposure to events that threaten or disrupt central London		
Risk	Impact potential	Mitigation factors
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 and 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.

OUR ASSETS

Our assets are concentrated around two main estates in central London with a combined value of £2.3 billion

Covent Garden

100% Capco owned

Earls Court Properties

1

EC1 & EC2
Capco leasehold and TfL freehold; proposed joint venture with TfL, Capco share 63%

2

Lillie Square
A 50:50 partnership with KFI

3

Empress State
100% Capco owned

LBHF

Capco has triggered its option under the CLSA relating to this land

TfL

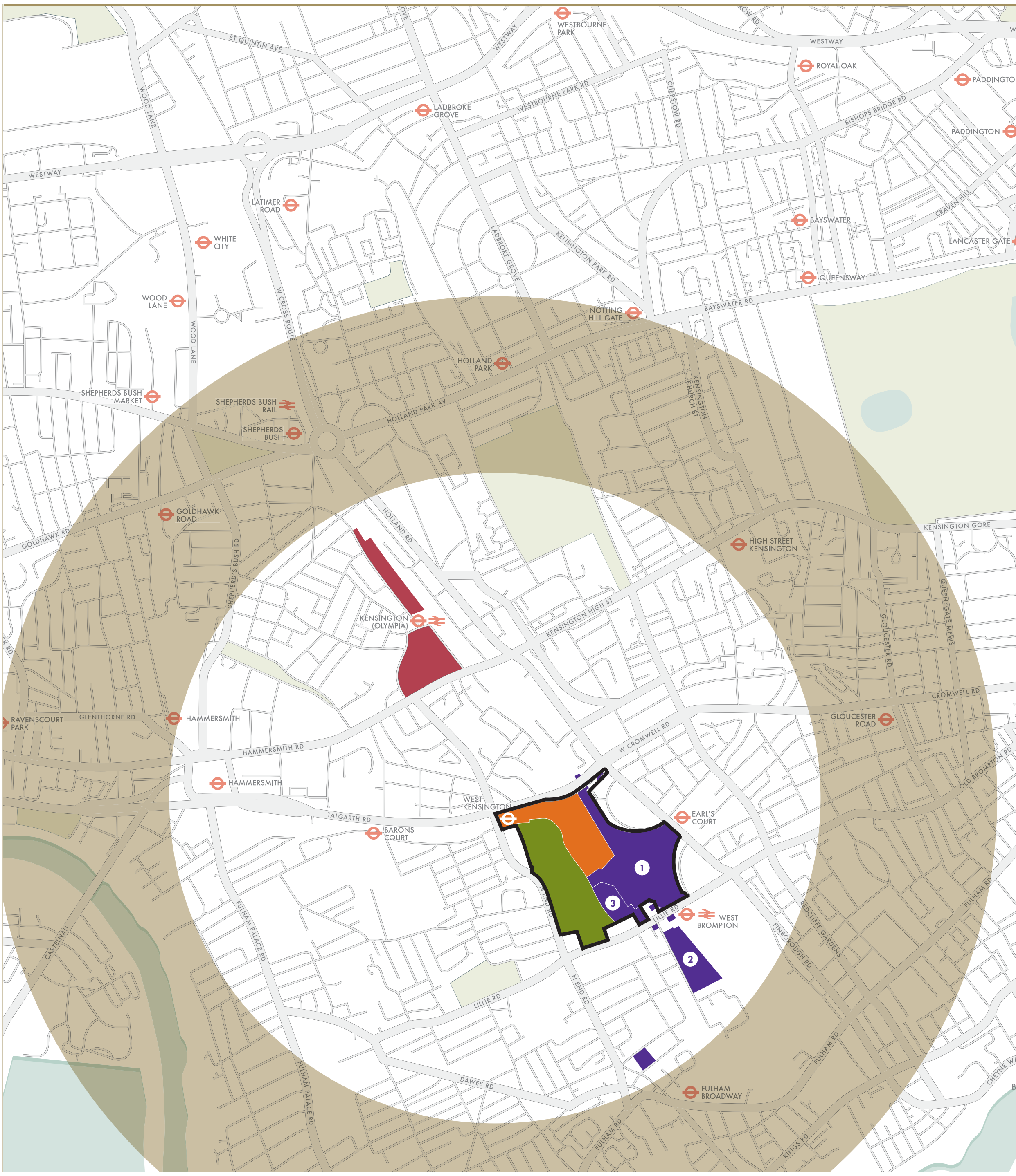
Lillie Bridge Depot owned by TfL

Consented Earls Court Masterplan (excluding Empress State Building)

Venues

100% Capco owned

Capco Head Office

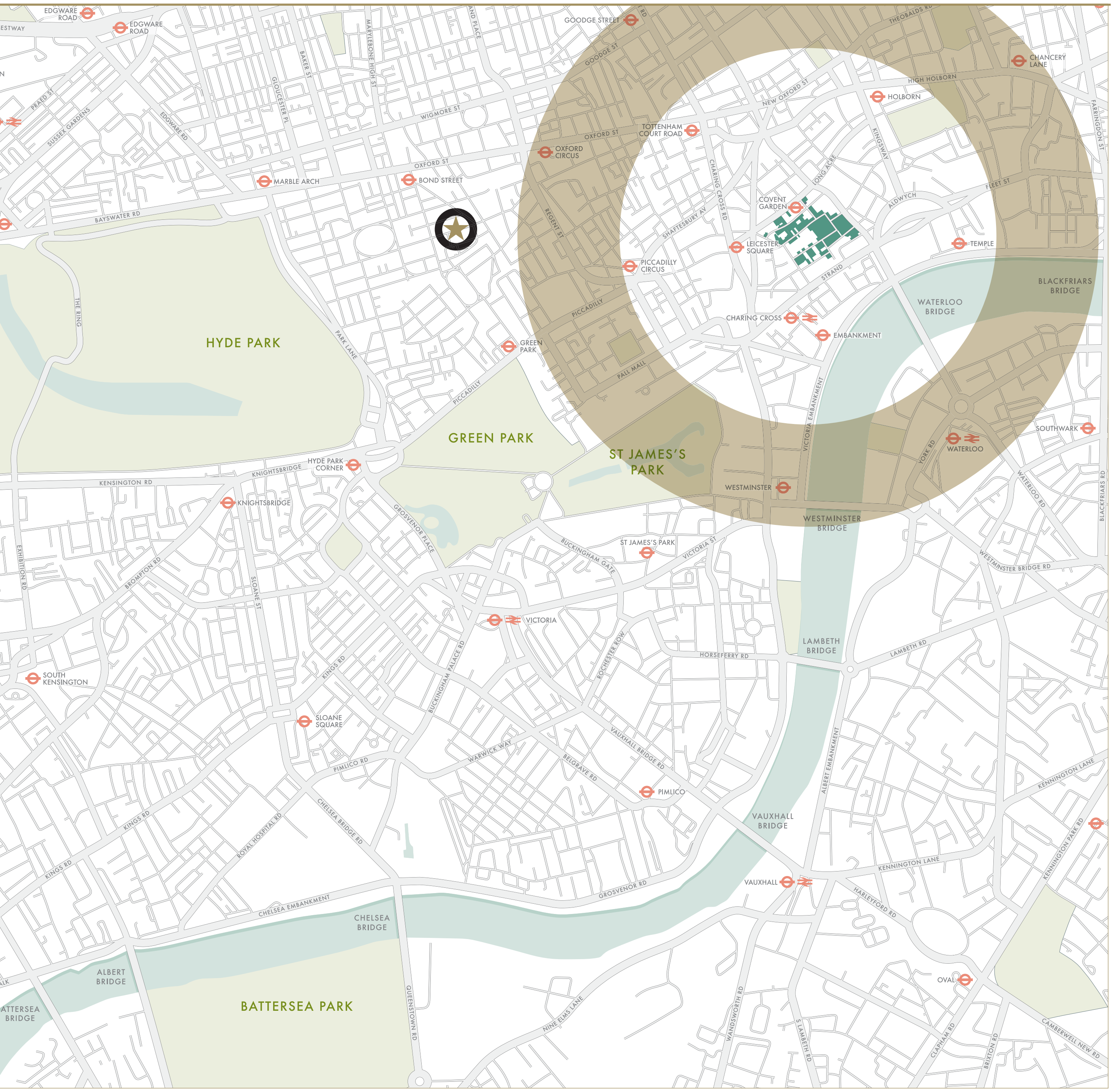


Artist's impression of the entrance to the Lost River Park from Brompton Square

EARLS COURT PROPERTIES

Al fresco dining in the Market Building South Range

COVENT GARDEN



Strategic report
Governance
Financial statements

TRANSFORMATION CONTINUES: REDEFINING GLOBAL LUXURY FOR LONDON

Market Building North Range, new luxury beauty hub

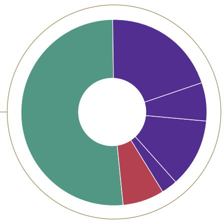
Value

£1.2bn

Contribution to portfolio value

51%

Covent Garden



The transformation of Covent Garden into London's world class district continues. Covent Garden is now home to Dior and Chanel, Balthazar and Shake Shack – and has recently unveiled some of the finest residential properties in London

COVENT GARDEN

"The strategic addition of luxury concept stores and sales of prime residences have contributed to capital value growth and ERV during 2013."

Sarah-Jane Curtis, Director of Covent Garden

"Chanel, Dior and Burberry's presence in Covent Garden continues to challenge preconceptions of global luxury in London."

Bev Churchill, Creative Director

HIGHLIGHTS

- Property value of £1.2 billion as at 31 December 2013, up 19.2 per cent on a like-for-like basis
- ERV of £58.0 million as at December 2013, up 11.0 per cent on a like-for-like basis
- New leases and renewals in 2013 at 11.6 per cent above 31 December 2012 ERV
- 12 new retailer and restaurant signings including Dior Beauty, Burberry Beauty Box and Shake Shack
- Ownership expanded to 912,000 sq ft through tactical acquisitions and creative development
- Achieved resolution to grant planning consent for Kings Court and Carriage Hall mixed use developments in December

STRATEGY

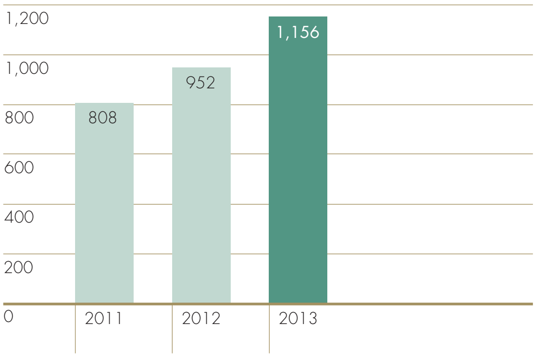
Value growth of the estate

- ERV target of £75 million by December 2016
- Drive passing rent
- Reposition retail mix of streets and set new Zone A levels throughout all parts of the estate
- Improve variety and quality of the dining experience
- Expand contemporary luxury retail throughout the estate
- Extend the high quality residential portfolio – for sale and for rent
- Undertake and explore selective developments and tactical acquisitions

Covent Garden management team

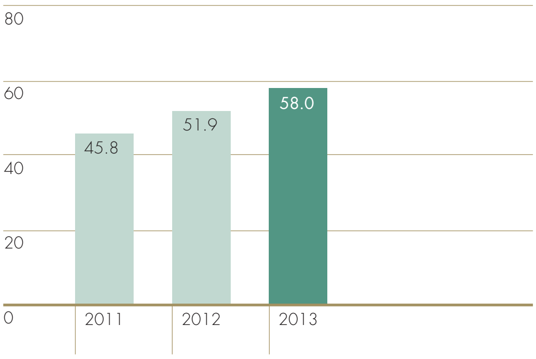
Covent Garden capital value

£1.2bn +19.2% (LfL)



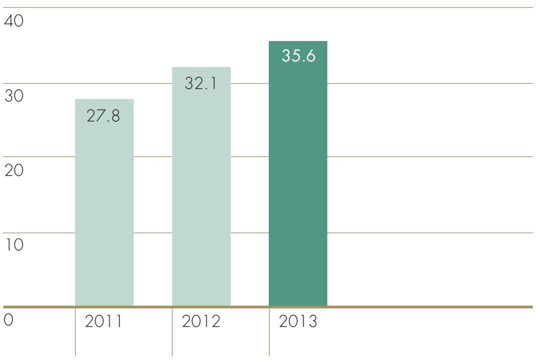
Covent Garden ERV

£58.0m +11.0% (LfL)



Covent Garden net rental income

£35.6m +1.9% (LfL)



OPERATING PERFORMANCE

London's neighbourhood

Covent Garden is one of the most vibrant and dynamic districts in London. Attracting 44 million visits a year, the estate mixes a unique shopping experience, all day dining, entertainment and culture in a historic, pedestrianised setting.

Overview

The Covent Garden estate represents 51 per cent of Capco's gross assets and showcases its value growth strategy which is realised through place-making, creative asset management, acquisitions, investment and strategic development. In total, Capco owns 64 buildings comprising 378 lettable units and over 912,000 sq ft of lettable space in Covent Garden.

The value of the estate continues to grow with a capital value of £1,156 million, a 19.2 per cent like-for-like uplift year-on-year at 31 December 2013. ERV was £58.0 million, 11.0 per cent higher on a like-for-like basis. In 2013, 49 new lettings and renewals (excluding those with non-standard terms such as development breaks) were negotiated securing £5.9 million of passing rent, an 11.6 per cent increase above the 31 December 2012 ERV level.

Tenant demand remains strong across the estate which is operating at near full occupancy at 99 per cent. Gross income was £40.5 million for the year ended 31 December 2013.

Footfall in Covent Garden continues to be consistently strong at 44 million customer visits per year. Londoners now account for 56 per cent of the total visitor numbers with 27 per cent international and 17 per cent domestic visitors. Of the UK based audience, 93 per cent is classified as ABC1, and 52 per cent AB.

Capco works with stakeholders in the community such as Westminster City Council and the Covent Garden Area Trust to preserve, maintain and celebrate the attributes which make the area unique. In addition, Capco embeds Corporate Responsibility into its strategy in Covent Garden, spearheading initiatives which involve the local community such as the Royal British Legion Poppy Event which returned for the second year and saw a day of fundraising and activity hosted on the Piazza.

Retail

In 2013 Covent Garden attracted a number of new retailers including Dior Beauty, Burberry Beauty Box, Moleskine, Miller Harris, Aesop and Aveda. A luxury beauty hub has been created by working with luxury brands to introduce new concepts to Covent Garden, following on from the success of the Chanel Beauty Boutique in 2012.

The Market Building also saw an influx of premium new tenants with Godiva, Il Papiro and Penhaligon's all taking space.

The contemporary luxury offer on King Street expanded with the arrival of Sandro, the signing of Brazilian brand Galeria Melissa and a pop up store by luxury footwear designer Sophia Webster. Luxury handbag designer Lulu Guinness opened a new concept store on Floral Street in August, whilst luxury sportswear brand Y-3 also opened on Floral Street in September. Reebok chose Long Acre for its new Fit Hub store which opened in September and cult yoga brand lululemon athletica is moving its showroom on Floral Street to Long Acre to create its first official store in the UK which is set to open in March.

❶ lululemon athletica designs high quality, stylish yogawear and fitness apparel

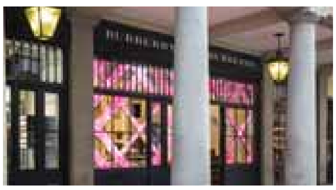
❷ Cadenzza is the new jewellery concept from Swarovski presenting collections from multiple designers

❸ Reebok Fit Hub sells innovative sportswear, and inspires people to get fit by hosting classes in-store

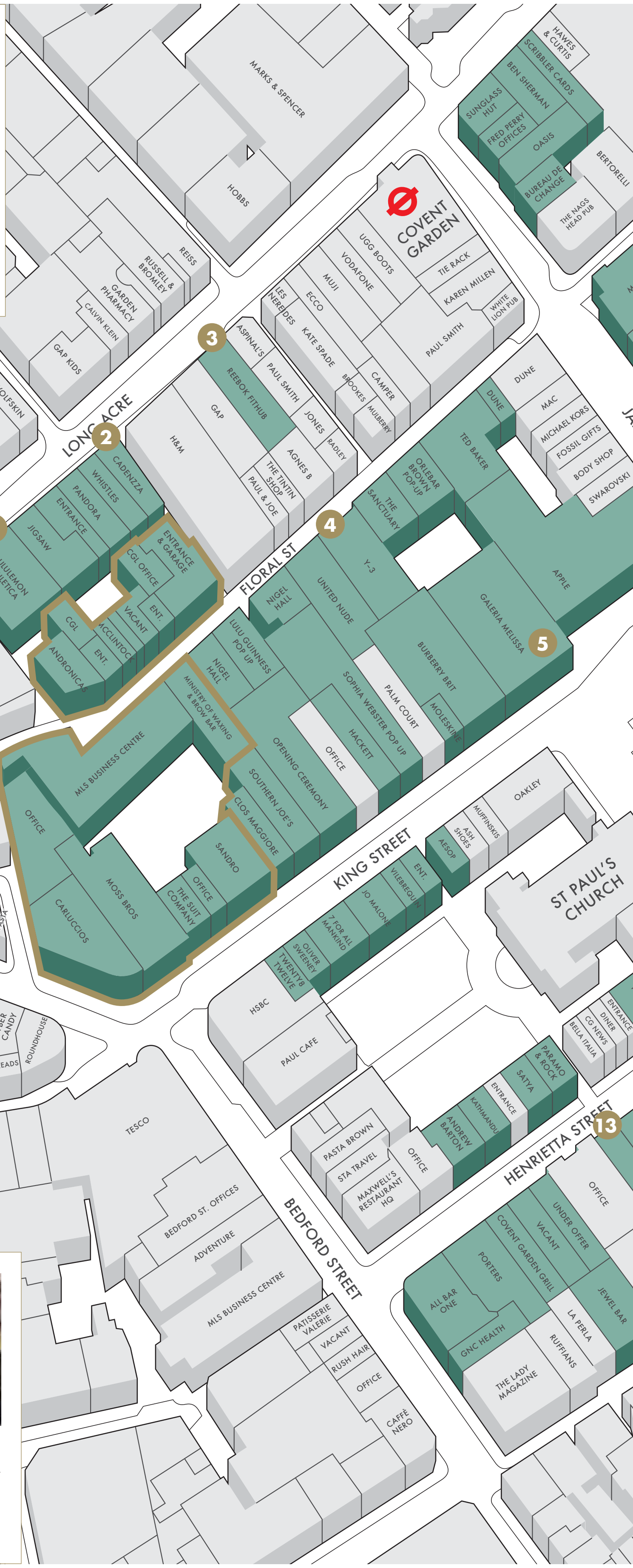
❹ Sport meets style at Y-3, founded by Japanese designer Yohji Yamamoto in collaboration with adidas

❺ Galeria Melissa is the first UK flagship from the Brazilian accessories powerhouse. Opening 2014

❻ Godiva's new concept sells strawberries dipped in chocolate, alongside its signature gold gift box collection



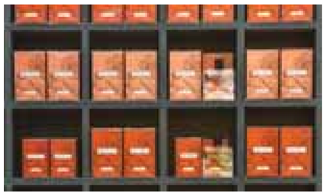
❼ Covent Garden is chosen for the launch of a new fragrance and beauty concept, Burberry Beauty Box from the iconic British brand



8 Clad in black lacquer, the Dior Boutique stocks the complete Dior beauty collection

9 Eco-conscious beauty brand Aveda's store on Russell Street reflects the company's green-but-chic credentials

10 Italian stationer Il Papiro produces handmade paper and stationery using age-old techniques from Tuscany



11 British fragrance and beauty brand Miller Harris sells a wide range of the finest quality perfume

12 Cult New York burger restaurant Shake Shack opened its first European restaurant on 4 July in the Market Building

FUTURE DEVELOPMENT

Kings Court and Carriage Hall

A 84,000 sq ft scheme which will connect Long Acre to King Street via a new public passage, creating a new public courtyard and new retail, restaurant and residential space

Capco owned as at 31 December 2013

13 Sticks 'n' Sushi offers Japanese sushi and yakitori presented in chic Scandanavian style

Artist's impression

14 One South Piazza will be home to all day dining from breakfast until after theatre, from the team behind The Ivy restaurant

OPERATING PERFORMANCE

Dining

February 2013 saw the opening of Balthazar, one of the most highly anticipated restaurants to open in London. Brought over from New York by Keith McNally in partnership with Caprice Holdings, the restaurant is the only one outside of Manhattan and has been a destination for visitors from the UK and abroad. Balthazar Bakery also opened alongside the brasserie.

Following Balthazar's success, terms were agreed with Caprice Holdings for a new flagship restaurant for One South Piazza. The team behind The Ivy, one of the most famous and successful restaurants in Covent Garden, will develop the unit, which will boast all day dining from breakfast until after theatre. The site, formerly occupied by Lloyds Bank and Pizza Hut, will anchor both The Beecham residences and Henrietta Street.

In July the arrival of Shake Shack, Danny Meyer's New York cult burger concept, transformed the food offering in the south side of the Market Building increasing both footfall and overall dwell time. Shake Shack took over units previously occupied by The Icecreamists and New York Deli to create the first Shake Shack in the UK with al fresco dining within the Market Building and on the south Piazza. In November, Copenhagen and Japanese fusion concept Sticks 'n' Sushi opened on Henrietta Street in a space formerly occupied by Walkabout.

Residential

The residential strategy in Covent Garden complements the value creation from the ground floor retail and dining offer, by capturing the opportunity to extract further value on the upper parts of buildings through residential conversions which bring the area back to its 17th Century residential roots.

Following the successful sale of four apartments in The Henrietta, the second residential building, The Russell, was launched in April. Situated on a corner location on the Piazza and close to the Royal Opera House, The Russell created a further five luxury apartments. Four of the five apartments have been sold, setting a price record in the area with an average sales price of over £2,400 per sq ft. Conversion work for two further residential blocks in The Beecham and The Southampton has started and will create a further 16 apartments which will come to market during 2014.

In addition to the residential property intended for sale, the first premium residential rental product was launched in September at 9 King Street and is fully let, achieving a record rent in the area of £65 per sq ft. Further space that can be converted to residential rental property in due course has been identified.

KINGS COURT AND CARRIAGE HALL

Artist's impression of Kings Court which will cover 84,000 sq ft including 20,000 sq ft of new space. A new pedestrian passageway will connect Long Acre and King Street, easing congestion and increasing footfall on Floral Street.

Kings Court will include eight new retail units, two new al fresco restaurants, a new public courtyard and forty-five premium apartments

Artist's impression of the redeveloped atrium of the Grade II listed Carriage Hall

INTRODUCING LUXURY

Chanel's successful beauty pop up in the Market Building led to the luxury brand signing a permanent contract for its prominent lease. Dior and Burberry have since opened beauty boutiques adjacent to Chanel making Covent Garden a highly desirable district for other beauty brands

The Russell, which overlooks the Market Building, launched in April 2013 with three luxurious lateral apartments and two duplex penthouses. These premium residential sales and the first units in a new rental portfolio have broken record pricing levels for Covent Garden

Kings Court and Carriage Hall

In December, resolutions to grant planning consent for a new mixed-use development that will transform the area between Floral Street and King Street were received from Westminster City Council.

The Kings Court development will enhance the retail offering on Floral Street including a new retail anchor, and will create a new passage with retail and restaurant space between Long Acre and King Street to improve pedestrian movement in the district and open the existing courtyard area to the public. 45 high quality new residential units will be created on the upper levels with views over the courtyard. The development covers approximately 84,000 sq ft, of which 20,000 sq ft is new space. Work is expected to start on site in Autumn 2014.

The Grade II listed Carriage Hall on Floral Street, opposite the Kings Court scheme will also be refurbished, creating a large anchor store. Work is expected to be carried out at the same time as the Kings Court development.

The total development cost of both schemes is expected to be in the order of £85 million.

FUTURE PRIORITIES

Capco's strategy in Covent Garden remains on track to grow and create value through creative asset management, large scale interventions and place-making. Tenant engineering and the curation of the retail and dining mix continue to be the key activities in order to grow rental values in line with those of the wider prime West End retail areas. This will include a targeted increase in the luxury offering within the estate, particularly with the repositioning of the Royal Opera House Arcade and Henrietta Street.

The implementation of the Kings Court and Carriage Hall schemes, as well as an active approach to future development opportunities and acquisitions within and around the boundaries of the existing estate will be areas of focus. Kings Court will be the first major development to be undertaken by Capco at Covent Garden, and the construction of the scheme is being carefully planned to ensure its success and to minimise the disruption to the wider estate. Other future priorities include extending the residential portfolio and continuing to improve the Covent Garden environment through investing in and improving the public realm.

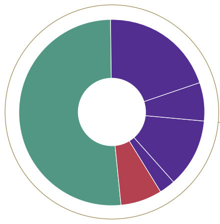
RE-IMAGINING EARLS COURT: WHERE KENSINGTON, CHELSEA AND FULHAM MEET

Earls Court is the most significant piece of urban re-imagination in Europe. Under the auspices of Sir Terry Farrell's Masterplan, Earls Court is one of the most important and exciting opportunities in the capital

Value

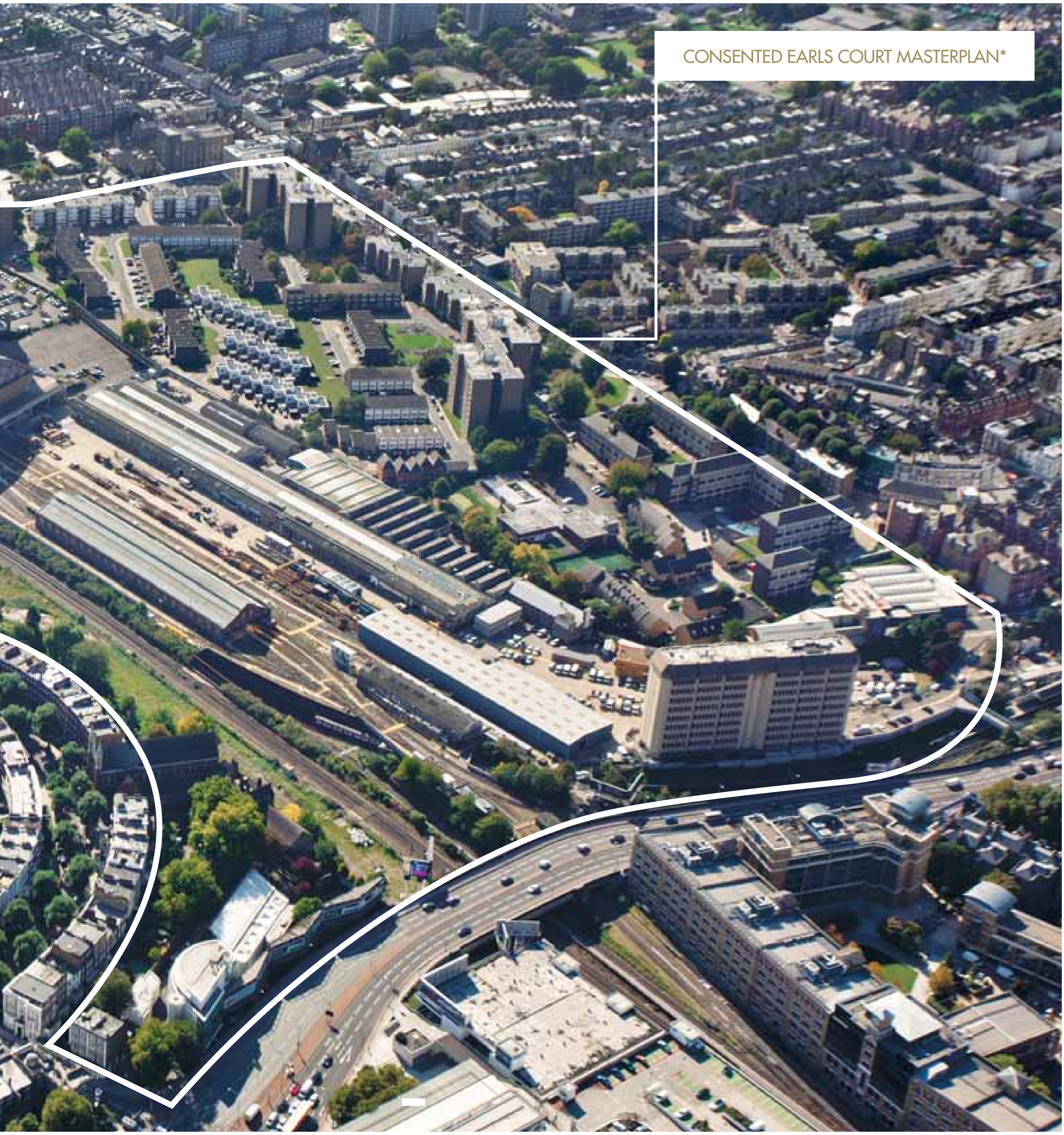
£934m

Contribution to portfolio value



42%

Earls Court Properties



*Excluding Empress State Building

EARLS COURT PROPERTIES

"2013 has been a milestone year in which key consents were granted and joint ventures agreed. These land assembly and planning activities have driven further value creation as we begin the next exciting phase of the re-imagining of Earls Court through detailed design of the Masterplan and the delivery of Lillie Square."

Gary Yardley, Investment Director

HIGHLIGHTS

- Earls Court interests valued at £934 million, up 24.5 per cent (on a like-for-like basis)
- Planning consent for the outline Earls Court Masterplan granted
- Acquisition of remaining 50 per cent of the Empress State Building
- TfL and Capco Board approvals for proposed joint venture regarding EC1 & EC2
- Submission of detailed planning applications for Earls Court Village
- Secretary of State consent for CLSA with LBHF and triggering of the CLSA option
- Submission of planning applications for conversion of the Empress State Building from office to residential

STRATEGY

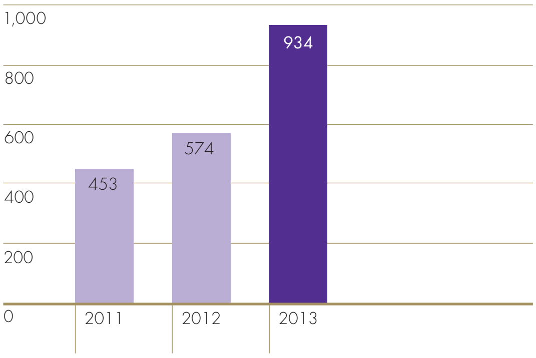
Value creation of the estate

- Establish a new exciting address for London
- Animate the Masterplan through place-making initiatives
- Progress the detailed planning process
- Finalise land assembly, including the transaction with TfL in respect of EC1 & EC2
- Achieve a successful launch of Lillie Square

Earls Court management team

Earls Court Properties capital value

£934m +24.5% (LfL)



The valuation of Earls Court Properties has increased significantly during 2013, reflecting the progress made in planning and land assembly. The total valuation has increased to £934 million up 24.5 per cent on a like-for-like basis. EC1 & EC2 increased to £453 million, up 24.0 per cent like-for-like.

In January Capco entered into the Conditional Land Sale Agreement ("CLSA") with the London Borough of Hammersmith & Fulham ("LBHF") to acquire the West Kensington and Gibbs Green Estates (the "Estates"). This agreement is discussed further below within 'Land Assembly'.

OPERATING PERFORMANCE

Earls Court is a unique opportunity for urban re-imagination, located where Kensington, Chelsea and Fulham meet.

Earls Court Properties represents Capco's interests in Earls Court, which principally comprise:

- The leasehold interests of the Earls Court Exhibition Centres and the freehold of the Northern Access Road ("EC1 & EC2")
- 100 per cent of the Empress State Building
- 50 per cent interest in the Lillie Square joint venture

Above, Sir Terry Farrell's concept sketch for four villages and a 21st Century high street; Right, a plan of the consented scheme for the Earls Court Masterplan plus Lillie Square showing buildings and green spaces. For land ownership within the Earls Court area refer to the map on page 16.

Artist's impression of The High Street in the Earls Court Masterplan

COMMUNITY BENEFITS FOR EARLS COURT*

10,000
new jobs

£8.4m
contribution to training and skills initiatives

7,500
new homes

1,500
affordable homes

30 acres
of open space – a district of squares

**Section 106 benefits relating to the Earls Court Masterplan and Lillie Square*

Planning momentum

In November, planning consent was granted for the outline Earls Court Masterplan, marking the culmination of the planning process that has taken several years and has won the support of the Royal Borough of Kensington & Chelsea (“RBKC”), LBHF and the Mayor of London. It provides approval for a 10.1 million sq ft residential led, mixed use scheme which offers the opportunity to create a leading address in central London.

A detailed planning application for Earls Court Village which progresses the design of the scheme beyond the outline consent was submitted in December to RBKC and LBHF. These proposals offer the opportunity for continued value creation for Capco by illustrating the quality of the neighbourhood to be created. Garden squares, sweeping crescents and the Lost River Park will create a new district of London with over 1,300 new homes and the first phase of London’s new High Street.

The local community will benefit as the development is implemented through commitments made in the Section 106 agreement. This agreement includes improvements to transport and infrastructure, a new primary school, health facilities and investment in employment and training.

The judicial review hearing in relation to the Supplementary Planning Document was successfully defended by the local authorities in October following the hearing in July. Capco participated in the hearing as an interested party as the challenge was made against LBHF and RBKC. This is the third challenge that the Councils have successfully defended in relation to the Earls Court Masterplan. No application for judicial review has been received in relation to the outline planning consent. However the risk of further judicial review challenges against planning decisions or land assembly cannot be discounted.

Land Assembly

The land assembly process in relation to the Earls Court Masterplan is progressing well. In February 2014, the Boards of TfL and Capco approved terms for a proposed joint venture which would be owned 63 per cent by Capco and 37 per cent by TfL to enable the development of EC1 & EC2 in line with the Earls Court Masterplan. Legal documentation is currently being finalised.

TfL owns the freehold to the Earls Court exhibition centres and Capco is the leaseholder of both sites. The proposed joint venture will establish a joint entity which will own new 999 year leases over the sites, as well as the Northern Access Road and the air rights over the West London Line. The ownership of the joint entity reflects the value created by combining both organisations’ respective freehold and leasehold interests. No cash consideration will be payable by either party. Capco will be the business manager of the joint entity, which will enable a comprehensive approach to be taken for the implementation of the Earls Court Masterplan for the wider Earls Court and West Kensington Opportunity Area (“ECOA”). Preparation has commenced within Capco to meet the operational and governance requirements of this role. At this stage, no agreement is in place regarding the Lillie Bridge Depot, however TfL has stated it will form part of the Earls Court Masterplan if and when it is operationally feasible to do so.

In March an agreement with Network Rail was completed regarding the air rights above the West London Line. As part of the agreement, Capco has secured a new 999 year lease to replace the existing lease in respect of the Earls Court 2 site for an initial consideration of £5.3 million. Within the terms of the agreement, Capco can exercise options for a period of 50 years for further 999 year leases over the remainder of the West London Line to allow for development of the Lost River Park within the Earls Court Masterplan. Network Rail is entitled to further payments of 5.55 per cent of the residual land value which will be payable by Capco at the time development or disposal of each phase of the Earls Court Masterplan is initiated.

£43m
of investment in a brand new primary school, community, leisure and health facilities, cultural space and money towards a cultural fund for the area

270,000 sq ft
of retail space

£43m
of improvements to tube stations

£6m
of investment in bus service enhancements and bus stops

£1m
of investment in cycle hire hubs, parking spaces and lanes

In November Capco exercised its option under the CLSA which it entered into with LBHF in January 2013 in relation to LBHF's land within the redevelopment area. The CLSA was approved by the Secretary of State for the Department of Communities & Local Government in April and comprises approximately 22 acres including the West Kensington and Gibbs Green estates.

The land relating to the Estates is not currently recognised within these financial statements as the timing and phasing of the land draw down remains subject to a detailed process. No phase can be transferred unless replacement homes for the residents of the relevant phase have been provided and vacant possession is given of the phase. With the option exercised and with the outline planning consent granted, Capco is working closely with LBHF under the detailed mechanisms within the CLSA to identify the requirements for the first tranche of replacement homes which would enable vacant possession of the first phase of land to be provided.

Of the total cash consideration of £105 million, £15 million was originally paid for the Exclusivity Agreement and is now held as a prepayment against a future draw down of the land; whilst the properties acquired in 2013, at the time of signing the CLSA, are accounted for as investment properties and accordingly were revalued at 31 December 2013. Following exercise of the CLSA in November, the Group has become committed to the payment of the residual £75 million due under the agreement. The £75 million is expected to be paid in five annual instalments of £15 million starting on 31 December 2015 which are independent of the land draw down process.

Empress State

In August Capco completed the acquisition of the 50 per cent of the Empress State Building not already owned for a value of £117 million. The 460,000 sq ft office tower is let to the Metropolitan Police Authority which provides a secure income stream until 2019.

As part of the wider value creation strategy, a planning application was submitted in November to LBHF for a change of use to residential in line with the wider Earls Court Masterplan. This would create over 300 high quality apartments within the structure of the existing 31 storey building.

FUTURE PRIORITIES

Earls Court presents a unique opportunity to create a new district of central London. The focus of activities this year will be to finalise the land assembly and to bring the Masterplan to life through place-making initiatives to create further value.

For Earls Court Village and the Empress State Building, the priority is to obtain approval for the detailed applications that were submitted in late 2013.

For North End Village, a process for drawing down the first phase of land is being developed in conjunction with LBHF under the terms of the CLSA. This is likely to involve the commencement of construction of the first phase of replacement social housing, in order to commence the process of enabling vacant possession of the Estates.

LILLIE SQUARE

OPERATING PERFORMANCE

Overview

Lillie Square is a 1 million sq ft scheme and is owned by a joint venture between Capco and the Kwok Family Interests ("KFI"). The scheme covers over 7.5 acres and will deliver modern garden-square living for future residents, in 608 private and 200 affordable homes.

Project Update

The focus of the Lillie Square development in 2013 has been on finalising the design of the scheme and construction contracts alongside preparing for the sales and marketing launch. Design amendments were submitted to LBHF and approved in August. These amendments included enhancements to the previously consented buildings and an improved landscape strategy.

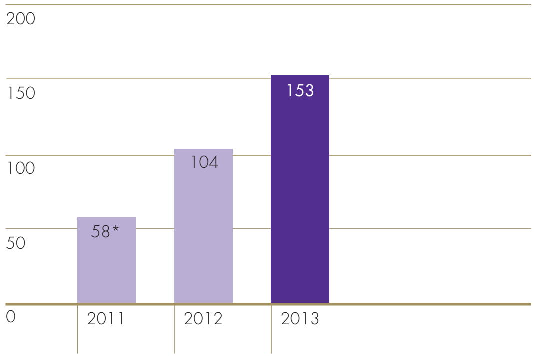
The changes to the scheme and the enhanced specification have increased the expected total build cost to £360 million. However, due to the phasing of the project, the peak capital requirement is expected to be in the order of £130 million (Capco's share: £65 million). Documentation is currently being agreed for a new loan facility to fund the construction of Lillie Square which will cover this peak capital amount.

Preparations are being made to commence formal sales and marketing with a launch planned shortly. The current intention is to commence work on site later this year.

Capco notes the on-going legal situation in Hong Kong regarding charges against certain members of the Kwok family, but the operation of the joint venture continues to be unaffected.

Lillie Square capital value

£153*m +31% (LfL)



* Capco's existing 50% share

HIGHLIGHTS

- Lillie Square valued at £153 million (Capco's share) up 31 per cent (on a like-for-like basis)
- Enhancements to the original scheme consented by LBHF

STRATEGY

- Create value through the delivery of a high quality residential led scheme with joint venture partner
- Sales launch of first phase
- Construction to commence in 2014

Lillie Square management team

MODERN GARDEN SQUARE LIVING

Artist's impression of a Lillie Square interior

FUTURE PRIORITIES

Adjacent to the wider Earls Court Masterplan, Lillie Square is one of the largest development projects in West London and offers an exciting opportunity to re-imagine the area creating values in line with established neighbourhoods surrounding the site.

The focus of our activities this year will be a successful sales launch and commencement of the first phase of construction of this project, which is expected to deliver 237 units in 2015 and 2016. The central London residential market is currently positive, and the success of the sales launch will in part depend on these conditions continuing to prevail.

View from One Lillie Square

Lillie Square will provide a range of stylish apartments from 50 to 260 sq m with panoramic views of central London including contemporary 4- and 5-bedroom family homes with private gardens and secure garage parking

OLYMPIA LONDON

OPERATING PERFORMANCE

Overview

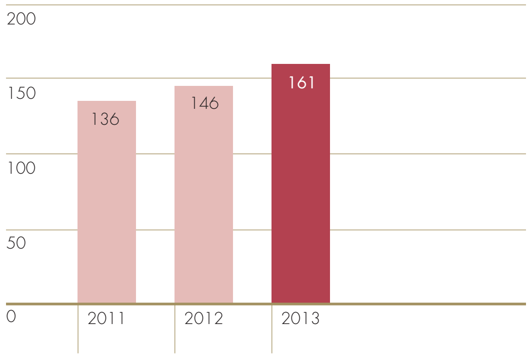
The Venues business continues to perform in line with expectations. Bookings are lower than in previous years reflecting the continued uncertainty around the future of the Earls Court venue. Earnings before interest, tax, depreciation and amortisation ("EBITDA") in 2013 were £10.4 million, down 26 per cent from 2012. Much of the decrease can be attributed to the one-off contribution in 2012 from the Olympic Games.

The enhanced Olympia London venue remains the focus of the future of the Venues business. Several exhibitions have now decided to move to Olympia London in 2015 including Top Drawer and the International Book Fair. This is very positive for London's most historic venue and will enable the transition of the business from the Earls Court venue to commence next year. Olympia London's improved prospects are reflected in the 2013 valuation performance, up 6.3 per cent to £161 million. At this time, the Earls Court venue is taking bookings for 2014.

As part of the on-going investment in improvement works to Olympia London a series of planning applications were submitted in July which aim to re-instate and enhance the entrance to Olympia Grand and improve Olympia Way through cycle lanes, improved surfaces and signage. Consent was also received for a hotel on the G-Gate site.

Venues capital value

£161m +6.3% (LfL)



HIGHLIGHTS

- Successful rebrand of Olympia London
- International Book Fair and Top Drawer confirmed for Olympia London in 2015
- Planning applications for further enhancements to Olympia London approved

STRATEGY

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

FUTURE PRIORITIES

The focus for the Venues business is on the successful transition of the business to the enhanced Olympia London. The decision of the larger shows to move to Olympia from the Earls Court venue in 2015 will commence the transition of the business to operate at Olympia on a standalone basis. These shows, together with the existing calendar of shows operating at Olympia, will intensify the use of Olympia and drive value growth of the business.

Venues management team

FINANCIAL REVIEW

Soumen Das, Finance Director

"The successful execution of our strategy delivered a total return of 23 per cent in 2013. Our strong capital structure with low leverage provides a platform for continued market-leading returns."

FINANCIAL HIGHLIGHTS

– EPRA NAV of 249 pence per share, a 22% increase
– Total return of 23%
– Total Property Value of £2.3 billion
– LTV of 15%
– Cash and undrawn facilities £287 million
– Acquisition of remaining 50% interest in the Empress State Building with new 5 year facility secured
– New £665 million unsecured revolving credit facility agreed for Covent Garden (post year-end)

EPRA adjusted, diluted net assets per share rose 22.4 per cent during the year, increasing from 203 pence at 31 December 2012 to 249 pence. This 46 pence increase together with the 1.5 pence dividend paid during the year represents a total return of 23.1 per cent.

The London property market has performed well in 2013, in particular the retail and residential sectors to which the Group is exposed. There continues to be strong tenant and investor demand for well managed properties in prime central London locations.

Both yield compression and ERV growth at Covent Garden increased the value of the estate by 18.8 per cent (19.2 per cent like-for-like), reflecting strong letting performance and increased residential sales values achieved.

The value of Earls Court Properties, the Group's interests at Earls Court, has increased by 19.8 per cent (24.5 per cent like-for-like), as a result of the planning and land assembly milestones achieved in respect of the Earls Court Masterplan during the year and the strong central London residential sales market. The valuation of the Group's EC1 & EC2 interests by Jones Lang LaSalle, the Group's external valuers, implies a land value of £31.7 million per acre for the combined freehold and leasehold interest, based on the terms of the proposed arrangement with TfL.

Post year-end, the Group has agreed a new £665 million unsecured revolving credit facility for Covent Garden. This new facility will replace the three existing secured facilities and increases the Group's available liquidity by over £150 million. It will improve operational and financial flexibility to support the strategy for the estate.

Control acquired of former joint venture

In May the Group acquired 100 per cent control of The Empress State Limited Partnership which owns and manages the Empress State Building, a building adjacent to the Group's property interests at Earls Court. The transaction was accounted for as a business combination and from the date of exchange the partnership has been fully consolidated. Completion occurred in August.

A brief summary of the result this transaction has had on the Group's 31 December 2013 balance sheet is set out below:

Balance sheet		£m
Investment property	Increased by	132.5
Borrowings	Increased by	(48.6)
Other net liabilities	Increased by	(22.6)
Change in net assets		61.3

Conditional Land Sale Agreement (CLSA)

In November the Group exercised its option under the CLSA, which it entered into with the London Borough of Hammersmith & Fulham ("LBHF") in January, for the purchase of the West Kensington and Gibbs Green housing estates.

The overall consideration payable is expected to be £105 million cash plus the planning requirement to provide up to 760 replacement homes.

Of the consideration, £15 million was originally paid for the Exclusivity Agreement and is now held as a prepayment against a future draw down of the land; whilst the properties acquired in 2013, at the time of signing the CLSA, are accounted for as investment properties and accordingly were revalued at 31 December 2013.

On exercise in November the Group became committed to payment of the residual £75 million due under the agreement, and is entitled to draw down the land subject to certain conditions as discussed in the Earls Court Properties Operating Review. This £75 million is expected to be paid in five annual instalments of £15 million starting on 31 December 2015 which are independent of the land draw down process. The payment profile could be altered due to certain obligations, primarily compensation related to achieving vacant possession, which are subject to an overall cap of £55 million. Should any payments be made in respect of these obligations they will be deducted from the total consideration due to LBHF.

The option is value neutral as the underlying asset does not currently meet the recognition criteria required for investment and development property. The future payments of £75 million represent a capital commitment towards the purchase of investment and development property that has not yet been received. Where any amounts are paid prior to the transfer of property, they will be carried on the Group's balance sheet as prepayments against future land draw down. A transfer from prepayment to investment and development property will occur once the risks and rewards of ownership have passed to the Group. Once this occurs, in line with the Group's accounting policy, the land will become subject to bi-annual valuation with any uplift reflected in the Group's reported net asset measure.

Discontinued operations

In June, The Great Capital Partnership ("GCP"), the joint venture between the Group and Great Portland Estates plc, announced the sale of its final asset, Park Crescent West, which marked the culmination of its activities.

As GCP has historically represented a separate major line of business, its results and cash flows have been reported for the year ended 31 December 2013 as having arisen from a discontinued operation. The requirement extends to the prior year comparative which has been re-presented in line with reporting requirements. For the purposes of this financial review, continuing and discontinued operations have been combined.

Segmental analysis

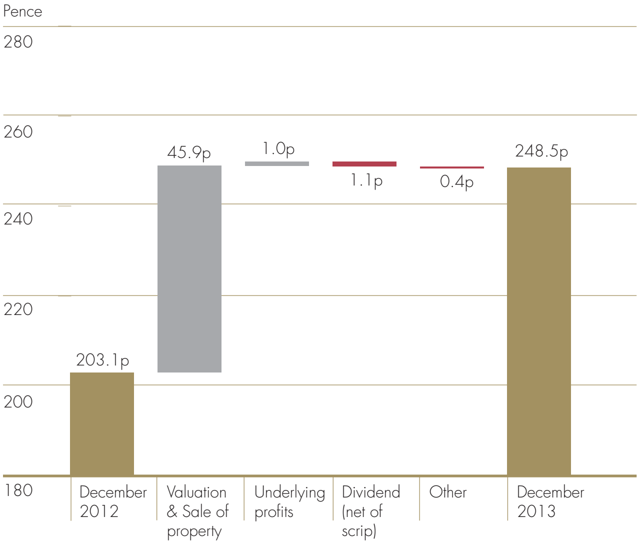
With the cessation of GCP and the changes more widely in the business over the past year, the Group has revised its segmental analysis. As a result of these changes the discontinued activity of GCP is now disclosed within 'Other'. The segment previously called Earls Court & Olympia has been split in two: Earls Court Properties and Venues. Earls Court Properties represents the Group's interests at Earls Court, predominantly comprising EC1 & EC2, the Empress State Building and 50 per cent of the Lillie Square joint venture (previously Seagrave Road). Venues comprises the exhibitions business including the Olympia London property interests. Covent Garden remains unchanged.

FINANCIAL POSITION

At 31 December 2013 the Group's EPRA adjusted net assets were £1.9 billion representing 249 pence per share adjusted and diluted, an increase of 46 pence per share since 31 December 2012.

	2013 £m	2012 £m
Investment, development and trading property	2,166.3	1,670.6
Net debt	(329.2)	(163.5)
Other assets and liabilities	(25.0)	(29.3)
IFRS net assets	1,812.1	1,477.8
Fair value of derivative financial instruments	14.1	30.8
Unrecognised surplus on trading properties	69.2	37.5
Deferred tax liabilities on exceptional items	16.2	6.9
EPRA adjusted net assets	1,911.6	1,553.0
EPRA adjusted, diluted net assets per share (pence)	249	203

EPRA adjusted, diluted net assets per share NAV +22% to 249p



Investment, development and trading property

The market value of the Group's property portfolio increased in value by £343.8 million during the year, up 19.9 per cent on a like-for-like basis.

Total property return for the year was 21.9 per cent which compares favourably to the IPD Total Return index for the corresponding period which recorded a 10.9 per cent return.

Valuation surpluses on properties held for trading are not recorded in the income statement and their balance sheet valuation does not reflect market value, but rather the lower of cost and market value. Any unrealised surplus is however reflected within the EPRA adjusted, diluted net asset measure.

At 31 December 2013, the unrecognised surplus on trading property was £69.2 million, up from £37.5 million at 31 December 2012. This principally arises on property assets at Lillie Square, which has been consented for the development of residential units for sale.

Excluding the acquisition of the residual 50 per cent interest in the Empress State Building (discussed above), property acquisitions in the year totalled £65.3 million, mainly being small acquisitions at Earls Court. Property disposals were £64.7 million, primarily relating to the sale of the final asset within GCP, Park Crescent West.

Debt and gearing

In July, the Group entered into a new five year £118.5 million facility to refinance the debt facility secured on the Empress State Building.

Excluding the debt assumed on the acquisition of control of Empress State, net debt increased by £50.5 million in the year principally the result of property acquisitions and capital expenditure (£123.1 million) offset by proceeds from the sale of residential units at Covent Garden and the final asset within GCP (£78.4 million) and further distributions from the Group's investments in China.

Other than the refinancing of the Empress State facility discussed above, other debt repayments in the year were £24.8 million which consisted of £20.0 million repayment of funds drawn on the revolving credit facilities and £4.8 million of which was paid on maturity of GCP's debt facility in March.

The gearing measure most widely used in the industry is loan-to-value ("LTV"). LTV at 31 December 2013 was 15 per cent. The LTV remains comfortably within the Group's current limit of no more than 40 per cent.

	2013	2012
Property Loan-to-value	15%	10%
Interest cover	148%	172%
Weighted average debt maturity	4.3 years	4.8 years
Weighted average cost of debt	4.4%	5.2%
Proportion of gross debt with interest rate protection	100%	100%

The new £665 million Covent Garden debt facility was signed in February 2014 and has a five year term. The margin for the loan is 1.65 per cent. It is an unsecured revolving credit facility which will provide improved operational and financial flexibility for the estate. The Group's available liquidity will increase by over £150 million.

Completion of the facility is expected in March 2014 when the existing Covent Garden facilities will be repaid. The Group will incur an exceptional charge of approximately £12 million relating to fees on the new facility and unamortised fees on the existing facilities; as well as approximately £18 million relating to the termination of derivative contracts.

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 2013 the proportion of gross debt with interest rate protection was 100 per cent (2012: 100 per cent).

The Group remains compliant with all of its debt covenants.

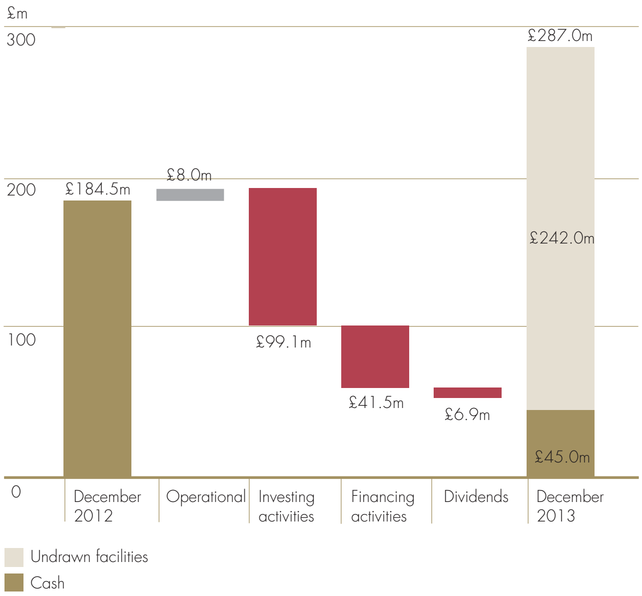
The Group has capital commitments of £105.9 million at 31 December 2013 which compares to £21.4 million at 31 December 2012. The increase principally relates to the CLSA as discussed above.

CASHFLOW

A summary of the Group's cash flow for the year to 31 December 2013 is presented below:

	2013 £m	2012 £m
Recurring cash flows after interest and tax	8.0	4.8
Purchase and development of property investments	(130.4)	(134.9)
Control acquired of former joint venture	(50.3)	–
Sale proceeds of property and investments	81.6	254.6
Loss of control of former subsidiary	–	65.4
VAT paid on internal restructure	–	(22.2)
Net cash flow before financing	(91.1)	167.7
Financing	(41.5)	(64.2)
Dividends paid	(6.9)	(8.6)
Net cash flow	(139.5)	94.9

Cash and undrawn facilities



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

Recurring cash flow was £8.0 million compared to £4.8 million for 2012, mainly due to the lower financing costs.

Investing activities comprise acquisitions (£70.7 million), capital expenditure (£59.7 million) and payments made to acquire full control of the former Empress State joint venture (£50.3 million), offset in part by proceeds received from the disposal of property and investments (£81.6 million).

Property acquisition and development expenditure was mainly in respect of Earls Court Properties. Proceeds from the sale of property and investments comprise the disposal of the last remaining asset within GCP, the sale of residential units at Covent Garden and a further distribution from the Group's investments in China.

Financing cash flows relate to the repayment on maturity of the GCP facility in March, together with the refinancing and scheduled amortisation payments on the Empress State facility.

Dividends paid of £6.9 million reflect the final dividend payment made in respect of the 2012 financial year and the 2013 interim dividend paid in September. This was lower than the previous year due to the scrip dividend alternative, the take up of which was significantly higher at 48 per cent and 21 per cent respectively.

Cash and undrawn committed facilities at 31 December 2013 were £287 million.

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.

	2013 £m	2012 £m
Net rental income	64.8	65.3
Other income	10.6	6.1
Gain on revaluation and sale of investment and development property	313.4	213.9
Administration expenses	(33.8)	(26.1)
Net finance costs	(20.9)	(24.1)
Profit on available-for-sale investments	0.9	10.0
Change in fair value of derivative financial instruments	16.4	0.7
Other	(1.4)	(0.3)
Taxation	(12.6)	(5.5)
IFRS profit for the year attributable to owners of the Parent	337.4	240.0
Adjustments:		
Other income	(10.6)	(6.1)
Gain on revaluation and sale of investment and development property	(313.4)	(213.9)
Profit on available-for-sale investments	(0.9)	(10.0)
Change in fair value of derivative financial instruments	(16.4)	(0.7)
Other adjustments	0.9	1.6
Taxation on exceptional items	10.3	1.6
Underlying profit after tax	7.3	12.5
Underlying earnings per share (pence)	1.0	1.8

Income

Net rental income fell by £0.5 million (6.0 per cent like-for-like) in the year. The sale of properties within GCP and the weaker performance of the Venues business, both of which are in line with expectations, reduced net rental income by £9.2 million. This has been offset by increased income at Covent Garden and income arising from Earls Court Properties which includes the Empress State Building and a number of small income producing assets. The acquisition of control of Empress State in May has contributed £4.4 million to the net rental income for the year. Net rental income for Covent Garden in 2014 is likely to be a similar level to 2013 due to the number of initiatives being pursued to grow the value of the estate but which reduce income in the short-term.

Other income of £10.6 million principally relates to trading property profits of £10.4 million which arose on the sale of residential units at Covent Garden.

Gain on revaluation and sale of investment property

The gain on revaluation of the Group's investment and development property was £310.6 million. Profits recorded on the sale of investment and development property were £2.8 million, the result of the sale of the last GCP asset, Park Crescent West.

Administration expenses

Administration expenses increased 30 per cent to £33.8 million. The majority of the increase is attributable to a higher than anticipated charge of £8.3 million relating to costs associated with the Group's equity based compensation schemes, which are linked in part to share price performance. This level of administration expense is now indicative of normalised operating costs. Any further increases will be in line with headcount as the Group's activities expand.

Net finance costs

Excluding gains arising from the change in fair value and one-off costs incurred on the termination of derivative financial instruments, the Group's underlying net finance costs for the year fell to £20.9 million from £22.8 million in 2012, the result of various debt prepayments and repayments during 2012, together with the benefit of refinancing in a historically low interest rate environment.

Exceptional items

In addition to revaluation and sale of 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:

- Other income of £10.6 million of which profit on sale of trading property represented £10.4 million
- Write back of impairment charges in respect to loan notes receivable of £2.0 million
- Trading property write down of £1.7 million
- Other exceptional items totalling £0.3 million

Taxation

The total tax charge for the year was £12.6 million which is made up of both underlying tax and exceptional tax.

Underlying tax, the amount of tax charged on the underlying profits of the Group was £2.3 million, reflecting an underlying tax rate of 23.3 per cent in line with the current rate of UK corporation tax. The UK corporation tax rate is expected to fall to 21 per cent from April 2014 and again to 20 per cent from April 2015.

The exceptional tax of £10.3 million arises predominantly on disposals of trading properties and gains on the change in fair value of derivative financial instruments.

Contingent tax, the amount of tax that would become payable on a theoretical disposal of all investment properties held by the Group remains £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 15 would result in a corporation tax charge to the Group of £16.1 million (23.3 per cent of £69.2 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, with external advice as appropriate, 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

The Board has proposed a final dividend of 1.0 pence per share to be paid on 19 June 2014 to shareholders on the register at 23 May 2014. Subject to SARB approval, the Board intends to offer a scrip dividend alternative.

Going Concern

At 31 December 2013 the Group's cash and undrawn committed facilities were £287 million. The agreement to refinance the Group's Covent Garden facilities in February 2014 has expanded the Group's committed undrawn facilities by a further £150 million.

With weighted average debt maturity exceeding 4 years, LTV of 15 per cent and sufficient headroom against all financial covenants, there continues to be a reasonable expectation that the Company and Group will have adequate resources to meet both ongoing and future commitments for the foreseeable future. Accordingly, the Directors have prepared the 2013 Annual Report & Accounts on a going concern basis.

Soumen Das
Finance Director

25 February 2014

EPRA PERFORMANCE MEASURES

Measure	Definition of Measure	2013	Re-presented 2012[1]
Adjusted earnings	Recurring earnings from core operational activity	£9.4m	£17.5m
Adjusted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	1.2p	2.5p
Adjusted net assets	Net asset value adjusted to exclude fair value movements on interest rate swaps	£1,912m	£1,553m
Adjusted net assets per share	Adjusted diluted net assets per share	249p	203p
Triple net assets	Adjusted net assets amended to include the fair value of financial instruments and debt	£1,884m	£1,517m
Triple net assets per share	Diluted triple net assets per share	245p	198p
Net initial yield	Annualised rental income less non-recoverable costs as a percentage of market value plus assumed purchaser's costs	3.9%	4.2%
Topped-up initial yield	Net initial yield adjusted for the expiration of rent-free periods	4.1%	4.4%
Occupancy	ERV of occupied space as a percentage of ERV combined portfolio	98.7%	98.1%

1 Re-presented to reflect discounted operations.

COMMUNITY, ENVIRONMENT AND PEOPLE

"Our approach to corporate responsibility supports the delivery of the Company's strategy"

From the Chairman of the Corporate Responsibility Committee

Corporate responsibility ("CR") is the way in which Capco manages its environmental impacts and engages with the communities where our assets are based. Our established corporate responsibility programme supports the delivery of the Company's strategy and the creation of value for shareholders.

The Board believes that being a responsible neighbour is of benefit to both the community and the Company, and accordingly we encourage our staff to participate fully in our corporate responsibility initiatives. In 2013 each head office employee was given a corporate responsibility objective during the annual review process and Capco staff spent 515 hours on CR related activities, a marked increase on the previous year.

In 2013 the Committee was particularly pleased with the success of the Leadership Development Programme which aimed to develop the leadership capability of participants.

Our 2013 CR report outlines the progress made against the 2012 targets, and sets out new targets for 2014. This year we have also reported our Greenhouse Gas emissions to comply with new environmental reporting requirements.

Our approach to CR continues to evolve, and will be kept under review by the Committee as the Company continues to implement its strategy. We welcome feedback from our stakeholders on environmental and community issues.

Ian Henderson
Chairman of the Corporate Responsibility Committee

25 February 2013

Key

★ Some progress

★★ Satisfactory progress

★★★ Good progress

Corporate Responsibility Strategy – embedded into the fabric of our day-to-day work			
Commitment made last year	Progress	What we achieved in 2013	2014 objective
Continue to build engagement with the CR agenda across the Group.	★★★	The CR Committee ensures that CR initiatives are aligned to corporate strategy. The Company intranet is used to increase engagement with the Group's CR agenda.	Continue to build engagement with the CR agenda across the Group.
Manage potential risks on an ongoing basis, escalating concerns promptly where appropriate.	★★★	CR related risks are included in the Capco risk register and as well as being reviewed bi-annually, they are reviewed externally by Environ on an annual basis.	Manage potential risks on an ongoing basis, escalating concerns promptly where appropriate.
Participate in the Carbon Disclosure Project again and aim to improve our performance.	★★★	Capco participated in the Carbon Disclosure Project and achieved an improved position overall, moving from band D to band C.	Participate in the 2014 Carbon Disclosure Project and aim to improve our score.
Measure performance using the Global Reporting Initiative (GRI).	★★	Specific environmental and social GRI indicators have been used to measure our performance.	Continue to measure performance using the Global Reporting Initiative.
Maintain FTSE4Good accreditation.		Capco's accreditation in the FTSE4Good index was retained.	Maintain FTSE4Good accreditation.

A highlight of our 2013 community strategy was the 'Take Three' project which used digital media to engage children in community safety issues. 70 pupils from local schools in Covent Garden and Fulham took part. The pupils worked in groups of five or six, with the support of adult mentors from Capco, to create a digital book or film on a personal safety, anti-social behaviour or crime issue important to them. Media professionals worked with the pupils to teach them more about filmmaking and to help them create their digital book or film.

The work culminated in a showcase event where the 13 groups presented their digital books or films to a panel of judges and an audience of 250 people. There was 'live judging' of each project and all the children who took part received a medal for their achievements.

Commitment made last year	Progress	What we achieved in 2013	2014 objective
Corporate Responsibility Strategy – embedded into the fabric of our day-to-day work			
Further support charitable initiatives in communities in which we invest. We will continue to help organisations that support the well-being and development of young people in London with an emphasis on homelessness, education, health and sport, and appropriate charities linked to the property industry, and continue our long-standing involvement with associations that help injured service personnel.	★★	This year the Group donated £112,000 to various charities particularly those benefiting young people. This included a company donation of £500 on behalf of every employee to selected charities at Christmas which totalled £43,000. Capco teamed up with the charity Working for Youth which offers a network that provides advice to over 2,000 young people, mentoring and job opportunities. Young people aged 16-24 were invited to spend time with Capco staff to obtain career advice. The young people selected had won a competition in which they submitted ideas on how tenants in central London could be encouraged to recycle.	Continue to support charitable initiatives in communities in which we invest, including organisations that support the well-being and development of young people in London with an emphasis on homelessness, education, health and sport, and appropriate charities linked to the property industry, and continue our long-standing involvement with associations that help injured service personnel.
Encourage shareholder involvement in business strategy and dialogue between shareholders and the Executive Directors and Chairman.	★★★	Our Executive Directors, Chairman and Deputy Chairman engage regularly with shareholders and invite dialogue. The Executive Directors undertook over 180 1:1 meetings with investors during 2013 and undertook road shows in South Africa, the United States and Canada. The Chairman and Company Secretary also met with a number of shareholders in South Africa.	Continue an active programme of dialogue and meetings with the Company's current and prospective shareholders.
Environment – our creative and holistic approach to place-making protects the environment where our estates are based			
Continue to monitor our carbon footprint.	★★★	Capco's carbon footprint for 2012 was measured by Environ to be approximately 14,000 tonnes carbon dioxide equivalent (CO_2e) compared with approximately 15,000 tonnes CO_2e in 2011. The largest element of this came from Earls Court, which made up 57 per cent of the total footprint; Olympia London contributed 32 per cent, Covent Garden 9 per cent and Head Office 1.5 per cent.	Continue to monitor our carbon footprint, broken down into the components of the business.
Develop the Venues' Carbon Voyage scheme in conjunction with other stakeholders.	★	The user response to our consolidated transport scheme has been positive, and we have introduced an online traffic marshalling system. This enables us to advise users on how much they are spending on fuel and also match them with users who are making the same journey. This has potential to reduce both traffic flow and fuel cost.	Monitor the impact of the online traffic marshalling/booking system at Olympia London.
Participate in the CRC Energy Efficiency Scheme.	★★★	Capco is compliant with the Scheme, purchasing £162,300 of allowances during 2013 and is working with our external advisers to ensure continuing compliance.	Participate in the CRC Energy Efficiency Scheme.
Achieve a 3 per cent reduction in utilities consumption on a like-for-like basis against 2012 figures.	★★★	Capco exceeded its target, achieving an 11 per cent reduction in utilities consumption during 2013; this was equivalent to approximately 1.4 million CO_2/kg of emissions. This was in part due to seasonal variation consequent to a mild fourth quarter in 2013.	Aim to maintain a 3 per cent reduction in utilities consumption on a like-for-like basis against 2013 figures.
We intend to continue our work on Energy Performance Certificates (EPCs) particularly those properties within the F/G bands and improve their ratings where opportunities arise.	★★	In 2013 we completed a review of EPCs for our properties in Covent Garden. We have agreed a strategy to raise the energy performance of any units with an F and G rating through redevelopment or refurbishment.	We intend to continue our work on Energy Performance Certificates (EPCs), particularly those properties within the F/G bands and improve their ratings where opportunities arise.

Environment – our creative and holistic approach to place-making protects the environment where our estates are based			
Commitment made last year	Progress	What we achieved in 2013	2014 objective
In respect of Lillie Square, work with contractors to ensure waste to landfill is minimised, targeting 50 per cent plus being recycled or re-used and implement a Construction Environmental Management Plan.	3 stars	Target met: 98 per cent of Roxby Place demolition waste was recycled and Site Waste Management Plan implemented for demolition.	In respect of Lillie Square, work with contractors to ensure waste to landfill is minimised, targeting 50 per cent plus being recycled or re-used and implement a Construction Environmental Management Plan.
In design phase of Lillie Square, embed sustainability through initiatives such as photovoltaic panels, meeting Level 4 requirements of the Code for Sustainable Homes.	2 stars	Level 4 Code for Sustainable Homes still on target to be achieved at Lillie Square.	Level 4 Code compliance and Lifetime Homes compliance to be confirmed through detailed design of Lillie Square, evidenced through our specification.
All future major developments in Covent Garden are to meet BREEAM for Refurbishment 'Very Good' standard where constraints permit within a Conservation Area and when refurbishing listed buildings.	2 stars	Major projects progressed through design phase in order to comply with BREEAM 'Very Good' standard.	In respect of Covent Garden, all future major developments are to meet BREEAM for Refurbishment 'Very Good' standard where constraints permit within a Conservation Area and when refurbishing listed buildings.
During 2013, it is our aim to expand our tenant engagement programme on environmental issues such as waste reduction, recycling and energy management.	2 stars	During 2013 we expanded our tenant engagement programme to include all of the Food & Beverage occupiers at Covent Garden. This took the form of advice and assistance on food waste, glass, paper/card & general mixed recycling. Our waste contractors spent an average of one day a month with tenants offering practical advice on how to increase their recycling rates. We have monitored the Market Building units in order to advise occupiers about possible energy saving.	Continue to expand our tenant engagement programme on environmental issues such as waste reduction, recycling and energy management. Aim to increase waste segregation to 55 per cent.
In executing our major development projects at Covent Garden, we will aim to achieve a target of less than 15 per cent of waste going to landfill.	3 stars	We exceeded targets on 2 major projects: The Beecham with 96 per cent of waste produced from works being recycled and 4 per cent being sent to landfill and The Southampton with 99 per cent of waste being recycled and only 1 per cent being sent to landfill.	In executing our major development projects at Covent Garden, we will aim to achieve a target of less than 15 per cent of waste going to landfill.
Monitor metered water usage across our portfolio.	2 stars	Procedures have been put into place to monitor and record metered water usage, with data included in Capco's carbon footprint.	Monitor metered water usage across our portfolio.

Local Communities – we make a positive impact on the local communities where our assets are located			
Commitment made last year	Progress	What we achieved in 2013	2014 objective
Support community projects which specifically benefit young people in London and in the areas where our assets are located.	★★★	Earls Court Properties As part of the 2013 Earls Court Education Programme, at Fulham Primary School children from Year 4 created a booklet showcasing their ideal high street of the future and children from Year 6 gave a presentation at Hammersmith & Fulham's Children's Parliament entitled 'Lending the High Street a Helping Hand'. In addition, 60 pupils from Bousfield Primary School visited Earls Court as part of their geography and community project. We continue to support local homeless charity West London Churches Homeless Concern, which was elected to receive part of Capco's 2013 Christmas donations. Capco staff have also served lunch in the day centre, donated unwanted clothes and completed a half marathon, which raised over £4,500 for the charity. The Finance Team spent a morning assisting the Intermission Youth Theatre. The work of the theatre focuses on bringing Shakespeare to underprivileged young people from London's inner city who lack opportunity or who are at risk of offending. Covent Garden The Covent Garden team continue to build on the strong relationships formed with local stakeholders, such as the Covent Garden Area Trust, local residents, tenants and community groups. As well as the "Take Three" project featured on page 43, we hosted the Apple Market Challenge again in 2013. This year the 9 and 10 year old participants from nine schools were mentored by sixth formers and the task involved designing and marketing a product to be sold on the market. The winning team designed a highly innovative skateboard which could turn into a scooter. This year we ran an orienteering challenge event around the estate which raised money for the local charity Mousetrap Theatre Projects. The Covent Garden team collaborated with Westminster Council's Workplace Co-ordinator Scheme which helps unemployed people in the Borough return to work. Between July and December 35 people were offered full-time jobs across the estate, exceeding the scheme's targets for 2013. The Covent Garden estate has become the focal point of London Poppy Day and this year we hosted an event which included military bands, a Spitfire and a flight simulator. £40,000 was collected for The Royal British Legion.	Continue to support Community Projects which specifically benefit young people in London and in the areas where our assets are located.

Commitment made last year	Progress	What we achieved in 2013	2014 objective
Local Communities – we make a positive impact on the local communities where our assets are located			
Further develop our property management strategy for the benefit of all stakeholders.		The extensive £10 million refurbishment of Olympia Central (formerly Olympia Two) was awarded the Conservation Award for Best Refurbishment by the Hammersmith Society in June 2013. Olympia London was also shortlisted for Venue of the Year at the 2013 Exhibition News and AEO Awards as well as for Exhibition Venue of the Year at October's Event Awards.	Further develop our property management strategy for the benefit of all stakeholders.
		The Covent Garden property management team completed a number of initiatives for the benefit of stakeholders, including quarterly Customer Forum Meetings and 'sparkle weeks' where an enhanced cleaning regime was followed in partnership with retailers.	The Customer Forum meetings will be continued this year with more emphasis on providing customer research information to stakeholders.
		In conjunction with Westminster Council, we have begun to develop a Covent Garden Management Plan with a focus on supplemental cleaning of the streets around the estate to raise standards of cleanliness and proactively manage waste to enhance the area.	Continue to develop the Covent Garden Management Plan.
Health & Safety ("H&S") – regular reporting and monitoring			
Further improve our H&S reporting across the Group.		The Group H&S Committee, which is chaired by the Investment Director and includes representatives from all parts of the business, meets twice a year and has implemented the H&S Management Plan across the Group. The Capco Board and subsidiary Boards receive regular H&S reports. With estimated combined visitor numbers of more than 46 million to Earls Court, Olympia London and Covent Garden, there were 29 RIDDOR accidents reported for the year and no prohibition notices served. In respect of the 300 employees there were 3 reportable incidents. In addition, each business holds its own H&S meetings and promotes H&S with suppliers and contractors.	Further improve our H&S reporting across the Group.

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Capco people – we employ people with a diverse range of experience and expertise			
Commitment made last year	Progress	What we achieved in 2013	2014 objective
Launch the next level of our Leadership Development Programme and further develop learning programmes that will enhance the capability and performance of our people.	★★	The Leadership Development Programme ran throughout the year. It included a Chief Executive challenge assignment and each delegate received 1:1 mentoring and 360 degree feedback. 70 per cent of total employees attended training during 2013 equating to over 550 hours.	To further develop learning programmes that will enhance the capability and performance of our people.
Encourage employees to engage in CR initiatives and contribute 300 Group employee hours to supporting these projects.	★★★	Capco staff completed 515 hours of CR related activities during 2013, an increase of 240 hours on 2012. Opportunities for employees to participate in company-wide CR projects are communicated via The Wire, the company intranet.	Encourage employees to engage in CR initiatives and contribute 350 Group employee hours to supporting these projects.
Agree a CR related personal objective for each employee.		Each employee had a CR related personal objective for 2013.	Continue to include a CR related personal objective for each employee.
Increase the limit set for Company matched funding and encourage individual fundraising.		The individual limit set for matched funding of staff fundraising was doubled in 2013. This year £10,000 was matched funded.	Continue to promote the Company matched funding scheme and raise awareness of individuals' efforts on our intranet.

People

The number of people employed across the Group at the year end totalled 300 of which 214 were based in the Venues business.

We continue to attract talented individuals to the Company and have made significant hires at all levels. Typically, we accelerate career development for individuals by giving them significant responsibility early in their careers. Our fast-moving business requires high performance at all levels and we set clear objectives during a review process which measures performance in key skills and ensures that individual goals are clearly linked to Company strategy.

We have an induction programme which enables people to integrate quickly and clear performance objectives are defined at the outset for every employee.

An internal Leadership Development Programme for our senior management team ran throughout the year and concluded in November. The aim of the programme was to develop the leadership capability of the participants through a combination of interactive simulation sessions and practical skills workshops. Each delegate received mentoring from a Board member and developed a personal development plan following participation in a 360 feedback process.

The Royal Parks half-marathon raised £4,500 for West London Churches Homeless Concern

We further support our people in their professional development through academic study and currently have six employees working towards professional qualifications.

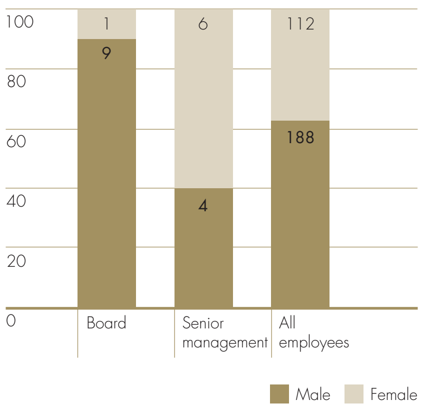
We believe that high performance should be recognised and therefore bonus awards are linked to ratings received during the performance review process. Furthermore, as part of our remuneration strategy employees participate in our share schemes and this ensures that individual reward is aligned to business strategy. We value the well-being of our workforce and aim to encourage healthy and balanced lifestyles. Diversity is important to us and we recognise the benefits of employing people with varied perspectives. The ratio of women to men within our senior management team is 3:2. Information on our approach to Board diversity can be found in the Nomination Committee report on page 61.

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

We recognise the importance of developing our talent pool at graduate level and in 2013 we ran a summer intern programme for undergraduates and attended a number of recruitment fairs to launch our graduate programme. As a consequence, we hired two graduates in 2013 and a further three will join in 2014.

This report does not contain specific information on human rights issues as this is not considered necessary for an understanding of the development, performance or position of the Company's business. However, Capco has adopted a CR policy and a supply chain policy which reflect a responsible approach to human rights.

Gender diversity (%)



Corporate Greenhouse Gas Emissions

Environ UK Limited (Environ) has been commissioned to provide the required information to support compliance with The Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. This is in accordance with the regulations and guidance provided by the Department of Environment, Food & Rural Affairs (DEFRA).

Methodology

The data reported is in accordance with all of the emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. Capco does not have responsibility for any emission sources that are not included in the consolidated statement below.

Capco adopts the GHG Protocol Corporate Accounting and Reporting Standard (revised editions), collates data gathered to fulfil the requirements under the CRC Energy Efficiency Scheme, and uses emission factors from DEFRA's 2013 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting.

The reported emissions data is provided in tonnes of carbon dioxide equivalent (tCO_2e). This accounts for the GHG emissions applicable for Capco's operations including carbon dioxide (CO_2), methane (CH_4) and hydrofluorocarbons (HFCs) emissions. The emissions can be split into scope 1 and scope 2 emissions as detailed below.

Scope 1 (direct) emissions includes gas consumption within properties where Capco is liable for fuel usage and for fugitive emissions resulting from air conditioning units. Capco does not have any company vehicles to report on.

Scope 2 (indirect) emissions include purchased electricity consumption within properties where Capco are liable for usage.

Environ has provided assurance on the accuracy, completeness and consistency of the GHG emission data.

GHG emissions data for period from 1 January to 31 December 2013	
	Tonnes of Carbon Dioxide Equivalent (tCO_2e)
Scope 1 emissions: Direct emissions including fuel combustion in owned or controlled boilers and vehicles.	2,907
Scope 2 emissions: Indirect emissions released into atmosphere including purchased electricity and cooling.	8,241
Total Annual GHG emissions:	11,148
Intensity ratio: Capco (Tonnes of CO_2e per £m of Net Assets)	6.15

Executive Directors

IAN HAWKSWORTH
Chief Executive Age 48

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

External appointments
Japan Residential Investment Company Limited

SOUMEN DAS
Finance Director Age 37

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

GARY YARDLEY
Investment Director Age 48

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

COMMITTEE MEMBERSHIP KEY

Audit Committee 1
Corporate Responsibility Committee 2
Nomination Committee 3
Remuneration Committee 4

Chairman and Non-executive Directors

IAN DURANT Chairman Age 55

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

External appointments

Greene King plc (Senior Independent Director)
Greggs plc (Chairman)
Home Retail Group plc (Chairman of Audit Committee)

IAN HENDERSON CBE

Non-executive Deputy Chairman and Senior Independent Non-executive Director Age 70

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

External appointments

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

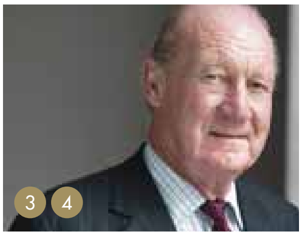
GRAEME GORDON

Non-executive Director Age 50

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

External appointments

CFS – Europe Limited
Creative Investments Limited
Fieldstall Limited
Mymarket Limited



ANDREW HUNTLEY

Non-executive Director Age 75

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

External appointments

Ashfern Developments Ltd
Intu Properties plc (Senior Independent Director)

DEMETRA PINSENT

Non-executive Director Age 39

A former partner of McKinsey & Co, Demetra was leader of McKinsey's European Apparel, Fashion and Luxury Goods Practice for five years and has also acted as an adviser to emerging British luxury businesses. Demetra is currently CEO of Charlotte Tilbury Beauty, a new cosmetics brand.

External appointments

Charlotte Tilbury Beauty Limited

HENRY STAUNTON

Non-executive Director Age 65

A former Finance Director in the media, hotels and leisure sectors, Henry was appointed to the Board in June 2010 and became Chairman of the Audit Committee shortly after in July 2010. Previously Finance Director of Granada and ITV.

External appointments

Merchants Trust PLC (Senior Independent Director)
Standard Bank Plc (Audit Committee Chairman)
WH Smith PLC (Chairman)

ANDREW STRANG

Non-executive Director Age 61

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

External appointments

AEW UK (Member of Investment and Governance Committees)
Intu Properties plc (Non-executive Director)
Norges Bank Investment Management (Real Estate Advisory Board member)

ENGENDERING TRUST

Ian Durant, Chairman

"Capco's governance supports management as they optimise the long-term value of the business and its assets."

The company was fully compliant with the UK Corporate Governance Code during 2013

The Board is responsible for the success of the Company, providing strategic leadership, monitoring delivery of its objectives and managing its risk.

The Company's framework of oversight, controls and reporting supports the business and allows the Company to operate internally with an appropriate level of openness, with both formality and flexibility. Externally the Company has endeavoured to communicate its expectations, objectives and milestones for success clearly; all key ingredients to engendering confidence in ongoing creation and growth of value for our owners.

We were pleased to welcome Anne Byrne as General Counsel during the year. Although not a Director, Anne is invited to attend all Board meetings.

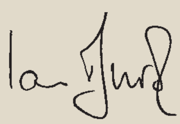
During the year we have worked to plan succession for Non-executive Directors who will be retiring from the Board in coming years. Maintaining the culture of openness and debate with constructive relations between Executive and Non-executive Directors is a key objective and I am grateful to Board members and senior management for their commitment to this.

As I reported last year, an updated UK Corporate Governance Code, which applies to Capco for the first time this year, was introduced in 2012 and a number of changes have been made to narrative reporting and remuneration disclosures. We adopted many of the new disclosures in our 2012 Annual Report and we have continued this progress in this year's Annual Report.

The Remuneration Committee has continued its review of Executive Director remuneration to ensure that the arrangements are fully aligned with the interests of shareholders and continue to motivate a highly successful team. The Remuneration Report includes single figures for the remuneration paid to each Director in 2013, as well as a number of other disclosures for which the disclosure requirements had not been finalised at the time of the 2012 Annual Report.

The Audit Committee has been active in monitoring the Company's internal controls, key accounting and reporting matters, especially in areas requiring judgement. It has also given due attention to ensuring that the external and internal audits are conducted as effectively as possible. Its 2013 report has been reviewed and extended to include fuller descriptions of the work undertaken by the Committee during the year, and explain how significant issues were considered.

The governance of the Company is designed to create and maintain an environment in which management can realise their potential and optimise the long-term value of the business and its assets, responsibly. The following pages explain how Capco's Board and its Committees work to support these objectives.



Ian Durant
Chairman

25 February 2014

STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Company was fully compliant with the UK Corporate Governance Code during 2013.

Board composition

As at 31 December 2013 the Board comprised the Chairman, three Executive Directors and six Non-executive Directors. The table below summarises the membership of the Board and Committees. In addition, biographies of all the Directors including information on their skills and experience can be found on pages 50 and 51.

Board independence

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

The Board has considered the independence of the Non-executive Directors, and the table below sets out those Directors considered to be independent in character and judgement. Each of these Directors has also confirmed that there is no reason why they should not continue to be considered independent. In considering Director independence, the Board concluded that Directors' tenure should be counted from the date of their first election by shareholders to the Capco Board.

BOARD INDEPENDENCE

Name	Independent	Audit Committee	Remuneration Committee	Nomination Committee	CR Committee
Ian Durant (Chairman)	n/a			★	★
Ian Hawksworth (Chief Executive)	No			★	★
Soumen Das	No				
Gary Yardley	No				
Graeme Gordon	No				
Ian Henderson (Senior Independent Director)	Yes	★	★	★	★
Andrew Huntley	Yes		★	★	
Demetra Pinsent	Yes			★	★
Henry Staunton	Yes	★	★	★	
Andrew Strang	Yes	★	★	★	
	56%				

LEADERSHIP STRUCTURE

THE BOARD
Strategy; Leadership; Risk

Audit Committee	Remuneration Committee	Nomination Committee	Corporate Responsibility Committee
– Oversees financial reporting – Monitors internal controls – Oversees risk management – Monitors internal and external auditors	– Sets remuneration policy – Sets Executive Director remuneration and incentives – Approves annual performance objectives	– Recommends Board appointments – Succession planning – Board evaluation	– Aligns corporate responsibility initiatives with the corporate strategy – Oversees corporate responsibility activities

Further information:

Audit Committee Report – pages 57 to 59 Risk Management Report – pages 12 to 15	Directors' Remuneration Report – pages 62 to 81	Nomination Committee – page 60 and 61	CR Committee – page 61 Corporate Responsibility Report – pages 42 to 49

The Board in 2013

During 2013 the Board received regular asset, financial and performance updates from the Executive Directors, and reports from the Company Secretary, General Counsel, Director of HR & CR and Committee Chairmen. Other matters considered by the Board during the year are shown below:

- Strategy
- Annual and interim results, interim management statements and dividends
- Finance matters including budgets, taxation, cash and treasury management
- Significant investment decisions including property acquisitions and disposals
- Property valuations, market and broker updates
- Progress on Earls Court Properties planning and land assembly
- Risk governance
- Delegated authority limits
- AGM resolutions
- Outcome of Board evaluation, including Board diversity
- Committees' terms of reference and schedule of matters reserved for Board decision

AN EFFECTIVE LEADERSHIP STRUCTURE

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

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

Day-to-day management of the Group is delegated to the Executive Directors, subject to formal delegated authority limits, however certain matters have been reserved for consideration by the Board. These matters are reviewed annually and include: Board and Committee composition, Company strategy, significant funding decisions and corporate transactions, delegated authority limits and dividend policy.

Through the Chairman, the Company Secretary is responsible for advising the Board on matters of corporate governance, and ensures good information flows within the Board and its Committees and between senior management and Non-executive Directors. The General Counsel attends Board meetings and meetings of the Audit Committee.

The Board meets formally throughout the year with main meetings timed around the financial calendar, and additional meetings convened to consider specific matters as required. Attendance at Board and Board Committee meetings held during 2013 is shown in the table on page 56. If matters require approval at short notice, written approval is sought from the Directors. Board papers are typically circulated a week in advance of meetings to ensure that Directors have sufficient time to consider their content prior to the meeting. The Chairman also meets regularly with the Non-executive Directors without the Executive Directors being present.

It is in the nature of the Company's business that matters requiring the Board's decision are often large, complex and slow moving. To assist the Board, informal update meetings are held between Board meetings which are designed to allow Board members adequate time and preparation to explore, understand and challenge decisions in preparation. These are sometimes combined with site visits and provide an opportunity for the Non-executive Directors to meet senior management. Four such updates were held during 2013.

ENSURING AN EFFECTIVE BOARD

Board performance and evaluation

Recognising that Capco's Board must be effective, the Board conducts an annual evaluation of its own performance and that of its Committees and Directors. In 2013 the Board engaged Independent Audit Limited

2013 BOARD EVALUATION

Chairman and Company Secretary considered the approach to be taken to 2013 Board Evaluation and prepared a list of possible Board Evaluators

Shortlisted candidates were invited to present their proposed approach to the Board Evaluation to the Chairman and Company Secretary

Independent Audit Limited was recommended to the Nomination Committee and Board

Independent Audit undertook a thorough review of Board materials and conducted face to face interviews with each Director, the Company Secretary, General Counsel and Director of HR & CR

Independent Audit prepared a report for consideration by the Chairman

The report was presented to the Board for consideration

The Chairman and Company Secretary developed an action plan for adoption by the Board

ACTIONS FOR 2013

- Develop Board succession plan
- Improve challenge and objective debate at meetings
- Ensure Directors remain up to date on regulatory developments
- Ensure regular Board updates are held outside of formal Board meetings

PROGRESS

- The Chairman has focused on developing the succession plan during 2013
- The Chairman ensures that each Director has the opportunity to participate in discussions at Board meetings
- This is ensured by regular updates from the Company Secretary and the General Counsel
- Four Board updates were held during 2013 between formal Board meetings

ACTIONS FOR 2014

- Continue to develop succession planning
- Consider improvements to Board agenda and papers
- Review the remit of the CR Committee

to conduct an external review of the Board and its Committees. Face-to-face interviews were conducted with each Director, the General Counsel, Company Secretary and Director of HR & CR. The Report produced by Independent Audit judged the Board to be effective and open, and made recommendations on how to improve certain areas. The report was considered by the Board, and the Chairman and Company Secretary have developed a plan to address a number of the recommendations made. Further information on the evaluation process, the priorities identified and progress against actions arising from the 2012 review is set out above.

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

COMMUNICATION WITH STAKEHOLDERS

Our policy

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

Corporate website

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

Annual General Meeting

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

Our 2014 AGM will be held on 2 May 2014. The notice of Annual General Meeting will be issued to shareholders at least 20 working days before the meeting. Separate resolutions will be proposed on each separate issue, and in accordance with the UK Corporate Governance Code, each of the Directors will offer themselves for re-election.

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

Should shareholders have any concerns that they are unable to successfully resolve following communication with the Chairman, Chief Executive or Finance Director, they may raise them through the Senior Independent Director.

ATTENDANCE AT MEETINGS

The following table shows Directors' attendance at Board and Committee meetings held during 2013:

Name	Board	Audit	Remuneration	Nomination	CR
Ian Durant	7/7	–	–	2/2	4/4
Ian Hawksworth	7/7	–	–	2/2	4/4
Soumen Das	7/7	–	–	–	–
Gary Yardley	7/7	–	–	–	–
Ian Henderson	7/7	3/3	5/5	2/2	4/4
Graeme Gordon*	6/7	–	–	–	–
Andrew Huntley	7/7	–	5/5	2/2	–
Demetra Pinsent**	6/7	–	–	2/2	4/4
Henry Staunton	7/7	3/3	5/5	2/2	–
Andrew Strang	7/7	3/3	5/5	2/2	–
	7	3	5	2	4

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

** Demetra Pinsent was unable to attend one meeting called at short notice due to prior travel arrangements.

Communications with shareholders

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

The Company's major shareholders are encouraged to meet with the Chairman and the Senior Independent Director to discuss any matters they may wish to raise. During 2013 the Chairman and Company Secretary met with several of the Company's South African shareholders and the Chairman of the Remuneration Committee discussed proposed amendments to the Executive Directors' remuneration with Capco's major shareholders.

The Directors receive regular updates on the Company's major shareholders, and receive reports on shareholder feedback at each Board meeting. The Non-executive Directors are invited to attend the Company's results presentations. Private shareholders may raise questions through the Company Secretary's office either by telephone or by email (feedback@capitalandcounties.com).

CONFLICTS OF INTEREST

The Chairman's other business commitments are set out in his biography on page 51.

During the year the Chairman was appointed as Non-executive Chairman of Greggs plc. The Board remains satisfied that this additional commitment has not interfered with the performance of his duties as Chairman of Capco.

The Deputy Chairman is a Director of the Board of Capco's joint venture in respect of the Lillie Square development. He receives no remuneration for this appointment. The Board considered this appointment carefully before confirming its approval and is satisfied that there is no conflict of interest and that the appointment does not compromise his independence.

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

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

The Company's Articles of Association permit the Board to authorise potential conflicts of a Director's interests that may arise. The Board has adopted a procedure under which Directors must notify the Chairman of any potential conflicts. The Chairman then decides whether a conflict exists and recommends its authorisation by the Board where appropriate. A Director who had a conflict of interest would not be counted in the quorum or entitled to vote when the Board considered the matter in which the Director had an interest.

BOARD COMMITTEES

The Board has established Audit, Remuneration, Nomination and Corporate Responsibility Committees. The terms of reference of each Committee are available on the Company's website www.capitalandcounties.com. The activity of each Committee is described on pages 57 to 81.

DTR DISCLOSURE

The disclosures required under DTR 7.2 of the Disclosure and Transparency Rules are contained in this report, the Audit Committee and the Nomination Committee Report, except for information required under DTR 7.2.6 which is contained in the Directors' Report on pages 82 and 83.

AUDIT COMMITTEE REPORT

Henry Staunton, Chairman of the Audit Committee

I am pleased to introduce Capco's 2013 Audit Committee Report which explains the Committee's role in monitoring all aspects of financial reporting, internal controls and risk management, and provides an overview of the work undertaken by the Committee over the past year.

During 2013 the Committee considered a number of topics, the most significant of which are described below. A description of this work, and information about the other significant issues that the Committee considered during the year can be found on page 58.

Henry Staunton
Chairman of the Audit Committee, 25 February 2014

Members:
Henry Staunton (Chairman)
Ian Henderson
Andrew Strang

The Audit Committee, reporting to the Board, oversees the financial reporting process, monitors the effectiveness of internal control, internal audit, risk management, and the statutory audit and monitors the independence of the statutory auditors and the provision of non-audit services. As at 31 December 2013 and the date of this report the Committee comprises three independent Non-executive Directors, and is chaired by Henry Staunton who is considered to have significant, recent and relevant financial experience.

The Committee's meetings were also attended by the Company's Chairman, Chief Executive, Finance Director, General Counsel, Company Secretary and Financial Controller together with senior representatives of the external and internal auditors.

The valuers and members of senior management, including the Head of Tax, attended by invitation to present reports required for the Committee to discharge its responsibilities.

The Audit Committee met three times during 2013. Attendance at these meetings is shown in the table on page 56. The Committee also met privately during the year with both the external and internal auditors.

The Committee follows an annual programme that ensures it gives thorough consideration to matters of particular importance to the Company, and additional matters are considered when appropriate. The Company's 2013 agenda is shown in the table below, and the significant matters considered by the Committee during the year are explained on page 58.

THE AUDIT COMMITTEE IN 2013

Regular agenda items		Other matters considered during the year
– Report from Financial Controller – External Auditor Report including regulatory update – Internal Auditor Report from BDO – Property valuations – Tax update – Going concern – Risk management – Control and governance procedures – Corporate Governance Policies	– Effectiveness and reappointment of External and Internal Auditor – External and Internal audit plans – Internal controls	– Preliminary Results and Annual Report – Interim Results Announcement and Interim Management Statements – Analysis of the Conditional Land Sale Agreement – Approach to 2013 Annual Report, including discussion of how the Board would determine that it was fair, balanced and understandable

SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE DURING 2013

Matter considered	What the Committee did
Valuations	The independent external valuers presented the half-year and year-end valuations to the Committee. The Committee reviewed the methodology and component parts of the valuations, discussed the valuations with the external auditors and challenged the valuers on the assumptions used which included how land assembly transactions with Network Rail and Transport for London should be reflected. The Committee also advised the Board on the independence of the valuers and obtained confirmation that management had provided all requested information. The Committee was satisfied that the approach taken by the valuers was appropriate. Please refer to note 18 on pages 106 to 108 in the notes to the accounts.
Deferred tax	The Group Head of Tax presented regular reports to the Committee, explained the basis of the Group's tax position and updated the Committee on the ongoing relationship with HMRC. The Committee challenged the assumptions made in arriving at the tax position and discussed with the external auditor the assumptions and judgements made in arriving at the deferred tax position including appropriations from investment to trading property. The Committee was satisfied that the policy was appropriate for the Group. Please refer to note 14 on page 103 in the notes to the accounts.
Significant and complex transactions	The Committee received updates from the Group Financial Controller on significant and complex transactions, including the CLSA, the acquisition of the residual fifty per cent interest in The Empress State Building and the Network Rail lease re-gear. The Committee discussed the accounting treatments of each transaction with management and the external auditors and is satisfied that the appropriate approach has been taken. Further information in respect of the CLSA is available within the Financial Review.
Risk	The Committee reviewed the Group's risk register, the approach taken in its compilation and the proposed principal risk disclosures as explained on page 12 and ensured that they were consistent and appropriate. The Committee also monitored changes to the regulatory environment, including the introduction of the Strategic Report and the requirement for the Board to state that the Annual Report taken as a whole is fair, balanced and understandable, to ensure that the Company's reporting remained appropriate and compliant.

External and internal auditors

(a) External auditors
The Committee oversees the relationship with the external auditors, and is responsible for developing, implementing and monitoring the Company's policy on external audit, and for monitoring the auditors' independence, objectivity and compliance with ethical, professional and regulatory requirements.

Capco tendered its external audit contract in 2010, and PricewaterhouseCoopers LLP (PwC) were appointed as Group auditors on an annual rolling contract. The Committee monitored PwC's effectiveness and performance during 2013, and considered a paper prepared by the Financial Controller which confirmed that in management's view PwC were providing a high quality audit service and continued to deliver against all facilities considered at their appointment. The Committee is satisfied that the Group is receiving a robust and challenging objective audit and has therefore recommended to the Board that PwC be reappointed in 2014. It is expected that, in compliance with the requirement that the audit partner responsible for the Group and subsidiary audits is rotated every five years, a new audit partner will be assigned to the Group by PwC in 2014.

(b) Internal auditors
Capco has appointed BDO LLP as its internal auditor. During 2013 BDO's audit plan had a strategic focus and included reviews of contract management of outsourced providers, project management, HR, IT security, anti-bribery and corruption policies, bank mandates, expenses and credit control. The 2014 internal audit programme will include property valuations, service charges, disaster recovery and business continuity, environmental impact management and IT strategic planning. The Committee is satisfied that the internal auditor was independent and its services effective.

(c) Non-audit services
The Company has adopted a policy to ensure that the provision of non-audit services by the external auditors does not compromise its independence or objectivity. The policy requires prior approval by the Audit Committee Chairman for non-audit work with a cost exceeding the lower of £50,000 or 15 per cent of the estimated annual level of the auditors' fees at that time. Approval is only given following a full and thorough assessment of the value case for using the auditor and the skills and experience the auditor would bring. Additionally, consideration must be given to the preservation of auditor independence; and the external auditors are required to confirm that they are acting independently and must not audit their own work; make management decisions for the Company; create

a mutuality of interest; develop close personal relationships with the Company's personnel; or find themselves in the role of advocate for the Company. The Committee is satisfied that the policy remains effective.

The total fees paid and payable to PwC in 2013 were £377,000, of which £11,000 related to non-audit work. These fees primarily relate to corporate transactions and a staff presentation in respect of the Bribery Act 2010. The Committee is satisfied that the external auditors remain independent and objective.

Internal control and risk management

The Board has overall responsibility for the Group's risk management framework and system of internal control and the ongoing review of their effectiveness. A summary of the risk management framework is set out on page 12. The framework is designed to manage rather than eliminate risk, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Audit Committee monitors and reviews the Group's internal controls and risk, and reports to the Board on its work and conclusions.

The Company has established processes to identify, evaluate and manage the significant risks faced by the Group. These controls accord with the Turnbull guidance 'Internal Control – Guidance for Directors on the Combined Code' and remained in place up to the date of the approval of this Annual Report. The procedures are reviewed by the Board on an annual basis.

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

- Schedule of matters reserved for the Board
- Delegated authority limits
- Documentation of significant transactions
- The Executive Directors are closely involved in the day-to-day operations of the business and hold regular meetings with senior management to review all aspects of the business, including risks and controls
- The Board receives regular updates on strategy and project developments at Board meetings and Board updates
- A whistleblowing procedure under which staff may raise matters of concern is in place. No calls were received during the year.

The Committee conducts an annual review of the effectiveness of the Group's internal controls and considers reports provided by the Financial Controller, external auditor and internal auditor. The Committee is satisfied that the Group's internal controls are operating effectively.

Specific controls relating to financial reporting and consolidation processes include:

- Management structure staffed by appropriate personnel, with clear lines of responsibility and accountability
- A comprehensive budgeting and review system. The Board and Audit Committee receive regular reports from the Finance Director which include forecasts and performance against budget and financial covenants
- The internal audit programme undertaken by BDO
- Led by the Chief Executive, the Group finance team participates in the control self-assessment and policy compliance elements of the risk management framework and sets formal requirements with business unit finance functions which specify the reports and approvals required. BDO regularly reviews the effectiveness of internal controls and report its findings to the Audit Committee.
- An annual risk management process is followed to identify risks and review the effectiveness of mitigating controls. Risk registers are completed by senior management across the Group and reviewed by the Chief Executive and other Executive Directors. The Group risk register is then compiled and is reviewed twice a year and upon any material change to the business, with a full review being undertaken annually, at which point it is also reviewed by the Audit Committee with new or emerging risks considered by the Committee as appropriate. The Group's principal risks and uncertainties are set out on pages 12 to 15.

NOMINATION COMMITTEE REPORT

Ian Durant, Chairman of the Nomination Committee

I am pleased to introduce Capco's 2013 Nomination Committee Report.

During 2013 the Committee continued to consider Board composition and succession planning. I am developing a succession plan for Non-executive Directors in conjunction with the Committee.

Ian Durant
Chairman of the Nomination Committee, 25 February 2014

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

NON-EXECUTIVE DIRECTOR RECRUITMENT, INDUCTION AND DEVELOPMENT

– The Committee discusses Board composition and determines the skills and experience that are needed on the Board
– A person specification for the role is prepared
– A shortlist of executive search firms is drawn up and a selection process undertaken to select a firm to assist with the recruitment process
– A list of candidates is identified
– The Chairman and Chief Executive meet with shortlisted candidates and give feedback to the Committee
– All Directors meet the preferred candidate
– The Committee recommends the appointment of the selected candidate to the Board

A typical induction programme for a Capco Non-executive Director includes:

– Individual meetings with the Chairman, Executive Directors, General Counsel, Company Secretary and members of senior management
– Site visits to Covent Garden, Earls Court & Olympia London
– A company information pack, which includes copies of Board and Committee papers and minutes, is provided to the Director
– The Director is introduced by the Chairman to the Company's brokers, advisers and lawyers
– Briefings on topics such as Directors' duties and responsibilities and the property market are arranged

Ongoing development opportunities for Non-executive Directors include:

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

The Nomination Committee has responsibility for making recommendations to the Board on Board and Committee composition, for developing succession plans for both Executive and Non-executive Directors, and for making recommendations to the Board on Board appointments.

The Nomination Committee is chaired by Ian Durant and its members, listed in the box above, include all the independent Non-executive Directors and the Chief Executive. The Nomination Committee met twice during the year. Attendance at these meetings is shown in the table on page 56.

Non-executive Director recruitment, induction and development

Capco operates a rigorous and transparent recruitment process for new Directors. On appointment new Directors are given a tailored induction to the Company which includes site visits and introductions to senior management and advisers. The typical Board recruitment process and induction programme are set out above.

Diversity

Diversity is important to Capco across the Group and we recognise the business benefits of employing people with varied outlooks. We are keen to develop female talent and the ratio of women to men within our senior management team is 3:2. Further information on our people practices, including our learning and development strategies, is contained in the Corporate Responsibility Report on pages 48 and 49.

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

Board composition and succession

During the year the Nomination Committee has reviewed the skills, experience, independence and knowledge of Board members in the context of the changing nature of Capco's business. This will be reflected in the Committee's recommendations to the Board on future appointments.

Matters considered by the Committee during the year include:

- Board and Committee composition
- Non-executive Director time commitments
- Board diversity
- Chairman and Chief Executive performance reviews
- Board evaluation (described on page 55)

CORPORATE RESPONSIBILITY COMMITTEE REPORT

Ian Henderson, Chairman of the Corporate Responsibility Committee

The Corporate Responsibility Committee oversees the Group's CR initiatives and ensures that they are appropriately aligned with corporate strategy. Our Corporate Responsibility Report which explains the progress we made against our CR targets in 2013 can be found on pages 42 to 49 and a summary of the matters that the Committee considered during the year is set out below.

Ian Henderson
Chairman of the Corporate Responsibility Committee, 25 February 2014

Members:
Ian Henderson (Chairman)
Ian Durant
Ian Hawksworth
Demetra Pinsent

The Corporate Responsibility Committee is chaired by Ian Henderson and its members are listed above. The Committee met four times during 2013. Attendance at these meetings is shown in the table on page 56.

Matters considered by the Committee during the year include:

- CR reporting
- The Company's CR strategy
- Updates on Group CR activity
- Charitable donations and spend against budget
- Briefing on energy performance certificates at Covent Garden

DIRECTORS' REMUNERATION REPORT

Ian Henderson, Chairman of Remuneration Committee

"A remuneration policy that is aligned with shareholders' interests"

ANNUAL STATEMENT

Dear Shareholders

This report covers the work of the Remuneration Committee in the past year. The key objective for the Committee, as in previous years, is to ensure that the executive team are appropriately incentivised, and that the remuneration arrangements are fully aligned with the Company's strategy to provide long-term market-leading returns to shareholders.

Management incentives are linked to the KPIs which the Company uses to create and grow value for shareholders. These KPIs are set out on page 11. In 2013 Capco significantly exceeded each of its KPI performance targets, delivering total shareholder return of 36.6 per cent, total property return of 21.9 per cent and total return of 23.1 per cent. The remuneration of the Executive Directors reflects this performance.

There has been much public comment about the new remuneration reporting regulations introduced by BIS, and this report follows these requirements. The single figures of remuneration set out on page 71 reflect the strong alignment of Capco's remuneration policy with shareholders' interests; the significant impact on Directors' remuneration of the share price growth that has benefited all shareholders is illustrated on page 77.

The remuneration policy in the policy report, which we wish to apply from our 2014 AGM, will be subject to a binding vote at the 2014 AGM. The annual report on remuneration, which explains how the Remuneration Committee has implemented the remuneration policy over the last year and how it intends to implement the remuneration policy this year, the second year of a three-year cycle, will also be put to a shareholder vote.

The Executive Directors have led a transformation of Capco since its establishment in 2010. This year, in recognition of the Company's transition and the achievement of numerous milestones required to bring about this transformation, including the securing of planning consent for the Earls Court Masterplan, the finalisation and exercise of the CLSA, the continued letting success at Covent Garden and the securing of a resolution to grant planning consent for the Kings Court and Carriage Hall proposals, the Committee has exercised an existing discretion to award a 2:1 match on the deferred element of the Executive Directors' 2013 annual bonuses. This additional award is subject to more stretching performance conditions which are set out on page 75, and to a two-year post-vesting holding period.

I reported last year that the Committee felt that the salary of the Chief Executive remained below the level that reflected the Company's performance. At present, the Chief Executive's salary is some 12 per cent below the median for FTSE350 property companies, taking into account Capco's relative market capitalisation. Accordingly, following both further excellent performance and corporate growth, which brings an inherent increase in responsibility, the Committee has awarded a 6 per cent salary increase to the Chief Executive in 2014. The Committee is minded to keep the Chief Executive's salary under review in 2014 and, if appropriate, consider a similar level of increase in 2015, depending on circumstances at that time.

The Committee believes that its remuneration policy has been successful in incentivising management to deliver value for shareholders, and therefore hopes to receive your support at our AGM.

Ian Henderson

Ian Henderson
Chairman of Remuneration Committee

25 February 2014

Members:

Ian Henderson (Chairman)	Henry Staunton
Andrew Huntley	Andrew Strang

COMPLIANCE STATEMENT

This report has been prepared by the Remuneration Committee on behalf of the Board and complies with the requirements of the Listing Rules of the UK Listing Authority, Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the UK Corporate Governance Code. In accordance with Section 439 of the Companies Act, an advisory resolution to approve the Annual Report on Remuneration for 2013 and a binding vote on the remuneration policy will be proposed at the Annual General Meeting ('AGM') of the Company to be held on 2 May 2014. The Committee intends that the policy will come into effect from the date of the 2014 AGM.

The information in this report subject to audit comprises the single figure of remuneration and associated detail, the incentive achievement for 2013, the incentives to be awarded in 2014 and the details of Directors' shareholdings and share interests.

1. POLICY REPORT

This section of the Directors' Remuneration Report sets out Capco's future remuneration policy. Details of actual remuneration paid, share awards made, and the associated performance conditions are set out within the annual report on remuneration which starts on page 70.

1.1 Remuneration policy

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

- Strongly align executive and shareholder interests
- Underpin an effective pay-for-performance culture
- Support the retention, motivation and recruitment of talented people who are commercially astute
- Encourage executives to acquire and retain significant holdings of Capco shares

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

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

The Remuneration Committee is not proposing any material amendments to the Company's existing remuneration policy.

Details of each element of remuneration, their operation, purpose, link to strategy and performance metrics are set out in this section.

1.2 EXECUTIVE DIRECTOR POLICY TABLE

The table below summarises each of the components of the remuneration package for the Executive Directors:

Purpose and link to strategy	Operation
Base Salary	
To provide an appropriately competitive base salary, whilst placing emphasis on the performance related elements of remuneration. The Committee believes base salary for high-performing experienced Executive Directors should be at least median.	Base salaries are reviewed on an annual basis, with any increase taking effect from 1 April. The Committee reviews base salaries with reference to: • other property companies (including the constituents of the long-term incentive plans' comparator group) • UK companies of a similar size • each Executive Director's performance and contribution during the year • scope of each Executive Director's responsibilities • changes to the remuneration and overall conditions of other employees When reviewing base salaries, the Committee is mindful of the gearing effect that increases in base salary will have on the potential total remuneration of the Executive Directors.
Benefits	
To be appropriately competitive with those offered at comparator companies.	Benefits will be in line with those offered to some or all employees and may include private dental and healthcare, life insurance, personal accident cover, travel insurance, income protection and a car allowance, currently paid in cash. Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects individual circumstances. For example, Directors may be offered relocation and/or expatriate benefits should a Director be required to relocate as a result of emerging business requirements.
Pension	
To be appropriately competitive with that offered by comparator companies.	Capco offers a defined contribution pension scheme. Executive Directors may elect to be paid some or all of their entitlement in cash.
Annual Bonus	
To incentivise and reward performance. The Committee selects performance measures and targets each year to reinforce the strategic business priorities for the year. The deferral of half of the bonus into shares is designed to further align executives with shareholders' interests.	The annual bonus arrangements are reviewed prior to the start of each financial year to ensure performance measures and weightings are appropriate and support the business strategy. The Committee reviews performance against the annual bonus targets but has the ability to take into account broader factors and may exercise two-way discretion to ensure that the annual bonus awarded properly reflects the performance of the Company and each Director. Adjudication of bonuses will be explained in the Directors' Remuneration Report. 50 per cent of any bonus earned is deferred in Capco shares or nil-cost options for three years (under the MSP) subject to risk of forfeiture should an Executive Director leave the Company. Alternatively the Committee may invite Executive Directors to use 50 per cent of their net bonus to purchase shares in the Company which will be matched under the MSP and held for three years subject to equivalent restrictions.
Performance Share Plan "PSP"	
To incentivise and reward long-term outperformance, and help retain Executive Directors over the longer term.	Executive Directors are eligible to receive awards under the PSP, which may be made as market value share options, shares, or nil-cost options, at the discretion of the Committee. In assessing the outcome of the performance conditions, the Committee must satisfy itself that the figures are a genuine reflection of underlying financial performance, and may exercise discretion when determining the proportion of an award that will vest.
Matching Share Plan "MSP"	
To further align the interests of Executive Directors with those of shareholders. To enable participants to enhance their long-term incentive opportunity by committing to significant long-term investment in the Company. To provide a link between short-term and long-term remuneration.	A matching award may be made in respect of deferred bonus described above. Executive Directors may also be offered the opportunity to co-invest up to 150% of salary in aggregate (across outstanding award cycles) under the MSP. In assessing the outcome of the performance conditions, the Committee must satisfy itself that the figures are a genuine reflection of underlying financial performance, and may exercise discretion when determining the proportion of an award that will vest.
All Employee Share Schemes	
	The Company does not currently operate any All Employee Share Schemes, however if such a scheme were introduced the Executive Directors would be able to participate on the same terms as other employees.

Maximum opportunity	Performance metrics
Base salary increases will be applied in line with the outcome of the annual review and will normally be in line with increases awarded to other employees. However, the Committee may make additional adjustments in certain circumstances to reflect, for example, an increase in scope or responsibility, to address a gap in market positioning and/or to reward the long-term performance of an individual. The Chief Executive will have the highest base salary of all Executive Directors, and the maximum base salary for the Chief Executive will be within the top quartile of the Chief Executive salaries for the constituents of the long-term incentive schemes comparator group (current constituents listed on page 75).	The Committee considers individual and Company performance when setting base salary.
Set at a level which the Committee considers appropriate in light of relevant market practice for the role and individual circumstances. The cost of all benefits will not exceed 10 per cent of base salary, with the exception of any future expatriate and/or relocation benefits, which would be disclosed in the annual report on remuneration.	N/A
The maximum and current contribution rate for Executive Directors is 24 per cent of base salary.	N/A
The maximum bonus opportunity for Executive Directors is 150 per cent of annual salary with a bonus of 75 per cent of salary payable for achieving target levels of performance. No bonus is payable for below threshold performance. The payment for threshold performance will not exceed 10 per cent of maximum. Awards are made on a straight-line basis for performance between threshold and target, and on a separate straight-line basis for performance between target and maximum.	Executives' performance is measured relative to challenging targets in key financial, operational, and strategic measures. The measures selected and their weightings vary each year according to the strategic priorities. At least 75% of the bonus will be measured against financial performance. Measures and respective weightings used for the current annual bonus, and proposed for next year's annual bonus are set out in the annual report on remuneration on pages 72 and 73. An explanation of how the performance measures were chosen and how the performance targets are set is given on page 66.
Each year participants may be granted up to 150 per cent of salary in shares or nil-cost options or up to 300 per cent of salary in market value share options. In exceptional circumstances the Committee can make awards of up to 200 per cent of salary in shares or nil-cost options or up to 400 per cent of salary in market value share options. The Committee's policy is to consider exceptional executive performance (in the year prior to grant) as a circumstance that could warrant the granting of exceptional awards under incentive plans. For awards made under the usual scheme limit, 33 per cent vests for median performance. Where an exceptional award is made, 25 per cent vests for median performance.	PSP awards vest on the third anniversary of the date of grant, however the additional element of an exceptional award is subject to a two-year post-vesting holding period. The vesting of awards is subject to continued employment and the Company's Performance over a three-year performance period based: • 50% on relative Total Return (Net Asset Value growth plus dividends) • 50% on relative TSR For both measures, performance is measured relative to a comparator group comprising the largest FTSE350 property companies. The performance measures and weightings which apply to the PSP are reviewed by the Committee annually, and the Committee may make non-significant changes to the weightings and/or comparator group to ensure that they remain relevant to the Company strategy and suitably stretching. Details of the performance conditions for previous years' awards, and those proposed for 2014 awards are set out in the annual report on remuneration on pages 74 to 75. An explanation of how the performance measures were chosen and how the performance targets are set is given on page 66.
Participants may earn up to one matching share for each invested share, in normal circumstances. In exceptional circumstances the Committee can award two matching shares for each invested share. The Committee's policy is to consider exceptional executive performance (in the year prior to grant) as a circumstance that could warrant the granting of exceptional awards under incentive plans. For awards made under the usual scheme limit, 33 per cent vests for median performance. Where an exceptional award is made, 16.5 per cent vests for median performance.	MSP awards vest on the third anniversary of the date of grant, however the additional element of an exceptional award made in respect of deferred bonus is subject to a two-year post-vesting holding period. The vesting of awards is subject to the same conditions as the PSP. Details of the performance conditions for previous years' awards, and those proposed for 2014 awards, are set out in the annual report on remuneration on pages 74 to 75. An explanation of how the performance measures were chosen and how the performance targets are set is given on page 66.
In line with HMRC approved limits.	None

1.3 NOTES TO THE POLICY TABLE

Performance measurement selection

Annual Bonus Scheme

Executive Directors may earn bonuses depending on the Company's financial performance and their own individual performance. The current structure of the annual bonus performance conditions is illustrated within the annual report on remuneration on page 72. The financial performance measures and the importance of each are set out in the table below.

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

Long-term incentives

As mentioned above, the performance conditions are consistent for the MSP and PSP, which ensures that the interests of participants in different plans are aligned, and comprise two measures:

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

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

The Committee believes that NAV growth is the most important internal measure of success for Capco at this time. Accordingly, the Committee considered it appropriate to reward NAV performance in both the short and long-term incentive arrangements, with 1-year absolute NAV growth being used in respect of the annual bonus arrangements and 3-year relative NAV (as the main component of 3-year Total Return) being used in respect of the long-term incentives. NAV is used as a performance measure by over half of FTSE350 property companies in their long-term incentive arrangements.

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

Performance is measured relative to a comparator group comprising the largest FTSE350 property companies and Capco. The members of the comparator group are shown in figure 4 on page 75.

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

The performance targets are set by the Committee following an analysis of internal and external expectations, and are believed to be appropriately stretching.

The current structure of the long-term incentive performance conditions is illustrated within the annual report on remuneration on page 75.

Payments resulting from existing arrangements

Executive Directors are eligible to receive payment resulting from contractual arrangements entered into or the vesting of any award made prior to the approval and implementation of the remuneration policy detailed in this report.

Bonus malus

Awards granted from 2013 (other than awards made in respect of the 2012 financial year) are subject to bonus malus in the event of gross misconduct of a Director which is considered to have had a material detrimental impact on the business of any group company or to have brought the business of such company into significant disrepute, or in the event that the prior financial statements of any group company or any business unit or division of any group company are materially restated, corrected or amended. The application of any malus is at the discretion of the Remuneration Committee.

Why is each performance measure appropriate for Capco?

Measure	Reason
Growth in Net Asset Value per share	Considered by the Committee to be the most important driver of value creation for Capco at the present time.
Relative Total Property Return	Rewards the additional portfolio value created by management over and above any changes in value from tracking the property market as a whole, as measured by IPD.
Earnings Per Share	Rewards value growth in net rental income as well as the management of financing and other costs. However, given the current stage of the Company's development, the Committee considers EPS to be less relevant as an indicator of value creation than growth in Net Asset Value per share.

Remuneration of employees below the Board

The policy and practice with regard to the remuneration of head office and Covent Garden employees below the Board is consistent with that for the Executive Directors, except as set out below.

Employees below Board level have not, to date, participated in the MSP but do participate in the PSP with awards being subject to the same performance conditions as apply to awards made to Executive Directors (with the exception of the conditions that apply to any exceptional portion of an award made to an Executive Director). The 2014 awards for employees below the Board will be subject to the same performance conditions as previous years' awards. In exceptional circumstances, such as recruitment, long-term incentive awards may be granted without performance conditions to participants below the Board.

The pension contribution rate for employees below the Board is lower than that for Executive Directors.

Employees below the Board are not subject to any minimum shareholding requirement.

The Venues business has separate remuneration arrangements appropriate for that business. These comprise salary, separate pension arrangements and discretionary bonuses.

Shareholding guidelines

The Chief Executive is required to achieve a shareholding in the Company equivalent to 300 per cent of salary and the other Executive Directors are required to achieve a shareholding in the Company equivalent to 200 per cent of base salary, to be achieved by retaining at least 50 per cent of any vested share awards (net of tax) and/or within three years. The Committee believes that these shareholding requirements are the most stringent in the listed property sector in the UK. The current shareholdings of the Executive Directors are set out on page 79. The Chairman is required to maintain a shareholding in the Company equivalent to 100 per cent of his base fee.

1.4 Performance scenario charts

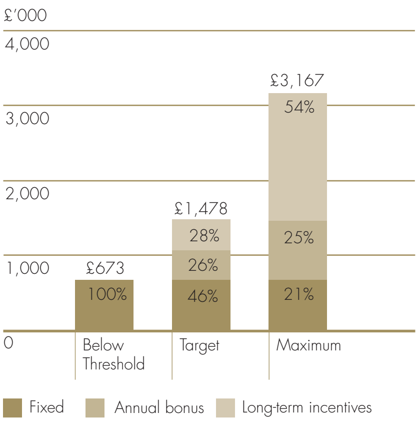
The potential reward opportunities illustrated in figure 1 are based on the policy which will apply in 2014, applied to the base salary at the salary review date, 1 April 2014, and provide estimates of the potential future reward opportunity for each Executive Director, and the potential split between the different elements of remuneration under three different performance scenarios: 'Below Threshold', 'Target' and 'Maximum'.

The Below Threshold scenario includes base salary, pension and benefits (fixed pay). No annual bonus or PSP and MSP elements are included (variable pay). The Target scenario includes fixed pay, on target bonus and threshold vesting of PSP and MSP awards. The Maximum scenario includes fixed pay, maximum bonus and full vesting of PSP and MSP awards.

For variable pay, the amounts illustrated are the normal maximum opportunities, except for the 2013 MSP co-investment matching opportunity which is based on an exceptional match on an annualised co-investment of 50 per cent of salary. It should be noted that the PSP and MSP awards granted in a year do not normally vest until the third anniversary of the date of grant. The projected values of long-term incentives shown here exclude the impact of share price movement and dividends.

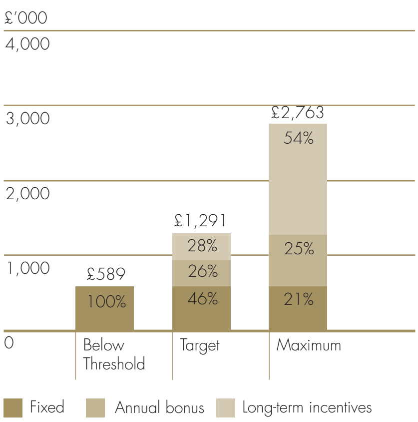
Figure 1

Chief Executive



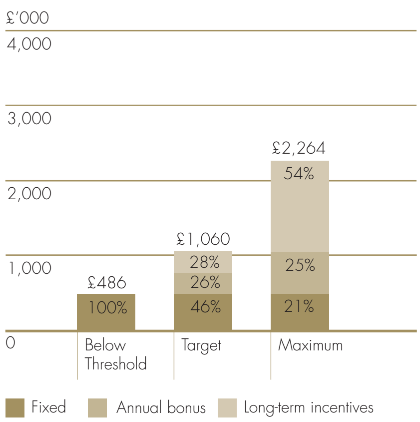
Salary for Chief Executive assumes a 6% increase on prior year

Investment Director



Salary for Investment Director assumes a 3.99% increase on prior year

Finance Director



Salary for Finance Director assumes a 3.99% increase on prior year

1.5 Approach to recruitment remuneration

When hiring or appointing a new Executive Director, the Committee may make use of any of the existing components of remuneration, as follows:

Element of remuneration	Policy on recruitment	Maximum opportunity
Salary	Based on scope and nature of responsibilities of the proposed role; the candidate's experience; implications for total remuneration positioning vs. market pay levels for comparable roles; internal relativities; and the candidate's current salary.	n/a
Pension	On a similar basis to other Executive Directors.	
Benefits	Appropriate benefits will be provided, which may include the continuation of benefits received in a previous role.	
Annual Bonus	New Executive Directors will participate in the annual bonus scheme on the same basis as existing Executive Directors, pro-rated for proportion of year served.	Normal policy table limits may be exceeded on recruitment in exceptional circumstances. The maximum additional bonus opportunity will be limited to 50 per cent of salary.
Matching Share Plan*	New Executive Directors may participate in the MSP on similar terms to other executives.	As per the normal policy table.
Performance Share Plan*	New Executive Directors may be granted awards under the PSP on similar terms to other executives.	As per the normal policy table.
Other	In determining appropriate remuneration for new Executive Directors, the Committee will take into consideration all relevant factors (including quantum, the nature of remuneration and where the candidate was recruited from) to ensure that arrangements are in the best interests of Capco and its shareholders. Remuneration may include: • An award made in respect of a new appointment to "buy out" existing incentive awards forfeited on leaving a previous employer. In such cases the compensatory award would typically be a like-for-like award with similar time-to-vesting, performance conditions and likelihood of those conditions being met. The fair value of the compensatory award would not be greater than the awards being replaced. To facilitate such a buyout, the Committee may use an award under a different structure or an additional award under the PSP or MSP. • A relocation package, should this be required. In the event that an employee is promoted to the Board, the Company would honour any existing contractual arrangements.	

**Awards are subject to performance conditions.*

1.6 Service contracts and exit payment policy

The service contracts of Executive Directors are approved by the Remuneration Committee and are one-year rolling contracts. The current contracts commenced on 17 May 2010. The service contracts may be terminated by either party giving one year's notice to the other. It is the Company's policy that termination payments should not exceed the Director's current salary and benefits for the notice period.

Where a Director may be entitled to pursue a claim against the Company in respect of his/her statutory employment rights or any other claim arising from the employment or its termination, the Committee will be entitled to enter into a settlement agreement with the Director. The Company may pay a Director's legal fees in relation to any settlement agreement.

When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. Any annual bonus payment in respect of the year of termination is subject to the discretion of the Committee.

	Commencement date	Notice period
Ian Hawksworth	17 May 2010	12 months
Soumen Das	17 May 2010	12 months
Gary Yardley	17 May 2010	12 months

The table below summarises how MSP and PSP awards are typically treated in specific leaver circumstances, with the final treatment remaining subject to the Committee's discretion:

Reason for leaving	Timing of vesting	Treatment of awards
Good leaver	Normal vesting date, although the Committee has discretion to accelerate	Payments are pro-rated for time and remain subject to outstanding performance conditions. Where vesting is accelerated, payments are further pro-rated to reflect the extent to which the performance conditions had been satisfied at the date of leaving.
Change of control	Immediately	Except in certain cases which were set out in full in the Company's prospectus dated 12 March 2010, vesting will be pro-rated for time and remain subject to performance conditions. However the Committee has discretion to allow awards to vest in full in such circumstances if it deems this to be fair and reasonable
Any other reason	Awards lapse	

An individual would generally be considered a 'good leaver' if they left the Group's employment by reason of injury, ill-health, disability approved by the Committee, redundancy or retirement with the agreement of the employing company. The table above summarises how MSP and PSP awards are typically treated in specific leaver circumstances, with the final treatment remaining subject to the Committee's discretion, for example an individual may be considered a 'good leaver' for any other reason at the absolute discretion of the Committee, and the vesting of awards may be reduced for 'good leavers'.

There are no obligations on the Company contained within the existing Directors' service contracts which would give rise to payments not disclosed in this report.

The service contracts of any future-appointed Directors will provide for mitigation in the event of termination.

1.7 Non-executive Director Policy Table

The Non-executive Directors do not have service contracts but instead have letters of appointment. The letters of appointment of the Non-executive Directors are reviewed by the Board annually and contain a one month notice period. The Chairman's letter of appointment contains a twelve month notice period.

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

	Date of appointment	Date of most recent letter of appointment	Unexpired term
Graeme Gordon	23 Feb 2010	7 May 2013	27 months
Ian Henderson	23 Feb 2010	7 May 2013	3 months
Andrew Huntley	23 Feb 2010	7 May 2013	3 months
Demetra Pinsent	1 May 2012	7 May 2013	15 months
Henry Staunton	2 June 2010	7 May 2013	27 months
Andrew Strang	23 Feb 2010	7 May 2013	27 months

The table below summarises each of the components of the remuneration package for the Non-executive Directors. The Non-executive Directors do not receive any pension, bonus or long-term incentive benefits from the Company.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Fee			
To recruit and retain appropriately qualified Non-executive Directors.	The Chairman and Non-executive Director fees are reviewed on an annual basis, with any increase taking effect from 1 May. The Board and Committee review fees with reference to: • other property companies • UK companies of a similar size • the time that Non-executive Directors are required to devote to the role	Non-executive Director fees may include a basic fee and Committee/SID fees as disclosed in the annual report on remuneration. These are set at a level that is considered appropriately competitive in light of market practice, and will not exceed the aggregate fees permitted by the Company's articles of association.	N/A
Benefits			
To be appropriately competitive with those offered at comparator companies	The Chairman's benefits include private healthcare and personal accident and travel insurance Other Non-executive Directors will be covered by the Company's travel insurance policy should they be required to travel on Company business.	The maximum value of the benefits provided to Non-executive Directors will be the cost of purchasing them in the market.	N/A

1.8 External Directorships
The Company's policy is to encourage each Executive Director to take up one or more Non-executive Directorships, subject to Board approval. Fees received for serving as a Non-executive Director of a company outside the Capco Group are retained by the Executive Director. Details of current external appointments are set out on page 50.

1.9 Consideration of conditions elsewhere in the Company
When setting Executive Director pay the Committee considers the remuneration and overall conditions of all employees. The Committee does not consult with employees when deciding remuneration policy, but it receives regular updates from the HR Director on salary increases, bonus and share awards made to Group employees and is aware of how the remuneration of Directors compares to that of other employees, for example, salary increases are generally in line with increases awarded to other employees, which are set with reference to market data.

1.10 Consideration of shareholder views
It is the Committee's policy to consult with major shareholders as appropriate e.g. prior to finalising any major changes to its executive remuneration policy. The shareholder engagement undertaken by the Committee Chairman and Company Chairman during 2013 and early 2014, and its conclusions, are described in section 2.3 of this report.

2. ANNUAL REPORT ON REMUNERATION
This section of the Directors' Remuneration Report explains how Capco's remuneration policy has been implemented during the year.

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

Membership of the Committee as at 31 December 2013 and the date of this report is set out on page 62. In addition, the Company Chairman, Chief Executive, Company Secretary and the Director of HR & CR are invited to attend Committee meetings and contribute, except on matters relating to their own remuneration.

Attendance at the five meetings held during the year is shown in the table on page 56 and a summary of the matters considered by the Committee during the year is set out in the adjacent shaded box.

2.2 Remuneration Committee and its advisers
The Committee appointed Kepler Associates as its independent remuneration adviser following a selection process on the Company's establishment. The Committee has received advice on matters including remuneration structure, incentive design and target setting. Kepler Associates is a member of the Remuneration Consultants Group and adheres to its code of conduct. The Committee has received confirmation of independence from Kepler, and is satisfied that the advice received was objective and independent. In addition to advice provided to the Committee, Kepler also provided share award valuation services to the Company. During 2013 the Company paid a total of £83,031 to Kepler Associates in respect of advice to the Committee, Kepler's fees were charged on a time basis.

2.3 Statement of shareholder voting
The table below shows the results of the advisory vote on the 2012 Directors' Remuneration Report at the 3 May 2013 AGM.

Although a significant number of votes were cast against the 2012 Directors Remuneration Report, it is worth noting that the report was supported by the Company's largest shareholders. The reasons for the voting of shareholders who voted against the report were not uniform, however they included:

- Size of salary increases awarded to Executive Directors
- Offer of exceptional 2:1 co-investment opportunity to Executive Directors
- Exceptional PSP award made to Executive Directors
- No binding vote on remuneration policy in 2012

It is the Committee's policy to consult with major shareholders prior to any major changes to its executive remuneration structure. The Chairman of the Committee wrote to the Company's 20 largest shareholders, the Association of British Insurers (ABI) and Institutional Shareholder Services (ISS) regarding the Committee's proposals for executive remuneration in 2014 and a number of discussion meetings were held.

Matters considered by the Committee over the past year include:
- Remuneration policy and Executive Director remuneration
- Shareholder discussion meetings
- New disclosure requirements and shareholder rights
- Directors' Remuneration Report
- Committee terms of reference
- Institutional investor voting reports
- Setting of and evaluation of performance against Executive Directors' performance targets
- Annual bonus structure and application across the Group
- Share scheme awards and performance targets
- Chairman and Chief Executive's expenses

Voting on Remuneration Report at 2013 AGM

	Votes for	% For	Votes against	% Against	Total votes cast	Votes withheld (abstentions)
Approval of Remuneration Report	465,242,480	77.97	131,451,965	22.03	600,928,079	4,233,634

The Committee received indications of support from the largest of its shareholders but a small proportion of shareholders did not fully endorse the proposals in the Directors' Remuneration Report. The Committee acknowledges that some shareholders do not consider exceptional performance to be a circumstance warranting exceptional incentive awards, and, should the Committee wish to make an exceptional award in a future year, it would expect to consult with shareholders.

2.4 Single figure of remuneration

The tables below show the single figures of total remuneration paid to each Director in 2013 and 2012. The charts in figure 2 on page 72 illustrate the contribution that each element of remuneration made to the total remuneration of the Executive Directors, including the substantial proportion of remuneration that has resulted from the share price growth from which all shareholders have benefited.

2013 (AUDITED)

	Base salary £	Taxable benefits[1] £	Pension related benefits[2] £	Single-year variable £	Multiple-year variable[3] £	Other[4] £	**Total £**
Chairman							
Ian Durant	169,000	9,272	57,667	–	–	1,736,349	**1,972,288**
Executive Directors							
Ian Hawksworth	483,750	21,812	116,100	702,900	2,135,592	–	**3,460,154**
Soumen Das	357,500	21,381	85,800	511,200	1,424,401	–	**2,400,282**
Gary Yardley	430,000	22,032	103,200	624,800	1,898,528	–	**3,078,560**
Non-Executive Directors							
Graeme Gordon	42,667	–	–	–	–	–	**42,667**
Ian Henderson	82,000	–	–	–	–	–	**82,000**
Andrew Huntley	53,333	–	–	–	–	–	**53,333**
Demetra Pinsent	51,667	–	–	–	–	–	**51,667**
Henry Staunton	64,000	–	–	–	–	–	**64,000**
Andrew Strang	58,667	–	–	–	–	–	**58,667**
Total	1,792,584	74,497	362,767	1,838,900	5,458,521	1,736,349	**11,263,618**

2012 (AUDITED)

	Base salary £	Taxable benefits[1] £	Pension related benefits[2] £	Single-year variable £	Multiple-year variable[3] £	Other £	**Total £**
Chairman							
Ian Durant	180,000	21,060	50,000	–	–	–	**251,060**
Executive Directors							
Ian Hawksworth	450,000	21,411	108,000	641,250	7,746,882	–	**8,967,543**
Soumen Das	337,500	21,168	81,000	500,000	4,576,051	–	**5,515,719**
Gary Yardley	400,000	21,411	96,000	570,000	6,900,451	–	**7,987,862**
Non-Executive Directors							
Graeme Gordon	40,000	–	–	–	–	–	**40,000**
Ian Henderson	70,000	–	–	–	–	–	**70,000**
Andrew Huntley	50,000	–	–	–	–	–	**50,000**
Demetra Pinsent	30,000	–	–	–	–	–	**30,000**
Henry Staunton	60,000	–	–	–	–	–	**60,000**
Andrew Strang	55,000	–	–	–	–	–	**55,000**
Total	1,672,500	85,050	335,000	1,711,250	19,223,384	–	**23,027,184**

1 Comprises car allowance of £18,000 (Chairman's 2013 car allowance was £6,000) and medical insurance.

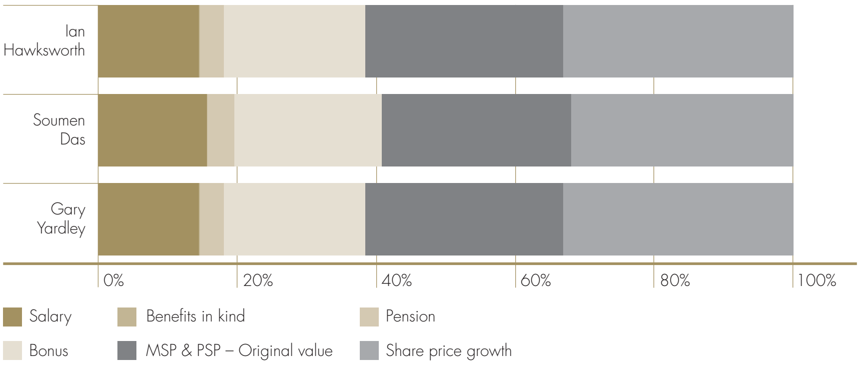
2 Comprises payments in lieu of pension contributions.

3 In the 2012 figures, this comprises the value on vesting of PSP and MSP awards which had a performance period that ran from 2010 to 2012, and either vested during 2013 or are expected to vest during 2014. The value on vesting of the 2010 awards has been included in the 2012 single figure as the performance conditions relating to these awards had been substantially (but not fully) completed during 2012. On the same basis, the expected value of the 2011 MSP and PSP awards which are expected to vest in early 2014 has been disclosed in the 2013 single figures. The value of these awards has been calculated using the share price on the date when each award vested, except for share options where the performance conditions have been satisfied but the option is not yet exercisable; for these awards, £3.368, being the average share price for the last three months of 2013 has been used. 100 per cent vesting of the 2011 awards has been assumed.

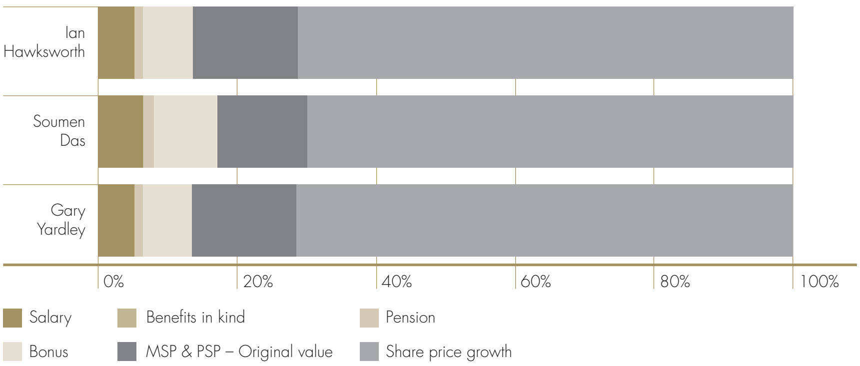
4 Comprises the value on vesting of the matching share award made to the Chairman in 2010 following his investment of 150 per cent of his annual fee in Capco shares. Further information on this award can be found on page 77 and in the 2010 to 2012 Directors' Remuneration Reports.

Figure 2

Composition of 2013 single figures



Composition of 2012 single figures



The figures on the left illustrate the contribution that each element of the Executive Directors' Remuneration, including share price appreciation, made to the single figure disclosures.

2.5 Incentive outcomes in respect of the year ended 31 December 2013

Annual Bonus Scheme

Executive Directors may earn bonuses depending on the Company's financial performance and their own individual performance. Awards are based 75 per cent on financial performance, and 25 per cent on individual performance.

The financial performance element for the year ended 31 December 2013 was based on growth in absolute NAV per share (NAV), Total Property Return relative to the IPD Total Return All Property Index (TPR), and adjusted EPS (EPS). In determining the annual targets for these measures in 2013, the Committee recognised the long-term nature of some aspects of the Company's strategy, and the extent to which this would be reflected in these measures on a 12-month horizon. The performance measures, weightings and targets that applied in respect of the 2013 annual bonus are summarised in the table on page 73.

The TPR target is included in the Company's KPIs on page 11. The KPIs are in part dependent upon the occurrence of certain discrete events. Therefore, whilst the out-performance targets that apply to the long-term incentives are disclosed, the Committee has decided that disclosing specific short-term NAV and EPS targets would provide a level of information to counterparties that could prejudice the Company's commercial interests. The Committee expects to publish these performance targets once they cease to be commercially sensitive.

In respect of the year ended 31 December 2013, the Company performed strongly against its financial targets, for example NAV per share was over 9 per cent higher than the top end of the target range set by the Committee, and Total Property Return at 21.9 per cent compares to 10.9 per cent for the IPD index. The Committee exercised discretion to modify the EPS outcome to adjust for the impact of the strong share price growth in 2013 that had a material impact on the measure. The modified EPS figure was within the target range. Accordingly awards of 107 per cent of salary were made to each Executive Director in respect of the financial performance measures.

The Committee assessed individual performance against a set of KPIs which align with the Company's objectives outlined on page 10 of the Annual Report.

These KPIs include:

- *Corporate objectives:* enhancing Capco's position and reputation in the market; progress towards meeting medium-term corporate objectives
- *Financial objectives:* optimising liquidity and financing; effective cost and capex management; other budgeted KPIs
- *Investment objectives:* strategic investment initiatives; launch of marketing initiatives
- *CR/HR objectives:* optimisation of divisional structure; nurturing of future leaders; evolution of environmental targets.

The performance of the Executive Directors in 2013 was considered to have been excellent, including the continued transformation of Covent Garden into a world class address, securing resolutions to grant planning permission for the Kings Court and Carriage Hall proposals, the finalisation and exercise of the CLSA, securing planning consent for the Earls Court Masterplan and the acquisition of the Empress State Building. Accordingly, awards of 35 per cent of salary were made to each Executive Director in respect of the individual performance measures.

Outcome of 2013 Annual Bonus performance measure (Audited)

Performance Measure	Weighting			Performance	Outcome		
	Chief Executive	Investment Director	Finance Director		Chief Executive	Investment Director	Finance Director
Financial performance (% of max)		75%					
Absolute Net Asset Value per share		55%		9% higher than the top end of the target range		Maximum	
Relative Total Property Return		35%		21.9% compared to IPD index return of 10.9%		Maximum	
Adjusted Earnings per Share		10%		Within the target range		50% of maximum	
Individual performance (% of max)		25%			23%	23%	23%
Total performance outcome (% of salary)					142%	142%	142%

Summary of Executive Directors' Bonuses in 2013

Executive Director	Cash	Deferred shares	Total
Ian Hawksworth	£351,450	£351,450	£702,900
Soumen Das	£255,600	£255,600	£511,200
Gary Yardley	£312,400	£312,400	£624,800

Long-term Incentive Arrangements

Matching Share Plan (MSP)

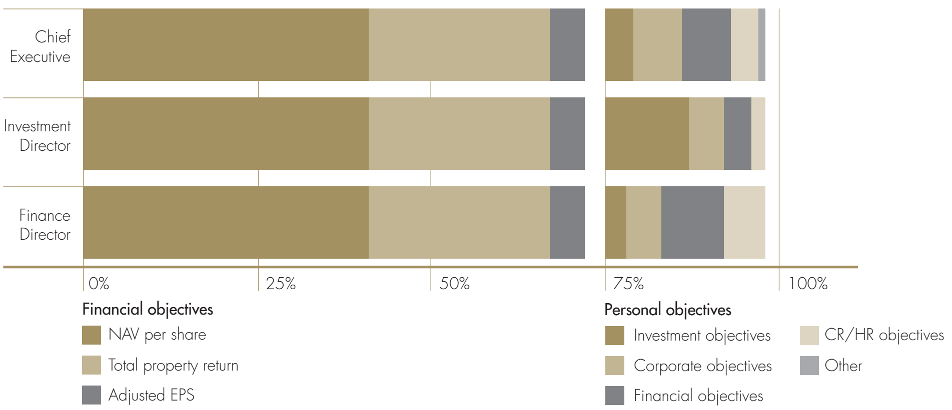
The operation of, and the maximum opportunities under, the MSP are explained in the remuneration policy on page 65. Details of the awards made to Executive Directors under the MSP in 2013 and in past years are set out in tables on page 80 and 81. These awards include deferred bonus shares, and matching awards made in respect of deferred bonus and co-investment, in accordance with the remuneration policy.

Annual bonus: In previous years the Committee has awarded a 1:1 match under the MSP in respect of deferred bonus shares. In light of the executive team's exceptional performance during 2013, the Committee has awarded an exceptional 2:1 matching opportunity in respect of Directors' deferred bonus shares for 2013. Any additional matching shares will only be earned for performance above the normal stretch targets, and will be subject to a two-year post-vesting holding period.

Co-investment opportunity: In 2010 (the inception year of Capco), Executive Directors were invited to co-invest up to 150 per cent of salary in the Company's shares during the first 12 months of inception (subsequently extended to 24 months as the Company was subject to extended restricted periods during which Directors were unable to purchase Capco shares) in return for the opportunity to receive up to two shares for each share purchased, subject to three-year performance. The Committee considered that the MSP had been highly successful and had played a crucial role in motivating and retaining management. Accordingly, and in light of the Company's strong performance since 2010, which significantly exceeded the maximum level of performance rewarded under the original performance conditions, the Committee offered the Executive Directors an opportunity to invest up to 150 per cent of 2013 salary between 2013 and 2016 when permitted by scheme headroom with an exceptional matching opportunity of 2:1. The additional matching opportunity can only be earned for performance above the normal stretch targets, as illustrated in figure 4 on page 75. The MSP awards made in respect of co-investment under this invitation to date are set out on page 81.

Figure 3

Outcome of 2013 bonus performance objectives



Performance Share Plan (PSP)

The operation of, and the maximum opportunities under, the PSP are explained in the remuneration policy on pages 64 and 65. Details of the awards made to Executive Directors under the PSP in 2013 and in past years are set out in the tables on pages 80 and 81. Since 2011, in line with common market practice, the Committee has made awards to Executive Directors in nil cost options which utilise a lower proportion of the Company's share capital than market value share options.

Following the review of executive remuneration in 2012 the Committee made an exceptional award of 200 per cent of salary in nil cost options to Executive Directors in 2013 in light of the Company's strong performance since demerger which significantly exceeded the maximum level of performance rewarded under the current performance conditions. The Committee has decided that an award of 150 per cent of salary in nil-cost options will be made to Executive Directors in 2014.

In 2013 the Committee determined that the performance conditions relating to the market value options awarded under the PSP in 2010 had been satisfied and accordingly the awards vested in full.

Details of the performance conditions that apply to awards made under the PSP are set out in figure 4 on page 75. The potential additional 50 per cent of salary awarded in 2013 can only be earned for performance above the normal stretch targets, as illustrated in figure 4 and is subject to a two-year post-vesting holding period.

The Committee continues to explore ways of structuring future awards under the long-term incentive arrangements in a potentially more tax efficient manner for participants. The Committee will ensure that any changes are cost neutral to Capco. No changes are proposed at this time.

2.6 Long-term incentive performance conditions

As explained in the policy report, the current performance conditions are the same for both the MSP and PSP and comprise two equally weighted measures:

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

The Committee has reviewed the performance conditions for the PSP and MSP and concluded that the existing performance measures are believed to be appropriately stretching and remain appropriate. The Committee believes relative TSR outperformance of +4 per cent per annum to be broadly equivalent to an upper quartile level of performance.

The performance conditions for the MSP and PSP awards made previously (which will continue to apply to MSP awards made in respect of deferred bonus) and the performance conditions for MSP co-investment and PSP awards made from 2013 are illustrated in figure 4 on page 75.

2.7 Vesting of 2010 and 2011 MSP and PSP awards

In 2013 the Committee determined that Capco's Total Return had outperformed the median of the comparator group by 3.3% p.a. (vs. an outperformance target of 2.5%) , and that Capco's Total Shareholder Return had outperformed the comparator group median by 20% p.a. (vs. an outperformance target of 4% p.a.), and as such the performance conditions relating to the 2010 PSP and MSP awards had been met in full. Accordingly the 2010 PSP and MSP awards vest in full subject to continued employment on the third anniversary of grant.

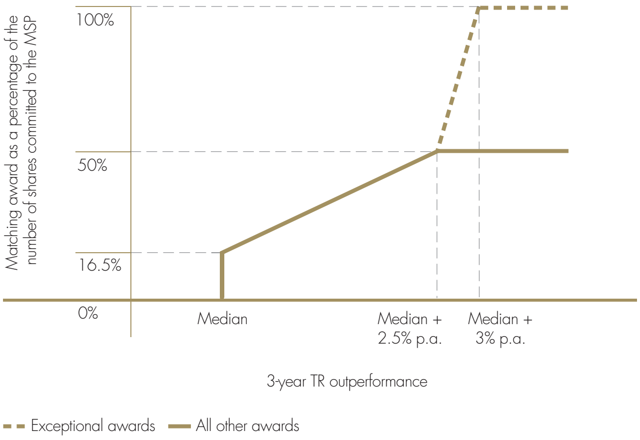
In 2014 the Committee determined that Capco's Total Shareholder Return had outperformed the median of the comparator group by 14.3% p.a. (vs. an outperformance target of 4%), and that Capco's Total Return was expected to outperform the median of the comparator group by approximately 8.1% p.a. (vs. an outperformance target of 2.5%p.a.) and as such, subject to final determination of Capco's relative Total Return outperformance, the 2011 PSP and MSP awards are expected to vest in full, subject to continued employment on the third anniversary of grant.

Figure 4

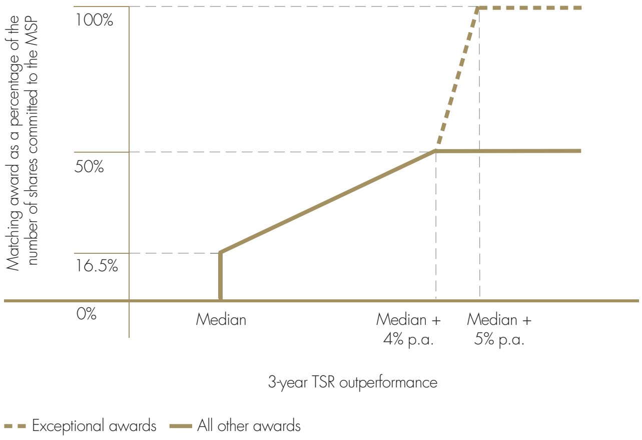
Performance measures for the MSP

The graphs below illustrate the proportion of a Matching Share Plan award that will vest at different levels of performance.

50% on Total Return



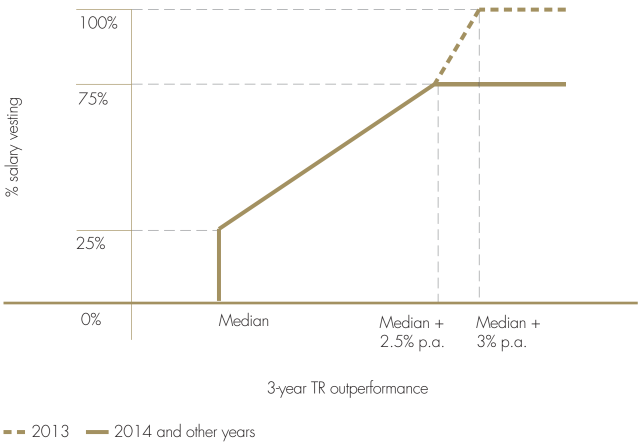
50% on TSR



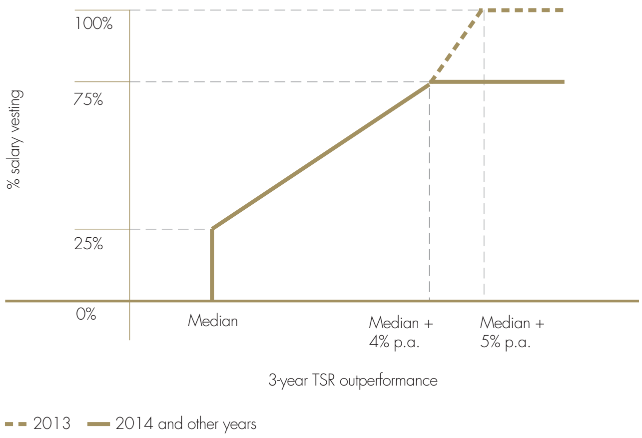
Performance conditions for the PSP

The graphs below illustrate the value (as a percentage of salary, based on the share price at the time of grant) of a Performance Share Plan award that will vest at different levels of performance.

50% on Total Return



50% on TSR



TR and TSR Comparator Group for the PSP and MSP

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

Scheme interests awarded during the financial year

MSP (NIL COST OPTIONS) (AUDITED)

	Basis of award	Market price on date of grant[1]	Exercise price	Face value of award	Number awarded	Performance period	Exercisable between
Ian Hawksworth	Value of Deferred Bonus	268.1p	Nil	£320,623	119,591	2013 – 2016	02/04/16 – 01/04/23
Soumen Das	Value of Deferred Bonus	268.1p	Nil	£249,998	93,248	2013 – 2016	02/04/16 – 01/04/23
Gary Yardley	Value of Deferred Bonus	268.1p	Nil	£284,998	106,303	2013 – 2016	02/04/16 – 01/04/23
Ian Hawksworth	Match of Deferred Bonus	268.1p	Nil	£320,623	119,591	2013 – 2016	02/04/16 – 01/04/23
Soumen Das	Match of Deferred Bonus	268.1p	Nil	£249,998	93,248	2013 – 2016	02/04/16 – 01/04/23
Gary Yardley	Match of Deferred Bonus	268.1p	Nil	£284,998	106,303	2013 – 2016	02/04/16 – 01/04/23
Ian Hawksworth	Match of Co-investment	317.2p	Nil	£793,088	250,028	2013 – 2016	10/09/13 – 09/09/23
Soumen Das	Match of Co-investment	317.2p	Nil	£585,989	184,738	2013 – 2016	10/09/13 – 09/09/23
Gary Yardley	Match of Co-investment	317.2p	Nil	£651,700	205,454	2013 – 2016	10/09/13 – 09/09/23

PSP (NIL COST OPTIONS) (AUDITED)

	Basis of award	Market price on date of grant[1]	Exercise price	Face value of award	Number awarded	Performance period	Exercisable between
Ian Hawksworth	200 per cent of salary	268.1p	Nil	£989,999	369,265	2013 – 2016	02/04/16 – 01/04/23
Soumen Das	200 per cent of salary	268.1p	Nil	£719,999	268,556	2013 – 2016	02/04/16 – 01/04/23
Gary Yardley	200 per cent of salary	268.1p	Nil	£879,998	328,235	2013 – 2016	02/04/16 – 01/04/23

1 Average closing share price on three business days preceding the date of grant.

2.8 Payments for loss of office and payments to previous directors

There were no payments for loss of office or payments to previous Directors made during 2013.

2.9 Total pension entitlement

No Director participates in a defined benefit pension scheme.

2.10 External Non-executive Directorships

During the year Ian Hawksworth received a fee of £25,000 in respect of his Non-executive Directorship of AIM-listed Japan Residential Investment Company Limited. No other Executive Director currently serves as a Non-executive Director elsewhere.

2.11 Statement of implementation of policy for 2014

Salary

The Executive Directors' salaries are reviewed annually.

The current salary positioning of the Chief Executive remains below the level that the Committee believes to be appropriate for the contribution and experience of the individual concerned. The Committee believes that the Chief Executive's salary is currently approximately 12 per cent below the median for FTSE350 property companies, taking into account Capco's relative market capitalisation. The Remuneration Committee is proposing to raise the salary by 6 per cent (to £525,000) in 2014 (which is an increase within the range of the expected increases for the rest of the workforce). In addition, the Committee is minded to keep the Chief Executive's salary under review during 2014 and, if appropriate in 2015, to consider a similar level of increase to a competitive level, depending on the circumstances at the time. The salaries of the Investment Director and Finance Director will be increased in line with the average increase for the rest of the workforce, which is expected to be in the range of 4 to 6 per cent.

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

Executive Director Salaries – 2013 and 2014

	2013	2014	% Increase
Ian Hawksworth	£495,000	£525,000	6.06
Soumen Das	£360,000	£374,364	3.99
Gary Yardley	£440,000	£457,556	3.99

Pension and benefits

As described in the Policy Table on pages 64 and 65.

Annual bonus

The annual bonus opportunity will remain unchanged for 2014.

The financial performance targets for the year ended 31 December 2013 were based on growth in absolute NAV per share, Total Property Return relative to the IPD Total Return All Property Index, and adjusted EPS. The Committee has decided that these measures remain appropriate for 2014 as they reflect the KPIs by which the Company measures its success. Further information on the Company's KPIs can be found on page 11. The weightings of each financial measure are unchanged from 2013 and reflect the Committee's view of their relative importance for 2014 given the current stage in the execution of Capco's strategy. The key area of focus for 2014 continues to be capital growth.

The Committee has decided that the 2014 annual bonus targets should not be disclosed prospectively due to commercial sensitivity. The Committee expects to publish the performance targets retrospectively once they have ceased to be commercially sensitive.

Matching Share Plan

The MSP awards to be made in 2014 are described on page 73.

Performance Share Plan

PSP awards of 150 per cent of salary will be made in 2014 (2013: 200 per cent).

The Committee believes that the Executive Director remuneration proposed for 2014 is appropriate given performance over the last year and the importance of the current management team continuing to deliver Capco's ambitious strategy.

Chairman and Non-executive Director remuneration

The Chairman has been appointed for a three-year term, subject to annual re-election by shareholders, which will expire at the 2016 AGM. The Chairman's annual base fee for 2013 was £225,000, however this was varied such that a proportion of the fee was paid into a SIPP arrangement.

The remuneration of the Chairman is reviewed annually. Following the 2013 review it was agreed that the Chairman's annual base fee would be increased to £234,000 with effect from 1 May 2014. During his first three years the Chairman also received a car allowance and a supplement of 15 per cent of his base fee in lieu of any pension contributions, however these transitional benefits ceased on the renewal of his appointment. In addition, the Company made a matching award of deferred shares comprising 200 per cent of the number of invested shares in respect of each Capco share he purchased within the first 12 months of inception of Capco (up to 150 per cent of his base fee.) This represented a 1:1 match, grossed up on the basis of an income tax rate of 50 per cent. This award vested on 10 May 2013.

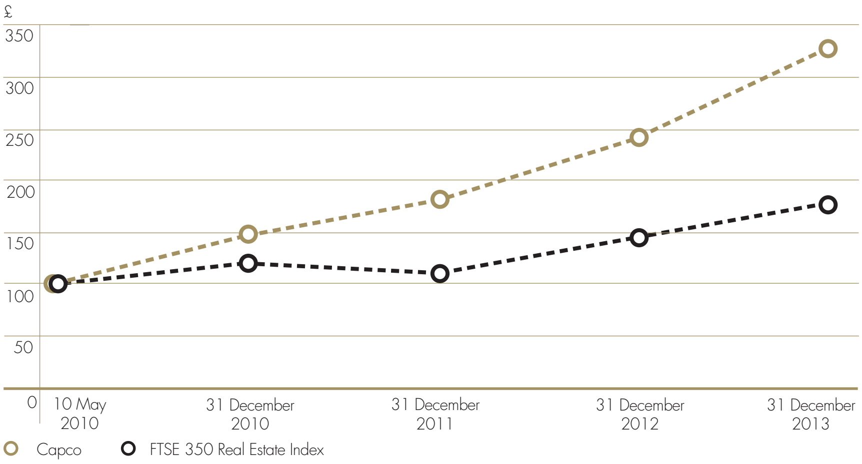
The remuneration of the Non-executive Directors is considered by the Chairman and the Chief Executive, with regard to market comparatives, and recommended to the Board as a whole. The Non-executive Director fees are reviewed annually. Following the 2013 review it was agreed that the Non-executive Director fees would be increased as set out in the table below with effect from 1 May 2014.

Non-executive Director fees – 2013 and 2014

	2013	2014
Basic fee	£44,000	£45,760
Committee member	£5,500	£5,720
Committee Chairman	£11,000	£11,440
Senior Independent Director	£11,000	£11,440

2.12 Chart of single figure vs. TSR

Figure 5: Total shareholder return



This graph shows the total return at 31 December 2013 of £100 invested in Capital & Counties Properties PLC on the first day of trading in its shares following its establishment on 10 May 2010, compared to the FTSE 350 Real Estate Index.The Committee considers this benchmark to be the most appropriate for illustrating the Company's performance.

Financial Year	2010	2011	2012	2013
CEO Single Figure	£1,184,082	£1,253,235	£8,967,543	£3,460,154
Annual Bonus % of max	97.50%	100%	95%	94.67%
MSP vesting % of max	n/a	n/a	100%	100%
PSP vesting % of max	n/a	n/a	100%	100%

2.13 Percentage increase of Chief Executive Remuneration (Audited)

The table below shows the percentage change in the Chief Executive's remuneration from the prior year compared to the average percentage change in remuneration for head office and Covent Garden employees, who have been selected as the comparator as they participate in similar remuneration arrangements to the Executive Directors. To allow a meaningful comparison, the analysis for employees is based on a consistent group of individuals.

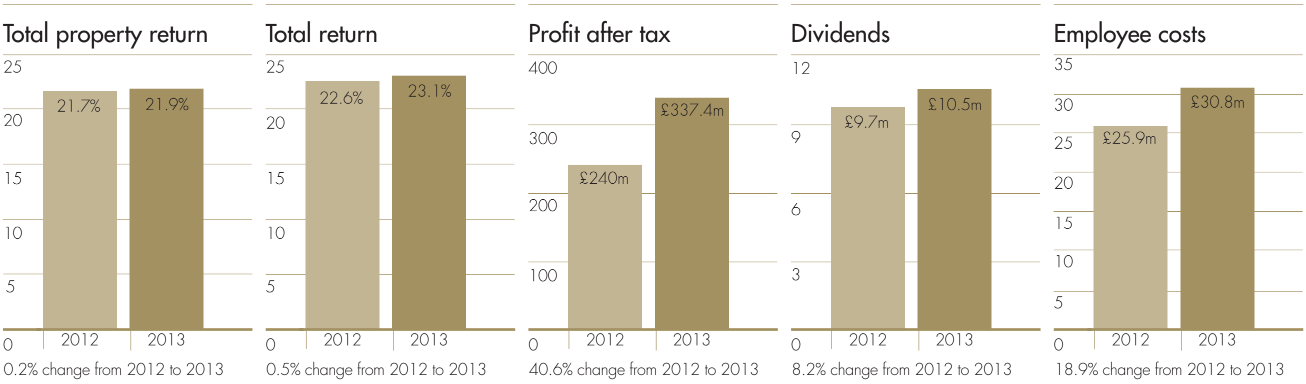
	Chief Executive			Employees
	2012 £	2013 £	% change	% change
Salary	450,000	483,750	7.5	7.7
Taxable benefits	21,411	21,812	1.9	-3.6
Single-year variable[1]	641,250	702,900	9.6	36.6
Total	1,112,661	1,208,462		

1 As the 2013 bonus awards are currently being finalised, with the exception of the Executive Directors, the 2011 and 2012 annual bonus figures have been used in the single-year variable analysis.

2.14 Distribution statement

The graphs in figure 6 below illustrate Capco's profit after tax, dividends, and total employee pay expenditure (this includes pension, variable pay, and social security) for the financial years ended 31 December 2012 and 31 December 2013, and the percentage change in each. The measures above are those prescribed by the remuneration disclosure regulations, however they do not reflect Capco's KPIs, which are explained on page 11. Accordingly, graphs showing Capco's one-year Total Property Return and Total Return are also included below.

Figure 6



2.15 Statement of Directors' shareholdings and Share Interests

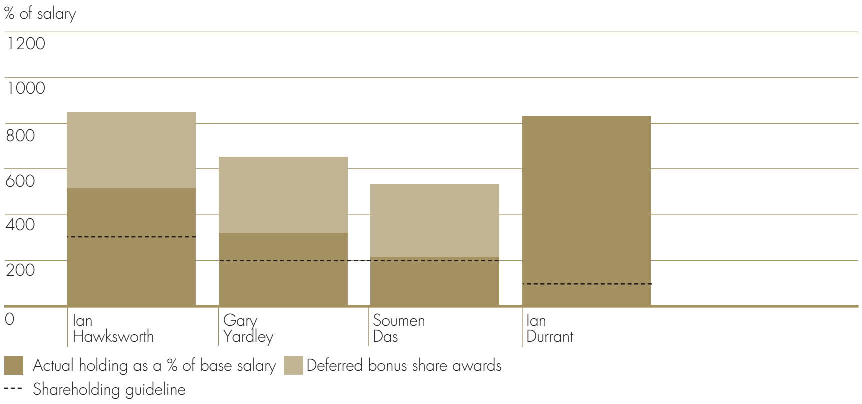
(a) Directors' Shareholdings

The beneficial interests in the shares of the Company for each Director who served during the year are set out in the table below. The Chief Executive is required to achieve a shareholding in the Company equivalent to 300 per cent of salary and the other Executive Directors are required to achieve a shareholding in the Company equivalent to 200 per cent of base salary, to be achieved by retaining at least 50 per cent of any vested share awards (net of tax) and/or within three years. The Chairman is required to maintain a shareholding equivalent to 100 per cent of his base fee. The Committee believes that these shareholding requirements, which have been met, are the most stringent in the UK property sector. The current shareholdings of the Chairman and Executive Directors are illustrated in figure 7.

Directors' Shareholdings (including connected persons) – 2012 and 2013 (Audited)

	2012	2013
Chairman		
Ian Durant	290,230	568,632
Executive:		
Ian Hawksworth	479,069	755,604
Soumen Das	236,470	236,470
Gary Yardley	427,972	427,972
Non-executive		
Graeme Gordon	30,450,061	30,450,061
Ian Henderson	37,601	37,601
Andrew Huntley	75,000	75,000
Demetra Pinsent	–	–
Henry Staunton	150,000	250,000
Andrew Strang	–	–

Figure 7: Executive Director and Chairman shareholdings as at 31 December 2013



(b) Directors' Share Interests (Audited)

Details of Executive Directors' share scheme interests, including information on share awards that were exercised or vested during the year are set out in the tables below.

(i) Summary of Directors' interests in shares and share schemes (full details are set out on pages 80 and 81)

Executive Director	Shares Held	Share options not subject to performance conditions[1]	Share options subject to performance conditions[2]	Total
Ian Hawksworth	755,604	891,001	1,912,812	3,559,417
Soumen Das	236,470	1,766,487	1,332,329	3,335,286
Gary Yardley	427,972	2,362,327	1,684,540	4,474,839
Total	**1,420,046**	**5,019,815**	**4,929,681**	**11,369,542**

1 Comprises MSP awards made in respect of deferred bonus, unexercised 2010 PSP awards and MSP awards made in respect of 2010 co-investment invitation (some of which remain subject to a holding period).

2 Comprises MSP and PSP awards that remain subject to performance conditions.

(ii) Outstanding awards made under Performance Share Plan[1]

Name	Year granted	Option price (pence)	Held at 1 January 2013	Granted during the year	Exercised during the year	Held at 31 December 2013	Exercisable between
Ian Hawksworth	2010	103.87	1,732,935	–	1,732,935	0	–
Ian Hawksworth	2011	157.73	19,019	–	–	19,019	21/03/14 – 20/03/21
Ian Hawksworth	2011	NIL	418,436	–	–	418,436	21/03/14 – 20/03/21
Ian Hawksworth	2012	NIL	353,959	–	–	353,959	09/03/15 – 08/03/22
Ian Hawksworth	2013	NIL	–	369,265	–	369,265	02/04/16 – 01/04/23
Soumen Das[2]	2010	103.87	1,155,290	–	–	1,155,290	28/05/13 – 27/05/20
Soumen Das	2011	157.73	19,019	–	–	19,019	21/03/14 – 20/03/21
Soumen Das	2011	NIL	275,787	–	–	275,787	21/03/14 – 20/03/21
Soumen Das	2012	NIL	235,972	–	–	235,972	09/03/15 – 08/03/22
Soumen Das	2013	NIL	–	268,556	–	268,556	02/04/16 – 01/04/23
Gary Yardley[2]	2010	103.87	1,540,387	–	–	1,540,387	28/05/13 – 27/05/20
Gary Yardley	2011	157.73	19,019	–	–	19,019	21/03/14 – 20/03/21
Gary Yardley	2011	NIL	370,886	–	–	370,886	21/03/14 – 20/03/21
Gary Yardley	2012	NIL	314,630	–	–	314,630	09/03/15 – 08/03/22
Gary Yardley	2013	NIL	–	328,235	–	328,235	02/04/16 – 01/04/23
Total			6,455,339			5,688,460	

1 Subject to performance conditions that apply to awards made under the PSP and MSP, as set out on pages 64 and 65.
2 Vested but unexercised.

The market price of Capital & Counties Properties PLC shares on 31 December 2013 was 329.2p and during the year the price varied between 239.3p and 366.5p.

(c) Awards made under the Chairman matching arrangements (Audited)
During the year, the matching share award made to the Chairman in 2010 vested in full.

Name	Date granted	Weighted average share price of invested shares	Held at 1 January 2013	Vested during the year	Held at 31 December 2013
Ian Durant	01/09/10	£1.13	529,536	529,536	0
Total			529,536		0

(d) Matching Share Plan (Audited)
(i) Deferred shares
The following awards of deferred nil-cost options made to Executive Directors in respect of annual bonus are outstanding:

Name	Year granted	Market price on date of grant	Option price (pence)	Held at 1 January 2013	Granted during the year	Exercised during the year	Held at 31 December 2013	Exercisable between
Ian Hawksworth	2011	£1.60	NIL	205,535	–	–	205,535	18/03/14 – 17/03/21
Ian Hawksworth	2012	£1.91	NIL	176,979	–	–	176,979	09/03/15 – 08/03/22
Ian Hawksworth	2013	£2.68	NIL	–	119,591	–	119,591	02/04/16 – 01/04/23
Soumen Das	2011	£1.60	NIL	137,023	–	–	137,023	18/03/14 – 17/03/21
Soumen Das	2012	£1.91	NIL	117,986	–	–	117,986	09/03/15 – 08/03/22
Soumen Das	2013	£2.68	NIL	–	93,248		93,248	02/04/16 – 01/04/23
Gary Yardley	2011	£1.60	NIL	182,698	–	–	182,698	18/03/14 – 17/03/21
Gary Yardley	2012	£1.91	NIL	157,315	–	–	157,315	09/03/15 – 08/03/22
Gary Yardley	2013	£2.68	NIL	–	106,303	–	106,303	02/04/16 – 01/04/23
Total				977,536			1,296,678	

(ii) Matched deferred shares[1]

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

Name	Year granted	Market price on date of grant	Option price (pence)	Held at 1 January 2013	Granted during the year	Exercised during the year	Held at 31 December 2013	Exercisable between
Ian Hawksworth	2011	£1.60	NIL	205,535	–	–	205,535	18/03/14 – 17/03/21
Ian Hawksworth	2012	£1.91	NIL	176,979	–	–	176,979	09/03/15 – 08/03/22
Ian Hawksworth	2013	£2.68	NIL	–	119,591	–	119,591	02/04/16 – 01/04/23
Soumen Das	2011	£1.60	NIL	137,023	–	–	137,023	18/03/14 – 17/03/21
Soumen Das	2012	£1.91	NIL	117,986	–	–	117,986	09/03/15 – 08/03/22
Soumen Das	2013	£2.68	NIL	–	93,248	–	93,248	02/04/16 – 01/04/23
Gary Yardley	2011	£1.60	NIL	182,698	–	–	182,698	18/03/14 – 17/03/21
Gary Yardley	2012	£1.91	NIL	157,315	–	–	157,315	09/03/15 – 08/03/22
Gary Yardley	2013	£2.68	NIL	–	106,303	–	106,303	02/04/16 – 01/04/23
Total				977,536			1,296,678	

1 Subject to performance conditions that apply to awards made under the PSP and MSP, as set out on pages 64 and 65.

(iii) Matching of Directors' co-investment[1]

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

Name	Year granted	Option price (pence)	Held at 1 January 2013	Granted during the year	Exercised during the year	Held at 31 December 2013	Exercisable between
Ian Hawksworth	2011	NIL	386,066	–	–	386,066	21/12/14 – 20/12/21
Ian Hawksworth	2011	NIL	2,830	–	–	2,830	22/12/14 – 21/12/21
Ian Hawksworth	2013	NIL	–	250,028	–	250,028	10/09/16 – 09/09/23
Soumen Das	2011	NIL	62,692	–	–	62,692	03/06/14 – 02/06/21
Soumen Das	2012	NIL	125,400	–	–	125,400	28/03/15 – 27/03/22
Soumen Das	2012	NIL	40,000	–	–	40,000	15/05/15 – 14/05/22
Soumen Das	2012	NIL	34,848	–	–	34,848	16/05/15 – 15/05/22
Soumen Das	2013	NIL	–	184,738	–	184,738	01/09/16 – 09/09/23
Gary Yardley	2011	NIL	354,870	–	–	354,870	21/12/14 – 20/12/21
Gary Yardley	2011	NIL	18,020	–	–	18,020	21/12/14 – 20/12/21
Gary Yardley	2011	NIL	2,734	–	–	2,734	22/12/14 – 21/12/21
Gary Yardley	2013	NIL	–	205,454	–	205,454	10/09/16 – 09/09/23
Total			1,027,460			1,667,680	

1 Subject to performance conditions that apply to awards made under the PSP and MSP, as set out on pages 64 and 65.

The following awards of matching shares made to Executive Directors following their purchase of ordinary shares in the Company vested in 2013:

Name	Date granted	Weighted average share price of invested shares	Held at 1 January 2013	Vested during the year	Held at 31 December 2013
Ian Hawksworth	01/09/10	£1.17	564,826	564,826	0
Soumen Das	01/09/10	£1.07	210,000	210,000	0
Gary Yardley	01/09/10	£1.11	477,158	477,158	0
Total			1,251,984		0

DIRECTORS' REPORT

The Directors present their Annual Report, and the audited consolidated financial statements for the year ended 31 December 2013.

STRATEGIC REPORT

The Group's 2013 Strategic Report, which includes a review of the Group's business during the financial year, the Group's position at year-end and a description of the principal risks and uncertainties facing the Group, comprises the following sections of the Annual Report:

DIRECTORS

The Directors of the Company who held office during the year and up to the date of signing the financial statements were as follows:

Chairman:

I.C. Durant

Executive Directors:

I.D. Hawksworth
S. Das
G.J. Yardley

Non-Executive Directors:

I.J. Henderson
G.J. Gordon
A.J.M. Huntley
D. Pinsent
H.E. Staunton
A.D. Strang

Biographies of each Director can be found on pages 50 to 51 and details of each Director's interests in the Company's shares are set out on page 79.

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

The rules governing the appointment and replacement of Directors are contained in the Company's Articles and UK Legislation. In compliance with the UK Corporate Governance Code, at the 2014 Annual General Meeting all the Directors will retire from office and will offer themselves for re-election.

COMPENSATION FOR LOSS OF OFFICE

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company share schemes may cause share options and awards to vest on a takeover.

DIRECTORS' CONFLICTS OF INTEREST

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

DIRECTORS' INDEMNITIES AND INSURANCE

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

ARTICLES OF ASSOCIATION

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

DIVIDENDS

The Directors have proposed the following dividends:

Interim Dividend paid on 25 September 2013	0.5p per ordinary share
Proposed Final Dividend to be paid on 19 June 2014	1.0p per ordinary share
Total proposed dividend for 2013	1.5p per ordinary share

The Capco Scrip Dividend Scheme was approved at the 2012 AGM and was offered to shareholders in respect of the 2012 final dividend and the 2013 interim dividend. It is intended that the Scrip Dividend be offered to shareholders in respect of the proposed final dividend for 2013, subject to SARB approval.

The proposed final dividend will be paid on 19 June 2014 to shareholders whose names are on the register at 23 May 2014.

CAPITAL STRUCTURE

Details of the Company's issued ordinary share capital, including details of movements in the issued share capital during the year, authorities to issue or repurchase shares and details of share repurchased by the Company during the year, are shown in note 33 to the financial statements on page 120. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the transfer of shares beyond those standard provisions set out in the Articles of Association. No shareholder holds shares carrying special rights with regard to control of the Company. Details of significant shareholdings are set out on page 83.

USE OF FINANCIAL INSTRUMENTS

Information on risk management objectives and policies, including hedging policies, and exposure of the Company in relation to the use of financial instruments can be found in note 30 on pages 114 to 119.

CHANGE OF CONTROL PROVISIONS

There are a number of agreements which take effect, alter or terminate upon a change of control of the Company. The agreements that would be considered significant are the Covent Garden £300 million debt facility and £70 million revolving credit facility and the Lillie Square development joint venture. The new £665 million Covent Garden facility signed in February 2014 also includes these change of control provisions.

Holder	Shares held at time of last notification	Percent held at time of last notification	Nature of Holding	Date of last notification
BlackRock, Inc.	106,485,911	14.05%	Indirect Interest	24 Jan 2014
Gordon Family Interests	92,143,204	12.23%	Direct Interest	2 Oct 2012
Coronation Asset Management (pty) Limited	74,396,731	9.86%	Direct Interest	7 Aug 2013
Norges Bank	58,005,475	7.70%	Direct Interest	28 Sept 2012
Public Investment Corporation	37,326,761	4.96%	Direct Interest	13 Feb 2013

SUBSTANTIAL SHAREHOLDINGS

The significant holdings of voting rights in the share capital of the Company notified and disclosed in accordance with Disclosure and Transparency Rule 5, as at 24 February 2014, are shown in the table above:

EMPLOYEES

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

Certain of the Group's employees are eligible to participate in annual bonus arrangements. These arrangements, which may include awards under the Group's Performance Share Plan, help to develop employees' interest in the Company's performance. Full details of the Performance Share Plan are contained in note 41 to the accounts on pages 123 to 126.

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

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

Information relating to employees is given in note 9 on page 101. The Group provides retirement benefits for the majority of its employees. Details of the Group pension arrangements are set out in note 42 on pages 126 to 128.

Further information on Group employees can be found on pages 48 and 49.

THE ENVIRONMENT

Details of the Group's corporate responsibility policy and its aims and activities are described on the Company's website www.capitalandcounties.com. An overview of the Group's CR activity is on pages 42 to 49.

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

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

OVERSEAS BRANCH REGISTER

For the purposes of its listing on the Johannesburg Stock Exchange, the Company maintains an overseas branch register in South Africa.

GOING CONCERN

As set out on page 41, the Directors have a reasonable expectation that the Company and the Group have adequate resources to meet both on going and future commitments for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

DISCLOSURE TO AUDITORS

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

INDEPENDENT AUDITORS

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

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of the Company will be held from 11.30 am on 2 May 2014 at Four Seasons Hotel London at Canary Wharf. The Notice of the Meeting, together with an explanation of the business to be dealt with at the Meeting, is included as a separate document sent to shareholders who have elected to receive hard copies of Shareholder information and is also available on the Company's website.

By Order of the Board

R.E. Pavey
Secretary

25 February 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

(a) select suitable accounting policies and then apply them consistently;

(b) make judgements and accounting estimates that are reasonable and prudent;

(c) state whether applicable IFRSs as adopted by the European Union (EU) have been followed, subject to any material departures disclosed and explained in the financial statements; and

(d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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

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

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

– 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 Directors' report contained 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.

– having taken all matters considered by the Board and brought to the attention of the Board during the year into account, the Directors consider that the Annual Report & Accounts, taken as a whole are fair, balanced and understandable. The Directors believe that the disclosures set out in of the Annual Report & Accounts provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Signed on behalf of the Board on 25 February 2014.

Ian Hawksworth
Chief Executive

Soumen Das
Finance Director

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion:

- The financial statements, defined below, give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's profit and of the Group's and Parent Company's cash flows for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

This opinion is to be read in the context of the remainder of this report.

What we have audited

The Group financial statements and Parent Company financial statements (the "financial statements"), which are prepared by Capital & Counties Properties PLC, comprise:

- the Group and Parent Company balance sheets as at 31 December 2013;
- the consolidated income statement and statement of comprehensive income for the year then ended;
- the Group and Parent Company statements of changes in equity and statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company, as applied in accordance with the provisions of the Companies Act 2006.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report & Accounts ("Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £23 million. This represents approximately 1 per cent of total assets. We set a specific materiality level of £9 million for the audit of net rental income, finance costs and administrative expenses.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group is structured along four business lines, being Covent Garden, Earls Court Properties (including the Lillie Square development), Venues and Other (including the discontinued operation, The Great Capital Partnership), each of which is a reporting unit. The Group financial statements are a consolidation of these reporting units and centralised functions.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the reporting units by us, as the group engagement team, or component auditors within PwC UK operating under our instruction. Where the work was performed by component auditors, as was the case at Venues reporting unit, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Of the Group's four reporting units, we identified three which, in our view, required an audit of their complete financial information, as they are each financially significant. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of audit focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 58.

Area of focus	How the scope of our audit addressed the area of focus
Valuation of investment and development property The valuation of property is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues for that particular property. Specific to Earls Court Properties there are additional valuation considerations such as the nature of interests held, contracts for land assembly, commitments to acquire land under the Conditional Land Sale Agreement ("CLSA") with the London Borough of Hammersmith and Fulham and the status of planning permission. (Refer also to note 18 to the financial statements).	We assessed whether the properties held by the Group were valued on a consistent basis and using appropriate methods. We performed testing over data provided by the Group to the external valuers, including lease data. We also tested the controls over the external valuation process and met with the external valuers to understand and challenge their assumptions and conclusions, utilising our valuation experience. We performed testing over significant contracts which underpin land assembly and planning permission, in particular the Network Rail lease re-gear and accounting treatment of the Conditional Land Sale Agreement with the London Borough of Hammersmith and Fulham.
Taxation We focused on this area because of the degree of judgement involved in the ongoing activity of the Group including transfers and disposals of property portfolios. This gives rise to material tax considerations on the calculation, recognition, and classification of deferred tax balances from both a tax compliance and accounting perspective. (Refer also to note 31 to the financial statements).	Using our previous experience of similar matters, we assessed the principal assumptions and judgements made in arriving at the current and deferred tax position. We read the open dialogue with HMRC and evaluated the Group's position with senior management, the in-house tax specialists and their external advisers.
Revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition. Because of this we focused on the timing of the recognition of rental income and revenue from the disposal of properties and its presentation in the income statement as well as gains on the valuation of investment and development property. (Refer to note 1 to the financial statements).	We evaluated the relevant IT systems and tested the internal controls over the data included in the property management system and the reconciliations between the property revenue systems used by the Group and its financial ledgers. We tested the timing of revenue recognition, taking into account contractual obligations, and in particular considered how the Group recorded revenue based on sales of investment and trading properties. The scope of our work on the valuation of investment and development property is described above.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We also tested journal entries.

Going Concern

Under the Listing Rules we are required to review the Director's statement, set out on page 83, in relation to going concern. We have nothing to report having performed our review.

As noted in the Director's statement, the Directors have concluded that it is appropriate to prepare the Group's and Parent Company's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Parent Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

OPINIONS ON MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Corporate Governance Report set out on pages 52 to 56 in the Annual Report & Accounts with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made, and under the Listing Rules responsibility we are required to review certain elements of the report to shareholders by the Board on Directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

Under the Companies Act 2006, we are required to report to you if, in our opinion a Corporate Governance Statement has not been prepared by the Parent Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ("the Code").We have nothing to report having performed our review.

On page 84 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 58, as required by C3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 84, the Directors are responsible for the preparation of the Group and Parent Company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group and Parent Company financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Mark Pugh

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

25 February 2014

Consolidated income statement
For the year ended 31 December 2013

	Notes	2013 £m	Re-presented 2012 £m
Continuing operations			
Revenue	2	**118.8**	109.4
Rental income		**92.7**	91.6
Rental expenses		**(29.1)**	(31.7)
Net rental income	2	**63.6**	59.9
Other income	3	**10.6**	6.1
Gain on revaluation and sale of investment and development property	4	**310.6**	190.9
Profit on sale of available-for-sale investments	5	**0.9**	10.0
Profit on sale of subsidiaries	6	**–**	1.7
Loss of control of former subsidiary	7	**–**	(1.0)
Write down of trading property		**(1.7)**	(0.9)
Write back of impairment of other receivables	8	**2.0**	0.6
Other exceptional charges		**(0.5)**	–
		385.5	267.3
Administration expenses		**(33.6)**	(26.2)
Operating profit		**351.9**	241.1
Finance costs	11	**(22.0)**	(20.9)
Finance income		**1.1**	0.8
Other finance costs	11	**(0.2)**	(2.0)
Change in fair value of derivative financial instruments		**16.4**	(0.3)
Net finance costs		**(4.7)**	(22.4)
Profit before tax		**347.2**	218.7
Current tax		**(3.3)**	(3.9)
Deferred tax		**(10.2)**	(4.1)
Taxation	14	**(13.5)**	(8.0)
Profit for the year from continuing operations		**333.7**	210.7
Discontinued operation			
Profit for the year from discontinued operation	13	**4.7**	29.3
Profit for the year		**338.4**	240.0
Profit attributable to:			
Owners of the Parent		**337.4**	240.0
Non-controlling interests	12	**1.0**	–
Earnings per share from continuing operations attributable to owners of the Parent			
Basic earnings per share	17	**44.1p**	29.9p
Diluted earnings per share	17	**43.4p**	29.9p
Weighted average number of shares	17	**754.7m**	703.9m

Earnings per share from discontinued operation and adjusted earnings per share from continuing and discontinued operations are shown in note 17.

Notes on pages 94 to 128 form part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2013

	Notes	2013 £m	Re-presented 2012 £m
Profit for the year		**338.4**	240.0
Other comprehensive income/(expense)			
Items that may or will be reclassified subsequently to the income statement			
Fair value losses on available-for-sale investments	30	**(0.7)**	–
Realisation of revaluation reserves on disposal of available-for-sale investments		**(0.9)**	(9.1)
Tax relating to items that may or will be reclassified	31	**–**	2.0
Items that will not be reclassified subsequently to the income statement			
Actuarial gains/(losses) on defined benefit pension scheme	42	**1.2**	(1.7)
Tax relating to items that will not be reclassified	31	**(0.5)**	0.4
Total other comprehensive expense for the year		**(0.9)**	(8.4)
Total comprehensive income for the year		**337.5**	231.6

Attributable to:			
Owners of the Parent		**336.5**	231.6
Non-controlling interests	12	**1.0**	–
Arising from:			
Continuing operations		**332.8**	202.3
Discontinued operation	13	**4.7**	29.3

Notes on pages 94 to 128 form part of these consolidated financial statements.

Balance sheets
As at 31 December 2013

	Notes	**Group 2013 £m**	Group 2012 £m	**Company 2013 £m**	Company 2012 £m
Non-current assets					
Investment and development property	18	**2,051.1**	1,586.2	**–**	–
Plant and equipment	19	**0.9**	1.0	**–**	–
Investment in Group companies	20	**–**	–	**446.5**	566.8
Available-for-sale investments	22	**0.4**	3.6	**–**	–
Derivative financial instruments	26	**3.5**	0.5	**–**	–
Pension asset	42	**0.8**	–	**–**	–
Trade and other receivables	23	**45.3**	39.4	**–**	–
		2,102.0	1,630.7	**446.5**	566.8
Current assets					
Trading property	18	**115.2**	84.4	**–**	–
Trade and other receivables	23	**20.3**	25.9	**515.7**	391.7
Cash and cash equivalents	24	**45.0**	184.5	**0.5**	0.4
		180.5	294.8	**516.2**	392.1
Total assets		**2,282.5**	1,925.5	**962.7**	958.9
Non-current liabilities					
Borrowings, including finance leases	27	**(357.7)**	(269.6)	**–**	–
Derivative financial instruments	26	**(17.6)**	(29.3)	**–**	–
Pension liability	42	**–**	(0.4)	**–**	–
Deferred tax	31	**(9.9)**	–	**–**	–
		(385.2)	(299.3)	**–**	–
Current liabilities					
Borrowings, including finance leases	27	**(16.5)**	(78.4)	**–**	–
Derivative financial instruments	26	**–**	(2.0)	**–**	–
Other provisions	32	**(7.2)**	(7.3)	**–**	–
Tax liabilities		**(0.1)**	(2.1)	**–**	–
Trade and other payables	25	**(61.4)**	(58.6)	**(0.6)**	(0.4)
		(85.2)	(148.4)	**(0.6)**	(0.4)
Total liabilities		**(470.4)**	(447.7)	**(0.6)**	(0.4)
Net assets		**1,812.1**	1,477.8	**962.1**	958.5
Equity					
Share capital	33	**189.5**	188.3	**189.5**	188.3
Other components of equity		**1,622.6**	1,289.5	**772.6**	770.2
Total equity		**1,812.1**	1,477.8	**962.1**	958.5

Notes on pages 94 to 128 form part of these consolidated financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 25 February 2014.

Ian Hawksworth
Chief Executive

Soumen Das
Finance Director

Statements of changes in equity

Group	Notes	Equity attributable to owners of the Parent									
		Share capital £m	Share premium £m	Treasury shares £m	Merger reserve £m	Revaluation reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2013		**188.3**	**177.7**	**(1.0)**	**277.8**	**1.7**	**5.2**	**888.1**	**1,477.8**	**–**	**1,477.8**
Profit for the year		–	–	–	–	–	–	337.4	337.4	1.0	338.4
Other comprehensive income/(expense):											
Items that may or will be reclassified subsequently to the income statement											
Realisation of revaluation reserves on disposal of available-for-sale investments		–	–	–	–	(0.9)	–	–	(0.9)	–	(0.9)
Fair value losses on available-for-sale investments	30	–	–	–	–	(0.7)	–	–	(0.7)	–	(0.7)
Items that will not be reclassified subsequently to the income statement											
Actuarial gains on defined benefit pension scheme	42	–	–	–	–	–	–	1.2	1.2	–	1.2
Tax relating to items that will not be reclassified	31	–	–	–	–	–	–	(0.5)	(0.5)	–	(0.5)
Total comprehensive income for the year ended 31 December 2013		–	–	–	–	(1.6)	–	338.1	336.5	1.0	337.5
Transactions with owners											
Ordinary shares issued	33	1.2	3.3	–	–	–	–	–	4.5	–	4.5
Dividend expense	16	–	–	–	–	–	–	(11.3)	(11.3)	–	(11.3)
Adjustment for bonus issue	16	–	–	–	–	–	–	0.8	0.8	–	0.8
Realisation of share-based payment reserve on issue of shares		–	–	–	–	–	(2.5)	0.7	(1.8)	–	(1.8)
Fair value of share-based payment		–	–	–	–	–	4.7	–	4.7	–	4.7
Tax relating to share-based payment	31	–	–	–	–	–	–	0.9	0.9	–	0.9
Non-controlling interests	12	–	–	–	–	–	–	–	–	43.9	43.9
Acquisition of non-controlling interests	12	–	–	–	–	–	–	–	–	(44.9)	(44.9)
Disposal of treasury shares[1]	34	–	–	1.0	–	–	–	(1.0)	–	–	–
Total transactions with owners		1.2	3.3	1.0	–	–	2.2	(9.9)	(2.2)	(1.0)	(3.2)
Balance at 31 December 2013		**189.5**	**121.0**	**–**	**277.8**	**0.1**	**7.4**	**1,216.3**	**1,812.1**	**–**	**1,812.1**
Balance at 1 January 2012		170.9	95.1	–	196.2	10.8	2.2	632.7	1,107.9	–	1,107.9
Profit for the year		–	–	–	–	–	–	240.0	240.0	–	240.0
Other comprehensive income/(expense):											
Items that may or will be reclassified subsequently to the income statement											
Realisation of revaluation reserve on disposal of available-for-sale investments		–	–	–	–	(9.1)	–	–	(9.1)	–	(9.1)
Tax relating to items that may or will be reclassified	31	–	–	–	–	–	–	2.0	2.0	–	2.0
Items that will not be reclassified subsequently to the income statement											
Actuarial losses on defined benefit pension scheme	42	–	–	–	–	–	–	(1.7)	(1.7)	–	(1.7)
Tax relating to items that will not be reclassified	31	–	–	–	–	–	–	0.4	0.4	–	0.4
Total comprehensive income for the year ended 31 December 2012		–	–	–	–	(9.1)	–	240.7	231.6	–	231.6

Group continued	Notes	Share capital £m	Share premium £m	Treasury shares £m	Merger reserve £m	Revaluation reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
		Equity attributable to owners of the Parent									
Transactions with owners											
Ordinary shares issued	33	17.4	22.6	–	106.0	–	–	–	146.0	–	146.0
Dividend expense	16	–	–	–	–	–	–	(10.3)	(10.3)	–	(10.3)
Adjustment for bonus issue	16	–	–	–	–	–	–	0.6	0.6	–	0.6
Merger reserve realised[2]		–	–	–	(24.4)	–	–	24.4	–	–	–
Fair value of share-based payment		–	–	–	–	–	3.0	–	3.0	–	3.0
Purchase of treasury shares[1]	34	–	–	(1.0)	–	–	–	–	(1.0)	–	(1.0)
Total transactions with owners		17.4	22.6	(1.0)	81.6	–	3.0	14.7	138.3	–	138.3
Balance at 31 December 2012		188.3	117.7	(1.0)	277.8	1.7	5.2	888.1	1,477.8	–	1,477.8

1 Treasury shares reacquired as a result of the odd-lot offer launched in November 2012 and used to satisfy employee share awards exercised in August 2013.

2 Represents qualifying consideration received by the Group following a number of capital raises in previous years. 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.

Company	Notes	Share capital £m	Share premium £m	Treasury shares £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2013		**188.3**	**117.7**	**(1.0)**	**277.8**	**5.2**	**370.5**	**958.5**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**6.7**	**6.7**
Total comprehensive income for the year ended 31 December 2013		**–**	**–**	**–**	**–**	**–**	**6.7**	**6.7**
Transactions with owners								
Ordinary shares issued	33	**1.2**	**3.3**	**–**	**–**	**–**	**–**	**4.5**
Dividend expense	16	**–**	**–**	**–**	**–**	**–**	**(11.3)**	**(11.3)**
Adjustment for bonus issue	16	**–**	**–**	**–**	**–**	**–**	**0.8**	**0.8**
Realisation of share-based payment reserve on issue of shares		**–**	**–**	**–**	**–**	**(2.5)**	**0.7**	**(1.8)**
Fair value of share-based payment		**–**	**–**	**–**	**–**	**4.7**	**–**	**4.7**
Disposal of treasury shares[1]	34	**–**	**–**	**1.0**	**–**	**–**	**(1.0)**	**–**
Total transactions with owners		**1.2**	**3.3**	**1.0**	**–**	**2.2**	**(10.8)**	**(3.1)**
Balance at 31 December 2013		**189.5**	**121.0**	**–**	**277.8**	**7.4**	**366.4**	**962.1**
Balance at 1 January 2012		170.9	95.1	–	196.2	2.2	350.8	815.2
Profit for the year		–	–	–	–	–	5.0	5.0
Total comprehensive income for the year ended 31 December 2012		–	–	–	–	–	5.0	5.0
Transactions with owners								
Ordinary shares issued	33	17.4	22.6	–	106.0	–	–	146.0
Dividend expense	16	–	–	–	–	–	(10.3)	(10.3)
Adjustment for bonus issue	16	–	–	–	–	–	0.6	0.6
Merger reserve realised[2]		–	–	–	(24.4)	–	24.4	–
Fair value of share-based payment		–	–	–	–	3.0	–	3.0
Purchase of treasury shares[1]	34	–	–	(1.0)	–	–	–	(1.0)
Total transactions with owners		17.4	22.6	(1.0)	81.6	3.0	14.7	138.3
Balance at 31 December 2012		188.3	117.7	(1.0)	277.8	5.2	370.5	958.5

1 Treasury shares reacquired as a result of the odd-lot offer launched in November 2012 and used to satisfy employee share awards exercised in August 2013.

2 Represents qualifying consideration received by the Group following a number of capital raises in previous years. 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.

Notes on pages 94 to 128 form part of these consolidated financial statements.

Statements of cash flows

For the year ended 31 December 2013

Continuing operations	Notes	Group 2013 £m	Re-presented Group 2012 £m	Company 2013 £m	Company 2012 £m
Cash flows from operating activities					
Cash generated from operations	37	**32.4**	28.8	**7.0**	(20.3)
Interest paid		**(20.7)**	(22.1)	**–**	–
Interest received		**1.2**	0.8	**–**	5.6
Taxation paid		**(4.4)**	(2.9)	**–**	–
Cash flows from operating activities		**8.5**	4.6	**7.0**	(14.7)
Cash flows from investing activities					
Purchase and development of property[1]		**(122.4)**	(132.7)	**–**	–
Sale of property[1]		**26.5**	18.7	**–**	–
Sale of available-for-sale investments		**2.6**	17.6	**–**	–
Loss of control of former subsidiary	7	**–**	65.4	**–**	–
Control acquired of former joint venture	12	**(50.3)**	–	**–**	–
Sale of subsidiary companies		**0.6**	0.2	**–**	–
VAT paid on internal restructure[2]		**–**	(22.2)	**–**	–
Acquisition of company by joint venture	12	**(7.3)**	–	**–**	–
Cash flows from investing activities		**(150.3)**	(53.0)	**–**	–
Cash flows from financing activities					
Issue of shares		**–**	145.0	**–**	24.7
Treasury shares purchased		**–**	(1.0)	**–**	(1.0)
Borrowings drawn		**138.5**	48.2	**–**	–
Borrowings repaid		**(173.6)**	(141.9)	**–**	–
Purchase of derivative financial instruments		**(1.5)**	(1.6)	**–**	–
Other finance costs		**(0.2)**	(1.9)	**–**	–
Cash dividends paid	16	**(6.9)**	(8.6)	**(6.9)**	(8.6)
Cash flows from financing activities		**(43.7)**	38.2	**(6.9)**	15.1
Net (decrease)/increase in unrestricted cash and cash equivalents from continuing operations		**(185.5)**	(10.2)	**0.1**	0.4
Cash flows from discontinued operation					
Operating activities		**(0.5)**	0.2	**–**	–
Investing activities		**51.2**	215.9	**–**	–
Financing activities		**(4.7)**	(111.0)	**–**	–
Net increase in cash and cash equivalents from discontinued operation		**46.0**	105.1	**–**	–
Net (decrease)/increase in cash and cash equivalents		**(139.5)**	94.9	**0.1**	0.4
Unrestricted cash and cash equivalents at 1 January		**178.5**	83.6	**0.4**	–
Unrestricted cash and cash equivalents at 31 December	24	**39.0**	178.5	**0.5**	0.4

1 Includes purchase and sale of plant and equipment.

2 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 94 to 128 form part of these consolidated financial statements.

1 PRINCIPAL ACCOUNTING POLICIES

General information

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, 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 (the "Group"), whose principal activity is the development and management of property.

The Capital & Counties Properties PLC Group's assets principally comprise investment and development properties at Covent Garden, Earls Court and the exhibition halls at Olympia.

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 consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of property, 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 effective at the balance sheet date and have not been adopted early are:

IFRS 10 'Consolidated Financial Statements'
IFRS 11 'Joint Arrangements'
IFRS 12 'Disclosure of Interests in other Entities'
IAS 27 'Separate Financial Statements' (revised)
IAS 28 'Investment in Associates and Joint Ventures' (revised)
IAS 32 'Financial Instruments: Presentation' (amendment)
IAS 36 'Impairment of Assets' (amendment)
IAS 39 'Financial Instruments: Recognition and Measurement' (amendment)

Revisions and amendments issued but not effective are not anticipated to have a material impact on the consolidated financial statements with the exception of IFRS 11 'Joint Arrangements'. This standard, which has 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 published 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 the total assets and total liabilities as currently presented, but there will be no overall change in net assets. This standard will be adopted by the Group from 1 January 2014. During 2013, the following accounting standards and guidance were adopted by the Group:

IAS 1 'Presentation of Financial Statements' (amendment)
IAS 19 'Employee Benefits' (revised)
IFRS 7 'Financial Instruments: Disclosures' (amendment)
IFRS 13 'Fair Value Measurement'

Collectively these pronouncements had no significant impact on the consolidated financial statements and resulted in changes to presentation and disclosure only.

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

Going concern basis

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

Basis of consolidation

These consolidated financial statements include the consolidation of the following limited partnerships: Capital & Counties CGP, Capital & Counties CGP 9, Capco CGP 2010 LP, Capco CGP 2012 LP, EC Properties LP and The Empress State Limited Partnership. 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 and joint ventures

Subsidiaries 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. Subsidiaries cease to be consolidated from the date this control is lost.

All intragroup balances, transactions, income and expenses are eliminated in full.

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

Investments in subsidiaries and joint ventures are reviewed at least annually for impairment. Where an indication of impairment exists, 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 accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income 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 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 property portfolio 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 performance and position.

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

Revenue recognition
Share-based payment
Provisions
Pensions
Contingent liabilities and capital commitments
Income taxes
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 that are regularly reviewed by the Chief Executive, who is deemed to be the chief operating decision maker.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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 consist 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 property. Rental income 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 net rental 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 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 property, it is recognised when the significant risks and rewards have been transferred to the buyer. This will normally take place on exchange of contracts unless there are conditions that suggest insufficient probability of future economic benefits flowing to the Group. 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 undertaking'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 items 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 'Income Taxes' deferred tax is provided for 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 goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss; or are associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary difference can be controlled by the parent, venture or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantively 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 deferred tax assets can be recovered. Deferred income tax assets and liabilities are only 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.

Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of the business that has been disposed of or meets the criteria for classification as held for sale. Discontinued operations are presented separately from continuing operations in both the income statement and statement of cash flows. The comparative period is also re-presented in line with reporting requirements.

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 with a corresponding increase in equity.

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

Upon eventual exercise, a reserves transfer occurs with no further charge reflected in the income statement.

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

Investment and development property

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

The Group has chosen to use the fair value model. Property and any related obligations, are initially recognised when the significant risks and rewards attached to the property have transferred to the Group. Payments made in respect of the future acquisition of investment and development property, as is the case for the CLSA, are initially recognised as prepayments until the recognition criteria outlined above have been met. Investment and development property 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 fair value of property is arrived at by adjusting the market value as above for directly attributable lease incentive assets and fixed head leases.

Property held under leases is stated gross of the recognised finance lease liability.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

The valuation is based upon assumptions as outlined within the property portfolio note. These assumptions conform with the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards. The cost of development properties includes capitalised interest and other directly attributable outgoings, with the exception 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 weighted average cost of debt outstanding until the date of practical completion.

When the Group redevelops a property for continued future use, that property is classified as an investment and development property during the redevelopment period and continues to be measured at fair value.

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

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

Investment properties cease to be recognised as investment property 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 resulting gain or loss 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, development commences with the intention of sale. Criteria considered in this assessment include, the Board's stated intention, contractual commitments and physical, legal and financial viability.

Trading property

Trading property comprises those properties that in the Directors' view are not held for long-term rental income and capital appreciation and are expected to be disposed of within one year of the balance sheet date or to be developed with the intention to sell.

Such property is either acquired or if transferred from investment property, transferred at fair value which is deemed to represent cost. Subsequently trading property is carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling costs. In the case of trading property this approximates market value as determined by professionally qualified external valuers at the balance sheet date.

The amount of any write-down of trading property to market value is recognised as an expense in the period the write down occurs. Should a valuation uplift occur in a subsequent period, the amount of any reversal shall be recognised as a reduction in the previous write-down in the period in which the uplift occurs. This may not exceed the property's initial cost.

The sale of trading property is recognised as income when the significant risks and rewards have been transferred to the buyer. Total costs incurred in respect of trading property are recognised simultaneously as an expense.

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 'Investment Property', property held under finance and operating leases may be accounted for as investment property. Finance leases are recognised as both 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 and 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 expenses under operating leases are charged to the income statement on a straight-line basis over the lease term.

Plant and equipment

Plant and equipment consist of fixtures, fittings and other office equipment. Plant and equipment are 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 undertakings

Investment in Group undertakings, 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 the income statement.

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 and may not be reversed in subsequent periods.

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.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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 'Financial Instruments: Recognition and Measurement'. Factors such as days past due, credit status of the counterparty, historical evidence of collection and probability of deriving future economic benefit are considered to assess whether there is objective evidence of impairment. The amount of any potential loss is calculated by estimating future cash flows or by using fair value where this is available through observable market prices. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the original impairment was recognised, the impairment reversal is recognised in the income statement on a basis consistent with the original charge.

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 and are classified as held for trading. 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 and other 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 the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Borrowings

Borrowings are recognised initially at their net proceeds as an approximation of fair value and subsequently carried at amortised cost. When cash flows can be reliably measured, any transaction costs, premiums or discounts are capitalised and recognised over the contractual life of the loan using the effective interest rate method. When cash flows can not be measured reliably, or in the event of early repayment, transaction costs, premiums or discounts paid or unamortised 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions of the defined benefit scheme are recognised immediately as a charge or credit in other comprehensive income for the period in which they arise with a corresponding increase in the pension surplus or deficit. These re-measurements are not reclassified to the income statement in subsequent periods. Past service costs, current service costs, curtailment or settlement gains or losses and net interest income or expense are recognised immediately in the income statement. Net interest is calculated by applying the discount rate to the opening plan assets and scheme obligation. 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 are disclosed.

Capital commitments are disclosed when the Group has a contractual future obligation which has not been provided for at the balance sheet date, as is the case for the CLSA. Amounts are only provided for where such obligations are onerous.

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.

With the cessation of The Great Capital Partnership ("GCP") and the changes more widely in the business over the past twelve months, the chief operating decision maker has revised the segmental analysis. As a result of these changes, the segment previously called Earls Court & Olympia has been split in two: Earls Court Properties and Venues. Outlined below are the operating segments of the Group:

- Covent Garden.
- Earls Court Properties comprises the Group's interests at Earls Court, predominantly EC1 & EC2, the Empress State Building and 50 per cent of the Lillie Square joint venture (previously Seagrave Road).
- Venues comprises the exhibitions business including the Olympia property assets.
- Other comprises the discontinued activity of GCP, the Group's residual China investments, the business unit historically known as Opportunities and other head office companies.

The Group's operating segments derive their revenue primarily from rental income from lessees, with the exception of Venues whose revenue principally represents exhibition income.

Unallocated expenses consist primarily of costs incurred centrally which are neither directly nor meaningfully attributable to individual segments.

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

Continuing operations	2013 Covent Garden £m	Earls Court Properties[1] £m	Venues £m	Other £m	Group total £m
Revenue	**70.0**	**15.0**	**33.6**	**0.2**	**118.8**
Rent receivable and exhibition income	41.3	15.0	33.6	–	89.9
Service charge income	2.8	–	–	–	2.8
Rental income	44.1	15.0	33.6	–	92.7
Rental expenses[2]	(8.5)	(0.5)	(20.1)	–	(29.1)
Net rental income	**35.6**	**14.5**	**13.5**	–	**63.6**
Other income	10.4	–	–	0.2	10.6
Gain on revaluation and sale of investment and development property	179.9	121.2	9.5	–	310.6
Profit on sale of available-for-sale investments	–	–	–	0.9	0.9
Write down of trading property	(0.5)	(1.2)	–	–	(1.7)
Write back of impairment of other receivables	–	–	–	2.0	2.0
Other exceptional charges	–	(0.5)	–	–	(0.5)
Segment result	**225.4**	**134.0**	**23.0**	**3.1**	**385.5**
Unallocated costs					
Administration expenses					(33.6)
Operating profit					**351.9**
Net finance costs[3]					(4.7)
Profit before tax					**347.2**
Taxation					(13.5)
Profit for the year from continuing operations					**333.7**
Discontinued operation					
Profit for the year from discontinued operation	–	–	–	4.7	4.7
Profit for the year					**338.4**
Profit attributable to:					
Owners of the Parent					337.4
Non-controlling interests					1.0
Summary balance sheet					
Total segment assets[4]	1,180.6	897.9	175.1	18.5	2,272.1
Total segment liabilities[4]	(312.8)	(120.4)	(33.8)	(17.0)	(484.0)
Segmental net assets	867.8	777.5	141.3	1.5	1,788.1
Unallocated net assets[3]					24.0
Net assets					**1,812.1**
Other segment items:					
Depreciation	(0.1)	–	(0.2)	–	(0.3)
Capital expenditure	(40.0)	(205.6)	(5.1)	(0.8)	(251.5)

1 Included in the net rental income from Earls Court Properties is £11.9 million attributable to the Empress State Building, of which £1.2 million represents non-controlling interests.

2 Comprises service charge and other non-recoverable costs.

3 The Group operates a central treasury function which manages and monitors the Group's finance income and costs on a net basis and the majority of the Group's cash balances.

4 Total assets and total liabilities exclude loans between and investments in Group undertakings.

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

Continuing operations	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Group total £m
	2012 Re-presented				
Revenue	54.8	9.4	41.7	3.5	109.4
Rent receivable and exhibition income	38.0	9.4	41.7	–	89.1
Service charge income	2.5	–	–	–	2.5
Rental income	40.5	9.4	41.7	–	91.6
Rental expenses[1]	(8.4)	(0.1)	(23.2)	–	(31.7)
Net rental income	32.1	9.3	18.5	–	59.9
Other income	2.9	–	–	3.2	6.1
Gain on revaluation and sale of investment and development property	50.7	139.8	0.3	0.1	190.9
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	147.2	19.9	13.9	267.3
Unallocated costs					
Administration expenses					(26.2)
Operating profit					241.1
Net finance costs[2]					(22.4)
Profit before tax					218.7
Taxation					(8.0)
Profit for the year from continuing operations					210.7
Discontinued operation					
Profit for the year from discontinued operation	–	–	–	29.3	29.3
Profit for the year					240.0
Summary balance sheet					
Total segment assets[3]	977.5	573.4	163.0	70.8	1,784.7
Total segment liabilities[3]	(316.0)	(75.8)	(54.4)	(17.0)	(463.2)
Segmental net assets	661.5	497.6	108.6	53.8	1,321.5
Unallocated net assets[2]					156.3
Net assets					1,477.8
Other segment items:					
Depreciation	(0.1)	–	–	–	(0.1)
Capital expenditure	(100.8)	(32.3)	(10.2)	(2.2)	(145.5)

1 Comprises service charge and other non-recoverable costs.

2 The Group operates a central treasury function which manages and monitors the Group's finance income and costs on a net basis and the majority of the Group's cash balances.

3 Total assets and total liabilities exclude loans between and investments in Group undertakings.

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 and development property.

	Revenue[1]		Total assets		Capital expenditure	
	2013 £m	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m
Central London	**118.8**	109.4	**2,282.1**	1,921.9	**251.5**	145.5
Other[2]	**–**	–	**0.4**	3.6	**–**	–
	118.8	109.4	**2,282.5**	1,925.5	**251.5**	145.5

1 Represents revenue from continuing operations.

2 Other represents the Group's interest in Harvest China Real Estate Fund I.

3 OTHER INCOME

Continuing operations	2013 £m	2012 £m
Sale of trading property	**25.9**	17.8
Cost of sales of trading property	**(15.5)**	(11.7)
Profit on sale of trading property	**10.4**	6.1
Non-recurring income	**0.2**	–
Other income	**10.6**	6.1

4 GAIN ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

Continuing operations	2013 £m	Re-presented 2012 £m
Gain on revaluation of investment and development property	**310.6**	177.7
Gain on loss of control and appropriation to trading property	**–**	12.6
Gain on sale of investment and development property	**–**	0.6
Gain on revaluation and sale of investment and development property	**310.6**	190.9

5 PROFIT ON SALE OF AVAILABLE-FOR-SALE INVESTMENTS

Continuing operations	2013 £m	2012 £m
Profit on sale of available-for-sale investments	**0.9**	10.0

Profit on sale of available-for-sale investments represents part divestments from Harvest China Real Estate Fund I following property disposals made by the fund as a result of actions taken by the fund manager.

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 Lillie Square, resulted in the loss of control of the former subsidiary Lillie Square GP Limited (formerly Seagrave Road GP Limited), and the disposal of a 50 per cent limited partnership interest in Lillie Square LP (formerly 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 resulting in a gain on appropriation to trading property of £6.3 million.

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 £2.0 million was recognised in 2013 (2012: £0.6 million). 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.

9 EMPLOYEE INFORMATION

a) Employee costs	Group 2013 £m	Group 2012 £m
Wages and salaries	**21.0**	19.8
Social security costs	**2.6**	2.4
Other pension costs	**0.9**	0.8
Share-based payments	**4.5**	2.9
Total employee costs	**29.0**	25.9

b) Employee numbers Total number of people (including Executive Directors) employed	Group 2013	Group 2012
Venues	**214**	248
Capco head office & Covent Garden	**86**	78
Total headcount at 31 December	**300**	326

Average number of people (including Executive Directors) employed	Group 2013	Group 2012
Covent Garden Restaurants Group	**–**	12
Venues	**256**	229
Capco head office & Covent Garden	**85**	73
Total average headcount	**341**	314

10 AUDITORS' REMUNERATION

	2013 £m	2012 £m
Remuneration to the principal auditor in respect of audit fees:		
Parent Company and Group consolidated financial statements	**0.1**	0.1
Statutory audit of subsidiaries	**0.2**	0.2
Fees related to the audit of the Company and its subsidiaries	**0.3**	0.3
Audit related assurance services	**0.1**	0.1
Total fees for audit and audit related services	**0.4**	0.4

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

11 FINANCE COSTS

Continuing operations	2013 £m	Re-presented 2012 £m
Finance costs:		
On bank overdrafts, loans and other	**21.2**	21.9
Amortisation of debt issue costs	**1.2**	1.2
On obligations under finance leases	**0.4**	0.4
Gross finance costs	**22.8**	23.5
Interest capitalised on developments	**(0.8)**	(2.6)
Finance costs	**22.0**	20.9
Costs of termination of derivative financial instruments	**0.2**	0.7
Other exceptional finance costs	**–**	1.3
Other finance costs[1]	**0.2**	2.0

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

Interest is capitalised, before tax relief, on the basis of the weighted average cost of debt of 4.4 per cent (2012: 5.2 per cent) applied to the cost of developments during the year.

12 BUSINESS COMBINATION

The Empress State Limited Partnership

On 29 May 2013, the Group acquired control of the 50 per cent interest not already owned in The Empress State Limited Partnership, which owns and manages, through its general partner, the Empress State Building in West London. This 451,000 sq ft 31 storey office building is adjacent to the Group's EC1 & EC2 interests and benefits from an index linked lease to the Metropolitan Police Authority until 2019.

The partnership contributed revenues of £2.4 million during the period between exchange in May and completion in August, of which £1.2 million is disclosed as being attributable to non-controlling interests. A net profit of £1.0 million was attributable to non-controlling interests during this time. Had the acquisition occurred on 1 January 2013 the Group's revenue and the net profit would have been £3.1 million and £7.9 million higher respectively. The net profit amount includes revaluation gains recognised on exchange of contracts.

On the date control was acquired, the assets acquired and liabilities assumed of the business combination were fair valued with resulting gains or losses being taken to the Group's income statement. No deferred tax was recognised on this date because the tax base of the underlying asset was equal to its fair value.

The fair value of assets acquired and liabilities assumed by the business combination were as follows:

	£m
Non-current assets	117.0
Current assets	2.8
Current liabilities	(75.9)
Net assets acquired	**43.9**

Completion of the acquisition occurred on 1 August 2013. Consideration for the net assets acquired, including the non-controlling interest share of profits, was £45 million. Total cash paid was £50.3 million comprising both consideration and the repayment of the joint venture partner's loan account. The Empress State Limited Partnership is now consolidated as a subsidiary of the Group.

A&P Bolding Limited

On 5 September 2013 the Lillie Square joint venture acquired 100 per cent of the share capital of A&P Bolding Limited for the purpose of obtaining a number of properties situated adjacent to the joint venture's land interest at Lillie Square.

The Group's share of the fair value of the assets acquired and liabilities assumed by the business combination, which represents the consideration paid, was as follows:

	£m
Current assets	7.4
Current liabilities	(0.1)
Net assets acquired	**7.3**

Had the acquisition occurred on 1 January 2013, there would have been no material impact on either the Group's revenue or profit.

13 DISCONTINUED OPERATION

On 29 April 2013, the Group exchanged contracts for the disposal of the final asset, Park Crescent West, in The Great Capital Partnership ("GCP"). This was effected as part of the Group's strategy to dispose of non-core assets in support of the Group's core estates and, as a result, the partnership has been presented as a discontinued operation with comparatives re-presented accordingly. GCP was established as a joint venture in 2007 with Great Portland Estates plc, to own, manage and develop a number of central London properties. The partnership has been accounted for as a joint venture of the Group and has been proportionately consolidated in accordance with the Group's published accounting policy.

The Group's share of results and residual net assets of GCP which have been included in the income statement and balance sheet, were as follows:

Summarised income statement	**2013 £m**	2012 £m
Revenue	**1.2**	5.9
Net rental income	**1.2**	5.4
Gain on revaluation and sale of investment and development property	**2.8**	23.0
Administration expenses	**(0.2)**	0.1
Operating profit	**3.8**	28.5
Net finance costs	**–**	(1.7)
Profit before tax	**3.8**	26.8
Taxation	**0.9**	2.5
Profit for the year from discontinued operation	**4.7**	29.3

13 DISCONTINUED OPERATION CONTINUED

Summarised balance sheet	2013 £m	2012 £m
Investment and development property	–	48.4
Deferred tax	0.3	–
Other current assets	0.3	3.7
Partners loans[1]	93.0	96.5
Current liabilities	–	(7.1)
Net assets	**93.6**	141.5

1 Eliminates on consolidation.

A profit of £2.8 million (2012: £15.8 million) arose on disposal of the assets of GCP, being the proceeds of disposal less the carrying amount of the assets.

14 TAXATION

Continuing operations	2013 £m	Re-presented 2012 £m
Current income tax:		
Current income tax charge	2.2	2.6
Current income tax on profits excluding exceptional items	2.2	2.6
Deferred income tax:		
On investment and development property	1.3	(1.5)
On accelerated capital allowances	(0.6)	–
On losses	0.5	1.1
On derivative financial instruments	6.3	2.8
On non-exceptional items	0.5	–
On exceptional items	–	1.7
Deferred income tax on profits	8.0	4.1
Current income tax charge on exceptional items	2.5	1.4
Adjustments in respect of previous years – current tax	(1.4)	(0.1)
Adjustments in respect of previous years – deferred tax	2.2	–
Total tax expense reported in the income statement	**13.5**	8.0

Factors affecting the tax charge for the year

The tax assessed for the year is £13.5 million which reflects a rate lower than the standard rate of corporation tax in the United Kingdom.

The differences are explained below:

Continuing operations	2013 £m	Re-presented 2012 £m
Profit before tax	347.2	218.7
Profit on ordinary activities multiplied by the standard rate in the UK of 23.3% (2012: 24.5%)	80.7	53.6
UK capital allowances not reversing on sale	–	1.6
Revaluation surplus not recognised in deferred tax	(70.0)	(41.7)
Prior year corporation tax items	0.8	(0.1)
Transfer pricing adjustment	0.3	0.4
Expenses disallowed	1.4	0.5
Non-taxable items	(0.8)	(5.4)
Other timing differences	2.8	–
Reduction in deferred tax following change in corporate tax rate	(1.7)	(0.9)
Total tax expense reported in the income statement	**13.5**	8.0

Tax arising on items recognised in other comprehensive income is also reflected within other comprehensive income. This includes deferred tax on an element of the pension movement. Tax arising on items recognised directly in equity is reflected in equity. This includes deferred tax on an element of the share-based payment.

Further amendments to the UK corporation tax system were announced in the March 2013 Budget which included changes to the main rates of UK corporation tax. The main rate of corporation tax decreased from 24 per cent to 23 per cent from 1 April 2013, and will reduce further to 21 per cent from 1 April 2014, and 20 per cent from 1 April 2015.

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

Profit after tax of £6.7 million was attributable to the shareholders of the Parent Company for 2013 (2012: £5.0 million). No income statement or statement of comprehensive income is presented for the Company as permitted by Section 408 Companies Act 2006.

16 DIVIDENDS

Group and Company	2013 £m	2012 £m
Ordinary shares		
Prior year final dividend of 1.0p per share (2012: 1.0p)	**7.5**	6.8
Interim dividend of 0.5p per share (2012: 0.5p)	**3.8**	3.5
Dividend expense	**11.3**	10.3
Shares issued in lieu of cash[1]	**(3.6)**	(1.1)
Adjustment for bonus issue[2]	**(0.8)**	(0.6)
Cash dividends paid	**6.9**	8.6
Proposed final dividend of 1.0p per share (2012: 1.0p)	**7.6**	7.5

1 Shares issued in lieu of cash relates to those shareholders who elect to receive their dividends in scrip form following the declaration of dividend which occurs at the Company's Annual General Meeting.

2 Adjustments for bonus issue arise from those shareholders who elect to receive their dividends in scrip form on an evergreen basis. These shares are treated as a bonus issue and allotted at nominal value.

17 EARNINGS PER SHARE AND NET ASSETS PER SHARE

	2013			Re-presented 2012		
(a) Earnings per share	**Earnings £m**	**Shares[1,2] million**	**Earnings per share (pence)**	Earnings £m	Shares[1,2] million	Earnings per share (pence)
Continuing and discontinued operations attributable to owners of the Parent						
Basic earnings	**337.4**	**754.7**	**44.7**	240.0	703.9	34.1
Dilutive effect of share option awards[3]	**–**	**6.1**		3.1	5.9	
Dilutive effect of contingently issuable shares[3]	**–**	**0.9**		–	1.8	
Dilutive effect of matching nil cost options[3]	**–**	**4.3**		–	3.0	
Dilutive effect of deferred shares[3]	**–**	**1.0**		–	0.4	
Diluted earnings	**337.4**	**767.0**	**44.0**	243.1	715.0	34.0
Continuing operations attributable to owners of the Parent						
Basic earnings	**332.7**	**754.7**	**44.1**	210.7	703.9	29.9
Diluted earnings	**332.7**	**767.0**	**43.4**	213.8	715.0	29.9
Discontinued operation attributable to owners of the Parent						
Basic earnings	**4.7**	**754.7**	**0.6**	29.3	703.9	4.2
Diluted earnings	**4.7**	**767.0**	**0.6**	29.3	715.0	4.1
Continuing operations attributable to owners of the Parent						
Basic earnings	**332.7**			210.7		
Adjustments:						
Gain on sale of trading property	**(10.4)**			(6.1)		
Gain on revaluation and sale of investment and development property	**(310.6)**			(190.9)		
Profit on sale of subsidiaries	**–**			(1.7)		
Loss of control of former subsidiary	**–**			1.0		
Write down of trading property	**1.7**			0.9		
Other exceptional charges	**0.5**			–		
Costs of termination of derivative financial instruments	**0.2**			0.7		
Change in fair value of derivative financial instruments	**(16.4)**			0.3		
Current tax adjustments	**2.0**			1.4		
Deferred tax adjustments	**9.2**			1.2		
Less amounts above due to non-controlling interests	**0.5**			–		
EPRA adjusted earnings on continuing operations	**9.4**	**754.7**	**1.2**	17.5	703.9	2.5
Non-recurring income	**(0.2)**			–		
Profit on sale of available-for-sale investments	**(0.9)**			(10.0)		
Write back of impairment of other receivables	**(2.0)**			(0.6)		
Refinancing fees	**–**			1.3		
Current tax adjustments	**0.5**			(1.1)		
Deferred tax adjustments	**(1.5)**			1.7		
Discontinued operation	**2.0**			3.7		
Underlying earnings	**7.3**	**754.7**	**1.0**	12.5	703.9	1.8

1 Weighted average number of shares in issue has been adjusted by 0.2 million (2012: 0.3 million) for issue of bonus shares in connection with the scrip dividend scheme.

2 Weighted average number of shares in issue has been adjusted by 0.3 million (2012: nil) for shares held in Treasury.

3 Further information on these items can be found in note 41 Share-based payments.

17 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

Headline earnings per share is calculated in accordance with Circular 2/2013 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.

	2013			Re-presented 2012		
	Earnings £m	**Shares[1,2] million**	**Earnings per share (pence)**	Earnings £m	Shares[1,2] million	Earnings per share (pence)
Profit attributable to owners of the Parent						
Basic earnings	**337.4**	**754.7**	**44.7**	240.0	703.9	34.1
Adjustments:						
Gain on revaluation and sale of investment and development property	**(313.4)**			(213.9)		
Profit on sale of available-for-sale investments	**(0.9)**			(10.0)		
Profit on sale of subsidiaries	**–**			(1.7)		
Loss of control of former subsidiary	**–**			1.0		
Write back of impairment of other receivables	**(2.0)**			(0.6)		
Deferred tax adjustments	**1.3**			(3.6)		
Headline earnings	**22.4**	**754.7**	**3.0**	11.2	703.9	1.6
Dilutive effect of share options awards[3]	**–**	**6.1**		3.1	5.9	
Dilutive effect of contingently issuable shares[3]	**–**	**0.9**		–	1.8	
Dilutive effect of matching nil cost options[3]	**–**	**4.3**		–	3.0	
Dilutive effect of deferred shares[3]	**–**	**1.0**		–	0.4	
Diluted headline earnings	**22.4**	**767.0**	**2.9**	14.3	715.0	2.0

1 Weighted average number of shares in issue has been adjusted by 0.2 million (2012: 0.3 million) for issue of bonus shares in connection with the scrip dividend scheme.

2 Weighted average number of shares in issue has been adjusted by 0.3 million (2012: nil) for shares held in Treasury.

3 Further information on these items can be found in note 41 Share-based payments.

	2013			2012		
b) Net assets per share	**Net assets £m**	**Shares million**	**NAV per share (pence)**	Net assets £m	Shares[1] million	NAV per share (pence)
Net assets attributable to owners of the Group	**1,812.1**	**757.9**	**239.1**	1,477.8	752.7	196.3
Adjustments:						
Effect of dilution on exercise of options[2]	**–**	**6.2**		–	6.7	
Effect of dilution on issue of contingently issuable shares[2]	**–**	**–**		–	1.8	
Effect of dilution on issue of matching nil cost options[2]	**–**	**4.3**		–	3.0	
Effect of dilution on issue of deferred shares[2]	**–**	**1.0**		–	0.4	
Diluted NAV	**1,812.1**	**769.4**	**235.5**	1,477.8	764.6	193.3
Fair value of derivative financial instruments	**14.1**			30.8		
Unrecognised surplus on trading property	**69.2**			37.5		
Deferred tax adjustments	**16.2**			6.9		
EPRA adjusted, diluted NAV	**1,911.6**	**769.4**	**248.5**	1,553.0	764.6	203.1
Fair value of derivative financial instruments	**(14.1)**			(30.8)		
Deferred tax adjustments	**(13.1)**			(5.1)		
EPRA adjusted, diluted NNNAV	**1,884.4**	**769.4**	**244.9**	1,517.1	764.6	198.4

1 The number of shares in issue at the prior year end has been adjusted by 0.4 million for shares held in Treasury.

2 Further information on these items can be found in note 41 Share-based payments.

18 PROPERTY PORTFOLIO

a) Investment and development property

Group	Property portfolio					Tenure	
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m	Freehold £m	Leasehold £m
At 1 January 2012	797.5	437.6	135.9	245.8	1,616.8	794.7	822.1
Reclassification	–	–	–	–	–	(0.5)	0.5
Additions from acquisitions	88.6	7.4	–	–	96.0	82.6	13.4
Additions from subsequent expenditure	6.7	21.3	10.2	2.2	40.4	17.6	22.8
Loss of control of former subsidiary	–	(60.8)	–	–	(60.8)	(59.2)	(1.6)
Disposals	(2.4)	(0.9)	–	(206.8)	(210.1)	(54.4)	(155.7)
Transfers to trading property	(20.2)	(60.8)	–	–	(81.0)	(59.1)	(21.9)
Gain on valuation[1]	50.7	126.6	0.4	7.2	184.9	33.7	151.2
At 31 December 2012	920.9	470.4	146.5	48.4	1,586.2	755.4	830.8
Additions from acquisitions	**17.9**	**38.3**	**–**	**–**	**56.2**	**39.7**	**16.5**
Additions from subsequent expenditure	**10.5**	**30.0**	**5.1**	**0.8**	**46.4**	**16.0**	**30.4**
Disposals	**–**	**–**	**–**	**(49.2)**	**(49.2)**	**–**	**(49.2)**
Control acquired of former joint venture	**–**	**121.7**	**–**	**–**	**121.7**	**121.7**	**–**
Transfers to trading property	**(20.8)**	**–**	**–**	**–**	**(20.8)**	**(20.8)**	**–**
Gain on valuation[1]	**179.9**	**121.2**	**9.5**	**–**	**310.6**	**138.6**	**172.0**
At 31 December 2013	**1,108.4**	**781.6**	**161.1**	**–**	**2,051.1**	**1,050.6**	**1,000.5**

b) Trading property

Group	Property portfolio					Tenure	
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m	Freehold £m	Leasehold £m
At 1 January 2012	–	–	–	0.2	0.2	0.2	–
Transfers from investment and development property[2]	20.2	67.1	–	–	87.3	65.4	21.9
Additions from acquisitions	–	2.4	–	–	2.4	2.4	–
Additions from subsequent expenditure	5.5	1.2	–	–	6.7	1.6	5.1
Disposals	(11.1)	–	–	(0.2)	(11.3)	(11.3)	–
Write down of trading property[3]	–	(0.9)	–	–	(0.9)	(0.9)	–
At 31 December 2012	14.6	69.8	–	–	84.4	57.4	27.0
Transfers from investment and development property	**20.8**	**–**	**–**	**–**	**20.8**	**20.8**	**–**
Acquisition by joint venture	**–**	**9.1**	**–**	**–**	**9.1**	**9.1**	**–**
Additions from subsequent expenditure	**11.6**	**6.5**	**–**	**–**	**18.1**	**15.9**	**2.2**
Disposals	**(15.5)**	**–**	**–**	**–**	**(15.5)**	**(3.5)**	**(12.0)**
Write down of trading property[3]	**(0.5)**	**(1.2)**	**–**	**–**	**(1.7)**	**(1.7)**	**–**
At 31 December 2013	**31.0**	**84.2**	**–**	**–**	**115.2**	**98.0**	**17.2**

18 PROPERTY PORTFOLIO CONTINUED

c) Market value reconciliation of total property

Group	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m
Carrying value of investment, development and trading property at 31 December 2012[4]	935.5	540.2	146.5	48.4	1,670.6
Adjustment in respect of head leases	(3.7)	–	–	(0.1)	(3.8)
Adjustment in respect of tenant incentives	17.1	–	–	–	17.1
Unrecognised revaluation surplus on trading property[5]	3.4	34.1	–	–	37.5
Market value of investment, development and trading property at 31 December 2012	952.3	574.3	146.5	48.3	1,721.4
Carrying value of investment, development and trading property at 31 December 2013[4]	**1,139.4**	**865.8**	**161.1**	**–**	**2,166.3**
Adjustment in respect of head leases	**(3.8)**	**–**	**–**	**–**	**(3.8)**
Adjustment in respect of tenant incentives	**19.7**	**–**	**–**	**–**	**19.7**
Unrecognised revaluation surplus on trading property[5]	**1.0**	**68.2**	**–**	**–**	**69.2**
Market value of investment, development and trading property at 31 December 2013	**1,156.3**	**934.0**	**161.1**	**–**	**2,251.4**

1 Gain on valuation recognised in the income statement within gain on revaluation and sale of investment and development property. This gain is unrealised and relates to assets held at the end of the year.

2 In respect of the transfer value of Earls Court Properties, further details are disclosed in note 7.

3 The value of trading property carried at net realisable value was £39.1 million at 31 December 2013 (2012: £1.8 million).

4 Included within investment and development property is £0.8 million (2012: £2.6 million) of interest capitalised during the year on developments in progress.

5 The unrecognised revaluation surplus on 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 consolidated financial statements.

At 31 December 2013, the Group was contractually committed to £105.9 million (2012: £21.4 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 35 for further information on capital commitments. The fair value of the Group's investment, development and trading property as at 31 December 2013 was determined by independent, appropriately qualified external valuers Jones Lang LaSalle for Earls Court Properties (excluding the Empress State Building) and Venues; and CB Richard Ellis for the remainder of the Group's investment, development and trading property. The valuations conform to the Royal Institution of Chartered Surveyors (RICS) Valuation Professional Standards. Fees paid to valuers are based on fixed price contracts.

Each year the Investment Director, on behalf of the Board, appoints the external valuers. The valuers are selected based upon their knowledge, independence and reputation for valuing assets such as those held by the Group.

Valuations are performed bi-annually and are performed consistently across all properties in the Group's portfolio. At each reporting date appropriately qualified employees of the Group verify all significant inputs and review computational outputs. Valuers submit and present summary reports to the Group's Audit Committee, with the Investment Director reporting to the Board on the outcome of each valuation round.

Valuations take into account tenure, lease terms and structural condition. The inputs underlying the valuations include market rent or business profitability, likely incentives offered to tenants, forecast growth rates, yields, EBITDA, discount rates, construction costs including any site specific costs (for example section 106), professional fees, planning fees, developer's profit including contingencies, planning and construction timelines, lease regear costs, planning risk and sales prices based on known market transactions for similar properties or properties similar to those contemplated for development are considered.

Valuations are based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider, on a property by property basis, its actual and potential uses which are physically, legally and financially viable. 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.

A number of the Group's properties have been valued on the basis of their development potential which differs from their existing use. Most notably, within Earls Court Properties the Group's interests at EC1 & EC2 have been valued on the basis of a mixed use, residential led scheme. The properties are currently used as exhibition venues, generating an income stream for the Group, while the process to achieve the change in use is being implemented. Within the Covent Garden segment, where appropriate, a number of properties have been valued on the basis of their development potential, principally for the conversion of existing use to residential use or for improving the configuration of retail units.

In respect of development valuations, the valuer ordinarily considers the gross development value of the completed scheme based upon assumptions of capital and rental values and yields of the properties which would be created through the implementation of the development. Deductions are then made for anticipated costs, including an allowance for developer's profit before arriving at a valuation. The valuer has applied this methodology to derive a residual land valuation of the Group's interests at EC1 & EC2 on the basis of a standalone development of these interests.

There are often restrictions on both freehold and leasehold property which could have a material impact on the realisation of these assets. The most significant of these occur when planning permission or lease extension and renegotiation of use are required (as is the case currently regarding the Empress State Building and EC1 & EC2 respectively) or when a credit facility is in place. These restrictions are factored into the property's valuation by the external valuer. Also see disclosures surrounding development risks on page 15.

18 PROPERTY PORTFOLIO CONTINUED

Non-financial assets carried at fair value, as is the case for investment, development and trading property held by the Group, are required to be analysed by level depending on the valuation method adopted. The different valuation levels are defined as:

Level 1: valuation based on quoted market prices traded in active markets.

Level 2: valuation based on inputs other than quoted prices included within Level 1 that maximise the use of observable data either directly or from market prices or indirectly derived from market prices.

Level 3: where one or more inputs to valuation are not based on observable market data.

All investment, development and trading properties held by the Group are classified as Level 3. When the degree of subjectivity or nature of the measurement inputs changes, consideration is given as to whether a transfer between fair value levels is deemed to have occurred. Unobservable data becoming observable market data would determine a transfer between Level 3 and Level 2. The following tables set out the valuation techniques used in the determination of fair values on a property by property basis, as well as the key unobservable inputs used in the valuation models.

Class of property Level 3	Market value 2013 £m	Valuation technique	Key unobservable inputs	Range (weighted average) 2013
Covent Garden	1,071.0	Income capitalisation	Estimated Rental Value per sq ft p.a.	£10 – £208 (£66)
			Equivalent Yield	2.6% – 6.3% (4.4%)
	85.3	Residual development method	Construction costs including site specific costs per sq ft	£206 – £696 (£444)
Earls Court Properties	30.0	Market comparison approach	Estimated Rental Value per sq ft p.a.	£10 – £102 (£29)
			Equivalent Yield	2.5% – 7.5% (5.0%)
	904.0	Residual development method	Construction costs including site specific costs per sq ft	£191 – £492 (£375)
Venues	161.1	Discounted cash flow approach	Discount rate	12.0%
At 31 December 2013	**2,251.4**			

The below table illustrates the impact of changes in key unobservable inputs on the market value of the Group's properties.

Sensitivity Analysis – Income capitalisation method and market comparison approach

	Estimated Rental Value	Equivalent Yield
Income capitalisation method and market comparison approach	**10% increase or decrease £m**	**25 basis point contraction or expansion £m**
Covent Garden	97.3/(92.0)	65.0/(58.0)
Earls Court Properties	3.1/(3.0)	1.7/(1.7)

The above inputs are interdependent. For example an increase in estimated rental value will lead to an expansion in equivalent yield, assuming other inputs remain unchanged.

Sensitivity Analysis – Residual development method

	Construction costs including site specific costs £m
Residual development method	**10% increase or decrease**
Covent Garden	(2.6)/2.5
Earls Court Properties	(115.2)/115.6

Sensitivity Analysis – Discounted cash flow approach

	Discount rate
Discounted cash flow approach	**10% increase or decrease £m**
Venues	(18.9)/23.8

19 PLANT AND EQUIPMENT

Group	2013 Cost £m	2013 Accumulated depreciation £m	2013 Net £m	2012 Cost £m	2012 Accumulated depreciation £m	2012 Net £m
At 1 January	**1.1**	**(0.1)**	**1.0**	1.7	(0.5)	1.2
Additions	**0.5**	**–**	**0.5**	0.5	–	0.5
Disposals	**(0.3)**	**–**	**(0.3)**	(1.1)	0.5	(0.6)
Charge for the year	**–**	**(0.3)**	**(0.3)**	–	(0.1)	(0.1)
At 31 December	**1.3**	**(0.4)**	**0.9**	1.1	(0.1)	1.0

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

There are no restrictions on the title of any plant and equipment, or any contractual commitments for the acquisition of further plant and equipment.

20 INVESTMENT IN GROUP COMPANIES

Company	2013 £m	2012 £m
At 1 January	**566.8**	446.5
Additions	**–**	120.3
Disposals	**(120.3)**	–
At 31 December	**446.5**	566.8

Investments in Group companies are carried at cost less impairment losses, if any. An impairment test is performed on an annual basis.

An impairment charge of £nil was recorded in the current year (2012: £nil).

During the year following a redemption, the Company disposed of preference shares it held in a subsidiary.

21 JOINT VENTURES

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

Joint ventures comprise the Lille Square Joint Venture ("LSJV") and The Great Capital Partnership ("GCP") which is disclosed as a discontinued operation. Refer to note 13 'Discontinued Operations' for further information and equivalent disclosures regarding GCP. Until May, The Empress State Limited Partnership ("ESLP") was also accounted for as a joint venture of the Group. Since that date following the acquisition of control, the partnership has been fully consolidated. Refer note 12 'Business Combinations' for further information regarding ESLP.

LSJV (formerly Seagrave Road LP) was established as a joint venture arrangement with our partner, the Kwok Family Interests, in August 2012. The joint venture was established to own, manage and develop land interests at Lillie Square. LSJV comprises Lillie Square LP, Lillie Square GP Limited and its subsidiaries. All major decisions regarding LSJV are taken by the Board of the general partner, through which the Group shares in strategic control.

The summarised income statement and balance sheet for LSJV is presented on the following page, illustrating the effect on the Group's share of the results and net assets.

21 JOINT VENTURES CONTINUED

LSJV	2013 £m	2012 £m
Summarised income statement		
Gross rental income	**0.2**	0.3
Net rental income	**0.2**	0.3
Gain on revaluation and sale of investment and development property	**(0.1)**	6.9
Write down of trading property	**(1.2)**	(0.9)
Debt waiver[1]	**–**	0.4
Administration expenses	**(1.0)**	(0.5)
Net finance costs[1]	**(7.5)**	(2.5)
(Loss)/profit for the year	**(9.6)**	3.7
Summarised balance sheet		
Investment and development property	**1.3**	0.6
Other non-current assets	**1.3**	–
Trading property	**83.6**	69.5
Other current assets	**2.0**	4.0
Partners' loans[1]	**(11.6)**	–
Current liabilities	**(13.4)**	(8.8)
Non-current liabilities – deep discount bonds[1]	**(69.5)**	(62.1)
Net (liabilities)/assets	**(6.3)**	3.2
Capital commitments	**1.9**	0.2

1 Eliminates on consolidation.

A summarised income statement for ESLP is presented below illustrating performance to the date control was acquired. No summarised balance sheet is included below as ESLP is fully consolidated at 31 December 2013. Refer to note 12 for disclosure of the net assets acquired.

ESLP	Period ended 30 May 2013 £m	Year ended 31 Dec 2012 £m
Summarised income statement		
Revenue	**3.1**	7.3
Net rental income	**3.1**	7.3
Gain on revaluation and sale of investment and development property	**7.0**	7.5
Net finance costs	**(0.5)**	(1.9)
Profit for the period	**9.6**	12.9

22 AVAILABLE-FOR-SALE INVESTMENTS

	Group 2013 £m	Group 2012 £m
Harvest China Real Estate Fund I	**0.4**	3.6
Available-for-sale investments	**0.4**	3.6

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

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

The total cost of the investment at 31 December 2013 was £0.2 million (2012: £1.9 million).

23 TRADE AND OTHER RECEIVABLES

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Non-current				
Loan notes receivable	**6.0**	4.0	**–**	–
Other receivables[1]	**18.6**	18.0	**–**	–
Prepayments and accrued income[2]	**20.7**	17.4	**–**	–
Trade and other receivables	**45.3**	39.4	**–**	–
Current				
Amounts owed by subsidiary undertakings	**–**	–	**515.6**	391.7
Rent receivable[3]	**5.8**	8.8	**–**	–
Other receivables	**2.7**	7.0	**–**	–
Prepayments and accrued income[2]	**11.8**	10.1	**0.1**	–
Trade and other receivables	**20.3**	25.9	**515.7**	391.7

1 Includes £15 million exclusivity payment with LBHF which forms part of the CLSA.

2 Included within prepayments and accrued income are tenant lease incentives of £19.7 million (2012: £17.1 million).

3 Includes exhibition trade receivables.

24 CASH AND CASH EQUIVALENTS

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Cash at hand	**22.0**	28.0	**0.5**	0.4
Cash on short-term deposit	**17.0**	150.5	**–**	–
Unrestricted cash and cash equivalents	**39.0**	178.5	**0.5**	0.4
Restricted cash	**6.0**	6.0	**–**	–
Cash and cash equivalents	**45.0**	184.5	**0.5**	0.4

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

25 TRADE AND OTHER PAYABLES

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Current				
Rent received in advance	**18.0**	17.2	**–**	–
Accruals and deferred income	**29.3**	27.4	**0.6**	0.4
Trade payables	**1.3**	1.1	**–**	–
Other payables[1]	**10.0**	12.6	**–**	–
Other taxes and social security	**2.8**	0.3	**–**	–
Trade and other payables	**61.4**	58.6	**0.6**	0.4

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

26 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative assets held for trading	Group 2013 £m	Group 2012 £m
Non-current		
Interest rate caps	**2.7**	0.4
Interest rate collars	**0.8**	0.1
Derivative financial instruments	**3.5**	0.5

Derivative liabilities held for trading		
Non-current		
Interest rate swaps	**(17.6)**	(29.3)
Derivative financial instruments	**(17.6)**	(29.3)
Current		
Interest rate swaps	**–**	(2.0)
Derivative financial instruments	**–**	(2.0)

27 BORROWINGS, INCLUDING FINANCE LEASES

	2013					
Group	**Carrying value £m**	**Secured £m**	**Unsecured £m**	**Fixed rate £m**	**Floating rate £m**	**Fair value £m**
Current						
Bank loans and overdrafts	**10.0**	**10.0**	**–**	**–**	**10.0**	**10.0**
Loan notes	**6.0**	**6.0**	**–**	**–**	**6.0**	**6.0**
Borrowings, excluding finance leases	**16.0**	**16.0**	**–**	**–**	**16.0**	**16.0**
Finance lease obligations	**0.5**	**0.5**	**–**	**0.5**	**–**	**0.5**
Borrowings, including finance leases	**16.5**	**16.5**	**–**	**0.5**	**16.0**	**16.5**
Non-current						
Bank loan 2016	**155.6**	**155.6**	**–**	**–**	**155.6**	**155.6**
Bank loan 2017	**111.7**	**111.7**	**–**	**–**	**111.7**	**111.7**
Bank loan 2018	**87.1**	**87.1**	**–**	**–**	**87.1**	**87.1**
Borrowings, excluding finance leases	**354.4**	**354.4**	**–**	**–**	**354.4**	**354.4**
Finance lease obligations	**3.3**	**3.3**	**–**	**3.3**	**–**	**3.3**
Borrowings, including finance leases	**357.7**	**357.7**	**–**	**3.3**	**354.4**	**357.7**
Total borrowings, including finance leases	**374.2**	**374.2**	**–**	**3.8**	**370.4**	**374.2**
Cash and cash equivalents	**(45.0)**					
Net debt	**329.2**					

	2012					
Group	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
Borrowings, including finance leases	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
Borrowings, including finance leases	269.6	269.6	–	3.3	266.3	269.6
Total borrowings, including finance leases	348.0	348.0	–	3.8	344.2	348.0
Cash and cash equivalents	(184.5)					
Net debt	163.5					

27 BORROWINGS, INCLUDING FINANCE LEASES CONTINUED

Analysis of movement in net debt for the year ended 31 December 2013	**Cash and cash equivalents £m**	**Current borrowings £m**	**Non-current borrowings £m**	**Net debt £m**
Balance at 1 January 2013	**184.5**	**(78.4)**	**(269.6)**	**(163.5)**
Borrowings repaid	**(178.4)**	**158.4**	**20.0**	**–**
Borrowings drawn	**138.5**	**(20.0)**	**(118.5)**	**–**
Other net cash movements	**(99.6)**	**–**	**–**	**(99.6)**
Other non-cash movements	**–**	**(76.5)**	**10.4**	**(66.1)**
Balance at 31 December 2013	**45.0**	**(16.5)**	**(357.7)**	**(329.2)**

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

The market value of investment and development property secured as collateral against borrowings is £1,339.6 million (2012: £1,036.2 million).

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

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

	Group 2013 £m	Group 2012 £m
Wholly repayable within one year	**16.0**	77.9
Wholly repayable in more than one year but not more than two years	**11.0**	–
Wholly repayable in more than two years but not more than five years	**343.4**	266.3
Wholly repayable in more than five years	**–**	–
	370.4	344.2

Certain borrowing agreements contain financial and other conditions that, if contravened, could alter the repayment profile.

28 FINANCE LEASE OBLIGATIONS

	Group 2013 £m	Group 2012 £m
(a) Minimum lease payments under finance leases fall due		
Not later than one year	**0.5**	0.5
Later than one year and not later than five years	**1.9**	1.9
Later than five years	**12.0**	12.1
	14.4	14.5
Future finance charges on finance leases	**(10.6)**	(10.7)
Present value of finance lease liabilities	**3.8**	3.8
(b) Present value of minimum finance lease obligations		
Not later than one year	**0.5**	0.5
Later than one year and not later than five years	**1.5**	1.6
Later than five years	**1.8**	1.7
	3.8	3.8

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

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

29 OPERATING LEASES

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

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

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

	Group 2013 £m	Group 2012 £m
Not later than one year	**54.3**	56.1
Later than one year and not later than five years	**174.9**	175.1
Later than five years	**128.3**	151.8
	357.5	383.0

The consolidated income statement includes £0.3 million (2012: £0.1 million) recognised in respect of expected increased rent resulting from outstanding reviews where the actual rent will only be determined on settlement of the rent review.

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

	Group 2013 £m	Group 2012 £m
Not later than one year	**0.5**	0.5
Later than one year and not later than five years	**0.2**	0.7
	0.7	1.2

30 FINANCIAL RISK MANAGEMENT

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

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

Market risk

(a) Interest rate risk

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

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

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

Bank debt is typically at floating rates linked to LIBOR.

It is Group policy, and often a requirement of our lenders, to eliminate substantially all short and medium-term exposure to interest rate fluctuations in order to establish certainty over medium-term cash flows by using fixed interest rate derivatives. Swaps have the economic effect of converting borrowings from floating to fixed rates. Interest rate collars protect the Group by capping the maximum interest rate paid at the collar's ceiling but sacrifices the profitability of interest rate falls below a certain floor. Interest rate swaptions provide the Group with the right but not the obligation to enter into an interest rate swap on a specific future date at a set rate.

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

	Fixed 2013 £m	**Floating 2013 £m**	Fixed 2012 £m	Floating 2012 £m
Borrowings	**3.8**	**370.4**	3.8	344.2
Derivative impact (nominal value of derivative contracts)	**370.4**	**(370.4)**	344.2	(344.2)
Borrowings profile net of derivative impact	**374.2**	**–**	348.0	–
Interest rate protection		**100%**		100.0%

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

The weighted average rate of interest rate swaps currently effective is 3.2 per cent (2012: 3.6 per cent).

30 FINANCIAL RISK MANAGEMENT CONTINUED

The approximate impact of a 50 basis point shift upwards in the level of interest rates would have a positive impact on the movement in fair value of derivative financial instruments recognised in the consolidated income statement of £6.2 million (2012: £9.8 million). The approximate impact of a 50 basis point shift downwards in the level of interest rates would have a negative impact on the movement in fair value of derivative financial instruments recognised in the consolidated income statement of £6.2 million (2012: £9.8 million). In practice, a parallel shift in the yield curve is highly unlikely. However, the sensitivity analysis above is a reasonable illustration of the possible effect from the changes in slope and shifts in the yield curve that may actually occur and represents management's assessment of possible changes in interest rates. Because the fixed rate derivative financial instruments are matched by short-term floating rate debt, such a movement would have a very limited effect on Group cash flow overall.

(b) Foreign exchange risk

The Group does not have significant foreign exchange exposure.

(c) Market price risk

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

A one per cent increase in the valuation of investment and development property would increase the valuation of investment and development property in the consolidated income statement by £20.5 million. A one per cent decrease in the valuation of investment and development property would decrease the gain on revaluation of investment and development property in the consolidated income statement by £20.5 million.

Liquidity risk

Liquidity risk is managed to ensure that the Group is able to meet future payment obligations when financial liabilities fall due.

Liquidity analysis is intended to provide sufficient headroom to meet the Group's operational requirements and investment commitments.

The Group's treasury policy also includes maintaining adequate cash, as well as maintaining adequate committed facilities.

A key factor in ensuring existing facilities remain available to the Group is the borrowing entity's ability to meet the relevant facility's financial covenants. The Group has a process to monitor regularly both current and projected compliance with the financial covenants.

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

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

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

	2013									
	1 yr		**Less than 1-2 yrs**		**Between 2-5 yrs**		**Over 5 yrs**		**Totals**	
Group	**Interest £m**	**Principal £m**	**Interest £m**	**Principal £m**	**Interest £m**	**Principal £m**	**Interest £m**	**Principal £m**	**Interest £m**	**Principal £m**
Asset-specific secured borrowings	**8.0**	**10.0**	**9.5**	**11.0**	**22.7**	**347.7**	**–**	**–**	**40.2**	**368.7**
Other secured borrowings	**–**	**6.0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6.0**
Finance lease obligations	**–**	**0.5**	**–**	**0.4**	**–**	**1.1**	**–**	**1.8**	**–**	**3.8**
Other payables	**–**	**11.3**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11.3**
Interest rate derivatives payable[1]	**8.4**	**–**	**8.4**	**–**	**14.6**	**–**	**–**	**–**	**31.4**	**–**
Interest rate derivatives receivable[1]	**(1.6)**	**–**	**(3.0)**	**–**	**(9.5)**	**–**	**–**	**–**	**(14.1)**	**–**
	14.8	**27.8**	**14.9**	**11.4**	**27.8**	**348.8**	**–**	**1.8**	**57.5**	**389.8**

1 Includes continuing and discontinued operations.

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

1 Includes continuing and discontinued operations.

Contractual maturities reflect the expected maturities of financial instruments.

30 FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk

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

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

Prospective tenants are assessed through an internally conducted review process, by obtaining credit ratings and reviewing financial information. As a result, deposits or guarantees may be obtained. The amount of deposits held as collateral at 31 December 2013 is £4.2 million (2012: £3.1 million).

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

In relation to the Group's exhibition income, receivables greater than 90 days are provided for in full. Additionally, specific provisions are made for trade receivables less than 90 days where active credit control highlights recoverability concerns. The amounts of trade receivables presented in the balance sheet are net of allowances for doubtful receivables.

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

	Group 2013 £m	Group 2012 £m
Up to 90 days	**5.5**	8.4
Over 90 days	**0.3**	0.4
Trade receivables	**5.8**	8.8

In 2013 there was an impairment write back on trade receivables of £0.1 million (2012: £0.1 million). This is considered to be an immaterial amount and within budgeted levels given current economic conditions.

Also included within receivables are £6.0 million (2012: £4.0 million) of loan notes. All loan notes have been reviewed for potential impairment and the carrying values at year end are deemed to be recoverable.

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

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

Counterparty	**Credit rating**	**Authorised limit**	**Group 2013 £m**	Credit rating	Authorised limit	Group 2012 £m
Bank #1	**AAA**	**75.0**	**–**	AAA	150.0	40.0
Bank #2	**A+**	**75.0**	**29.1**	A+	75.0	56.8
Bank #3	**A-**	**50.0**	**6.7**	A-	50.0	42.6
Bank #4	**A-**	**50.0**	**4.6**	A-	50.0	13.0
Bank #5	**BBB+**	**50.0**	**4.6**	A	50.0	20.0
Sum of five largest exposures			**45.0**			172.4
Sum of cash, cash equivalents and derivative financial assets			**48.5**			185.0
Five largest exposures as a percentage of total amount at risk			**93%**			93%

30 FINANCIAL RISK MANAGEMENT CONTINUED

Classification of financial assets and liabilities

The tables below set out the Group's classification of each class of financial assets and liabilities, and their fair values at 31 December 2013 and 31 December 2012.

2013	**Carrying value £m**	**Fair value £m**	**Gain to income statement £m[1]**	**Loss to other comprehensive income £m**
Derivative financial assets	**3.5**	**3.5**	**0.8**	**–**
Total held for trading assets	**3.5**	**3.5**	**0.8**	**–**
Cash and cash equivalents	**45.0**	**45.0**	**–**	**–**
Other financial assets	**66.4**	**66.4**	**2.0**	**–**
Total cash and other financial assets	**111.4**	**111.4**	**2.0**	**–**
Available-for-sale investments	**0.4**	**0.4**	**–**	**(0.7)**
Total available-for-sale investments	**0.4**	**0.4**	**–**	**(0.7)**
Derivative financial liabilities	**(17.6)**	**(17.6)**	**15.6**	**–**
Total held for trading liabilities	**(17.6)**	**(17.6)**	**15.6**	**–**
Borrowings, including finance leases	**(374.2)**	**(374.2)**	**–**	**–**
Other financial liabilities	**(68.7)**	**(68.7)**	**–**	**–**
Total loans and other financial liabilities	**(442.9)**	**(442.9)**	**–**	**–**

2012	Carrying value £m	Fair value £m	(Loss)/gain to income statement £m[1]	Gain to other comprehensive income £m
Derivative financial assets	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	0.6	–
Total cash and other financial assets	249.8	249.8	0.6	–
Available-for-sale investments	3.6	3.6	–	–
Total available-for-sale investments	3.6	3.6	–	–
Derivative financial liabilities	(31.3)	(31.3)	2.8	–
Total held for trading liabilities	(31.3)	(31.3)	2.8	–
Borrowings, including finance leases	(348.0)	(348.0)	–	–
Other financial liabilities	(68.4)	(68.4)	–	–
Total loans and other financial liabilities	(416.4)	(416.4)	–	–

1 Includes continuing and discontinued operations.

Capital structure

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

The key ratios used to monitor the capital structure of the Group are the debt to assets ratio and the interest cover ratio. The Group aims not to exceed an underlying debt to asset ratio of more than 40 per cent and to maintain interest cover above 125 per cent. These are discussed in the financial review on pages 36 to 41.

Debt to assets ratio	**Group 2013 £m**	Group 2012 £m
Investment and development property	**2,051.1**	1,586.2
Trading property	**115.2**	84.4
	2,166.3	1,670.6
Net external debt	**(329.2)**	(163.5)
	15%	10%

The maximum debt to assets ratio for the year was 16 per cent and occurred on 30 September 2013.

30 FINANCIAL RISK MANAGEMENT CONTINUED

Interest cover	Group 2013 £m	Group 2012 £m
Finance costs from continuing and discontinued operations	**(22.0)**	(23.6)
Finance income from continuing and discontinued operations	**1.1**	0.8
	(20.9)	(22.8)
Underlying operating profit	**31.0**	39.2
	148%	172%

The minimum interest coverage ratio for the year was 172 per cent and occurred on 1 January 2013.

Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels are defined as follows:

Level 1: valuation based on quoted market prices traded in active markets.

Level 2: valuation based on inputs other than quoted prices included within Level 1 that maximise the use of observable data either directly from market prices or indirectly derived from market prices.

Level 3: where one or more inputs to valuation are not based on observable market data. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models. Such testing has not indicated that any material difference would arise due to a change in input variables.

When the degree of subjectivity or nature of the measurement inputs change, consideration is given as to whether a transfer between fair value levels is deemed to have occurred.

The table below presents the Group's assets and liabilities recognised at fair value at 31 December 2013.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial assets				
Held for trading	**–**	**3.5**	**–**	**3.5**
Investments				
Total available-for-sale investments	**–**	**–**	**0.4**	**0.4**
Total assets	**–**	**3.5**	**0.4**	**3.9**
Derivative financial liabilities				
Held for trading	**–**	**(17.6)**	**–**	**(17.6)**
Total liabilities	**–**	**(17.6)**	**–**	**(17.6)**

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

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial assets				
Held for trading	–	0.5	–	0.5
Investments				
Total available-for-sale investments	–	–	3.6	3.6
Total assets	–	0.5	3.6	4.1
Derivative financial liabilities				
Held for trading	–	(31.3)	–	(31.3)
Total liabilities	–	(31.3)	–	(31.3)

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.

30 FINANCIAL RISK MANAGEMENT CONTINUED

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

	Group 2013 £m	Group 2012 £m
At 1 January	**3.6**	19.5
Disposals[1]	**(2.5)**	(15.9)
Unrealised losses[2]	**(0.7)**	–
At 31 December	**0.4**	3.6

1 Profit on sale is recognised in the consolidated income statement.

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

All of the Group's Level 3 financial instruments are unlisted equity investments. The valuation of the available-for-sale investment is based on expected cash distributions to be received from China Harvest Fund 1 with reference to the market value of the underlying assets held.

31 DEFERRED TAX PROVISION

The decreases in corporation tax rate referred to in Note 14 have been substantively enacted for the purposes of IAS 12 'Income Taxes' and therefore have been reflected in these consolidated financial statements based on the expected timing of the realisation of deferred tax. Deferred tax on investment and development property is calculated under IAS 12 provisions on a disposals basis by reference to the properties' original tax base cost. Elements factored into the calculation include 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 recognised deferred tax liability on investment and development property as calculated under IAS 12 is £3.1 million as at 31 December 2013 (2012: £1.8 million). The Group's contingent tax liability which is calculated on the same basis as the IAS 12 liability above is £nil (2012: £nil) after allowing for loss relief.

A disposal of the Group's trading property at their market value as per note 18 would result in a corporation tax charge to the Group of £16.1 million (23.3 per cent of £69.2 million).

Group	Accelerated capital allowances £m	Fair value of investment & development properties £m	Fair value of derivative financial instruments £m	Other temporary differences £m	Group losses £m	Total £m
Provided deferred tax liabilities/(assets):						
At 1 January 2012	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)	–
Adjustments in respect of previous years	**2.2**	**–**	**–**	**–**	**–**	**2.2**
Recognised in income	**0.7**	**1.8**	**6.2**	**0.5**	**0.5**	**9.7**
Recognised in other comprehensive income	**–**	**–**	**–**	**0.5**	**–**	**0.5**
Recognised directly in equity	**–**	**–**	**–**	**(0.9)**	**–**	**(0.9)**
Reduction due to rate change	**(1.2)**	**(0.5)**	**0.1**	**–**	**–**	**(1.6)**
At 31 December 2013	**12.9**	**3.1**	**0.2**	**(4.0)**	**(2.3)**	**9.9**
Unprovided deferred tax asset:						
At 1 January 2013	–	–	(2.2)	–	(10.3)	(12.5)
Movement in the year	**–**	**–**	**(3.1)**	**–**	**(2.6)**	**(5.7)**
Reduction due to rate change	**–**	**–**	**0.7**	**–**	**1.4**	**2.1**
At 31 December 2013	**–**	**–**	**(4.6)**	**–**	**(11.5)**	**(16.1)**

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

32 OTHER PROVISIONS

Group	£m
Current	
At 1 January 2012 and 2013	7.3
Re-measurement of deferred consideration	(0.1)
At 31 December 2013	**7.2**

Other provisions represent deferred consideration relating to the amount payable on the 2009 acquisition of the non-controlling interest in EC Properties Limited. 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.

33 SHARE CAPITAL AND SHARE PREMIUM

Group and Company

Issue type	Transaction date	Issue Price (pence)	Proceeds £m	Number of shares	Share Capital £m	Share Premium £m
At 1 January 2012				683,928,502	170.9	95.1
Scrip dividend – 2011 final	June	198	–	541,709	0.2	0.9
Scrip dividend – 2012 interim	Sept	217	–	257,592	0.1	(0.1)
Placing	Sept	218	149.1	68,400,000	17.1	21.8
At 31 December 2012				753,127,803	188.3	117.7
Scrip dividend – 2012 final	June	318	–	1,130,749	0.2	3.4
Scrip dividend – 2013 interim	Sept	341	–	239,751	0.1	(0.1)
Share-based payment[1]		–	–	3,404,855	0.9	–
At 31 December 2013				**757,903,158**	**189.5**	**121.0**

1 Between July and December 2013 a total of 3,404,855 new shares were issued at the nominal share price of 25 pence to satisfy the settlement of employee share scheme awards.

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 Annual Report & 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 residual assets on liquidation. There are no restrictions on the transfer of ordinary shares.

At 25 February 2014, the Company had an unexpired authority to repurchase shares up to a maximum of 76,269,635 shares with a nominal value of £18.8 million, and the Directors had an unexpired authority to allot up to a maximum of 500,165,021 shares with a nominal value of £125.0 million of which 249,277,385 with a nominal value of £62.4 million can only be allotted pursuant to a fully pre-emptive rights issue.

34 TREASURY SHARES

Group and Company	Number of shares	Treasury shares £m
Ordinary shares of 25 pence:		
At 1 January 2012	–	–
Shares purchased	431,450	1.0
At 31 December 2012	431,450	1.0
Disposal of shares	**(431,450)**	**(1.0)**
At 31 December 2013	**–**	**–**

Treasury shares were acquired as a result of the odd-lot offer launched in November 2012 and completed in December 2012. Treasury shares were used to satisfy part of the employee share awards that were exercised during the year.

35 CAPITAL COMMITMENTS

At 31 December 2013, the Group was contractually committed to £105.9 million (2012: £21.4 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Of the £105.9 million committed, £29.5 million is committed 2014 expenditure. The Group's share of joint venture commitments included within this amount was £1.9 million (2012: £0.2 million).

In November the Group exercised its option under the CLSA which it entered into with LBHF in January 2013 in relation to LBHF's land interest within the Earls Court Masterplan. Under the terms of the CLSA, the Group can draw down land in phases but no phase can be transferred unless replacement homes for the residents of the relevant phase have been provided and vacant possession is given of the phase. The Group has already paid £30 million of the £105 million cash consideration payable under the CLSA. Independent of the land draw down process, exercising the option commits the Group to the payment of the residual £75 million which is yet to be paid. This is expected to be settled in five annual instalments of £15 million starting on 31 December 2015.

36 CONTINGENT LIABILITIES

Under the terms of the CLSA the Group has certain compensation obligations relating to achieving vacant possession, which are subject to an overall cap of £55 million. Should any payments be made in respect of these obligations, they will be deducted from the total consideration payable to LBHF (see note 35 'Capital Commitments' above).

In March, an agreement with Network Rail was signed to acquire a 999 year leasehold interest in the air rights above the West London Line where it runs within the ECOA. Within the terms of the agreement, during the next 50 years the Group can exercise options for further 999 year leases over the remainder of the West London Line to allow for development within the Earls Court Masterplan. Network Rail is entitled to further payments of 5.55 per cent of the residual land value which will be payable at the time of development or disposal of each phase of the Earls Court Masterplan. In addition, the Group has certain obligations to Network Rail to make contributions to a sinking fund in respect of the maintenance of the existing platform above the West London Line which would be triggered by any future demolition of the Earls Court exhibition halls.

As at 31 December 2012 the Group had no contingent liabilities.

37 CASH GENERATED FROM OPERATIONS

Continuing operations	Notes	Group 2013 £m	Re-presented Group 2012 £m	Company 2013 £m	Company 2012 £m
Profit before tax attributable to owners of the Parent		**346.2**	218.7	**6.8**	5.0
Adjustments for:					
Profit on sale of trading property	3	**(10.4)**	(6.1)	**–**	–
Non-recurring income	3	**(0.2)**	–	**–**	–
Gain on revaluation of investment and development property	4	**(310.6)**	(177.7)	**–**	–
Gain on sale of investment and development property	4	**–**	(0.6)	**–**	–
Gain on loss of control and appropriation to trading property	4	**–**	(12.6)	**–**	–
Other exceptional charges		**0.5**	–	**–**	–
Profit on sale of available-for-sale investments	5	**(0.9)**	(10.0)	**–**	–
Profit on sale of subsidiaries	6	**–**	(1.7)	**–**	–
Loss of control of former subsidiary	7	**–**	1.0	**–**	–
Write down of trading property		**1.7**	0.9	**–**	–
Write back of impairment of other receivables	8	**(2.0)**	(0.6)	**–**	–
Depreciation	19	**0.3**	0.1	**–**	–
Amortisation of lease incentives and other direct costs		**2.4**	1.7	**–**	0.6
Share-based payment		**3.7**	–	**–**	–
Finance costs	11	**22.0**	20.9	**–**	–
Finance income		**(1.1)**	(0.8)	**–**	–
Other finance costs	11	**0.2**	2.0	**(5.7)**	(5.6)
Preference share dividend		**–**	–	**(2.1)**	–
Change in fair value of derivative financial instruments		**(16.4)**	0.3	**–**	–
Change in working capital:					
Change in trade and other receivables		**(1.8)**	(3.1)	**8.0**	(20.3)
Change in trade and other payables		**(1.2)**	(3.6)	**–**	–
Cash generated from operations		**32.4**	28.8	**7.0**	(20.3)

38 PRINCIPAL SUBSIDIARIES

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

Company and principal activity	Class of share capital	% held
Capital & Counties Limited (holding Company) and its subsidiary undertakings:	Ordinary shares of 25p each	100
EC Properties GP Limited acting as General Partner of EC Properties LP (property)	Ordinary shares of £1 each	100
Empress State GP Limited acting as General Partner of The Empress State Limited Partnership (property)	Ordinary shares of £1 each	100
C&C Properties UK Limited (holding Company)	Ordinary shares of £1 each	100
Capco Covent Garden Limited (holding Company) and its subsidiary undertakings:	Ordinary shares of £1 each	100
Capital & Counties CG Limited acting as General Partner of Capital & Counties CGP (property)	Ordinary shares of £1 each	100
Capital & Counties CG 9 Limited acting as General Partner of Capital & Counties CGP 9 (property) and its principal subsidiary undertaking:	Ordinary shares of £1 each	100
34 Henrietta Street Limited (property)	Ordinary shares of £1 each	100
Capco CG 2010 Limited acting as General Partner of Capco CGP 2010 LP (property) and its principal subsidiary undertaking:	Ordinary shares of £1 each	100
20 The Piazza Limited (property)	Ordinary shares of £1 each	100
Capco CG 2012 Limited acting as General Partner of Capco CGP 2012 LP (property)	Ordinary shares of £1 each	100
Capvestco Limited (property and financing) (Jersey) and its principal subsidiary undertaking:	Ordinary shares of £1 each	100
Capvestco China Limited (investments) (Jersey)	Ordinary shares of £1 each	100
EC Properties Limited* (holding Company) and its principal subsidiary undertaking:	"A" Ordinary shares of £0.01 each	100
	"B" Ordinary shares of £0.01 each	100
Earls Court & Olympia Group Limited* (financing) and its principal subsidiary undertaking:	Ordinary shares of £1 each	100
Earls Court and Olympia Limited (venues) and its principal subsidiary undertakings:	Ordinary shares of £1 each	100
Earls Court Limited (venues)	Ordinary shares of £1 each	100
Olympia Limited (venues)	Ordinary shares of £1 each	100
Capital & Counties Asset Management Limited (investment management)	Ordinary shares of £1 each	100
C&C Management Services Limited (services)	Ordinary shares of £1 each	100
Capco Group Treasury Limited (treasury management)	Ordinary shares of £1 each	100

* Shareholdings held by intermediate subsidiary undertakings.

The companies listed above are those subsidiaries whose results or financial position, in the opinion of the Directors, principally affected the figures in the Group's financial statements.

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

39 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group.

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

Subsidiary	Nature of transaction	2013 £m	2012 £m
Colligo (Jersey) Limited	Acquisition and subsequent redemption of preference shares	**(120.3)**	120.3
Colligo (Jersey) Limited	Preference share dividend	**2.1**	–
Capco Group Treasury Limited	Intercompany loan following placing	**–**	24.7
Capco Group Treasury Limited	Interest	**5.8**	5.6

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

	Amounts owed by subsidiaries		Amounts owed to subsidiaries	
Subsidiary	2013 £m	2012 £m	2013 £m	2012 £m
Capco Group Treasury Limited	**515.6**	391.7	**–**	–

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

39 RELATED PARTY TRANSACTIONS CONTINUED

Key management compensation[1]	2013 £m	2012 £m
Salaries and short-term employee benefits	**3.1**	2.9
Share-based payment	**4.0**	2.3
	7.1	5.2

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

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

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

40 DIRECTORS' EMOLUMENTS

The details of individual Directors remuneration and pension benefits as set out in the tables contained in the Directors' remuneration report on pages 62 to 81 form part of these financial statements.

41 SHARE-BASED PAYMENTS

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

Reconciliations of movements in incentive schemes are given in the tables on pages 124 to 126.

1. Performance Share Plan

Market value and nil cost options to subscribe for ordinary shares and conditional awards of free shares may be awarded under the Capital & Counties Properties PLC Performance Share Plan ("PSP").

Exercise is subject to appropriately challenging performance conditions determined by the Remuneration Committee at the time of grant.

All awards are subject to performance conditions relating to:

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

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

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

TR is the growth in the adjusted, diluted net asset value per ordinary share plus dividends per ordinary share paid during the TR performance period. In calculating TR for a company which is not a REIT, any provision for contingent capital gains tax will be added back.

TSR is the increase in the price of an ordinary share plus the value of any dividends paid during the TSR performance period re-invested in ordinary shares.

Full details of the performance criteria and vesting outcomes are set out on pages 65, 74 and 75.

In order for any awards to vest, the Committee must satisfy itself that TR and TSR performance figures are a genuine reflection of underlying financial performance and may exercise discretion when determining the proportion of an award that will vest.

41 SHARE-BASED PAYMENTS CONTINUED

1. Performance Share Plan (continued)

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

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

In 2011 a schedule to the PSP was approved by HMRC as a CSOP scheme; therefore the Company may make a proportion of awards as approved options.

Share options outstanding at 31 December 2013 were exercisable between nil pence and 268.1 pence and have a weighted average remaining contractual life of eight years and are exercisable between 2014 and 2023.

The total expense recognised in the income statement in respect of share options for the year ended 31 December 2013 was £1.7 million (2012: £1.8 million).

(i) Market Value Option Awards

	2013		2012	
	Number of Options	**Weighted Average Exercise Price (pence)**	Number of Options	Weighted Average Exercise Price (pence)
Outstanding at 1 January	**9,140,963**	**117.55**	9,177,745	117.71
Awarded during the year	**11,189**	**268.10**	–	
Forfeited during the year	**(205,275)**	**157.73**	(36,782)	157.73
Exercised during the year	**(3,706,968)**	**105.96**	–	
Outstanding at 31 December	**5,239,909**	**124.62**	9,140,963	117.55
Exercisable at 31 December	**3,395,981**		–	

The weighted average share price at the date of exercise was 339.7 pence.

(ii) Nil Cost Option Awards

	Number of nil cost options	
	2013	2012
Outstanding at 1 January	**1,969,670**	1,065,109
Awarded during the year	**966,056**	904,561
Forfeited during the year	**–**	–
Exercised during the year	**–**	–
Outstanding at 31 December	**2,935,726**	1,969,670
Exercisable at 31 December	**–**	–

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

Year of Option Award	**2013**	2012	2011	2010
Average share price	**3.08**	2.08	1.72	1.27
Exercise price	**–**	–	0 – 176.33	103.87 – 124.4
Expected option life	**3 years**	5 years	4 – 5 years	5 years
Risk-free rate	**0.24%**	0.37%	0.34 – 2.49%	0.81 – 2.29%
Expected volatility	**21.7%**	27%	27 – 30%	35%
Expected dividend yield*	**0.5%**	0.8%	0.9 – 1.1%	1.1%
Value per option	**23 – 134p**	85p	21 – 75p	13 – 19p

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

41 SHARE-BASED PAYMENTS CONTINUED

(iii) Deferred Share Awards

	2013	2012
Outstanding at 1 January	**549,570**	–
Awarded during the year	**589,117**	560,582
Forfeited during the year	**(93,493)**	(11,012)
Vested during the year	**(7,572)**	–
Outstanding at 31 December	**1,037,622**	549,570

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

The total expense recognised in the income statement in respect of deferred shares awarded under the PSP was £0.4 million (2012: £0.1 million).

2. Matching Share Plan

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

The release of deferred share awards is not dependent on the achievement of any further performance conditions other than that participants remain employed by the Group for a specified time, typically three years, from the date of the award. Awards of nil cost options were made in both the current and comparative periods. The fair value of share awards will be determined by the market price of the shares at the grant date. The average share price during the year was 308 pence (2012: 208 pence).

(i) Deferred Shares – Nil Cost Options

	Number of nil cost options	
	2013	2012
Outstanding at 1 January	**977,536**	525,256
Awarded during the year	**319,142**	452,280
Forfeited during the year	**–**	–
Exercised during the year	**–**	–
Outstanding at 31 December	**1,296,678**	977,536
Exercisable at 31 December	**–**	–

Under the Matching Share Plan, awards, which may be awarded as nil cost options, may also be made in respect of certain shares purchased by Directors or in respect of awards of the deferred shares or nil cost options described above made under the Company's annual bonus scheme. The matching share award comprises the same number of shares as are purchased or deferred. In exceptional circumstances the matching awards may comprise or be increased to 200 per cent of the number of shares purchased or deferred.

Vesting of matching shares and matching nil cost options is subject to appropriately challenging performance conditions. Vesting of matching shares will occur on the later of the third anniversary of grant and the date on which the performance outcome is finally determined. The matching nil cost options have a vesting period of three years and a maximum contractual life of ten years. Full details of the performance criteria and vesting outcomes are set out on pages 65, 74 and 75.

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

(ii) Matched Share Awards

	2013	2012
Outstanding at 1 January	**1,251,984**	1,251,984
Awarded during the year	**–**	–
Forfeited during the year	**–**	–
Vested during the year	**(1,251,984)**	–
Outstanding at 31 December	**–**	1,251,984

41 SHARE-BASED PAYMENTS CONTINUED

(iii) Matched nil cost options

	2013	2012
Outstanding at 1 January	**2,004,996**	1,352,468
Awarded during the year	**959,362**	652,528
Forfeited during the year	**–**	–
Exercised during the year	**–**	–
Outstanding at 31 December	**2,964,358**	2,004,996
Exercisable at 31 December	**–**	–

The total expense recognised in the income statement in respect to the MSP was £2.5 million (2012: £0.9 million).

The Chairman does not participate in the PSP or MSP, however for any shares purchased within 12 months of the establishment of Capco in May 2010 up to a value of 150 per cent of his base fee, the Company made a 1:1 matching award of deferred shares on a gross of tax basis. The Chairman invested more than 150 per cent of his base fee in the Company's shares during 2010, and accordingly an award of 529,536 deferred shares was made to him on 1 September 2010. The Chairman's matching share award carried no performance conditions but was subject to him remaining in office for three years and retaining ownership of the invested shares. The shares vested in full on 10 May 2013. The total expense recognised in the income statement in respect of the Chairman's award was £0.1 million (2012: £0.2 million). The share price at the date of vesting was 327.9 pence.

42 PENSIONS

(a) Current pension arrangements

Earls Court & Olympia group ("EC&O") has a hybrid pension scheme comprising an ongoing money purchase section and a final salary section which closed to new members in 2006, and closed to future benefit accrual on 31 December 2011. The final salary section is a funded defined benefit scheme ("the Scheme") which is contracted out of State Second Pension.

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

The Scheme exposes the Group to a number of risks:

1. Investment risk – the Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide positive real returns over the long-term the short-term volatility can cause additional funding to be required if deficit emerges.
2. Interest rate risk – the Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities the value of the assets and liabilities may not move in the same way.
3. Inflation risk – a significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
4. Mortality risk – in the event that members live longer than assumed a deficit will emerge in the Scheme.

(b) Pension costs

(i) Defined benefit scheme

Amounts are recognised in the income statement in respect of the Scheme:

Amounts recognised in respect of the Scheme	Included in income statement within:	2013 £m	2012 £m
Interest cost on pension obligation	Finance costs	**0.7**	0.6
Interest income on the Scheme assets	Finance costs	**(0.7)**	(0.9)
Net interest expense/(income)		**–**	(0.3)

Amounts recognised in the statement of other comprehensive income	2013 £m	2012 £m
Actuarial (gain)/loss on defined benefit scheme	**(1.2)**	1.7
Cumulative actuarial loss on defined benefit scheme	**4.0**	5.2

Whilst the actuarial gains or losses in respect of the Scheme are dealt with in the statement of other comprehensive income, the net interest income or expense on the Scheme's opening plan assets and scheme obligation is included in the Group's net finance costs.

For the year ended 31 December 2013 this amounts to a charge of £nil (2012: credit £0.3 million).

Amounts recognised in the consolidated balance sheet	2013 £m	2012 £m
Fair value of Scheme assets	**19.0**	16.7
Present value of Scheme liabilities	**(18.2)**	(17.1)
Pension asset/(liability)	**0.8**	(0.4)
Related deferred tax asset	**–**	1.3
Net pension asset	**0.8**	0.9

42 PENSIONS CONTINUED

Movements in the fair value of the Scheme's assets	2013 £m	2012 £m
At 1 January	**16.7**	15.1
Interest income on Scheme assets	**0.7**	0.9
Actuarial gains	**1.8**	0.8
	19.2	16.8
Benefits paid	**(0.2)**	(0.1)
Scheme assets at 31 December	**19.0**	16.7

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

Asset category:	2013 %	2012 %
Equities	**77**	72
Index-linked gilts	**9**	11
Corporate bonds	**14**	17
Total	**100**	100

The actual return on the Scheme's assets for the year was as follows:

	2013 £m	2012 £m
Actual return on Scheme assets in the year	**2.5**	1.7

The expected return on the Scheme's assets for 2013 was 6.8% (2012: 6.1%). The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Equity and property returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the Scheme's holdings of these instruments. The assets do not include any investment in shares of the Group.

Movements in the fair value of the Scheme's liabilities	2013 £m	2012 £m
At 1 January	**17.1**	14.1
Interest cost on pension obligation	**0.7**	0.6
Actuarial loss	**0.6**	2.5
	18.4	17.2
Benefits paid	**(0.2)**	(0.1)
Scheme liabilities at 31 December	**18.2**	17.1

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

	2013 % (per annum)	2012 % (per annum)
Discount rate	**4.4**	4.1
Rate of inflation (based on the Retail Prices Index)	**3.4**	2.7
Increases to pensions in payment (Limited Prices Index 5%)	**3.4**	2.7
Increases to deferred pensions before payment	**2.7**	2.2
Post retirement mortality assumption (SM1 PXA CM1)	**1.5**	1.3

The discount rate is determined on the yield available on a high quality long dated corporate bond of appropriate term and currency. As a result, a discount rate of 4.4 per cent has been applied as at 31 December 2013 (2012: 4.1 per cent). This is higher than the rate used in prior year given the changes to the yields on bonds over the current period.

Mortality assumptions are based on standard tables provided by the Institute of Actuaries using insurance company data updated from time to time to reflect current trends. The standard table used by the Scheme in both the current and comparative periods is S1 PXA, CMI (150%), and Year of Birth. The table makes allowance for future improvements in longevity based on the year of birth of each member.

		2013	2012
The mortality assumptions used in this valuation were:			
Life expectancy at age 65 (current age 45):	Male	**89.9**	89.0
	Female	**92.4**	91.2
Life expectancy at age 65 (current age 65):	Male	**87.7**	87.2
	Female	**90.1**	89.3

42 PENSIONS CONTINUED

The following table shows a quantitative sensitivity analysis of the significant assumptions used in determining the defined benefit obligation as at 31 December 2013:

	2013 Assumptions %	Adjustments to 2013 assumptions %	Financial impact of adjustments on the year end obligation £m
Discount rate	**4.4**	**(0.1)**	**0.4**
Rate of inflation	**3.4**	**0.1**	**0.3**
Post retirement mortality assumption	**1.5**	**(0.2)**	**(0.2)**

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

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of Scheme's liabilities	**19.0**	(17.1)	(14.1)	(13.4)	(13.4)
Fair value of Scheme's assets	**(18.2)**	16.7	15.1	11.4	10.0
Surplus/(deficit)	**0.8**	(0.4)	1.0	(2.0)	(3.4)
Experience adjustment on Scheme liabilities	**0.4**	(0.3)	0.1	0.3	0.1
Changes in assumptions used to value Scheme liabilities	**(1.1)**	(2.2)	(0.6)	0.4	(1.9)
Experience adjustment on Scheme assets	**1.8**	0.8	(0.8)	0.6	1.3

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

The estimated contribution expected to be paid to the Scheme during 2014 is £0.9m (2013: £nil).

(ii) Defined contribution arrangements

The pension charge in respect of other schemes is the actual contributions paid. These amounted to £0.7 million (2012: £0.6 million).

43 EVENTS AFTER THE REPORTING PERIOD

On 5 February 2014, the Board of Transport for London ("TfL") approved a proposed arrangement with the Group relating to the land currently occupied by the Earls Court exhibition centres. The proposed arrangement would establish a venture that would be granted 999 year leases over this land (and certain adjacent interests, the most significant of which is the Northern Access Road), this venture would be owned 63 per cent by the Group and 37 per cent by TfL. Legal documentation is being finalised.

On 21 February 2014, a £665 million five year unsecured revolving credit facility was signed to replace the Group's existing Covent Garden facilities. The Group will incur an exceptional charge of approximately £12 million relating to fees on the new facility and unamortised fees on the existing facilities; as well as approximately £18 million relating to the termination of derivative financial instruments.

44 DIRECTORS' INTERESTS

(a) In shares in Capital & Counties Properties PLC

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

	2013	2012
Chairman:		
I. C. Durant	**568,632**	290,230
Executive:		
I. D. Hawksworth	**755,604**	479,069
S. Das	**236,470**	236,470
G. J. Yardley	**427,972**	427,972
Non-Executive:		
I. J. Henderson	**37,601**	37,601
G. J. Gordon	**30,450,061**	30,450,061
A. J. M. Huntley	**75,000**	75,000
A. D. Strang	**–**	–
H. E. Staunton	**250,000**	150,000
D. Pinsent	**–**	–

(b) Share dealings

No Director had any dealings in the shares of any Group company between 31 December 2013 and 25 February 2014, being a date less than one month prior to the date of the notice convening the Annual General Meeting.

Other than as disclosed in these accounts, no Director of the Company had a material interest in any contract (other than service contracts), transaction or arrangement with any Group company during the year ended 31 December 2013.

Analysis of property portfolio (unaudited)

1. PROPERTY DATA AS AT 31 DECEMBER 2013

	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[3] sq ft
Covent Garden	**1,156.3**	**100%**	**3.33%**	**4.68%**		**58.0**	**98.6%**	**7.1**	**0.9**
Earls Court Properties[2]	**934.0**	[1]				**17.7**			**2.1**
Venues[2]	**161.1**	**100%**							**0.6**
Total property	**2,251.4**				**56.8**	**75.7**			**3.6**
Investment property	***2,067.0***				***56.6***	***74.0***			***3.2***
Trading property	***184.4***				***0.2***	***1.7***			***0.4***

1 Represents the Group's interests at Earls Court, predominantly comprising EC1 & EC2, the Empress State Building and 50 per cent of the Lillie Square joint venture (previously Seagrave Road).

2 Due to the nature of properties held in these segments, not all metrics are disclosed.

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

2. ANALYSIS OF CAPITAL RETURN FOR THE YEAR

Like-for-like capital	**Market value 2013 £m**	Market value 2012 £m	**Revaluation surplus/ (deficit)[1] 2013 £m**	Increase
Covent Garden	**1,138.8**	935.8	**180.6**	19.2%
Earls Court Properties	**762.4**	574.3	**149.7**	24.5%
Venues	**161.1**	146.5	**9.5**	6.3%
Total like-for-like capital	**2,062.3**	1,656.6	**339.8**	19.9%
Investment property	***1,885.7***	*1,551.2*	***305.3***	*19.5%*
Trading property[2]	***176.6***	*105.4*	***34.5***	*24.4%*
Non like-for-like capital				
Acquisitions	**56.6**	–	**(6.4)**	
Control acquired of former joint venture	**132.5**	–	**10.4**	
Disposals	**–**	64.8	**–**	
Total property	**2,251.4**	1,721.4	**343.8**	18.2%
Investment property	***2,067.0***	*1,599.5*	***310.6***	*17.8%*
Trading property	***184.4***	*121.9*	***33.2[3]***	*21.9%*

All property				
Covent Garden	**1,156.3**	952.3	**180.2**	18.8%
Earls Court Properties	**934.0**	574.3	**154.1**	19.8%
Venues	**161.1**	146.5	**9.5**	6.3%
Other	**–**	48.3	**–**	
Total property	**2,251.4**	1,721.4	**343.8**	18.2%

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

2 Property transferred to trading during the year is included as like-for-like capital in current and the comparative year where appropriate.

3 Represents realised gains, impairment charges and unrecognised surplus on trading property. Presented for information only.

3. ANALYSIS OF NET RENTAL INCOME FOR THE YEAR

Like-for-like income	2013 £m	2012 £m	Change
Covent Garden	**31.9**	31.3	1.9%
Earls Court Properties	**9.9**	8.7	13.8%
Venues	**13.5**	18.8	(28.2)%
Total like-for-like income	**55.3**	59.1	
Like-for-like investment property income	***55.3***	*58.8*	*(6.0)%*
Like-for-like trading property income	**–**	*0.3*	
Non like-for-like income			
Acquisitions	**0.1**	–	
Control acquired of former joint venture	**4.4**	–	
Disposals	**1.2**	5.2	
Loss of control of former subsidiary	**–**	0.1	
Prior year acquisitions (like-for-like capital)	**3.8**	0.9	
Total property income	**64.8**	65.3	(0.8)%
Investment property income	***64.8***	*65.0*	*(0.3)%*
Trading property income	**–**	*0.3*	

All property	2013 £m	2012 £m	Change
Covent Garden	**35.6**	32.1	10.9%
Earls Court Properties	**14.5**	9.3	56.0%
Venues	**13.5**	18.5	(27.0)%
Other[1]	**1.2**	5.4	
Total property income	**64.8**	65.3	(0.8)%

1 Net rental income percentage change in Other has not been disclosed as the final asset held by GCP was disposed of during the year.

4. ANALYSIS OF PROPERTY BY USE

	2013					
Market value	**Retail £m**	**Office £m**	**Exhibition £m**	**Residential £m**	**Other[1] £m**	**Total £m**
Covent Garden	**913.3**	**165.8**	**–**	**38.6**	**38.6**	**1,156.3**
Earls Court Properties	**6.4**	**8.1**	**–**	**9.4**	**910.1**	**934.0**
Venues	**–**	**–**	**161.1**	**–**	**–**	**161.1**
	919.7	**173.9**	**161.1**	**48.0**	**948.7**	**2,251.4**

1 Consists of property where the highest and best use valuation differs from the current use.

	2013					
ERV	**Retail £m**	**Office £m**	**Exhibition £m**	**Residential £m**	**Other £m**	**Total £m**
Covent Garden	**44.6**	**10.1**	**–**	**1.3**	**2.0**	**58.0**
Earls Court Properties	**0.4**	**0.7**	**–**	**0.3**	**16.3**	**17.7**
Venues	**–**	**–**	**–**	**–**	**–**	**–**
	45.0	**10.8**	**–**	**1.6**	**18.3**	**75.7**

Consolidated underlying profit statement (unaudited)

	2013 £m	2012 £m
Net rental income	**64.8**	65.3
Administration expenses	**(33.8)**	(26.1)
Operating profit	**31.0**	39.2
Finance costs	**(22.0)**	(23.6)
Finance income	**1.1**	0.8
Net finance costs	**(20.9)**	(22.8)
Profit before tax	**10.1**	16.4
Tax on adjusted profit	**(2.3)**	(3.9)
Non-controlling interests	**(0.5)**	–
Underlying earnings (used for calculation of underlying earnings per share)	**7.3**	12.5
Underlying earnings per share (pence)	**1.0**	1.8

CONTINUING AND DISCONTINUED OPERATIONS

Income Statement	**2013 £m**	2012 £m	Restated 2011 £m	2010 £m	Pro-Forma 2009 £m
Net rental income	**64.8**	65.3	69.0	69.0	79.2
Other income	**10.6**	6.1	0.8	0.1	1.5
Gain/(loss) on revaluation and sale of investment and development property	**313.4**	213.9	123.3	134.6	(140.7)
Non-recurring income/(costs)	**0.7**	10.4	26.2	(6.3)	(12.4)
Administration expenses	**(33.8)**	(26.1)	(22.2)	(18.6)	(18.5)
Operating profit/(loss)	**355.7**	269.6	197.1	178.8	(90.9)
Net finance costs	**(4.7)**	(24.1)	(35.2)	(46.3)	(36.1)
Profit/(loss) before tax	**351.0**	245.5	161.9	132.5	(127.0)
Taxation	**(12.6)**	(5.5)	(3.4)	(0.9)	(1.4)
Non-controlling interests	**(1.0)**	–	–	–	19.6
Profit/(loss) for the year attributable to parent	**337.4**	240.0	158.5	131.6	(108.8)

Balance Sheet					
Investment and development property	**2,051.1**	1,586.2	1,616.8	1,377.6	1,240.5
Other non-current assets	**50.9**	44.5	56.3	79.7	61.5
Cash and cash equivalents	**45.0**	184.5	89.6	188.5	263.3
Other current assets	**135.5**	110.3	27.5	27.1	22.4
Total assets	**2,282.5**	1,925.5	1,790.2	1,672.9	1,587.7
Non-current borrowings, including finance leases	**(357.7)**	(269.6)	(534.6)	(651.5)	(655.4)
Other non-current liabilities	**(27.5)**	(29.7)	(36.9)	(59.2)	(9.5)
Current borrowings, including finance leases	**(16.5)**	(78.4)	(18.7)	(13.1)	(71.0)
Other current liabilities	**(68.7)**	(70.0)	(92.1)	(65.7)	(120.9)
Total liabilities	**(470.4)**	(447.7)	(682.3)	(789.5)	(856.8)
Net assets	**1,812.1**	1,477.8	1,107.9	883.4	730.9

Per share information	**Pence**	Pence	Pence	Pence	Pence
Basic earnings per share	**44.7**	34.1	23.9	21.2	(17.5)
Underlying earnings per share	**1.0**	1.8	1.4	1.5	2.0
Basic net assets per share	**239.1**	196.3	162.0	142.1	117.5
EPRA adjusted, diluted NAV	**248.5**	203.1	166.9	148.4	127.0
Dividend per share	**1.5**	1.5	1.5	1.5	N/A

Board and advisers

Chairman
Ian Durant

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

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

Company Secretary
Ruth Pavey

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Independent auditors
PricewaterhouseCoopers LLP

Solicitors
Linklaters LLP
Webber Wentzel (South Africa)

Brokers and Financial Advisers
Bank of America Merrill Lynch
Rothschild
UBS Limited

SA Sponsor
Merrill Lynch South Africa (Pty) Limited

Dividends

The Directors of Capital & Counties Properties PLC have proposed a final dividend per ordinary share (ISIN GB00B62G9D36) of 1.0 pence payable on 19 June 2014.

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

Annual General Meeting	2 May 2014
Sterling/Rand exchange rate struck	8 May 2014
Sterling/Rand exchange rate and dividend amount in Rand announced	9 May 2014
Ordinary shares listed ex-dividend on the JSE, Johannesburg	19 May 2014
Ordinary shares listed ex-dividend on the London Stock Exchange	21 May 2014
Record date for final dividend in UK and South Africa	23 May 2014
Dividend payment date for shareholders	**19 June 2014**

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 16 May 2014 and that no dematerialisation of shares will be possible from 19 May 2014 to 23 May 2014 inclusive. No transfers between the UK and South Africa registers may take place from 9 May 2014 to 23 May 2014.

Subject to SARB approval, the Board intends to offer an optional scrip dividend alternative in respect of the 2013 final dividend.

The above dates are proposed and subject to change.

Important Information for South African Shareholders:
The final cash dividend declared by the Company will constitute a dividend for Dividends Tax purposes. Dividends Tax will therefore be withheld from the amount of the final cash dividend which is paid at a rate of 15 per cent, unless a shareholder qualifies for an exemption and the prescribed requirements for effecting the exemption, as set out in the rules of the Scrip Dividend Scheme, are in place.

It is the Company's understanding that the issue and receipt of shares pursuant to the scrip dividend alternative will not have any Dividends Tax nor income tax implications. 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.

Glossary

AB and ABC1
Demographic classifications in the UK used to describe the professional classes determined by income, earning levels, social grade and lifestyle.

Capco
Capco represents Capital & Counties Properties PLC (also referred to as "the Company") and all its subsidiaries and group undertakings, collectively 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 dilutive effects of potential shares issuable under employee incentive arrangements.

Earls Court
The London district made up of a series of residential neighbourhoods crossing the boundaries of LBHF and RBKC.

EC1 & EC2
Capco's leasehold interests in the Earls Court 1 and Earls Court 2 exhibition centres (TfL together with Network Rail hold the freehold interests) and Capco's freehold interest in the Northern Access Road which runs from the exhibition centre northwards to Fenelon Place. The proposed joint venture with TfL (Capco share would be 63 per cent) relates to these interests.

ECOA
The Earls Court and West Kensington Opportunity Area.

Earls Court Properties
The Group's interests in the Earls Court area, comprising EC1 & EC2, Lillie Square (a 50:50 joint venture partnership with the Kwok Family Interests), the Empress State Building (Capco ownership 100 per cent) and a number of smaller properties in the Earls Court area.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

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 the year end.

EPRA adjusted, diluted NNNAV
EPRA diluted NAV adjusted to reflect the fair value of derivative financial instruments 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 of trading property, changes in fair value of derivative 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 year.

Estimated rental value (ERV)
The external valuers' estimate of the Group's share of the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of the property.

GCP
The Great Capital Partnership, a 50:50 joint venture with Great Portland Estates plc. In 2013 this represents a discontinued operation.

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

Interest rate swap (IRS)
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 and development property 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.

Kwok Family Interests (KFI)
Joint venture partner in the Lillie Square development.

LBHF
The London Borough of Hammersmith & Fulham.

LIBOR
London Interbank Offer Rate.

Like-for-like property
Property which has been owned throughout both years without significant capital expenditure in either year, 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 year.

Loan-to-value (LTV)
LTV is the ratio of attributable net debt to the book value of property.

NAV
Net Asset Value.

Net Debt
Total borrowings less cash and cash equivalents.

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

Nominal equivalent yield
Effective annual yield to a purchaser on the gross market value, assuming rent is receivable annually in arrears, and that the property becomes fully occupied and that all rents revert to the current market level (ERV) at the next review date or lease expiry.

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

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

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 private registered provider of social housing, where a transfer proves to be the favoured and viable option. The Housing (Right to Transfer from a Local Authority Landlord) (England) Regulations 2013 which brought Section 34A into effect came into force on 5 December 2013.

Section 106
Section 106 of the Town and Country Planning Act 1990, pursuant to which the relevant planning authority can impose planning obligations on a developer to secure contributions to services, infrastructure and amenities in order to support and facilitate a proposed development.

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.

TfL
Transport for London and any subsidiary of Transport for London including Transport Trading Limited and London Underground Limited.

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 paid during the year.

Total shareholder return
The increase in the price of an ordinary share plus dividends paid during the year 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 costs of termination of derivative financial instruments.

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').

Registrars

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

For shareholders registered in the UK:

Capita Asset Services
The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras; lines are open 9.00 am – 5.30 pm Monday – Friday)
Telephone outside UK: +44 (0)208 639 3399
Email: ssd@capita.co.uk
www.capitaassetservices.com

For shareholders registered in South Africa:

Computershare Investor Services Pty Ltd
70 Marshall Street, Johannesburg 2001
South Africa
Postal address:
PO Box 61051
Marshalltown 2107, South Africa
Telephone: +27 86 110 0933
www.computershare.com

Payment of dividends

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

Share price information

The latest information on the Capital & Counties Properties PLC share price is available on the Company's website www.capitalandcounties.com.

The shares are traded on the LSE with LSE code CAPC, ISIN GBOOB62G9D36. The shares are traded on the JSE under the abbreviated name CAPCO and JSE code CCO.

Web-based enquiry service for shareholders

Shareholders registered in the UK can register at www.capitashareportal.com to access a range of online services including:

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

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

Share dealing services

The Company's shares can be traded through most banks, building societies and stockbrokers. Additionally, UK shareholders may trade their shares using the online and telephone dealing service that Capita Asset Services provide. To use this service, shareholders should contact Capita: within the UK 0871 664 0364 (calls cost 10p per minute plus network extras; lines are open 8.00 am – 4.30 pm Monday to Friday); from Ireland: 1 890 946 375; or from outside UK: +44 20 3367 2686 or you can log on to www.capitadeal.com.

Electronic communication

Capco has adopted electronic communications. This means that shareholders will receive documents from the Company electronically unless they elect to receive hard copies.

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

Shareholders may revoke an election to receive electronic communications at any time.

ShareGift

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

Strate Charity Shares (SCS)

SCS is a charity share donation scheme for shareholders who may wish to dispose of small holdings of shares that are too costly to sell via a stock broker on a commission basis. Further information can be found at http://www.strate.co.za/, by emailing charityshares@computershare.co.za or by calling 0800 202 363 or +27 11 870 8207 if you are phoning outside South Africa.

Investment scams

Shareholders are advised to be wary of any unsolicited calls, mail or email that offer free advice, the opportunity to buy shares at a discount or to provide free company reports. Such approaches are often investment scams. Information on how to protect yourself from investment scams can be found at www.fca.org.uk/scams.

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