capco

Capital & Counties Properties PLC

Annual Report & Accounts 2014

DRIVING VALUE CREATION

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 and grow value through a combination of asset management, strategic investment and selective development

Competitive strengths

CLEAR AND FOCUSED STRATEGY *See p.10*

- Active asset management, strategic investments and selective development
- Rental resilience and capital value appreciation

PRIME ASSETS *See p.16*

- A focus on prime central London, concentrated in large estates

STRONG CAPITAL STRUCTURE *See p.38*

- Conservative leverage and substantial liquidity

EXPERIENCED MANAGEMENT *See p.54*

- Strong track record

EFFECTIVE GOVERNANCE *See p.56*

- Strong commitment to effective corporate governance

For more information visit:
www.capitalandcounties.com

In this report

New luxury tenants on the north range of the Market Building have established Covent Garden as London's new beauty quarter

Strategic report

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

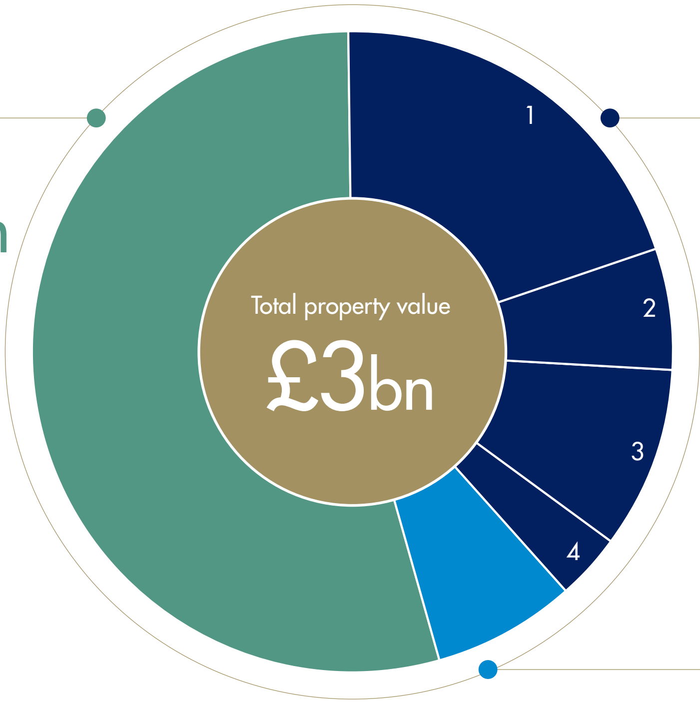
Governance

Artist's impression of Phase 1 of Lillie Square

Financial statements

Cover image: The Royal Opera House Arcade in Covent Garden

PROPERTY PORTFOLIO[1]



Covent Garden

£1,636m

54%

See page 18

Earls Court Properties

£1,174m

39%

1. EC1 & EC2	£609m
2. Lillie Square	£182m
3. Empress State Building	£278m
4. Other	£105m

See page 26

Venues

£211m

7%

See page 36

1 Market value on a proportionate basis

Covent Garden Piazza is one of the few districts in London that offers year-round alfresco dining

Artist's impression of the High Street in Earls Court Village

BUSINESS MODEL AND STRATEGY

Capco is a property company with a strong emphasis on distinctive place-making. 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

THE BOARD

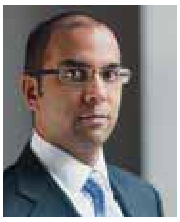
Audit Committee | Remuneration Committee | Nomination Committee | Corporate Responsibility Committee

See page 56

EXPERIENCED MANAGEMENT


Ian Hawksworth


Gary Yardley


Soumen Das

Capco's experienced management team leads the Group in delivering its strategy. The Executive Directors aim 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 extensive knowledge to the Board's discussions

See page 54

STRONG FINANCIAL RESULTS

Total property return
22%

Total return
25%

EPRA net asset value per share
311p

Total shareholder return
12%

Property valuation uplift on a like-for-like basis
22%

Loan to value (LTV)
12%

See pages 11 & 38

A MILESTONE YEAR

Covent Garden

Successful pop ups
'Floral Street Goes POP' brings a number of high profile brands to the estate including Orlebar Brown, Heidi Klein, Ruff & Huddle and mywardrobe.com

Covent Garden

Covent Garden refinancing £665 million unsecured revolving credit facility

Covent Garden

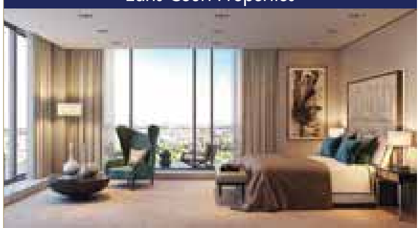
The Ivy Market Grill
Caprice Holdings signs a lease for a sequel to The Ivy restaurant, offering casual dining on the Piazza with an all-day menu of modern British and comfort food

Covent Garden

LIMA Floral launch
Covent Garden is further established as a dining destination with this new opening from Michelin-starred Peruvian chef Virgilio Martinez

JANUARY 2014 — MARCH — APRIL — MAY — JULY — AUGUST

Earls Court Properties

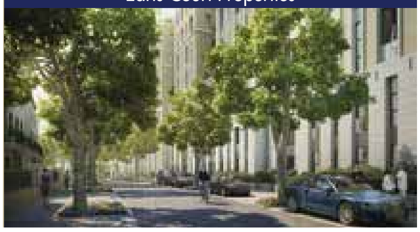


Lillie Square first phase successful sales launch
Phase 1 predominantly sold as the scheme's central location and premium specification generated high demand

Earls Court Properties

Capco and TfL enter into Earls Court investment vehicle
Capco and TfL enter into an investment vehicle to bring forward the first phases of the Earls Court Masterplan

Earls Court Properties



Detailed planning consent achieved for Earls Court Village
Consent achieved for 1,200 new homes, over 3 acres of green space and the first phase of the High Street

Earls Court Properties

Residential approval for Empress State Building
Planning permission granted for conversion of Empress State Building to residential use, providing 340 new homes

Earls Court Properties

Enabling works begin on Lillie Square
Preparatory works begin on site

Group

Placing to fund expansion opportunities
Capital raise generated £258 million of gross proceeds to invest further in growth strategy at Covent Garden and Earls Court

Covent Garden

The Southampton launch

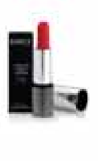
The third luxury office-to-residential conversion comes to market offering six 2-bed apartments and one 3-bed penthouse for rental

Covent Garden

The Beecham launch

An elegant, historical building on the corner of Henrietta Street and the Piazza above The Ivy Market Grill is converted into nine luxury apartments

Covent Garden



New record rent on James Street

Kiko Milano signs to James Street setting a new Zone A rental level of £1,000 per sq ft

Covent Garden

US Private Placement

£150 million private placement of 10 and 12 year senior unsecured notes

Covent Garden

Extending The Beauty Quarter

Unique concept stores from Bobbi Brown and Clinique further establish Covent Garden as London's newest beauty hub

Covent Garden

Demolition begins

Work starts on the development of Kings Court

Covent Garden

Expansion of the estate

A number of acquisitions, including a significant block on Bedford Street acquired for £68m, brings total acquisitions at Covent Garden for 2014 to £167m

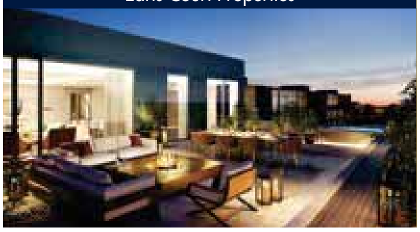
Covent Garden

Transformation of Henrietta Street

A new menswear destination for London is well underway with the opening of Nigel Cabourn, The Real McCoy's and Edwin Jeans as well as the re-location to the street of Fred Perry and Oliver Sweeney

SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | Q1 2015

Earls Court Properties



Launch of Lillie Square penthouses

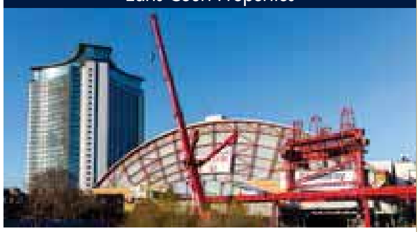
15 high quality penthouses come to market at Lillie Square

Venues

Transition underway

The successful transition of the exhibition business to Olympia London is well underway following closure of the Earls Court exhibition centres

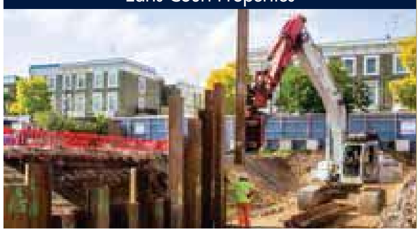
Earls Court Properties



Demolition begins

Deconstruction of the exhibition centres begins

Earls Court Properties



Building Lillie Square

Construction of Lillie Square begins

Ian Durant, Chairman

DELIVERING VALUE WITH RESPONSIBILITY

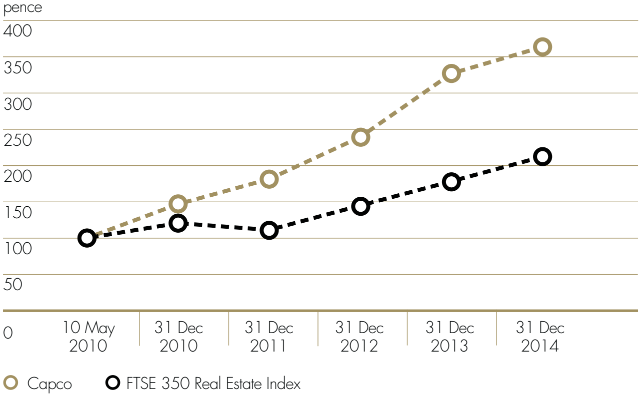
Total return

25%

Dividend

1.5p

Total shareholder return



Capco has delivered another year of strong performance. Since its listing in 2010, the business has grown consistently, delivering market-leading total returns for its shareholders. Through this time the management team has proven the strategy, invested in a unique skillset and deepened Capco's culture.

The business retains a strong focus on two prime locations in central London, Covent Garden and Earls Court. We have a clear strategy and in 2014 significant milestones were achieved across the business. The Board spends considerable time monitoring the changing risk profile of the business to ensure that the strategy continues to be appropriate.

The balance sheet remains conservative with low gearing and high liquidity, strengthened by our new debt facilities including a US Private Placement and a successful equity raise which allowed Capco to accelerate value creation across the business.

Covent Garden continues to thrive as a distinct and vibrant part of London. The valuation increased by £284 million to £1.6 billion, a 25 per cent increase on a like-for-like basis driven by strong leasing and investment activity over the year. The redevelopment of Kings Court, our largest development to date at Covent Garden, commenced in October and we have further expanded our footprint through £167 million of acquisitions on the estate.

Earls Court Properties saw positive momentum over the year and the valuation increased by 18 per cent on a like-for-like basis to £1.2 billion. The Earls Court Masterplan remains a vital residential regeneration project for London in a key opportunity area. An investment vehicle with Transport for London ("TfL") was established early in the year to enable the development of EC1 & EC2 and detailed planning consents were achieved within the overall Earls Court Masterplan area. At Lillie Square, our joint venture launched its first phase successfully and construction has started on a development that will deliver over 800 new homes in this popular and desirable part of London.

Olympia London has had a positive year following our investment and re-launch. Over 80 per cent of shows transitioned from Earls Court, which closed at the end of 2014.

RESULTS AND DIVIDENDS

In 2014, Capco delivered strong performance with a total return of 25 per cent which represents the growth in net assets plus the dividends paid during the year. The valuation of the Group's property assets increased by 22 per cent on a like-for-like basis and total shareholder return, which reflects the share price change and dividends paid, was 12 per cent.

The Directors are proposing a final dividend of 1.0 pence per share, which brings the total dividend paid and payable for 2014 to 1.5 pence per share.

I would like to thank Capco employees for their commitment and hard work during a year in which they continued to generate excellent performance and results for our shareholders.

THE BOARD

The Board has taken the opportunity to review the Group's Executive structure to reflect the growth and evolution of the business over the past five years. Covent Garden and Earls Court Properties have reached a scale where they would benefit from specific leadership to reach their potential. As a result Gary Yardley and Soumen Das are promoted to the role of Managing Director with responsibility for the oversight and investment performance of Earls Court & Olympia and Covent Garden respectively in addition to their existing responsibilities. Gary's title will be Managing Director & Chief Investment Officer and Soumen's title will be Managing Director & Chief Financial Officer. Both Directors will continue to report to Ian Hawksworth, Chief Executive. I would like to congratulate both Directors on their new responsibilities. Their appointments reflect the growing needs of our business and our commitment under Ian's continued vision and leadership to deliver long-term outstanding performance for our shareholders. These changes will take effect on 1 March 2015.

The Board has been active in planning Board succession to match the future needs of the Company with a diverse set of skills, style and experience. As we recently announced, Andrew Huntley will be retiring from the Board at our forthcoming Annual General Meeting ("AGM"), and will step down from the Remuneration and Nomination Committees on 1 March 2015. The Board and I would like to thank Andrew for his contribution to the Board since its establishment in 2010. We will be welcoming Gerry Murphy as a Non-executive Director on 1 March 2015. Gerry is a former partner of Deloitte LLP, and brings a broad range of experience to the Board. A description of our recruitment process, which will continue in early 2015, is set out in the Nomination Committee report on page 64.

TALENT AND DIVERSITY

The Board is committed to developing talent and diversity within the business, a key focus because of the increased span of activities undertaken by Capco. In Capco's first five years we have seen that investment in talent and skills brings strategic advantage. We are proud that Capco has a diverse management team, and the Board encourages the development of future talent. In support of this, I, and a number of our Directors, have personally mentored individuals as part of Capco's leadership development programmes. The Board will continue to support such initiatives.

Capco Chairman Ian Durant and Creative Director Bev Churchill speak at South Tyneside College to support the 30% Club, an initiative committed to achieving better gender balance in business

DELIVERING VALUE RESPONSIBLY

How we conduct our business in the communities and environments in which we operate forms an important part of our culture. As long-term stewards of some of the best addresses in London, we have a strong commitment to creating public value and delivering with integrity. Already at Lillie Square we are starting to deliver apprenticeships as the first part of our commitment to training and skills in the local area. At Olympia London we are proud to be leading the events industry by representing the UK on the committees developing the international standards in sustainable events management. Our employees remain committed and engaged with our Corporate Responsibility programme, supporting worthwhile projects that maximise opportunities for young people where our assets are located.

LOOKING AHEAD

London is a leading global city and continues to be a magnet for people and investment. Despite the uncertainty which may arise from the upcoming General Election, we are confident that London's strengths and popularity will allow it to thrive and prosper and our strategy to drive long-term value from our assets remains clear and focused. Capco has a deep understanding of London and our assets are uniquely well-placed both to benefit from and contribute to London's continued success and world-class status. We enter 2015 well positioned to deliver value for our shareholders and for London.

Ian Durant
Chairman

26 February 2015

Ian Hawksworth, Chief Executive

DELIVERING VALUE THROUGH PERFORMANCE

2014 was another year of significant progress for Capco. The business performed strongly delivering a total return of 25 per cent, underpinned by a clear and focused strategy to drive value creation at Covent Garden and Earls Court.

The successful equity raise in May provided the business with additional flexibility to accelerate value across the business which is demonstrated in these results today. Our overall aim is to provide long-term market-leading returns for our shareholders, through our distinct approach to creating places.

Our balance sheet remains robust, with a conservative loan-to-value ratio of 12 per cent. Following a restructuring of our bank facilities and a successful US Private Placement, our cost of debt has reduced to 3.4 per cent and we have moved to a predominantly unsecured debt model at Covent Garden.

Over the last five years Capco's business has grown from a total property value of £1.2 billion to over £3.0 billion. To ensure we have the capacity and capabilities to drive continued performance from our growing estates, Gary Yardley and Soumen Das' responsibilities will expand to include Managing Director roles with responsibility for oversight and investment performance at Earls Court Properties & Olympia and Covent Garden respectively. Their appointments highlight the depth of knowledge and expertise that they both bring to the Group and their new responsibilities will support me in delivering the strategy we have in place for Capco.

London – a global and growing city

London is a global and growing city. Its economic prospects are strong and according to the London Plan, published by the Greater London Authority ("GLA"), the Capital's population is expected to grow by two million by 2031. For London to continue to thrive and provide, it needs more places for people to live, work and enjoy.

Covent Garden and Earls Court are two of the Capital's greatest addresses and are well placed to succeed against this backdrop of growth. Our approach to creative asset management at Covent Garden will continue to ensure its success as a vibrant destination for retailers, visitors and residents while the Earls Court Masterplan is a unique opportunity to provide thousands of new homes, creating the new great estate of London.

Valuations

The Group has benefited from strong valuations following positive performance across the business. The property portfolio is valued at £3.0 billion as at 31 December 2014, having grown by 21.9 per cent on a like-for-like basis over the year.

Covent Garden – a leading global destination

Covent Garden has reinforced its position as a leading global destination. Our creative approach to managing and investing in our estate continues to attract premium brands and the district's vibrancy continues to attract quality footfall.

The estate experienced its strongest year of performance since Capco's listing in 2010 as our consistent and successful

	Market Value 2014 £m	Market Value 2013 £m	Market Value Change[1,2]
Covent Garden	1,636	1,156	24.5%
Earls Court Properties			
EC1 & EC2	609	453	27.9%
Lillie Square	182[3]	153[3]	9.9%
Empress State	278	265[3]	4.9%
Other	105	63	17.9%
Venues	211	161	27.6%
Other	4	–	
Total property[4]	**3,025**	**2,251**	**21.9%**

1 *Like-for-like.*

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

3 *Represents Capco's 50 per cent share on a proportionate basis.*

4 *A reconciliation of carrying value of investment, development and trading property to the market vale is shown in note 16 'Property Portfolio'.*

repositioning strategy is now embedded across the estate. The estate is valued at £1.6 billion as at 31 December 2014, delivering a like-for-like increase of 24.5 per cent over the year. We achieved record new lettings, with ERV up 13.7 per cent on a like-for-like basis to £75.1 million. The initial yield is 2.5 per cent and the equivalent yield is 3.7 per cent.

Following a very strong year of lettings progress and a positive outlook for rental growth, we are confident that we will be able to grow the value and prominence of our estate. Our ability to drive superior rental growth through our distinct approach to managing Covent Garden gives us confidence to increase the ERV guidance to £100 million by 2017. This represents a continued underlying growth rate of circa 10 per cent, in line with the last five years and would imply an ERV of £125 million by December 2019.

Covent Garden is now an important destination for contemporary luxury and dining brands looking for a premium location in London. This demand for well-managed prime space has seen a new Zone A rental level of £1,000 achieved on James Street, a new record level for the estate. In addition, our creative asset management strategy, where every street has a plan, has seen the introduction of brands including Bobbi Brown, Clinique and Nigel Cabourn as well as The Ivy Market Grill.

It has been a year of significant investment activity on the estate as we have expanded our footprint in this prime area with acquisitions totalling £167 million. We have a solid pipeline of opportunities ahead of us. We are on site and works are underway for the redevelopment of Kings Court. The scheme will improve the flow of footfall on the estate and unlocks the opportunity to extend our place-making approach to Floral Street.

Earls Court – a central London 'Opportunity Area'

The valuation of Capco's interests at Earls Court, represented by Earls Court Properties, has grown positively in the year to £1.2 billion. This represents an increase of 17.9 per cent over the year on a like-for-like basis benefiting from Capco's value creation strategy though planning, land assembly and land enablement, as well as positive market conditions in London.

The Earls Court Masterplan continues to advance. Our investment vehicle with TfL over EC1 & EC2 was successfully established and works started in December for the demolition of these buildings, further de-risking the land in this part of the scheme. Earls Court Village, which relates to two-thirds of the EC1 & EC2 area, received detailed planning consent and the Empress State Building received detailed consent for residential conversion.

Lillie Square, the first opportunity to bring new residential product to the Earls Court Masterplan area, was successfully launched last spring and established a positive pricing benchmark for the area, as its central location, connectivity and premium specification generated high demand. The first phase is now substantially sold.

The Earls Court Masterplan is a unique opportunity to create a new estate in central London. The masterplan is in one of the GLA's opportunity areas, making it a strategic scheme for London and received formal outline planning consent in 2013. Against a backdrop of London's rapidly growing population and its housing needs, options are now being considered to intensify the masterplan to optimise the development potential of this strategic project.

Venues – strong operational performance

Olympia London has been reinvigorated following Capco's £30 million investment in recent years. Over 80 per cent of Earls Court's 2014 shows have moved to Olympia London in 2015, following Earls Court's closure in December 2014. Olympia London continues to attract new events highlighting the renewed appeal of this historic venue.

The Venues business performed ahead of expectations in 2014 with EBITDA for the year of £11.1 million. Its valuation was up 27.6 per cent to £211 million on a like-for-like basis, reflecting the successful transition and its bright prospects.

Outlook

Capco remains well positioned to deliver further significant value for its shareholders from its strategy to drive value creation at Covent Garden and Earls Court.

At Covent Garden, the focus continues to be on attracting new premium retail and restaurant brands, to drive rental growth, while investing selectively in acquisitions and developments which enhance the estate and meet our return objectives.

At Earls Court, the focus is on continued enablement of the EC1 & EC2 land through demolition, planning applications which enhance the vision for the scheme, as well as sales of Phase 2 at Lillie Square.

The balance sheet is strong and flexible, strengthened over the year with our new bank facilities, a US Private Placement and the successful equity raise in May. We remain alert to the uncertainty which may arise from the upcoming General Election. However, Capco's strategy is clear and focused and with two unique assets in prime central London, we are well positioned to deliver long-term value for our shareholders. We enter a new year with confidence.

Ian Hawksworth
Chief Executive

26 February 2015

DEFINING PERFORMANCE

Our unique business model underpins our strategy to drive value creation

BUSINESS MODEL

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

GROUP STRATEGY

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

1. STRONG CAPITAL STRUCTURE
2. STRATEGIC INVESTMENTS AND PARTNERSHIPS
3. ACTIVE ASSET MANAGEMENT
4. LAND ASSEMBLY AND PLANNING
5. SELECTIVE DEVELOPMENTS
6. ENGAGEMENT WITH STAKEHOLDERS AND PARTICIPATION IN COMMUNITIES

ESTATE STRATEGIES

COVENT GARDEN

Continue to drive rental growth through granular asset management, acquisitions and selective development.
Attract new tenants to grow ERV and NRI,
and set new pricing levels for residential space

Read more on p.18

EARLS COURT PROPERTIES

Continue to drive value creation through planning, land assembly, land enablement, acquisitions and selective development

Read more on p.26

VENUES

Continue the enhancement of Olympia London and maximise its utilisation by winning new customers

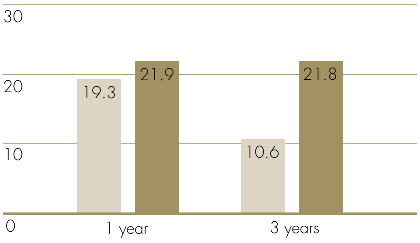
Read more on p.36

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%



DESCRIPTION

Total property return is calculated as capital growth including gains and losses on disposal plus rents received less associated costs, including ground rent

This metric allows comparability with the IPD Total Return All Property Index

★ PART OF EXECUTIVE DIRECTORS' 2014 BONUS

TARGET

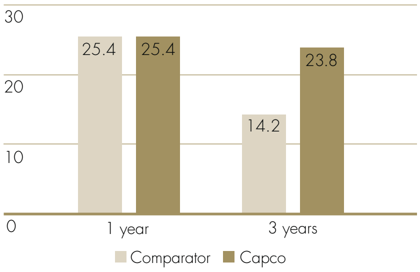
1.5 per cent per annum outperformance

PERFORMANCE

During the year the Group has outperformed by 2.6 per cent

TOTAL RETURN

25.4%



DESCRIPTION

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 2014 BONUS

TARGET

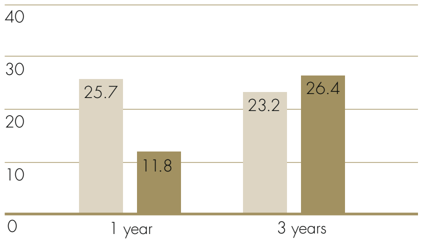
2.5 per cent per annum outperformance on a rolling three-year basis

PERFORMANCE

The Group has generated a total return of 23.8 per cent per annum on a rolling three-year basis, outperforming the comparator group by 9.6 per cent[1]

TOTAL SHAREHOLDER RETURN

11.8%



DESCRIPTION

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

4.0 per cent per annum outperformance on a rolling three-year basis

PERFORMANCE

The Group generated a total shareholder return of 26.4 per cent per annum on a rolling three-year basis, outperforming the comparator group by 3.2 per cent

1 Based on consensus estimates at 18 February 2015 for comparator group where results unavailable.

The three-year total property return is calculated assuming annual reinvestment. Annualised three-year total return and total shareholder return are calculated on a basis consistent with the Group's long-term incentive plans.

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.

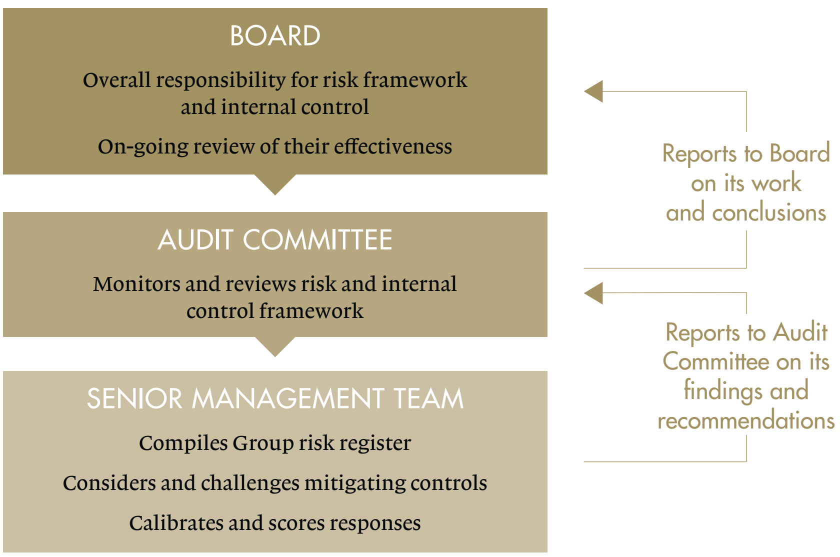
EFFECTIVE RISK MANAGEMENT

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

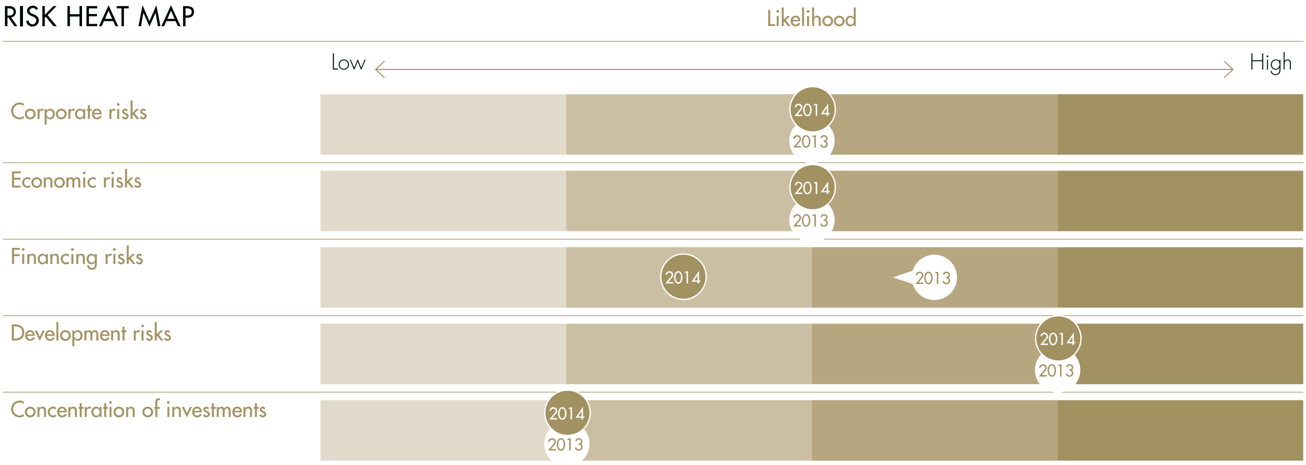
The Board has overall responsibility for Group risk management. It reviews principal risks and uncertainties regularly, together with the actions taken to mitigate them. The Board has delegated responsibility for the assurance of the risk management process and the review of mitigating controls to the 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 bi-annually and upon any material change in the business. A full risk review is 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



GROUP STRATEGY

All of the principal risks and uncertainties have been mapped to the Group's six strategic priorities

1	2	3	4	5	6
STRONG CAPITAL STRUCTURE	STRATEGIC INVESTMENTS AND PARTNERSHIPS	ACTIVE ASSET MANAGEMENT	LAND ASSEMBLY AND PLANNING	SELECTIVE DEVELOPMENTS	ENGAGEMENT WITH STAKEHOLDERS AND PARTICIPATION IN COMMUNITIES

Set out below and on the following pages are the principal risks and uncertainties from across the business. These are reflective of where the Board has invested time during the year but 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 'Principal Accounting Policies' to the consolidated financial statements, 'Estimation and uncertainty'.

CORPORATE RISKS

Strategic priorities: 1 2 3 4 5 6

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 and changes.	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 and key suppliers.	Reduced profitability, delay or reputational damage.	Appropriate due diligence, procurement and consultation.
Ineffective operation of shared investment vehicles.	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 legislation or other statutory regulations or notices.	Loss or injury to employees, tenants or contractors and resultant reputational damage or criminal prosecutions.	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. Adequate insurance is held to cover the risks inherent in construction projects.
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 38 to 43 and the Corporate Governance report on pages 56 to 60.

ECONOMIC RISKS

Strategic priorities: 1 2 3 5

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 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 macro-economic 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 38 to 43.

FINANCING RISKS

Strategic priorities: 1 2 3 5

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 38 to 43.

DEVELOPMENT RISKS

Strategic priorities: 1 2 4 5 6

Impact: Inability to deliver against development plans

Risk	Impact potential	Mitigation factors
Unable to secure or implement planning consent due to political, legislative or other risks inherent in the planning and development environment. Failure to demonstrate or implement viable sustainable development due to legal, contractual, environmental, transportation, affordable housing or other technical factors (including rights of light). 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. Complexity of legal agreements including potential disputes relating to planning and land assembly for Earls Court Properties. Adverse adjacent development schemes hinder execution of business plan.	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 acquire land, renegotiation of use or vacant possession. Failure to reach agreement on land deals or implement 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.
Delay in construction or increase in costs e.g. due to market pricing, unforeseen site issues or works around public transport infrastructure. Punitive cost, design or other implications. An inability to match supply to demand in terms of product or price could result in missed sales targets and/or high levels of completed stock which in turn could impact on the Group's ability to execute the business plan. Volatility in sales price.	Reduced profitability of development with corresponding impact on valuation.	Extensive consultation, design and technical work undertaken. Properly tendered and negotiated processes to select reputable contractors with relevant experience in projects of equivalent scale and complexity, with skilled resources and appropriate insurance. Commercially astute project team to ensure management of costs and delivery of programme. Market demand assessments. Pre-sales and marketing.

Further information on development risks can be found within the Operating Review on pages 18 to 37.

CONCENTRATION OF INVESTMENTS

Strategic priorities: 3 4 5 6

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. Such events include threats to security or public safety due to terrorism, health concerns including a pandemic or changes to or failure of infrastructure. Concentration of higher profile events in central London.	Loss or injury, business disruption or damage to property. Reduced rental income and/or capital values.	Terrorist insurance in place. On site security presence. Health and safety policies and procedures in offices. Close liaison with police, National Counter Terrorism Security Office (NaCTSO) and local authorities to maximise safety of visitors to central London.

OUR ASSETS

Our assets are concentrated around two main estates in central London with a combined value of £3.0 billion

Covent Garden

100% Capco owned

Earls Court Properties

1 EC1 & EC2 Capco share 63% under terms of investment vehicle with TfL

2 Empress State Building 100% Capco owned

3 Lillie Square A 50:50 joint venture with KFI

CLSA LAND

Capco has exercised its option under the CLSA to acquire LBHF land

TfL

Lillie Bridge Depot owned by TfL

Consented Earls Court Masterplan (excluding Empress State Building)

Venues

100% Capco owned

Artist's impression of the Lost River Park

EARLS COURT PROPERTIES

Covent Garden Market Building attracts over 42 million customer visits per year

COVENT GARDEN

COVENT GARDEN: A GLOBAL RETAIL DESTINATION

View of the Market Building, the North Piazza, Bedford Chambers and the Royal Opera House Arcade

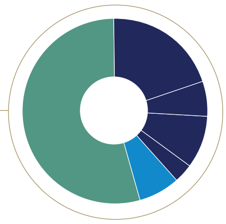
Capital value

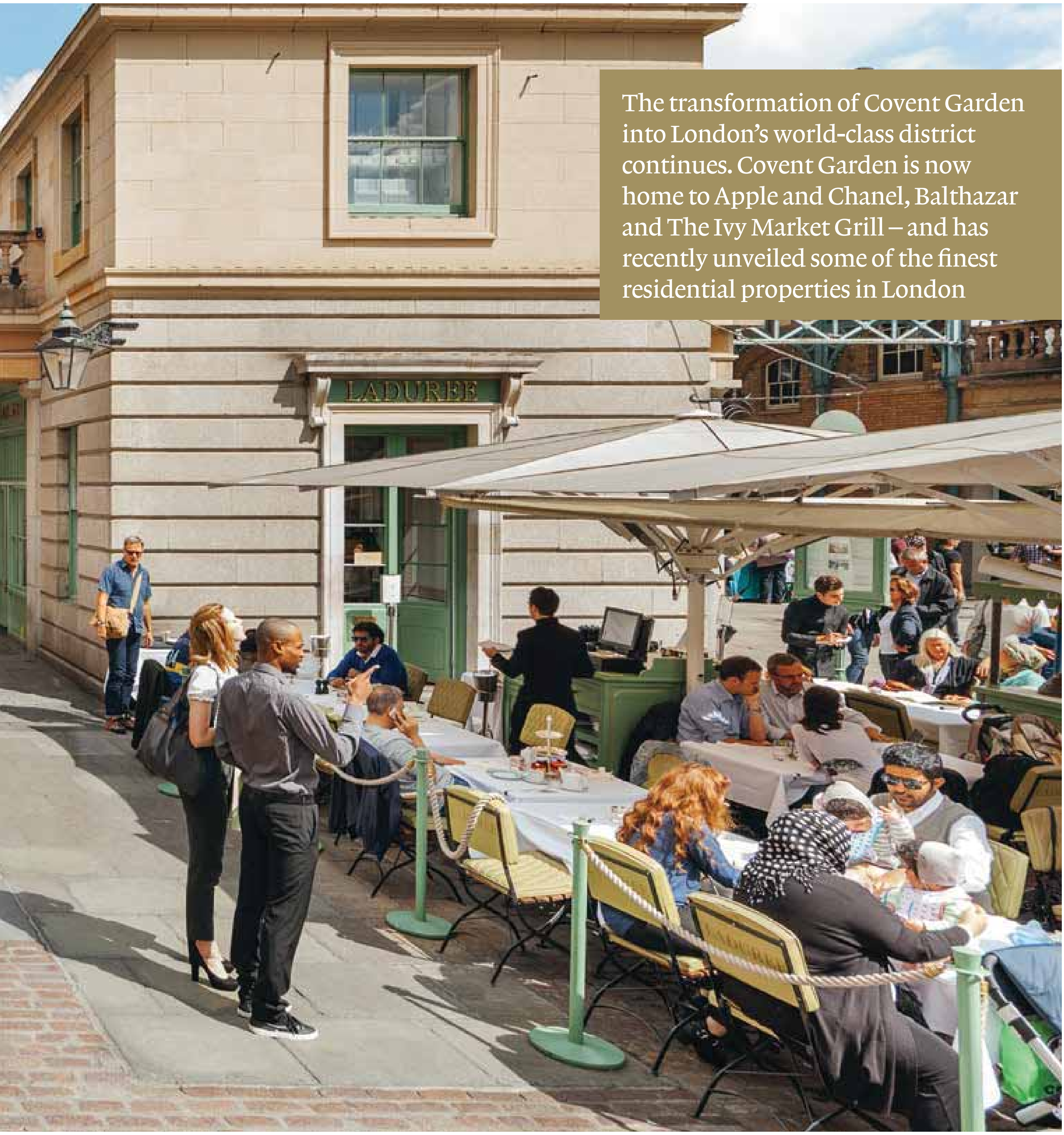
£1,636m

Contribution to portfolio value

54%

Covent Garden





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

COVENT GARDEN

"Our rigorous and creative approach to managing our estate is reflected in the strong capital and ERV growth during 2014."

Sarah-Jane Curtis, Director of Covent Garden

"Covent Garden continued to attract both independent and global brands in 2014, including The Ivy Market Grill, Nigel Cabourn and Bobbi Brown."

Bev Churchill, Creative Director

HIGHLIGHTS

- Property value of £1,636 million as at 31 December 2014, up 25 per cent on a like-for-like basis
- ERV of £75 million as at December 2014, up 14 per cent on a like-for-like basis
- New leases and renewals in 2014 at 12 per cent above 31 December 2013 ERV
- Development of Kings Court underway
- Acquisitions totalling £167 million enhancing presence on the estate

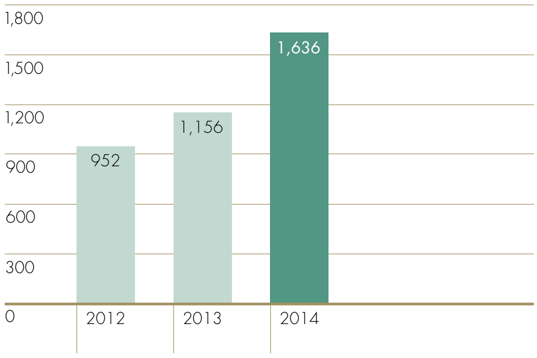
STRATEGY

- New ERV guidance of £100 million by December 2017
- Drive passing rent
- Reposition retail mix of streets and set new Zone A levels throughout 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

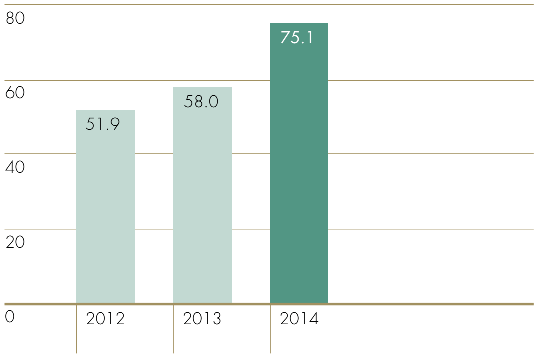
Covent Garden capital value

£1,636m +24.5% (LfL)



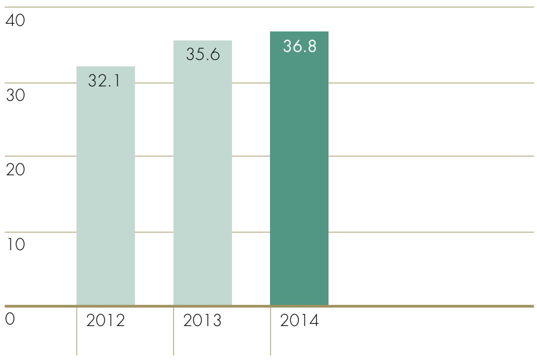
Covent Garden ERV

£75.1m +13.7% (LfL)



Covent Garden net rental income

£36.8m +0.4% (LfL)



OPERATING PERFORMANCE

A global destination in London's West End

The Covent Garden estate is a global destination where people can shop, dine, live and work, experiencing culture and entertainment within a historic setting. It has been a very active year of leasing. Following the continued operational momentum as a result of the estate's strategy and our distinct approach to managing Covent Garden, the ERV guidance has been increased to £100 million by December 2017. This represents a continued underlying growth rate of circa 10 per cent in line with the last five years and would imply an ERV of £125 million by December 2019.

Overview

Providing over one million square feet of lettable space in London's West End, the estate represents 54 per cent of Capco's portfolio. Covent Garden demonstrates Capco's value growth strategy which is realised through granular asset management, acquisitions and strategic development, underpinned by a vision to consistently compete as one of the best destinations globally and delivered through Capco's distinct approach to place-making.

Covent Garden performed strongly in 2014 as the business executed its leasing and investment plans. The value of the estate increased by 24.5 per cent on a like-for-like basis to £1.6 billion. ERV was £75.1 million, a like-for-like increase of 13.7 per cent, following a very active year of estate repositioning. The estate is benefiting from positive leasing momentum and over the period 61 new lettings and renewals were negotiated securing £7.6 million of passing rent, 12.2 per cent above the 31 December 2013 ERV level.

Footfall remains consistently strong at 42 million customer visits per year, of which 54 per cent were Londoners, 20 per cent international and 26 per cent domestic. Of the UK based audience, 93 per cent is classified as ABC1.

As the owner of the Covent Garden estate, Capco regularly hosts exciting events, which also contribute to the high quality footfall attracted to the estate. In October, a cultural installation by young British artist Alex Chinneck created the illusion of the Market Building levitating over the Piazza. This innovative display attracted global media attention, including broadcast coverage in the UK, China and Japan.

Capco continues to work closely with community stakeholders including Westminster City Council and the Covent Garden Area Trust to maintain and celebrate the attributes which make the area unique. Corporate Responsibility remains inherent in Capco's asset management approach in Covent Garden and initiatives included a fundraising installation from the British Heart Foundation and supporting the Royal British Legion Poppy fundraising day for the third consecutive year.

1 Karen Millen, James Street
The smart casual womenswear brand for confident career women known for its tailored coats and elegant dresses

2 Kiko Milano, James Street
Italian cosmetics brand that features a range of cutting-edge make-up, face and body treatments

3 Bobbi Brown, Royal Opera House Arcade
Celebrated make-up artist Bobbi Brown opens The Studio in the Royal Opera House Arcade

4 Clinique, Royal Opera House Arcade
The skincare and beauty brand's first stand-alone concept store, The Great Skin Lab, opened adjacent to Bobbi Brown

5 Covent Garden Grind, Maiden Lane
Fashionable all-day and late-night café and cocktail bar

6 LIMA Floral, Garrick Street
Michelin-starred Peruvian chef Virgilio Martinez opens his second restaurant venture

ACQUISITIONS IN 2014

- A 21 James Street (retail)
- B 22-23 James Street (retail/office)
- C 26-27 Southampton Street (retail/office)
- D 23-24 Henrietta Street (retail/office)
- E 14 Burleigh Street (residential)
- F 10-14 Bedford Street (retail/office)
- G 16-18 King Street (retail/office)
- H 7 Garrick Street (retail/residential)

7 Nigel Cabourn, Henrietta Street

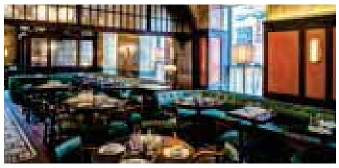
The cult British vintage workwear designer's first UK stand-alone store opened on Henrietta Street

8 The Real McCoy's, Henrietta Street

Japanese hand-crafted denim label further establishes Henrietta Street as a menswear destination

9 Fred Perry, Henrietta Street

The fashion label that's been at the heart of British youth culture for over 60 years



10 The Ivy Market Grill, Henrietta Street

The Ivy Market Grill opened on Henrietta Street with a great British menu serving breakfast through to dinner with elevenses, lunch, weekend brunch, afternoon tea and delicious cocktails in between

11 East India Tea Company, Market Building

The company that first introduced tea to Britain as a gift to the King in 1664 offers over 120 varieties

12 Morelli's, Market Building

Premium family-run Italian ice-cream brand that has used the same recipes for five generations

DEVELOPMENT OPPORTUNITIES

i Kings Court and Carriage Hall

This scheme, which exceeds 100,000 sq ft, will connect Long Acre to King Street via a new public passage, creating a new public courtyard and new retail, restaurant and residential space.

ii 11-12 Floral Street

A planning application has been submitted to redevelop 11-12 Floral Street into nine residential apartments above a new luxury health and wellness centre, plus two retail units.

Residential developments

Capco owned as at 31 December 2014

Retail

The estate has experienced its most active year for new leasing and renewals since Capco's listing in 2010. In line with its focused repositioning strategy, where every street has a plan, Capco has continued to introduce fresh brands and concepts into Covent Garden.

James Street has seen a rapid progression of value following key lettings over the year and the introduction of Italian cosmetics brand, Kiko, has set a new Zone A rental level of £1,000 per square foot, which compares to a December 2013 Zone A level of £800. This follows the relocation of existing tenant, Karen Millen, who moved to a larger unit on the street, demonstrating the appeal of Covent Garden to existing tenants.

The 'Street to Suit' strategy to create a menswear focus, as well as a complementary dining offering, on Henrietta Street has seen positive momentum with five brands introduced to the street. British vintage inspired menswear brand Nigel Cabourn and Japanese denim store The Real McCoy's have both opened their doors, while vintage denim concept, Edwin, has recently taken space on the street. Existing tenants Fred Perry and Oliver Sweeney have relocated to Henrietta Street from their previous locations on the estate.

Repositioning the Royal Opera House Arcade with a luxury beauty, accessories and gifting focus is underway. Building upon the success of beauty concept stores from Chanel, Dior and Burberry in the Market Building, the Estee Lauder Group has taken space for two of its premium beauty brands, Bobbi Brown and Clinique, which have both opened and have added to Covent Garden's appeal as a beauty hub in London.

Dining

Covent Garden's dining offer continues to strengthen, offering an increased depth and range of options.

The Ivy Market Grill, Caprice Holdings' new flagship restaurant, opened successfully in November. The property, which was previously leased to Pizza Hut, overlooks the Piazza at the top of Henrietta Street and will add to the all-day dining offer on the estate.

This follows the introduction of LIMA Floral on Garrick Street which offers Peruvian cuisine as well as a dedicated cocktail bar, and French eatery, Chez Antoinette, which opened in the Market Building earlier in the year, and further enhances Covent Garden's reputation for destination dining.

Acquisitions

It has been an active year for acquisitions. Capco has taken advantage of opportunities to accelerate value, as referenced in the May 2014 capital raise, and has expanded its footprint on the estate through tactical acquisitions on key streets. Over the year, eight new properties have been acquired for £167 million, representing £7.1 million of ERV.

Capco has created a significant presence on Bedford Street, which is one of the access points on to the estate, through the acquisitions of 10-14 Bedford Street and since the year end, 31-33 Bedford Street. These properties offer prime retail frontage and repositioning opportunities as well as potential conversion of the upper parts.

The acquisition of 21 and 22-23 James Street has expanded Capco's holdings on this prime street. 7 Garrick Street, 23-24 Henrietta Street and 26-27 Southampton Street were also acquired and offer the potential to activate the ground floor retail, as well as add to the office to residential conversion pipeline. 16-18 King Street was acquired by way of a property swap. The building commands a prominent location at the entrance to King Street and opposite the Kings Court development. In addition, 14 Burleigh Street was also acquired during the year consolidating our ownership of the Wellington block.

LONDON'S NEW BEAUTY QUARTER

New concept stores Bobbi Brown Studio and Clinique's Great Skin Lab in the Royal Opera House Arcade plus a new Kiko Milano boutique on James Street have established Covent Garden as a new beauty destination for London

HENRIETTA STREET TRANSFORMS

By targeting brands which specialise in sartorial style from premium streetwear to casual suiting, Henrietta Street is being transformed into an eclectic destination for men

Residential

In line with its strategy to restore the estate's residential heritage, Capco launched two flagship developments in 2014, The Beecham and The Southampton.

The Beecham is a luxury development overlooking the Piazza. The scheme, which provides nine apartments, completed in the autumn and has received a high level of interest. One apartment was sold prior to completion at £2,850 per square foot setting a new benchmark for the area.

The year saw a buoyant rental market for Capco's brand of premium residential product establishing a rental tone of £65 - £70 per square foot. The Southampton which created seven luxury apartments also completed in the autumn and five apartments have been leased. This follows the refurbishment of 7 Garrick Street and 4 Henrietta Street which were rented earlier in the year.

Developments

The development of Kings Court is underway following works which started in the autumn. The scheme, which is Capco's largest development to date at Covent Garden, will transform pedestrian flow in the area between Floral Street and King Street, creating a new connecting passage between the two streets. The entire scheme, including Carriage Hall, will provide over 100,000 square feet (Net Internal Area, "NIA"), including over 20,000 square feet of new space.

Kings Court will provide over 85,000 square feet (NIA) of space through 45 premium apartments as well as eight retail and two restaurant units centred around a new public courtyard. Carriage Hall includes the refurbishment of 15,000 square feet (NIA) to create a flagship store. Plans include the provision of a double height covered atrium in what is currently a courtyard.

The Kings Court and Carriage Hall schemes are expected to complete by early 2017 and the total development cost is expected to be £85 - £90 million.

In December, Capco submitted a planning application for the refurbishment of 11-12 Floral Street which includes plans to create a retail unit, health club and nine residential apartments. The new development will create 11,000 square feet of new space.

FUTURE PRIORITIES

The creative vision for Covent Garden to consistently be one of the most attractive destinations for retailers and customers will continue to underpin Capco's distinct approach to place-making on the estate. This provides for a clear and focused strategy to grow value through creative asset management and strategic investment opportunities, enhancing its ownership on key streets through selective development and tactical acquisitions.

The introduction of contemporary luxury brands and fresh dining concepts is a priority to continue to position the estate for positive rental performance. This will enable Capco to deliver on the initiatives in place for its streets, including Henrietta Street and the Royal Opera House Arcade. The Kings Court scheme is underway and the focus will be delivery of the scheme in 2017. This development will be used as the catalyst to reposition Floral Street and capture the unlocked potential in this part of the estate.

The Beecham and The Southampton launched in autumn 2014, offering luxury lateral apartments and penthouses for sale and rent

RESTORING RESIDENTIAL HERITAGE

ON SITE AT KINGS COURT

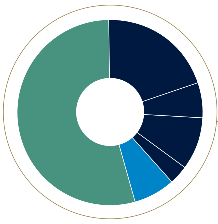
Work commenced on Kings Court in autumn 2014. This new mixed use development will open up a pedestrian route between Floral Street and King Street, establishing new high quality residential, retail and restaurant space

EARLS COURT: THE LARGEST REGENERATION OPPORTUNITY IN CENTRAL LONDON

Capital value

£1,174m

Contribution to portfolio value



39%

Earls Court Properties

1 EC1 & EC2 Capco share 63% under terms of investment vehicle with TfL
2 Empress State Building – 100% Capco owned
3 Lillie Square – A 50:50 joint venture with KFI
CLSA land – Capco has exercised option to acquire
Lillie Bridge Depot – owned by TfL

Earls Court is one of the most important and exciting opportunities in the capital

The Earls Court Opportunity Area including Lillie Square as per the Greater London Authority (GLA). The Empress State Building has been approved for residential conversion

EARLS COURT PROPERTIES

"2014 has been another milestone year as we continue to create value through planning, land assembly, enablement and development."

Gary Yardley, Investment Director

HIGHLIGHTS

- Property value of £1,174 million as at 31 December 2014, up 18 per cent on a like-for-like basis
- Investment vehicle established with TfL relating to EC1 & EC2
- Demolition of EC1 & EC2 underway
- Positive sales at Lillie Square setting a new pricing benchmark
- Detailed planning consents achieved at Earls Court Village and the Empress State Building
- £51 million of acquisitions consolidating ownership around the Masterplan area

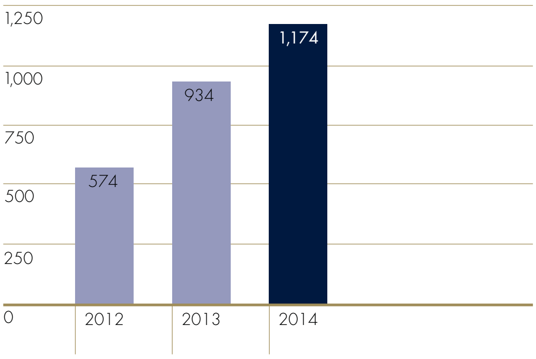
STRATEGY

- Establish a new exciting address for London
- Progress the detailed planning process
- Continue land assembly and land enablement
- Progress sales values at Lillie Square
- Animate the Masterplan through place-making initiatives

Earls Court management team

Earls Court Properties capital value

£1,174m +17.9%(LfL)



OPERATING PERFORMANCE

The Earls Court Masterplan is the largest development opportunity in central London, covering over 70 acres of prime land and located across Chelsea and Fulham. The predominantly residential scheme is consented to provide over 7,500 new homes (including Lillie Square), creating 10,000 new jobs, and will deliver over £450 million of community benefits.

The site is well connected offering strong public transport accessibility in an established location with history and heritage, where people want to live and enjoy London. The Earls Court Masterplan represents an opportunity to create a new estate underpinned by Capco's distinct approach to creating places.

Earls Court is one of the GLA's 45 designated 'opportunity areas' making it a strategic scheme for the Capital. According to the London Plan, London's population is expected to grow by two million by 2031 and the provision of housing is a key priority with the Capital needing over 45,000 new homes per annum. Against this backdrop of London's housing need, the GLA increased the housing designation for Earls Court from 4,000 to a minimum of 7,500 new homes in its latest revision of the London Plan in January 2014.

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

- The leasehold interests in "EC1 & EC2"; subject to an agreement with TfL to create an investment vehicle 63 per cent owned by Capco which would own a 999 year lease in EC1 & EC2
- 100 per cent of the Empress State Building
- 50 per cent interest in the Lillie Square joint venture

In addition, Capco has exercised its option under the Conditional Land Sale Agreement ("CLSA"), a binding agreement in relation to the West Kensington and Gibbs Green Estates.

The valuation of Earls Court Properties has performed strongly during 2014, reflecting continued progress through planning, land assembly and land enablement, as well as a positive London residential market. The total valuation has increased to £1.2 billion, a like-for-like increase of 17.9 per cent.

The scheme sits in two London Boroughs, the Royal Borough of Kensington and Chelsea and the London Borough of Hammersmith & Fulham. The latter

A plan of the consented scheme for the Earls Court Masterplan plus Lillie Square showing buildings and green spaces changed administration following the local elections in May 2014. Capco continues to work positively and constructively with all its stakeholders.

The Earls Court Masterplan saw continued progress and achieved a number of important milestones in 2014.

Continued planning momentum

As part of its strategy to create value through the planning process, Capco achieved two detailed planning consents in 2014. This follows receipt of formal outline planning permission for the 10.1 million square feet Earls Court Masterplan in November 2013.

Earls Court Village, which represents two-thirds of the EC1 & EC2 site, achieved detailed planning consent. The consent covers an area of 16 acres and will provide for 2.4 million square feet of residential-led, mixed-use space. This will include over 1,200 new homes, over three acres of publicly accessible park and the first phase of the new High Street with retail, dining, leisure, culture and community facilities.

The Empress State Building achieved consent for a change of use from commercial to residential and adds 610,000 square feet of residential floor space to the overall masterplan area. The new scheme proposes the creation of 340 new homes and 102 affordable units as well as improvements to the facade of the existing building.

Significant progress in land assembly and land enablement

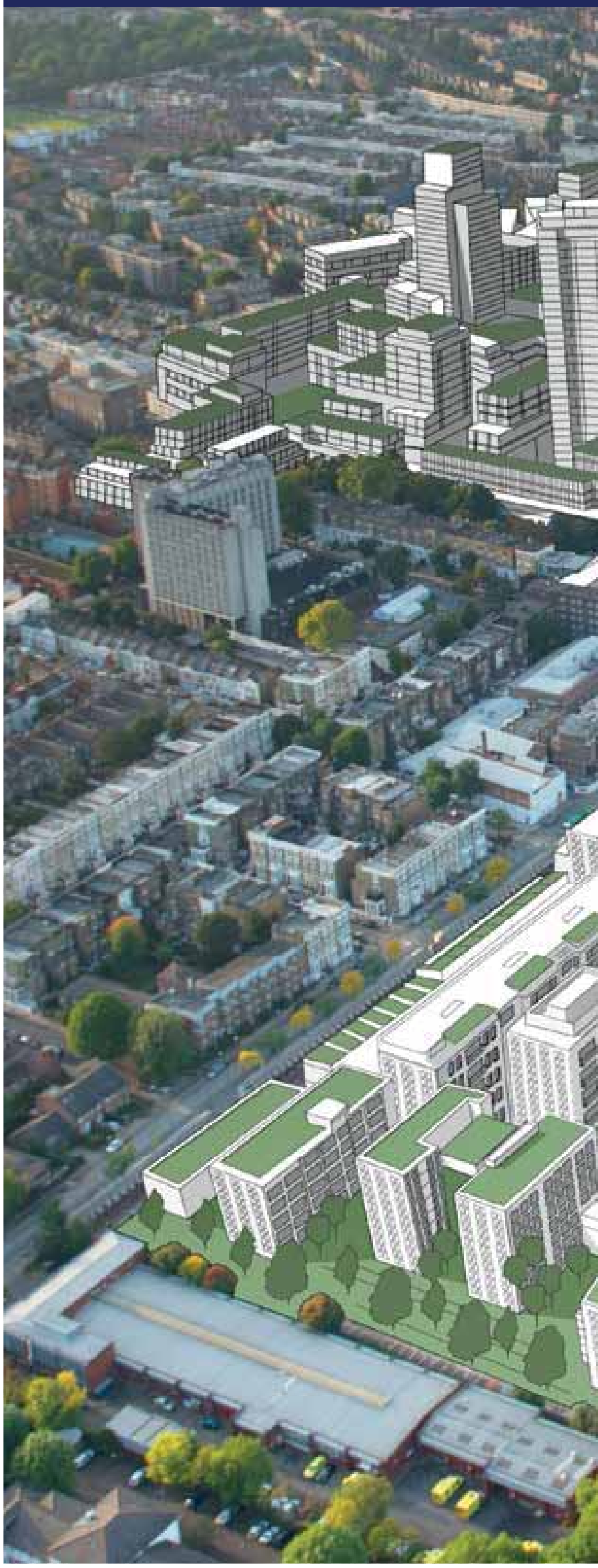
Earls Court Partnership Limited ("ECPL"), the investment vehicle with Transport for London ("TfL") in respect of EC1 & EC2, was established in March 2014. Capco owns a 63 per cent share and is leading the venture following its appointment as exclusive business and development manager. The arrangements are expected to complete in full in the first half of 2015 and will result in new 999 year leases over EC1 & EC2 being granted to the investment vehicle.

As part of the process to enable the land relating to EC1 & EC2, demolition of the existing exhibition halls started in December 2014. This process is expected to take 18 months due to the complexity of the site at a cost of £50-£60 million.

Over the year, Capco has made positive progress in consolidating its ownership in the area through £51 million of small acquisitions around the Earls Court Masterplan, as referenced in the May 2014 capital raise. The majority of these acquisitions will be transferred into ECPL upon its completion; they provide the opportunity to enhance the implementation of the early stages of the scheme and are positioned around the masterplan.

In November 2013, Capco exercised its option under the Conditional Land Sale Agreement ("CLSA"), a binding agreement relating to West Kensington and Gibbs Green Estates, and to date has paid £30 million of the £105 million cash consideration, the remainder of which is payable in five annual instalments starting in December 2015. Plans are progressing towards the construction of Block D of Lillie Square, which will create the first phase of replacement homes for the residents of the estates.

EARLS COURT 2030



The largest regeneration opportunity in Central London located where Chelsea, Fulham and Kensington meet

DETAILED DESIGNS FOR THE FIRST PHASE OF THE EARLS COURT MASTERPLAN

Artist's impression of detailed designs for West Brompton Square

Demolition of Earls Court commences

Artist's impression of the Lost River Park from same area pictured above

LILLIE SQUARE

OPERATING PERFORMANCE

The Lillie Square development is a one million square feet (GEA) residential scheme located adjacent to the Earls Court Masterplan.

The valuation of Capco's 50 per cent interest in Lillie Square, which is held in a joint venture with the Kwok Family Interests ("KFI"), increased to £182 million, a like-for-like increase of 9.9 per cent over the year.

The development will be delivered in three phases. Sales of the first phase began in spring last year and received strong demand, with over 85 per cent reserved in the first five weeks. Sales progressed well throughout the year and Phase 1 is substantially sold. As planned, sales of the penthouses will continue throughout the project. The average sales price for Phase 1 is between £1,400 and £1,500 per square foot with individual premium units achieving over £2,200 per square foot. Following successful enabling works, construction has started, with first completions on track for 2016.

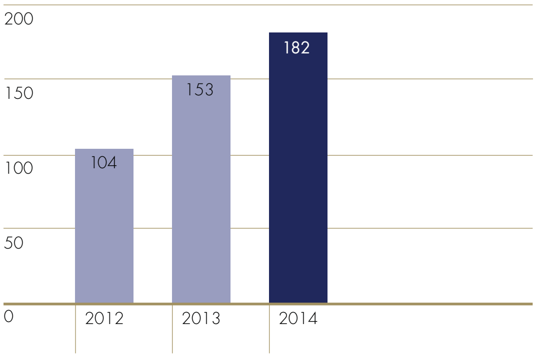
Construction of the private element of the scheme is now expected to cost £400 million which reflects the overall higher specification of the development and increased margins in the construction industry. Material changes are not expected to occur to either of these factors going forward.

Due to the phased nature of the development the peak capital requirement is £130 million and in May 2014, Capco signed a £130 million revolving credit facility (Capco share: £65 million) to finance the scheme.

Capco notes the conclusion of legal proceedings concerning certain members of the Kwok Family. These proceedings have not had an impact on the operation of the joint venture.

Lillie Square capital value

£182m* +9.9% (LfL)



* *Capco's 50% share*

HIGHLIGHTS

- Lillie Square valued at £182 million (Capco's share) up 9.9 per cent (on a like-for-like basis)
- Strong demand for Phase 1
- Construction of Phase 1 underway

STRATEGY

- Create value through the delivery of a high quality residential-led scheme with joint venture partner
- Continued sales and price progression

Lillie Square management team

LILLIE SQUARE

Lillie Square will offer modern garden-square living through over 800 new homes

FUTURE PRIORITIES

Capco remains committed to its strategy to create value through planning, land assembly and land enablement through the development of the masterplan.

The Earls Court Masterplan is currently consented for 10.1 million square feet of residential-led space and is one of the GLA's opportunity areas, making it a strategic scheme for the Capital. The provision of more housing is a major priority for London, with over 45,000 homes a year needed to meet future requirements. Efficient utilisation of opportunity areas, such as Earls Court, is key in order to meet these requirements and options are now being considered which enhance and maximise the potential of this important London scheme.

At Earls Court, the focus of activities this year will be continued demolition of EC1 & EC2 following a successful start in December 2014, and this process is expected to take 18 months. In addition, Capco will continue its land assembly plans, acquiring small properties to enhance its ownership around the masterplan area. Capco notes the announcement by TfL in June highlighting the feasibility of relocating its operational depot away from Earls Court.

Lillie Square is the first manifestation of the masterplan within the Earls Court area. Following the strong success of Phase 1, the focus is now on construction of Phase 1 and successful sales of Phase 2 over the course of the year.

ON SITE AT LILLIE SQUARE

The first concrete beams are cast around the perimeter of the site at Lillie Square

MODERN GARDEN-SQUARE LIVING

Artist's impression of the view from the penthouse at One Lillie Square

(right) Artist's impression of Phase 1 of Lillie Square from Seagrave Road

(left) Artist's impression of an apartment at Lillie Square

OLYMPIA LONDON

OPERATING PERFORMANCE

Venues – strong operating performance

The Venues business performed ahead of expectations in 2014 following a successful transition process and new shows coming to Olympia London. EBITDA for the year was £11.1 million up by 7 per cent compared to 2013. This is reflected in the positive valuation performance, which has increased 27.6 per cent to £210.6 million over 2014.

In preparation for the closure of Earls Court, which held its last show in December 2014, the transition of bookings to Olympia London progressed very well through the year. Over 80 per cent of Earls Court's shows have transferred and include the Ideal Home Show and The London Book Fair.

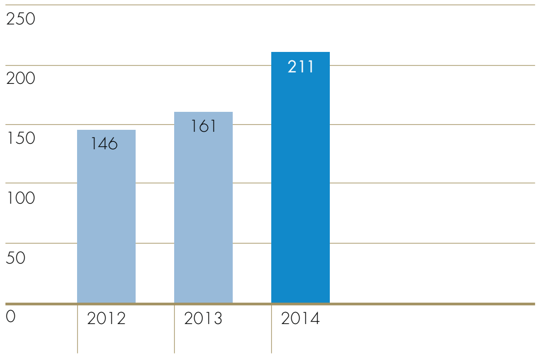
The enhanced Olympia business has had a successful year, attracting new events as the venue benefits from over £30 million invested over recent years.

FUTURE PRIORITIES

The successful transition of shows to Olympia London demonstrates the renewed appeal of this historic venue following the actions taken to enhance its offering. The focus of activities going forward will be to build upon the momentum achieved in 2014 and maximise the potential of this reinvigorated venue.

Venues capital value

£211m +27.6% (LfL)



HIGHLIGHTS

- Strong valuation performance up 28% like-for-like
- EBITDA of £11.1 million, up 7%
- Successful transition of shows to Olympia London

STRATEGY

- Maximise utilisation by continuing to attract new shows

Venues management team

SUCCESSFUL TRANSITION OF BOOKINGS FROM EARLS COURT

Top Drawer's first show at Olympia London

Ideal Home Christmas is one of the many shows that have transitioned from Earls Court to Olympia London

FINANCIAL REVIEW

Soumen Das, Finance Director

"Capco has ended 2014 with a strong balance sheet – a predominantly unsecured debt model, low leverage of 12 per cent and £655 million of liquidity. Our aim is to continue to deliver market-leading returns for our shareholders and we have the financial capacity to continue to drive value creation across our assets."

FINANCIAL HIGHLIGHTS

- EPRA NAV of 311 pence per share, a 25% increase
- Total return of 25%
- Total property value of £3.0 billion
- LTV of 12%
- £258 million raised through placing
- £665 million unsecured revolving credit facility agreed for Covent Garden
- £150 million US Private Placement agreed for Covent Garden
- £130 million (£65 million Capco share) construction facility agreed for Lillie Square
- Cash and undrawn facilities £655 million

EPRA adjusted, diluted net assets per share rose 25.0 per cent during the year, increasing from 249 pence at 31 December 2013 to 311 pence. This 62 pence increase together with the 1.5 pence dividend paid during the year represents a total return of 25.4 per cent.

At Covent Garden, continued growth in rental values as well as yield compression have increased the value of the estate by 21.4 per cent (24.5 per cent like-for-like) following a number of new lettings, lease re-gears, rent reviews and progress made on developments.

The market value of Earls Court Properties, which comprises the Group's interests at Earls Court, has increased by 15.2 per cent (17.9 per cent like-for-like), primarily the result of the successful launch of the first phase of the Lillie Square scheme together with 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 £42.7 million per acre (2013: £31.7 million) for the combined freehold and leasehold interest.

Re-presentation of prior year comparatives

Following the adoption of IFRS 11 'Joint Arrangements' ("IFRS 11") the Group is required to represent its joint ventures as though the standard had been in effect at 1 January 2013. The standard removes the proportional consolidation option that was previously available under IAS 31 'Interests in Joint Ventures'. Under the equity method, rather than proportionally consolidating the Group's share of assets, liabilities, income and expenses on a line-by-line basis, the Group's net equity interest in joint ventures is now disclosed as a single line item in both the consolidated balance sheet and consolidated income statement. Loans between the Group and its joint ventures, as well as interest thereon, are no longer eliminated on consolidation.

The Group's joint ventures consist of the Lillie Square joint venture ("LSJV") and the discontinued operation, The Great Capital Partnership ("GCP"). Under the equity method, when the Group's share of losses in a joint venture exceeds its investment, as is the case with LSJV, the Group does not recognise further losses, unless it has legal or constructive obligations to make payments on behalf of the joint venture. As a result, loan advances from the Group to LSJV have been impaired by £19.2 million (2013: £6.3 million) to their recoverable amount. There has been no overall change in the net asset position or profit after tax of the Group as a result of adopting IFRS 11.

The LSJV business plan is the development and sale of a one million square feet residential scheme and LSJV therefore holds trading property which is carried at the lower of cost and market value. The carrying value of the trading property at 31 December 2014 was £193.5 million however the market value was £360.4 million, resulting in an unrecognised revaluation surplus of £166.9 million (Capco share £83.4 million). Therefore, while Lillie Square demonstrates positive pricing evidence as discussed in the Operating Review, the unrecognised surplus will not be evidenced in the consolidated financial statements until profit on sale is recognised.

Internally the Board focuses on and reviews information and reports prepared on a proportionately consolidated basis, which includes the Group's share of joint ventures. Therefore to align with the way the Group is managed, this financial review presents the financial position, performance and cash flow analysis on a proportionately consolidated basis. Continuing and discontinuing operations have also been combined.

Conditional Land Sale Agreement ("CLSA")

In November 2013 the Group exercised its option under the CLSA, which it entered into with the London Borough of Hammersmith & Fulham ("LBHF"), for the purchase of the West Kensington and Gibbs Green housing estates (the "Estates"). The overall consideration payable is expected to be £105 million cash plus the planning requirement to provide up to 760 replacement homes.

The CLSA remains unrecognised in the consolidated financial statements of the Group as its main underlying asset (the land relating to the Estates) does not currently meet the recognition criteria required for investment and development property. Of the £30 million paid to date, £15 million relates to the acquisition of two properties and £15 million remains held as a prepayment against a future draw down of land. The future payments, totalling £75 million are disclosed as a capital commitment. Annual payments of £15 million start in December 2015. Where 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.

Earls Court Partnership Limited ("ECPL")

In March 2014 the Group established ECPL, an investment vehicle between the Group (63 per cent controlling interest) and TfL (37 per cent interest) to enable the development of EC1 & EC2 in line with the Earls Court Masterplan. On completion of the transfer of assets into ECPL, which will occur in the first half of 2015, the Group's current leasehold interests will be replaced with a 63 per cent economic interest in the new 999 year lease granted by TfL.

FINANCIAL POSITION

At 31 December 2014 the Group's EPRA adjusted net assets were £2.6 billion (2013: £1.9 billion) representing 311 pence per share adjusted and diluted, an increase of 62 pence per share since 31 December 2013.

Investment, development and trading property

The revaluation surplus on the Group's property portfolio was £484.0 million during the year, a 21.9 per cent gain on a like-for-like basis compared with the IPD Capital Return for the equivalent period of 12.4 per cent.

Total property return for the year was 21.9 per cent which compares with the IPD Total Return index which recorded a 19.3 per cent return for the corresponding period.

Valuation surpluses on trading property are not recorded and are carried on the balance sheet at the lower of cost and market value. Any unrecognised surplus is however reflected within the EPRA adjusted net asset measure. At 31 December 2014, the unrecognised surplus on trading property was £96.3 million, up from £69.2 million at 31 December 2013. This primarily arises on property assets at Lillie Square.

Property acquisitions in the year were £222.0 million, of which the majority, £166.7 million, were acquisitions at Covent Garden. Disposals in the year of £17.6 million consisted of 32-33 Long Acre which was swapped for 16-18 King Street, the last residential apartment at The Russell and the first residential apartment at The Beecham.

Capital raise

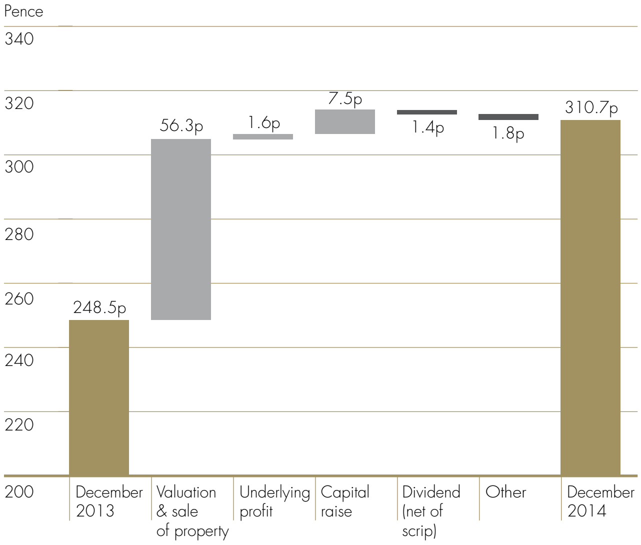
In May the Group completed a placing of 75.9 million new ordinary shares at a price of 340 pence per share to provide additional flexibility to fund the acceleration of value creation at Covent Garden and Earls Court. The placing generated net proceeds of £251.7 million. The number of ordinary shares in issue at 31 December 2014 was 836.2 million.

SUMMARY CONSOLIDATED BALANCE SHEET

	2014			2013		
	IFRS £m	**Joint ventures £m**	**Proportionate consolidation £m**	IFRS £m	Joint ventures £m	Proportionate consolidation £m
Investment, development and trading property	2,806.5	98.3	2,904.8	2,081.4	84.9	2,166.3
Net debt	(354.9)	10.2	(344.7)	(331.2)	2.0	(329.2)
Other assets and liabilities[1]	54.7	(108.5)	(53.8)	61.9	(86.9)	(25.0)
Net assets	2,506.3	–	2,506.3	1,812.1	–	1,812.1
Fair value of derivative financial instruments			1.8			14.1
Unrecognised surplus on trading properties			96.3			69.2
Deferred tax on non-recurring items and other			25.1			16.2
EPRA adjusted net assets			2,629.5			1,911.6
EPRA adjusted, diluted net assets per share (pence)			311			249

1 *IFRS includes Partners' loans that eliminate on proportionate consolidation.*

EPRA adjusted, diluted net assets per share NAV +25% to 311p



Debt and gearing

In February the Group signed a £665 million five year unsecured revolving credit facility to replace the Group's Covent Garden facilities. Total costs of £12.9 million were incurred of which £8.1 million were capitalised and £4.8 million was charged to the income statement relating to the termination of derivatives and a write off of unamortised transaction costs relating to the previous facilities.

In November the Group signed an agreement with five US institutional investors for a private placement of £150 million 10 and 12 year senior unsecured notes which enhanced the unsecured debt platform at Covent Garden. Closing occurred in December and proceeds were used to repay bank debt.

In May the Group entered into a £130 million (Capco share £65 million) four year construction facility to fund the Lillie Square development. The first draw down occurred in December.

Net debt has increased by £15.5 million in the year principally as a result of property acquisitions and subsequent expenditure offset by proceeds from the capital raise.

The gearing measure most widely used in the industry is loan-to-value ("LTV"). LTV is calculated on the basis of net debt divided by the value of the Group's property portfolio. The Group focuses most on an LTV measure that includes the notional share of joint venture interests but excludes the share of cash, debt and property which is held by the Group on behalf of TfL in respect of ECPL. The LTV of 12.1 per cent remains comfortably within the Group's target limit of no more than 40 per cent.

	2014	2013
Loan to value	12.1%	15.2%
Interest cover	188%	148%
Weighted average debt maturity	5.1 years	4.3 years
Weighted average cost of debt	3.4%	4.4%
Proportion of gross debt with interest rate protection	94%	100%

The Group's policy is to substantially eliminate the medium and long-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. At 31 December 2014 the proportion of gross debt with interest rate protection was 94 per cent (2013: 100 per cent).

The Group remains compliant with all of its debt covenants.

The Group has capital commitments of £171.4 million at 31 December 2014 (2013: £105.9 million). The increase is attributable to the Lillie Square construction contract. Since the year end, the Group signed a £64.8 million building contract for the construction of Kings Court, Covent Garden.

CASH FLOW

A summary of the Group's cash flow for the year ended 31 December 2014 is presented below:

	2014 £m	2013 £m
Recurring cash flows after interest and tax	19.4	8.0
Purchase and development of property[1]	(259.8)	(130.4)
Control acquired of former joint venture	–	(50.3)
Sale proceeds of property and investments	8.1	81.6
Pension funding	(0.8)	–
Net cash flow before financing	(233.1)	(91.1)
Issue of shares	252.1	–
Debt financing	58.9	(41.5)
Dividends paid	(11.0)	(6.9)
Net cash flow	66.9	(139.5)

1 *Includes the acquisition of plant and equipment.*

Recurring cash flows were £19.4 million compared with £8.0 million for 2013, mainly due to lower finance costs and a taxation receipt in the year relating to the close out of the previous year's taxation computations.

Investing activities mainly comprise acquisitions of £203.4 million and subsequent expenditure of £55.7 million, offset in part by proceeds received from the disposal of property and investments of £8.1 million.

During the year eight properties were acquired in Covent Garden for £166.7 million. Net of a swap and a further property which had exchanged but not yet completed, total cash invested towards expanding the estate during 2014 was £144.7 million. The remaining property acquisition and development expenditure was mainly in respect of Earls Court Properties. Proceeds from the sale of property and investments primarily comprise the disposal of the last remaining residential unit at The Russell, Covent Garden and the first residential unit at The Beecham, Covent Garden.

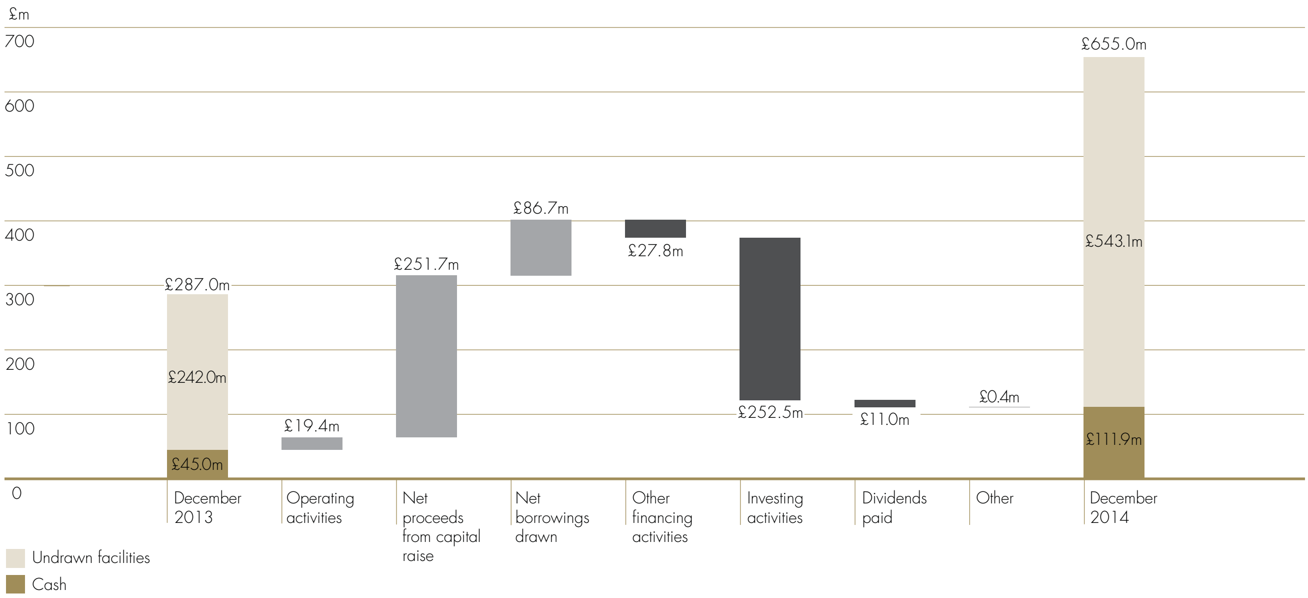
Issue of shares reflects the capital raise previously referred to net of costs and the vesting of equity based compensation awards.

The £665 million five year unsecured revolving credit facility replaced the Group's Covent Garden facilities and has in part been repaid by cash received from the capital raise and US Private Placement to reduce cash drag in the short-term until it is invested. On completion of the facility, £25.2 million of fees and derivative contract termination fees were paid.

Dividends paid of £11.0 million reflect the final dividend payment made in respect of the 2013 financial year and the 2014 interim dividend paid in September. This was higher than the previous year due to additional ordinary shares in issue at the record date and a lower take up of the scrip dividend alternative, 11 per cent versus 21 per cent in 2013.

As a result of the May 2014 capital raise, the US Private Placement and the two new facilities previously discussed, the Group's cash and undrawn committed facilities at 31 December 2014 have increased to £655.0 million (2013: £287.0 million).

Cash and undrawn facilities



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 on a proportionately consolidated basis. The Group considers this presentation to provide useful information as it removes unrealised and other one-off items and therefore represents the recurring, underlying performance of the business.

	2014 £m	2013 £m
Net rental income	70.1	64.8
(Loss)/profit on sale of trading property and other income	(0.4)	10.6
Gain on revaluation and sale of investment and development property	454.4	313.4
Administration expenses	(43.2)	(33.8)
Net finance costs	(15.1)	(20.9)
Non-recurring finance costs	(5.2)	(0.2)
Change in fair value of derivative financial instruments	(12.1)	16.4
Other	1.7	(0.3)
Taxation	(1.6)	(12.6)
Profit for the year attributable to owners of the Parent	448.6	337.4
Adjustments:		
Loss/(profit) on sale of trading property	1.9	(10.6)
Gain on revaluation and sale of investment and development property	(454.4)	(313.4)
Non-recurring finance costs	5.2	0.2
Change in fair value of derivative financial instruments	12.1	(16.4)
Other	(1.7)	(0.2)
Taxation on non-recurring items	1.4	10.3
Underlying earnings	13.1	7.3
Underlying earnings per share (pence)	1.6	1.0

Net rental income

Net rental income increased by £5.3 million (3.9 per cent like-for-like) in the year. Acquisitions at Covent Garden, strong performance at Olympia London which is benefiting from the transition of exhibitions from Earls Court, and the acquisition of control of Empress State in May 2013 have increased net rental income by £6.5 million. The sale of properties within GCP reduced net rental income by £1.2 million which is in line with expectations.

Gain on revaluation and sale of investment and development property

The gain on revaluation and sale of the Group's investment and development property was £454.4 million, £270.2 million arising from the Covent Garden estate, £139.0 million from Earls Court Properties, £45.6 million from Olympia London and a loss of £0.4 million from Other.

Administration expenses

Administration expenses have increased by 27.8 per cent to £43.2 million. This change is due to increased employee costs in line with expansion of the Group's activities.

Net finance costs

Net finance costs have decreased by 27.8 per cent to £15.1 million due to the combined impact of a reduced cost of debt and lower average debt as a result of the capital raise and re-financings over the past 18 months.

Non-recurring finance costs

Non-recurring finance costs relate primarily to charges incurred on termination of debt facilities in respect of the Covent Garden refinancing, discussed earlier within 'debt and gearing'.

Taxation

The total tax charge for the period was £1.6 million which is made up of both underlying tax and non-underlying tax.

Tax on underlying profits for 2014 reflects a rate of 20.5 per cent, in line with the current rate of UK corporation tax. This is offset by an adjustment in respect of previous years leading to an underlying tax charge of £0.2 million. The UK corporation tax rate will fall to 20 per cent from April 2015.

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 property at market value would result in a corporation tax charge to the Group of £20.7 million (21.5 per cent of £96.3 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 2015 to shareholders on the register at 29 May 2015. Subject to SARB approval, the Board intends to offer a scrip dividend alternative.

EPRA PERFORMANCE MEASURES

Measure	Definition of Measure	2014	2013
Adjusted earnings	Recurring earnings from core operational activity	£16.7m	£9.4m
Adjusted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	2.1p	1.2p
Adjusted net assets	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	£2,630m	£1,912m
Adjusted net assets per share	Adjusted diluted net assets per share	311p	249p
Triple net assets	Adjusted net assets adjusted to include the fair value of financial instruments, debt and deferred tax	£2,599m	£1,884m
Triple net assets per share	Diluted triple net assets per share	307p	245p
Net initial yield	Annualised rental income less non-recoverable costs as a percentage of market value plus assumed purchaser's costs	2.9%	3.9%
Topped-up initial yield	Net initial yield adjusted for the expiration of rent-free periods	3.1%	4.1%
Occupancy	ERV of occupied space as a percentage of ERV combined portfolio	97.5%	98.7%

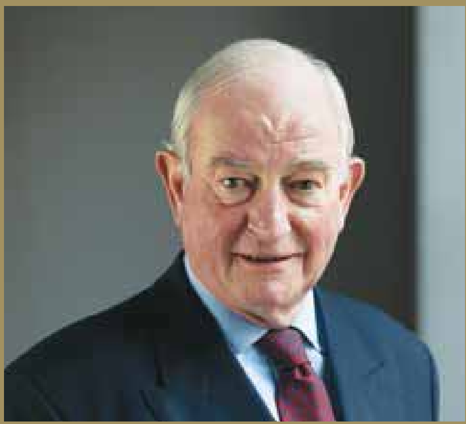
Going Concern

At 31 December 2014 the Group's cash and undrawn committed facilities were £655 million and its capital commitments were £171.4 million. With weighted average debt maturity exceeding five years, LTV of 12 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 on-going and future commitments for the foreseeable future. Accordingly, the Directors have prepared the 2014 Annual Report & Accounts on a going concern basis.

Soumen Das
Finance Director

26 February 2015

CORPORATE RESPONSIBILITY REPORT



From the Chairman of the Corporate Responsibility Committee

"Delivering our strategy with integrity"

The way we conduct our business in the communities and environments in which we operate forms an important part of our culture.

As long-term stewards of two major estates in London, we have a strong commitment to creating public value and delivering our strategy with integrity.

Our programme of CR related activities focuses on benefiting young people from the area where our assets are located. We aim to enhance local employment and maximise opportunity for underprivileged young people. We also actively support work with homeless people, injured service personnel and veterans. Our asset management and construction strategy is underpinned by an ambitious environmental strategy and a desire to lead in this area.

Our employees remain engaged with the programme and contributed 625 hours to CR related activities during 2014.

Our CR strategy continues to develop as our business plan is delivered and we regularly review progress against our targets. We welcome feedback from our stakeholders on environmental and community issues.

Ian Henderson
Chairman of the Corporate Responsibility Committee

26 February 2015

Capco runners raised £32,000 participating in the Royal Parks half-marathon

Key

Some progress

Satisfactory progress

Good progress

Local communities – we make a positive impact on the local communities where our assets are located		
What we achieved in 2014	Progress	2015 objective
Continue to support community projects which specifically benefit young people in London within the areas where our assets are located. **Earls Court** As part of the 2014 Earls Court Education Programme: Pupils from Year 5 at Fulham Primary School undertook a 'story book project' looking at Earls Court past and present. Having benefited from coaching from a professional actor, they presented some of the fascinating stories they had researched and photographed. In addition, Year 2 pupils from Servite Primary School became detectives and looked at the streets surrounding Earls Court, investigating their current appearance and predicting how they will look in the future. We sponsored the Bizworld Charity Project which offers children a hands-on, project-based learning programme covering key aspects of entrepreneurship. This year the 'Take Four' schools project involved approximately 100 Year 6 pupils from four local schools across our assets. This film making project was designed to engage children in personal safety, community safety and health issues through new media. The grand finale took place at Olympia in front of a large audience. The finance team at head office spent a morning designing a large collage of London with members from the Learning Disabilities Resource Centre who have severe disabilities. **Covent Garden** The Covent Garden team continues to work alongside local stakeholders and community groups, residents, tenants and The Covent Garden Area Trust to improve the local area. We hosted the Apple Market Challenge for the ninth year running. Year 6 students from nine schools were mentored by sixth formers, and the task involved designing and marketing a product to be sold on the market. Four finalists were chosen to come to Covent Garden to present to an expert panel. The winning team created a multi-purpose 'Super Smart Bag' that was a phone charger, cooler pocket for cold drinks and a pull-out laptop holder. A 2014 highlight was the Turtles Nursery new garden project. Capco volunteers teamed up with contractors and architects working on the Kings Court development to help fund the £9k project, and staff helped build and paint new equipment. We continue to enhance local employment by supporting the work of Recruit London who are regularly introduced to occupiers of our estate at stakeholder events. We created a leaflet outlining their service, which we provide to new and existing retailers who may not otherwise be aware of it. Our retailers have recruited 59 new employees via the scheme (17 of those in 2014).	Satisfactory progress	Continue to support community projects which specifically benefit young people in London within the areas where our assets are located.

Local communities – we make a positive impact on the local communities where our assets are located

What we achieved in 2014	Progress	2015 objective
Further develop our property management strategy for the benefit of all stakeholders. There have been significant improvements in the facilities at Olympia during 2014 and, following the investment of £4m, the venue has been prepared for an increased number of events due to be held in 2015 and beyond. The majority of the investment has been used to refurbish the venue's roofs to improve the watertight integrity of the exhibition spaces. In addition, the National Hall benefited from an additional goods lift and upgraded air handling units. Organisers can now request a sustainability report for their events and, since this service was launched in July, four show reports have been issued. The Covent Garden Management Plan was developed. This included the continued funding of two Street Wardens (known as Covent Garden Guardians) who minimise illegal trading, fly-tipping and unsocial behaviour around the Covent Garden estate. Supplemental cleaning was also implemented in the area, including scrubbing of pavements, bin washing and litter picking.		A further £4m investment is planned for Olympia in 2015 to ensure that it maintains its position as a leading UK venue. Major planned projects include the refurbishment of the Grand Hall roof and improved heating and lighting for the Grand Hall. Increase uptake of sustainability reports to 10 for the year. Implement further enhanced cleaning more widely in Covent Garden – introduction of new equipment. Implement a Neighbourly Initiative Scheme.
The Customer Forum meetings continued this year with more emphasis on providing customer research information to stakeholders. We carried out a further set of Customer Forum Meetings at Covent Garden with stakeholders, and for the first time shared the research carried out during the Christmas period. We completed a further set of Sparkle Weeks during July which included painting of public realm areas such as bollards, street lamps, railings and gates.		Further develop the Customer Forum meetings, widening the topics covered and build closer relationships with stakeholders via the newly appointed Retail Liaison Manager.

Students from four schools participated in Capco's Take Four educational initiative

Capco people – we employ people with a diverse range of experience and expertise

What we achieved in 2014 | Progress | 2015 objective

To further develop learning programmes that will enhance the capability and performance of our people.

We continue to attract talented graduates who attend a structured induction programme on joining the business, which involves technical skills training, effective time management skills, communication, influencing and impact skills. The graduates have access to an external trainer to provide them with support in obtaining their APC qualifications. All graduates rotate around the business for a period of six to nine months to ensure they get a broad depth of experience.

An internal leadership training programme "Essential Management Skills" commenced in April 2014 for our high potential employees at mid-level. The aim of the programme was to develop their capabilities in leadership, focusing on personal awareness, communication, effectiveness, collaboration and delegation skills. The programme culminated in the delegates developing a robust solution to a current business challenge or opportunity.

A training programme was delivered to secretarial staff covering communication, professionalism, time management and networking skills.

A number of employees benefited from external coaching and internal mentoring which focused on individual development needs. Overall, 79.5 per cent of total employees at head office and Covent Garden attended training during 2014 equating to more than 1,000 hours.

Collaboration across the Group was enhanced by the introduction of bespoke team building exercises. For example, the Earls Court team spent a day learning about team work in Formula One. They experienced a high pressure team situation by taking part in a simulated pit-stop challenge supervised by the Williams Formula One team. The Covent Garden team used the Belbin model to analyse team dynamics.

At the Venues business, training in 2014 focused on the following key areas: customer service, health and safety, security of guests, staff and premises, sustainability, statutory compliance and technical training for facilities management.

2015 objective: To further develop learning programmes that will enhance the capability and performance of our people.

Encourage employees to engage in CR initiatives and contribute 350 Group employee hours to supporting these projects.

Capco staff completed 625 hours of CR related activities during 2014, an increase of 110 hours on 2013. A greater variety of opportunities for employees to participate in Company-wide CR projects was offered and individuals were encouraged to volunteer for the CR initiatives publicised via the Company's intranet, The Wire.

2015 objective: Encourage employees to engage in CR initiatives and contribute 400 Group employee hours to supporting these projects.

Gender diversity (%)

We continued to monitor diversity in our employee population carefully and we have a high ratio of women : men at senior operational level in the Company, compared with other companies in our sector.

Capco people – we employ people with a diverse range of experience and expertise

What we achieved in 2014	Progress	2015 objective
Continue to include a CR related personal objective for each employee. Each employee had a CR related personal objective for 2014.		Continue to include a CR related personal objective for each employee.
Continue to promote the Company matched funding scheme and raise awareness of individuals' efforts on our intranet. Overall participation in fundraising activities in aid of selected charities has become embedded in Capco culture. Staff matched funding reached a record high. This year £22,000 was match funded. In total, staff raised £60,000 for various charities and of particular note is the £32,000 raised by 10 runners from Capco in the Royal Park half-marathon.		Continue to promote the Company matched funding scheme and raise awareness of individuals' efforts on our intranet.

Health & Safety – regular reporting and monitoring

What we achieved in 2014	Progress	2015 objective
Further improve our health and safety reporting across the Group. The Group's Health & Safety Committee, chaired by the Executive Investment Director, met on a monthly basis to review activities across the business and ensure that satisfactory policies and procedures were in place. With the commencement of works on site at Earls Court and Lillie Square, we have carried out a review of health and safety training requirements and implemented a programme of training to ensure that all staff are aware of their responsibilities. At Covent Garden, there were 15 RIDDOR incidents during 2014 and 59 accidents overall. There were no injuries to staff. At the Venues business, bi-monthly staff health and safety meetings were conducted. In addition, as competent health and safety representation for every event is a venue requirement, safety briefings were held with each event organising team. There were six RIDDOR incidents during 2014 and 78 accidents overall involving visitors to Earls Court events. Two staff were treated for minor injuries. To the end of December 2014, there were three RIDDOR accidents involving visitors to Olympia events and 190 accidents overall; no specific trends or major injuries were identified. There were seven injuries to staff, all of which were minor.		Ensure that good standards of health and safety across the Group are maintained, including in relation to our development-related activities at Covent Garden, Lillie Square and Earls Court. Ensure that health and safety continues to be at the forefront of event planning and management.

Corporate CR Strategy – embedded into the fabric of our day-to-day work

What we achieved in 2014	Progress	2015 objective
Continue to build engagement with the CR agenda across the Group. The CR Executive Committee, chaired by the Director of HR & CR, was responsible for setting strategy and ensuring that CR initiatives aligned with overarching corporate strategy. The committee comprised key individuals from two operational committees which focused on environmental and community issues.	★★	Continue to build engagement with the CR agenda across the Group.
Manage potential risks on an on-going basis, escalating concerns promptly where appropriate. CR-related risks are included in the Capco risk register and are reviewed internally bi-annually. They are also reviewed externally by ENVIRON UK Ltd on an annual basis.	★★★	Manage potential risks on an on-going basis, escalating concerns promptly where appropriate.
Participate in the 2014 Carbon Disclosure Project and aim to improve our score. Capco continues to participate in the Carbon Disclosure Project and again achieved an improved rating, scoring 87B in 2014 (2013: 70C).	★★	Participate in the 2015 Carbon Disclosure Project and aim to maintain a high score.
Continue to measure performance using the Global Reporting Initiative. Capco continues to measure performance using the GRI Framework and updated reporting indicators have been selected.		Continue to measure performance using the Global Reporting Initiative.
Maintain FTSE4Good accreditation. Capco continues to be a constituent of the FTSE4Good Index Series.		Appropriately address the new FTSE4Good methodology for 2015 and maintain position as a constituent.
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. This year the Group donated £202,500 to various charities, particularly those benefiting young people. This included a Company donation of £500 on behalf of every employee at head office and Covent Garden to three charities totalling £61,000. Capco teamed up with the Sir Simon Milton Foundation in its fundraising efforts to support a state-of-the-art University Technical College which is due to open in September 2016. In April, two Capco employees ran the London Marathon raising £10,000 and in October a further £37,000 was raised for the Foundation at a quiz night, hosted by Capco. The Covent Garden estate was one of the main hubs of the annual Poppy Day appeal commemorations and included a First World War Sopwith Camel biplane, a Red Arrows Simulator and a performance by Joss Stone along with uniformed personnel from the Royal Navy, Army and Air Force. The event at Covent Garden raised £30,000 towards the appeal.	★★	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, continuing our long-standing involvement with associations that help injured service personnel.
Continue an active programme of dialogue and meetings with the Company's current and prospective shareholders. Our Executive Directors, Chairman and Deputy Chairman engage regularly with shareholders and invite dialogue. The Executive Directors undertook a comprehensive programme of meetings with shareholders during 2014 including road shows in South Africa and the United States. We also hired a Director of Investor Relations to ensure that we communicate effectively with investors.	★★★	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		
What we achieved in 2014	Progress	2015 objective
Continue to monitor our carbon footprint, broken down into the components of the business. We continued to monitor and measure our carbon footprint and in 2014 the carbon footprint was 11,266 tonnes of CO_2 equivalent. The carbon footprint reviews the five material greenhouse gas (GHG) emission sources for Capco. This includes the combustion of natural gas and fuel, electricity usage, water consumption, waste production and the use of refrigerant for cooling. The largest contribution came from Earls Court, which made up 49 per cent of the total footprint; Olympia London contributed 35 per cent, Covent Garden 14 per cent and head office 2 per cent.		Commitment to monitor our carbon footprint, broken into the components of the business.
Monitor the impact of the online traffic marshalling/booking system at Olympia London. The online vehicle booking system was used by approximately 50 per cent of exhibitors and contractors. The system has been successful in reducing traffic queues at peak event times and has provided useful data to assist organisers with their sustainability reporting. In addition to this, a vehicle share service was launched in October 2014, allowing users to offer or buy spare vehicle capacity.		Increase pre-event bookings to 75 per cent. Actively promote the new vehicle share service and monitor uptake.
Participate in the CRC Energy Efficiency scheme. Phase 1 of the CRC scheme is now complete. In June 2014, Capco ordered buy-to-comply allowances totalling £144,836. Phase 2 of the CRC scheme commenced in April 2014 and the Phase 2 Year 1 annual report submission will be submitted to the Environment Agency in July 2015.		Maintain compliance with the CRC Energy Efficiency Scheme.

Volunteers from Capco helped to build and paint new equipment at Turtles Nursery in Covent Garden

Environment – our creative and holistic approach to place-making protects the environment where our estates are based		
What we achieved in 2014	Progress	2015 objective
Aim to maintain a 3 per cent reduction in utilities consumption on a like-for-like basis against 2013 figures. Based on like-for-like figures against 2013, Capco has achieved its target by reducing utility consumption during 2014 by 12 per cent. The installation of energy efficient equipment at Capco's assets has increased efficiency in utility consumption.	★★★	Aim to maintain a 3 per cent reduction in utilities consumption on a like-for-like basis against 2014 figures.
Continue our work on Energy Performance Certificates (EPCs), particularly those properties within the F/G bands and improve their ratings where opportunities arise. The 2014 EPC target was achieved. An exercise is underway to identify which of our assets are considered to be at high risk and in need of capital investment. Any properties that are acquired or let are covered by an EPC if required.	★★	Determine what measures are required to improve properties with an EPC of F/G.
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 (CEMP). Level 4 Code compliance and Lifetime Homes compliance to be confirmed through detailed design of Lillie Square, evidenced through our specification. During 2014, the CEMP was agreed with the Local Authority for both the enabling and main construction activities at Lillie Square. These have been implemented through the enabling works phase. The first phase of development at Lillie Square remains on track to achieve Level 4 of the Code for Sustainable Homes, as evidenced during the design stage.	★★★	In 2015 the principal objectives of the CEMP are to be implemented by the main contractor during the demolition and main construction phases, including responsible materials sourcing and commitment to diverting a minimum of 85 per cent of non-hazardous waste from landfill.
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. The building contract for Kings Court at Covent Garden was agreed. It commits the contractor to deliver: • BREEAM excellent for domestic refurbishment • BREEAM very good for retail refurbishment • Code for Sustainable Homes Level 4 • BREEAM very good for retail new build		Ensure design development by the contractor through 2015 is achieving, in 2017, delivery of: • BREEAM excellent for domestic refurbishment • BREEAM very good for retail refurbishment • Code for Sustainable Homes Level 4 • BREEAM very good for retail new build

Environment – our creative and holistic approach to place-making protects the environment where our estates are based		
What we achieved in 2014	Progress	2015 objective
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. We continued our engagement with the food and beverage occupiers in Covent Garden Market. We meet with around four-five occupiers a month and share the recycling statistics on a monthly basis to show our progress. The waste segregation target of 55 per cent was achieved in Covent Garden, despite an increase in waste due to a greater number of food and beverage operations. At Earls Court, following engagement with local stakeholders, we adopted an engineered solution to the demolition of the bridge, in order to minimise noise to the surrounding areas over the Christmas period. Olympia's conference centre was fitted with energy-efficient LED lighting and has signed up to the Government's 'Clean Air for London' scheme.	★★	We will expand our engagement with occupiers outside the Market Building on the wider estate. We will look to maintain 55 per cent waste segregation.
In executing our major development projects at Covent Garden, we aim to achieve a target of less than 15 per cent of waste going to landfill. The target of less than 15 per cent of waste going to landfill was achieved on the major schemes delivered in Covent Garden – The Beecham, The Southampton and 35 King Street.	★★★	We will aim to achieve a target of less than 15 per cent of waste going to landfill. The target is being applied to all major Covent Garden construction projects in 2015.
Monitor metered water usage across our portfolio. Capco continues to monitor and report on metered water consumption, with data included in Capco's carbon footprint.	★★★	Opportunities to reduce water consumption will be identified and a water action plan established.

CORPORATE GREENHOUSE GAS EMISSIONS

In accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, Capco has collated data throughout the year in order to report on the greenhouse gas emissions associated with its operations. 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 2014 Government Greenhouse Gas (GHG) Conversion Factors for Company Reporting to compile the emissions data. Capco does not have responsibility for any emission sources that are not included in the consolidated statement.

ENVIRON UK Ltd has provided assurance on the accuracy, completeness and consistency of the GHG emissions data.

GHG emissions data for period 1 January to 31 December	Tonnes of Carbon Dioxide Equivalent (tCO_2e)	
	2014	2013
Scope 1 emissions: Direct emissions including fuel combustion in owned or controlled boilers and vehicles	1,998	2,907
Scope 2 emissions: Indirect emissions released into the atmosphere including purchased electricity	9,107	8,241
Total Annual GHG emissions:	11,105	11,148
Intensity ratio: Capco (Tonnes of CO_2e per £m of Net Assets)	4.43	6.15

Covent Garden was a main hub for the annual Poppy Day appeal

The sections of the Annual Report which make up the Strategic Report are set out on page 86.
The Strategic Report has been approved for issue by the Board of Directors on 26 February 2015.

Ian Hawksworth
Chief Executive

Executive Directors

IAN HAWKSWORTH

Chief Executive Age 49

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 38
(Managing Director & Chief Financial Officer with effect from 1 March 2015)

Soumen is an experienced corporate financier currently 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 49
(Managing Director & Chief Investment Officer with effect from 1 March 2015)

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 significant 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 56

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 71

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

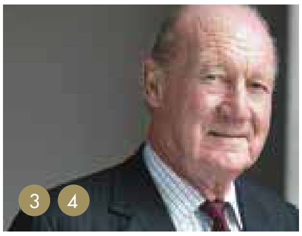
Dolphin Square Foundation (Chairman)
The Natural History Museum (Chairman of Property Advisory Group)
The Royal Albert Hall

GRAEME GORDON
Non-executive Director Age 51

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

External appointments

Creative Investments Limited
Fieldstall Limited
Mymarket Limited

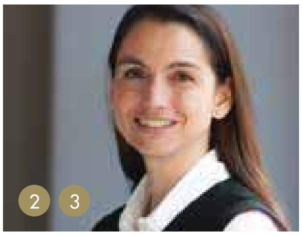


ANDREW HUNTLEY
Non-executive Director Age 76

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 40

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.

External appointments

Charlotte Tilbury Beauty Limited

HENRY STAUNTON
Non-executive Director Age 66

A former FTSE Finance Director, 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

Brighthouse Group PLC (Chairman)
Standard Bank Plc (Audit Committee Chairman)
WH Smith PLC (Chairman)

ANDREW STRANG
Non-executive Director Age 62

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)
The Pollen Estate Trustee Company Limited

OUR GOVERNANCE FRAMEWORK

Ian Durant, Chairman

"A framework of oversight, controls and reporting supports Capco's performance."

The Company was fully compliant with the UK Corporate Governance Code during 2014

Dear Shareholder,

I am pleased to introduce Capco's 2014 Corporate Governance Report.

As I reported in my statement on page 6, Capco has grown consistently since its establishment in 2010, and has delivered market-leading returns for shareholders. In delivering this performance, the Company has been supported by a framework of oversight, controls and reporting which allows it to operate with a level of openness and flexibility appropriate for the business.

The Board sits at the head of this structure and is accountable for the Company's success, providing strategic leadership, monitoring delivery of its objectives and managing its risk. In this report, and the Committee reports which follow, we explain the operation of the Board and Committees, the matters that have occupied the Board during 2014, and our priorities for 2015.

Throughout the year the Board considered the Company's strategy, including in-depth presentations and debate at its annual two-day strategy meeting. Under the management of the Audit Committee, the Company's changing risk profile was monitored to ensure that risk and strategy were appropriately aligned. I am pleased to confirm that the Board is confident that the current strategy is appropriate, and the monitoring and management of risk will continue to be a key item on the Board's agenda in 2015.

In 2014, the Nomination Committee focused on the recruitment of new Non-executive Directors to ensure that Capco's Board continues to be well-positioned for the future. The Nomination Committee report explains the recruitment process followed to date, and work to recruit an additional Non-executive Director will continue in the early part of 2015.

The Directors' Remuneration Report on page 66 explains the new salaries approved by the Remuneration Committee in light of Soumen Das and Gary Yardley's new roles as Managing Directors of the Company. Having received shareholder approval of our remuneration policy in 2014, this year we will be asking shareholders to vote only on the Annual Report on Remuneration. However, the Remuneration Committee has considered whether the remuneration policy is appropriate for future years and will be conducting a review of these arrangements in 2015.

In 2014, as part of the Audit Committee's review of the annual accounts, it paid particular attention to the Group's property valuations, as these are the most significant numbers within our financial statements. The Committee met with each of the valuers and challenged the assumptions used in preparing the valuations, concluding that the approach taken by the valuers is appropriate.

This report has been prepared under the version of the UK Corporate Governance Code published in 2012 (the "Code"). We will report against the revised version of the Code published in September 2014 in our 2015 Annual Report.

Ian Durant
Chairman

26 February 2015

STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Company was fully compliant with the Code during 2014.

Board composition

As at 31 December 2014, 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 about their skills and experience can be found on pages 54 and 55.

Board independence

The 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%				

The Board in 2014

During 2014, 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
- 9.99 per cent share placing and US Private Placement
- Significant investment decisions including property acquisitions and the investment vehicle with TfL, Lillie Square launch, Venues business transition, Earls Court demolition and Kings Court development
- Property valuations, market and broker updates
- Progress on Earls Court Properties planning and land assembly
- Risk governance
- AGM resolutions
- Outcome of Board evaluation, including Board diversity
- Committees' terms of reference and schedule of matters reserved for Board decision

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 61 to 63 Risk Management Report – pages 12 to 15	Directors' Remuneration Report – pages 66 to 85	Nomination Committee – Page 64 and 65	CR Committee – page 65 Corporate Responsibility Report – pages 44 to 53

AN EFFECTIVE LEADERSHIP STRUCTURE

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

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

The Non-executive Directors constructively challenge the Executive Directors and monitor the delivery of the agreed strategy within the risk and control framework set by the Board.

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 Board approval. 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 and Audit Committee meetings. All Directors have access to the advice and services of the Company Secretary and the General Counsel.

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 2014 is shown in the table on page 60.

The annual Board calendar includes a two-day strategy meeting which is held away from head office. At this meeting the Board receives detailed updates from external advisers and the business units, and is able to consider strategic issues in depth, and spend time with members of senior management in a less formal environment.

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. If matters require approval at short notice, written approval is sought from the Directors.

The Chairman meets regularly with the Non-executive Directors without the Executive Directors being present and maintains regular contact with both the Chief Executive and members of senior management.

As matters that require the Board's decision are often large, complex and slow moving, informal update meetings are held between Board meetings which are designed to allow Board members adequate time and preparation to explore, understand and challenge matters under consideration. These are often combined with site visits and provide an opportunity for the Non-executive Directors to meet senior management. Three such updates were held during 2014, which included visits to the Lillie Square marketing suite and the Earls Court project room.

BOARD COMMITTEES

The Board has established Audit, Remuneration, Nomination and Corporate Responsibility Committees to enable the Board to operate effectively and ensure a strong governance framework for decision making. A summary of the role of each Committee is shown in the figure above, and the activity of each Committee during 2014 is described on pages 61 to 85.

Each Committee has written terms of reference which were reviewed by the Audit Committee and Board during the year. The terms of reference can be viewed on the Company's website www.capitalandcounties.com. Minutes of all Committee meetings are made available to all Directors. The Committee Chairmen attend the AGM to answer any questions on the Committees' activities.

2014 BOARD EVALUATION

Chairman and Company Secretary considered the approach to be taken for the 2014 Board Evaluation

The Nomination Committee considered the proposed approach and approved the use of Thinking Board, provided by Independent Audit

A questionnaire was prepared and issued to Directors

The responses were collated and provided to the Board for their discussion

An action plan was agreed

ACTIONS FOR 2014	PROGRESS	ACTIONS FOR 2015
– Continue to develop succession planning – Consider improvements to Board agenda and papers – Review the remit of the Corporate Responsibility Committee	– The Chairman and Nomination Committee continue to focus on Board succession and an indicative Non-executive Director succession plan has been agreed. – The Company Secretary carried out a review of the agendas and Board papers provided to the Board. A number of minor amendments to the Board papers and agenda have been implemented. Although the Board materials are felt to be appropriate, this area will remain under review. – It was agreed that the remit of the Corporate Responsibility Committee remains broadly appropriate, however the number of meetings per year would be reduced.	– Ensure effective induction of new Non-executive Director(s) – Consider whether existing opportunities for informal Board contact are sufficient – Review risk management and reporting

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. Following an external evaluation in 2013, the 2014 Board Evaluation was managed by the Chairman and Company Secretary. The evaluation built on matters identified during the 2013 external evaluation. Directors were asked to assess the effectiveness of the Board by providing a mixture of quantitative and narrative responses. The outcomes of the evaluation were considered by the Board and a Board action plan was agreed.

In addition, during the year the Senior Independent Director conducted an appraisal of the Chairman's performance which identified a number of matters for focus during 2015, 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 2015 AGM will be held on 1 May 2015. 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 issue, and in accordance with the Code, each of the Directors, except for Andrew Huntley who is retiring at the AGM, will offer themselves for election or 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 2014:

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	6/6	2/2	4/4
Graeme Gordon	6/7	–	–	–	–
Andrew Huntley	7/7	–	6/6	2/2	–
Demetra Pinsent	6/7	–	–	2/2	4/4
Henry Staunton	7/7	3/3	6/6	2/2	–
Andrew Strang	7/7	3/3	5/6	2/2	–
	7	3	6	2	4

The Board met seven times in 2014. Each Board and Committee member attended all scheduled Board and Committee meetings with the exception of Graeme Gordon who was unable to attend one meeting due to a family bereavement, and Demetra Pinsent and Andrew Strang who were each unable to attend one meeting called at short notice.

Communications with shareholders

Communication with the Company's investors is a priority for the Board and an investor relations manager was appointed during 2014. The Company runs 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 2014, the Chairman and Chairman of the Remuneration Committee held a number of meetings with shareholders, including discussion of proposed amendments to the Executive Directors' remuneration prior to the AGM.

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 55. The Board is satisfied that the Chairman's additional commitments allow him to devote sufficient time to perform 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 remains 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, and the Board is advised of any changes.

The interests of new Directors are reviewed during the recruitment process and if appropriate authorised by the Board on appointment.

The Board is 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.

DTR DISCLOSURE

The disclosures required under DTR 7.2 of the Disclosure and Transparency Rules are contained in this report, and the Audit Committee and Nomination Committee Reports, except for information required under DTR 7.2.6 which is contained in the Directors' Report on pages 86 and 87.

AUDIT COMMITTEE REPORT

Henry Staunton, Chairman of the Audit Committee

I am pleased to introduce Capco's 2014 Audit Committee Report. The Committee monitors and reports to the Board on all aspects of the Group's financial reporting, internal controls and risk management. This report provides an overview of the work undertaken by the Committee over the past year.

During 2014, the most significant topics considered by the Committee included the Group's property valuations, taxation, risk and a number of corporate transactions. Descriptions of the Committee's work on these matters can be found on page 62.

Henry Staunton
Chairman of the Audit Committee, 26 February 2015

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 2014 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 Director of Tax and Treasury, attended by invitation to present reports required for the Committee to discharge its responsibilities.

The Audit Committee met three times during 2014. Attendance at these meetings is shown in the table on page 60. The Committee also met privately during the year with both the external and internal auditors.

The Committee follows an annual programme, which is agreed with the Committee Chairman, management and external auditors prior to each financial year, that ensures it gives thorough consideration to matters of particular importance to the Company, and additional matters are considered when appropriate. The Company's 2014 agenda is shown in the table below, and the significant matters considered by the Committee during the year are explained on page 62.

THE AUDIT COMMITTEE IN 2014

Regular agenda items

- 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
- Effectiveness and reappointment of external and internal auditor
- External and internal audit plans
- Internal controls

Other matters considered during the year

- Preliminary Results and Annual Report
- Determining and recommending to the Board that the Annual Report taken as a whole was fair, balanced and understandable
- Interim Results Announcement and Interim Management Statements
- The Group's accounting under IFRS 11
- Accounting treatment of the CLSA and investment vehicle with TfL
- Related party transactions

SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE DURING 2014

Matter considered	What the Committee did
Valuations	As in previous years, 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 planning progress, increased cost certainty, residential sales values and the investment vehicle with TfL should be reflected. The Committee also obtained confirmation that all information requested by the valuers had been provided by management. The Committee was satisfied that the approach taken by the valuers was appropriate. Please refer to note 16 on pages 114 to 117 in the notes to the accounts.
Deferred tax	The Director of Tax and Treasury presented regular reports to the Committee, explained the basis of the Group's tax position and updated the Committee on the on-going 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. The Committee was satisfied that the policy was appropriate for the Group. Please refer to note 29 on page 129 in the notes to the accounts.
Significant and complex transactions	The Committee received updates from the Financial Controller on significant and complex transactions, including the accounting treatment of the investment vehicle with TfL and the CLSA. 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 on each matter is available within the Financial Review.
Risk	The Committee reviews the Group's risk register, the approach taken in its compilation and the proposed principal risk disclosures as explained on page 12 on an annual basis and ensures that they are consistent and appropriate.

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. The external auditors are not permitted to perform any work that they may subsequently need to audit or which might either create a conflict of interest or affect the auditors' objectivity and independence. Non-audit services are normally limited to assignments that are closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group is necessary.

Capco tendered its external audit contract in 2010, and PricewaterhouseCoopers LLP (PwC) were appointed as Group auditors on an annual rolling contract. After the transitional period, Capco will comply with the forthcoming regulatory requirement that the external audit contract be tendered at least every 10 years. The Committee monitored PwC's effectiveness and performance during 2014, 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 objectives 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 2015. 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 was assigned to the Group by PwC during 2014.

The external auditors have direct access to the Audit Committee Chairman should they wish to raise any concerns outside formal committee meetings.

(b) Internal auditors
Capco has appointed BDO LLP as its internal auditor. During 2014, BDO's audit plan had a strategic focus and included reviews of anti-bribery policies, Lillie Square project management, provision of information to valuers, service charges, IT strategic planning, contract management, health and safety, lease incentives and accounts payable. The 2015 internal audit programme will include contract management, Lillie Square sales, treasury, cash management, bank covenants, anti-bribery policies, payroll and health and safety. 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 their 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 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 2014 were £442,000, of which £55,000 related to non-audit work. These fees primarily relate to corporate transactions. 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 on-going 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 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 and will be subject to a detailed review in 2015 as the Company implements the provisions of the revised UK Corporate Governance Code published in 2014.

The Audit Committee monitors and reviews the Group's internal controls and risk, and reports to the Board on its work and conclusions.

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

– Schedule of matters reserved for the Board
– Remit and terms of reference of Board Committees
– 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. One matter was raised during the year. An investigation was conducted which concluded that no wrongdoing had occurred.

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. All senior managers are responsible for managing and monitoring risks in their area of responsibility and recording these in the Group risk register. The Group risk register is reviewed by the Chief Executive and other Executive Directors. An assessment is made of the maximum risk exposure, taking into account parameters such as the risk category, the likelihood of the risk occurring, the mitigating controls and the consequence of the failure of controls. The risk register is reviewed twice a year and upon any material change to the business, with a full review being undertaken annually, at which point it is also reviewed by the Audit Committee with new or emerging risks considered by the Committee as appropriate. The Group's principal risks and uncertainties are set out on pages 12 to 15.

NOMINATION COMMITTEE REPORT

Ian Durant, Chairman of the Nomination Committee

I am pleased to introduce Capco's 2014 Nomination Committee Report.

Following the work on succession planning reported in 2013, the Committee's main focus in 2014 was on the recruitment of new Non-executive Directors, and I am pleased that Gerry Murphy will be joining the Board on 1 March 2015, bringing valuable skills and experience to the Board.

A summary of the process followed in the recruitment of Gerry, and a description of the induction programme that will help ensure he quickly becomes familiar with Capco's business are included in this report.

As I explained in my letter on page 7, Andrew Huntley will be retiring from the Board at the Company's forthcoming AGM and will step down from the Remuneration Committee on 1 March 2015. The Board is grateful for Andrew's contribution to the Company since 2010.

Recognising the need to maintain the depth of property expertise on the Board, the Committee will continue its focus on Board composition in 2015.

Ian Durant
Chairman of the Nomination Committee, 26 February 2015

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

The Nomination Committee has responsibility for making recommendations on Board appointments and succession to the Board.

The members of the Committee as at 31 December 2014 and the date of this report are listed above. The Nomination Committee met twice during the year, and attendance at these meetings is shown in the table on page 60.

During 2014, The Zygos Partnership was engaged to assist with the recruitment of Non-executive Directors. The Zygos Partnership provides no other services to the Group.

Non-executive Director recruitment

Capco operates a rigorous and transparent recruitment process for new Directors. Following the Board succession planning undertaken in 2013, a review of the skills, experience, independence and knowledge of Board members, and in anticipation of Andrew Huntley's retirement from the Board, the Committee agreed that two new Non-executive Directors should be recruited, of whom at least one should have specific property expertise.

The Zygos Partnership was appointed to assist with the recruitment process and a broad brief was provided to ensure that the long-list of candidates reflected diversity of both gender and experience. The Chairman and Chief Executive met with each of the short-listed candidates and provided regular updates to the Committee. Preferred candidates then met with each of the independent Non-executive Directors and the General Counsel, following which the Committee made a formal recommendation to the Board that Gerry Murphy be appointed as a Non-executive Director of Capco, and as a member of the Nomination Committee, Audit Committee and Remuneration Committee.

Work on the recruitment of an additional Non-executive Director, who will have specific property experience, will continue during the early part of 2015.

Non-executive Director induction

An induction programme is provided for each new Non-executive Director, which is tailored depending on the Director's experience and expected role on the Board. A typical induction programme for a Capco Non-executive Director will include individual meetings with the Chairman, Executive Directors, General Counsel, Company Secretary and members of senior management, site visits to Capco's estates, and an introduction by the Chairman to the Company's brokers, advisers and lawyers. The Director is also provided with copies of past Board and Committee papers and minutes, and individual briefings are arranged on topics such as Directors' duties and responsibilities and the property market.

Non-executive Director development

The Chairman and the Committee together ensure that Directors keep their skills and knowledge up to date to allow them to fulfil their roles on the Board and Board Committees. The General Counsel and Company Secretary update the Board on legal and corporate governance matters, and information on training opportunities and seminars is regularly circulated to Directors. The Company also arranges periodic briefings from external advisers, and Directors receive regular business updates from the Executive Directors. Directors may also take independent advice at the Company's expense where they feel this is appropriate.

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 Capco's senior management team is 1:1. Further information on our people practices, including our learning and development strategies, is contained in the Corporate Responsibility Report on pages 47 and 48.

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

The Committee will continue to focus on the recruitment of an additional Non-executive Director in the early part of 2015, and expects to make a recommendation to the Board in due course. The Committee will also continue to consider Board succession and composition, and will make recommendations to the Board where appropriate.

Matters considered by the Committee during the year include:

- Board and Committee composition including diversity
- Non-executive Director recruitment
- Non-executive Director time commitments
- Board evaluation (described on page 59)
- Committee terms of reference
- Directors' skills and training opportunities

CORPORATE RESPONSIBILITY COMMITTEE REPORT

Ian Henderson, Chairman of the Corporate Responsibility Committee

The Corporate Responsibility Committee oversees the Group's Corporate Responsibility ("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 2014 can be found on pages 44 to 53 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, 26 February 2015

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 2014. Attendance at these meetings is shown in the table on page 60.

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 environmental matters at Lillie Square and the Earls Court demolition and waste management plan
- Update on new legislation

DIRECTORS' REMUNERATION REPORT

Ian Henderson, Chairman of Remuneration Committee

"Our incentive payments reflect Capco's strong performance."

ANNUAL STATEMENT

Dear Shareholder,

The key objectives for the Committee, as in previous years, are to ensure that the executive team is 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 measure the creation and growth of value for shareholders. These KPIs are set out on page 11.

This year has been another strong year at Capco, which has been reflected in our incentive payments. NAV has grown year-on-year by c. 25 per cent and TPR growth was 2.6 per cent above the benchmark. This strong annual performance, combined with strong total shareholder return and total return over the last three years, resulted in the financial element of the bonus paying out in full as all targets were exceeded, and the expected vesting of 93.1 per cent of the PSP and MSP awards granted in 2012.

As explained earlier in the Annual Report, Soumen Das and Gary Yardley have each been appointed as Managing Directors of the Company with effect from 1 March 2015. These re-designated roles take account of the increased scale and expanding complexity of the business. Soumen Das will assume investment responsibility for the Covent Garden estate in addition to his current responsibilities as Chief Financial Officer. Gary Yardley will assume Board level oversight for the investment performance of Earls Court and Olympia, and will continue to lead new real estate investment activities as Chief Investment Officer.

As a result of these significant role changes and increased responsibilities, the Remuneration Committee has decided to increase the base salary for both individuals. Gary Yardley's base salary will increase in 2015 by 3 per cent above the increase for head office and Covent Garden staff to fully reflect the change in role. Soumen Das' base salary increase will be phased over two years: the first increase in 2015 will be 3.2 per cent above the increase for head office and Covent Garden staff and the second increase in 2016 will be subject to the Committee's assessment of his performance in role.

Other decisions relating to 2015 remuneration included:

- Annual bonus opportunity performance measures and weightings will remain unchanged; and
- No exceptional awards will be made under the Performance Share Plan or Matching Share Plan.

The Committee noted that the strong property market, particularly in London, had increased demand for employees with experience in property development, and that this is placing pressure on our ability to attract and retain employees. This is reflected in the average salary increase awarded this year to head office and Covent Garden staff of 6.3 per cent.

The Committee keeps under review the remuneration of the Executive Directors against remuneration levels and structures at other property and development companies. The Company is a much larger and more complex business than when the current remuneration arrangements were put in place at demerger in 2010. These arrangements are too complicated and our Chief Executive's base salary and normal incentive opportunity are materially below market levels. However, the Committee decided to suspend any increase in the Chief Executive's salary in excess of the general workforce increase this year, even though it signalled its intent to do so in last year's Annual Report on Remuneration.

Instead, the Committee has decided to consider all of these issues in a full review this year, together with all feedback received from shareholders on our remuneration policy. This review has been initiated to ensure that Capco remuneration policy remains aligned with shareholder interests, market practice and the revised UK Corporate Governance Code, and provides an effective incentive to achieve Capco's strategic goals. The Committee has appointed new advisers, New Bridge Street, to advise it and help conduct this review, and will be consulting with its shareholders and leading voting agencies so that their views are considered in the formulation of policy.

Finally, in 2015 the membership of the Committee will change as Andrew Huntley will step down and Gerry Murphy will be appointed on 1 March 2015.

This year, consistent with market practice, we are not submitting the remuneration policy for another vote at the 2015 AGM, and we will only ask shareholders to approve the Annual Report on Remuneration and this Annual Statement. However, we have included the remuneration policy in the Annual Report in order to provide clarity for our shareholders. The Committee looks forward to receiving your support for this advisory vote at the forthcoming Annual General Meeting.

Ian Henderson
Chairman of Remuneration Committee

26 February 2015

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 above Annual Statement and the Annual Report on Remuneration for 2014 will be proposed at the Annual General Meeting ('AGM') of the Company to be held on 1 May 2015.

The information in this report subject to audit comprises the single figure of remuneration and associated detail, confirmation that there were no payments for loss of office or to former Directors, the incentive achievement for 2014, the incentives to be awarded in 2015 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 approach to remuneration for 2015 are set out within the Annual Report on Remuneration which starts on page 74.

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 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 per cent 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 79).	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 per cent 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 76 and 77. An explanation of how the performance measures were chosen and how the performance targets are set is given on page 70.
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 per cent on relative Total Return (Net Asset Value growth plus dividends) • 50 per cent 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 2015 awards, are set out in the annual report on remuneration on pages 78 and 79. An explanation of how the performance measures were chosen and how the performance targets are set is given on page 70.
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 2015 awards, are set out in the annual report on remuneration on pages 78 and 79. An explanation of how the performance measures were chosen and how the performance targets are set is given on page 70.
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 77. 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. 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 one-year absolute NAV growth being used in respect of the annual bonus arrangements and three-year relative NAV (as the main component of three-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 79.

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 79.

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 2015 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 83. The Chairman is required to maintain a shareholding in the Company equivalent to 100 per cent of his base fee.

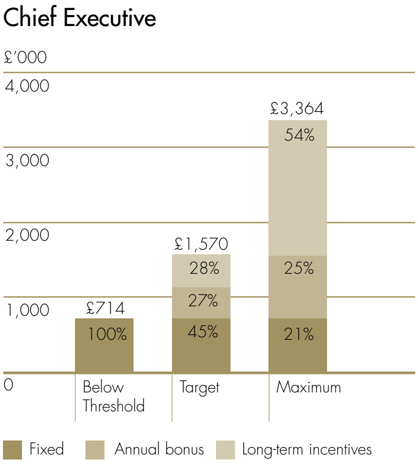
1.4 Performance scenario charts

The potential reward opportunities illustrated in Figure 1 are based on the policy which will apply in 2015, applied to the base salary at the salary review date, 1 April 2015, 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'.

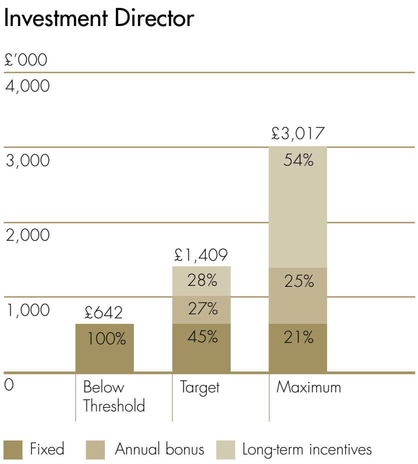
The Below Threshold scenario includes base salary, pension and benefits (fixed pay). No annual bonus or PSP and MSP elements are included (variable pay). The Target scenario includes fixed pay, on target bonus and threshold vesting of PSP and MSP awards. The Maximum scenario includes fixed pay, maximum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

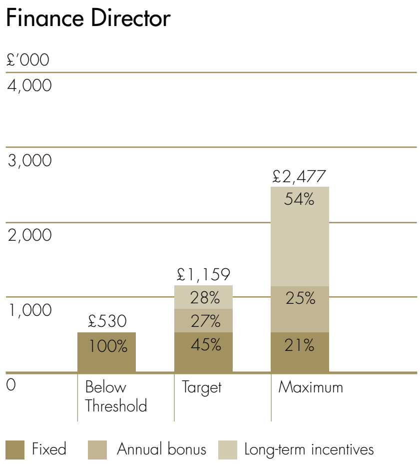
Figure 1



Salary for Chief Executive assumes a 6.3% increase on prior year



Salary for Investment Director assumes a 9.3% increase on prior year



Salary for Finance Director assumes a 9.5% 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	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 12 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	15 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	3 months
Henry Staunton	2 June 2010	7 May 2013	15 months
Andrew Strang	23 Feb 2010	7 May 2013	15 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 pages 54 and 55.

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, for example, prior to finalising any major changes to its executive remuneration policy.

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 2014 and the date of this report is set out on page 67. 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 six meetings held during the year is shown in the table on page 60 and a summary of the matters considered by the Committee during the year is set out in the adjacent shaded box in column 3.

2.2 Remuneration Committee and its advisers

In 2014, the Committee appointed New Bridge Street as its independent remuneration adviser following a competitive process. During the year, the Committee received advice on matters including remuneration structure, incentive design and target setting from Kepler Associates until they were replaced, and then from New Bridge Street. Both advisers are members of the Remuneration Consultants Group and adhere to its code of conduct. The Committee has received confirmation of independence from New Bridge Street and Kepler, and is satisfied that the advice received was objective and independent. In addition to advice provided to the Committee, these advisers also provided share award valuation services to the Company. During 2014, the Company was charged a total of £82,731 by Kepler Associates and £28,940 by New Bridge Street in respect of advice to the Committee. Fees were charged on a time basis.

2.3 Statement of shareholder voting

The table below shows the results of the binding vote on our Directors' remuneration policy and the advisory vote on the 2013 Directors' Remuneration Report at the 2 May 2014 AGM.

As in prior years, we consulted with shareholders before the AGM and we received a range of views on our remuneration arrangements. Our major shareholders were supportive of the arrangements and of certain elements of developing best practice such as the inclusion of a two-year holding period for exceptional awards granted under the PSP and MSP. However, some issues were raised by other shareholders which included:

- Policy report: ability to grant exceptional awards
- Annual Report on Remuneration: Chief Executive salary increase above that provided to the general workforce and the use of the exceptional award limits for the PSP and MSP.

The Committee has considered this feedback together with developing best practice. For example, the Committee considered the introduction of a two-year holding period for all PSP and MSP awards and it has decided to consider this issue as part of the review of remuneration which will be conducted in 2015. This review of remuneration, which has been discussed in the Remuneration Committee Chairman's Annual Statement on pages 66 and 67, will cover the issues raised by shareholders in 2014, and as part of the review process we will be increasing our engagement with shareholders to ensure that their feedback is taken into account when formulating any revised policy.

Matters considered by the Committee over the past year include:

- Executive Director remuneration
- Shareholder discussion meetings
- Appointment of Remuneration advisers
- Directors' Remuneration Report
- Committee terms of reference
- Institutional investor voting reports and voting at 2014 AGM
- 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 2014 AGM

	Votes for	% For	Votes against	% Against	Total votes cast	Votes withheld (abstentions)
Approval of remuneration policy	434,538,113	80.33	106,423,033	19.67	540,961,146	29,203,785
Approval of Remuneration Report	429,633,801	78.72	116,175,358	21.28	545,809,159	24,355,772

2.4 Single figure of remuneration

The tables below show the single figures of total remuneration paid to each Director in 2014 and 2013. The charts in Figure 2 on page 76 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.

2014 (AUDITED)

	Base salary £	Taxable benefits[1] £	Single-year variable £	Multiple-year variable[2] £	Pension related benefits[3] £	Other £	**Total £**
Chairman							
Ian Durant	207,000	3,409	–	–	24,000	–	234,409
Executive Directors							
Ian Hawksworth	517,500	21,910	762,000	1,712,262	124,200	–	3,137,872
Soumen Das	370,773	21,353	551,000	1,141,502	88,986	–	2,173,614
Gary Yardley	453,167	22,212	655,000	1,522,012	108,760	–	2,761,151
Non-executive Directors							
Graeme Gordon	45,173	–	–	–	–	–	45,173
Ian Henderson	90,347	–	–	–	–	–	90,347
Andrew Huntley	56,467	–	–	–	–	–	56,467
Demetra Pinsent	56,467	–	–	–	–	–	56,467
Henry Staunton	67,760	–	–	–	–	–	67,760
Andrew Strang	62,113	–	–	–	–	–	62,113
Total	1,926,767	68,884	1,968,000	4,375,776	345,946	–	8,685,373

2013 (AUDITED)

	Base salary £	Taxable benefits[1] £	Single-year variable £	Multiple-year variable[2] £	Pension related benefits[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	702,900	2,204,992	116,100	–	3,529,554
Soumen Das	357,500	21,381	511,200	1,470,931	85,800	–	2,446,812
Gary Yardley	430,000	22,032	624,800	1,960,305	103,200	–	3,140,337
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	1,838,900	5,636,228	362,767	1,736,349	11,441,325

1 Comprises car allowance of £18,000 (in 2013 only the Chairman received a car allowance of £6,000) and medical insurance.

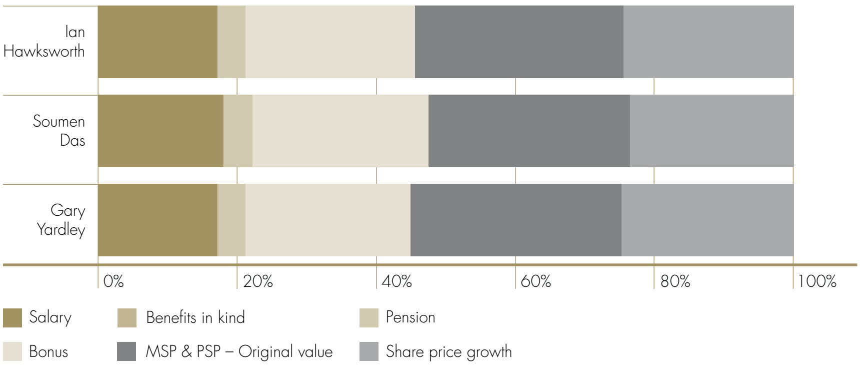
2 In the 2014 table, this comprises the expected value on vesting of the 2012 PSP and MSP awards which have a performance period that ran from 2012 to 2014, and are expected to vest in early 2015. The value on vesting of these awards has been included in the 2014 single figure as the performance conditions relating to these awards had been substantially (but not fully) completed during 2014, and has been calculated assuming 93.1 per cent vesting and using the average share price for the last three months of 2014, being £3.464. As required under the remuneration regulations, the 2013 multi-year variable comparators (which were previously disclosed on the basis described above assuming full vesting and using a price of £3.368) have been restated with values calculated using the actual share prices on the dates that the awards vested, which were £3.451 and £3.529.

3 Comprises payments in lieu of pension contributions.

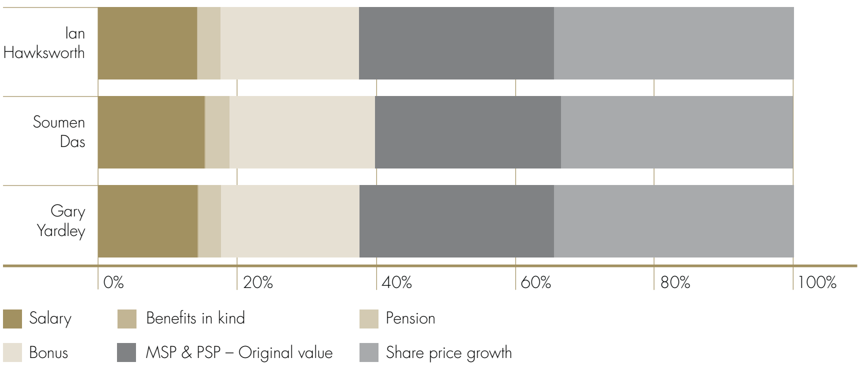
4 Comprises the value on vesting of the matching share award made to the Chairman in 2010 following his investment of 150 per cent of his annual fee in Capco shares. Further information on this award can be found in the 2010 to 2012 Directors' Remuneration Reports.

Figure 2

Composition of 2014 single figures



Composition of 2013 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 2014

Annual Bonus Scheme

Executive Directors may earn bonuses of up to 150 per cent of salary 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 2014 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 2014, 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 2014 annual bonus are summarised in the table on page 77 .

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 Board has decided that prospective disclosure of 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 has previously committed to publish the financial performance targets once they cease to be commercially sensitive. The financial performance targets that applied in respect of the year ended 31 December 2012 are no longer commercially sensitive; accordingly, the targets and the Company's performance against these targets are set out on the following page. The 2012 annual bonus awards were based 50 per cent on financial performance and 50 per cent on individual performance.

In respect of the year ended 31 December 2014, the Company performed strongly against its financial targets, for example NAV per share was over 10 per cent higher than the top end of the target range set by the Committee, Total Property Return at 21.9 per cent compares to 19.3 per cent for the IPD index, and EPS of 1.6p was around 7 per cent above our maximum target. Accordingly awards of 112.5 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 capital expenditure management; other budgeted KPIs;
- *Investment objectives:* strategic investment initiatives; establishment of JVs; implementation of business plans; achievement of planning targets; and
- *CR/HR objectives:* optimisation of divisional structure; nurturing of future leaders; evolution of environmental targets.

The performance of the Executive Directors in 2014 was considered to have been excellent, including the achievement of record rental levels at Covent Garden, the Covent Garden refinancing and US Private Placement, the 9.99 per cent equity placing, the establishment of the investment vehicle with TfL, the launch

Outcome of 2014 Annual Bonus performance measures (Audited)

Performance measure	Weighting			Performance	Outcome		
	Chief Executive	Investment Director	Finance Director		Chief Executive	Investment Director	Finance Director
Financial performance (% of max)	**75%**	**75%**	**75%**				
Absolute Net Asset Value per share	55%	55%	55%	10.6% higher than the top end of the target range	Maximum	Maximum	Maximum
Relative Total Property Return	35%	35%	35%	21.9% compared to IPD index return of 19.3%	Maximum	Maximum	Maximum
Adjusted Earnings per Share	10%	10%	10%	7% higher than the top end of the target range	Maximum	Maximum	Maximum
Individual performance (% of max)	**25%**	**25%**	**25%**		21.8%	20.4%	23.1%
Total performance outcome (% of salary)					145.1%	143.1%	147.2%

Summary of Executive Directors' Bonuses in 2014

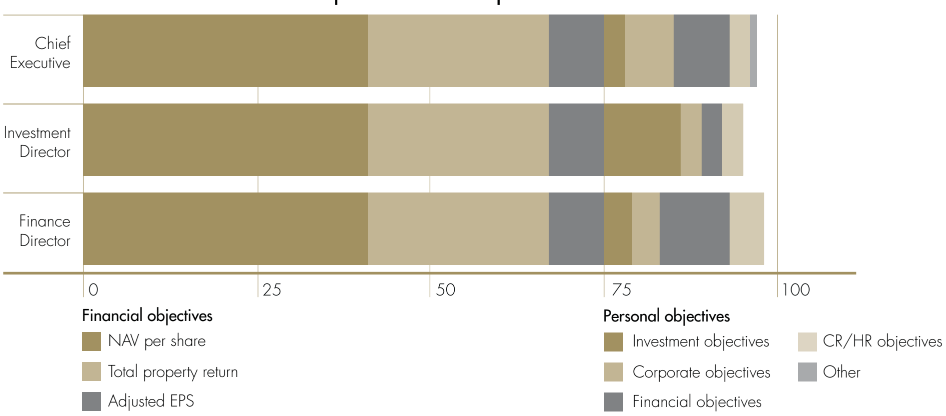
Executive Director	Cash	Deferred shares	Total
Ian Hawksworth	£381,000	£381,000	£762,000
Soumen Das	£275,500	£275,500	£551,000
Gary Yardley	£327,500	£327,500	£655,000

Disclosure of 2012 annual bonus financial performance targets

Performance measure	Weighting	Target range		Actual performance	% of bonus opportunity awarded
		Threshold (0% payout)	Maximum (100% payout)		
Absolute Net Asset Value per share	55%	170p	185p	203p	100%
Relative Total Property Return	35%	0%	1.5% outperformance	19.4% outperformance	100%
Adjusted earnings per share	10%	1.1p	1.6p	1.8p	100%

Figure 3

Outcome of 2014 annual bonus performance objectives



of Lillie Square, the transition of the venues business to Olympia, and securing detailed planning consent for Earls Court Village and residential consent for the Empress State Building. Accordingly, awards of between 30.6 and 34.7 per cent of salary were made to each Executive Director in respect of the individual performance measures.

Performance Share Plan (PSP)

The operation of, and the maximum opportunities under, the PSP are explained in the remuneration policy on pages 68 and 69. Details of the awards made to Executive Directors under the PSP in 2014 and in past years are set out in the tables on pages 84 and 85. Since 2011, in line with common market practice, with the exception of awards made under the HMRC approved schedule to the PSP, 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.

In 2014, an award of 150 per cent of salary was made to Executive Directors in nil-cost options and the Committee has decided that the same level of award will be made in 2015. In 2014, the Committee determined that the performance conditions relating to the market value options awarded under the PSP in 2011 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 79. 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 are illustrated in Figure 4 on page 79.

2.7 Vesting of 2011 and 2012 MSP and PSP awards (Audited)

In 2014, having considered a report prepared by the Company's auditors, the Committee determined that Capco's Total Shareholder Return had outperformed the median of the comparator group by more than 14 per cent p.a. (vs. an outperformance target of 4 per cent), and that Capco's Total Return had outperformed the median of the comparator group by more than 8 per cent p.a. (vs. an outperformance target of 2.5 per cent p.a.) and as such the 2011 PSP and MSP awards vested or, where holding periods apply, will vest in full subject to continued employment on the third anniversary of grant.

In 2015, the Committee determined that Capco's Total Return was expected to outperform the median of the comparator group by 9.6 per cent p.a. (vs. an outperformance target of 2.5 per cent), and that Capco's Total Shareholder Return was expected to outperform the median of the comparator group by 3.2 per cent p.a. (vs. an outperformance target of 4 per cent), and as such the performance conditions relating to the 2012 PSP and MSP awards had been met in part. Accordingly 93.1 per cent of the 2012 PSP and MSP awards are expected to vest, subject to continued employment on the third anniversary of grant.

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 pages 68 and 69. Details of the awards made to Executive Directors under the MSP in 2014 and in past years are set out in tables on pages 84 and 85. 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: The Committee has awarded a normal 1:1 matching opportunity in respect of Directors' deferred bonus shares for 2014.

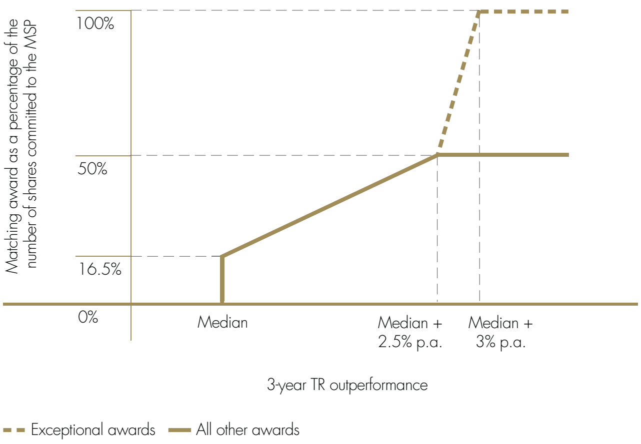
Co-investment opportunity: In 2010 (the inception year of Capco), Executive Directors were invited to co-invest up to 150 per cent of salary in the Company's shares during the first 12 months of inception (subsequently extended to 24 months as the Company was subject to extended restricted periods during 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 in 2013 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 79. The MSP awards made in respect of co-investment under this invitation to date are set out on page 85.

Figure 4

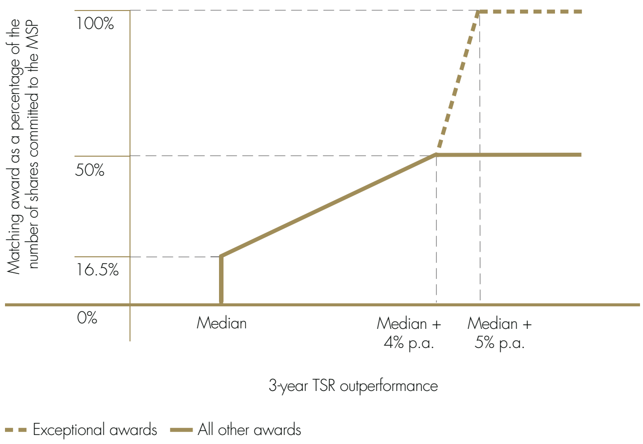
Performance measures for the MSP

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

50% on Total Return



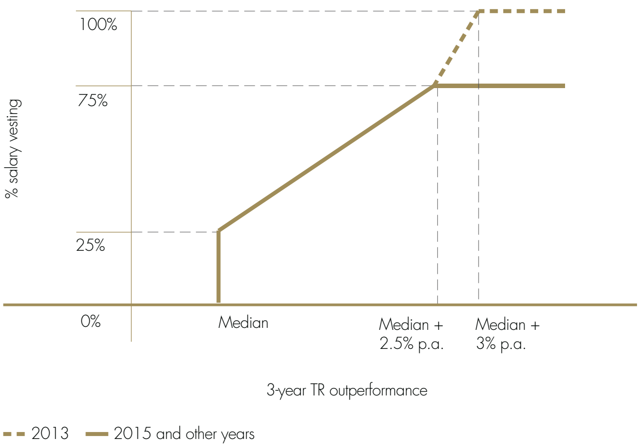
50% on TSR



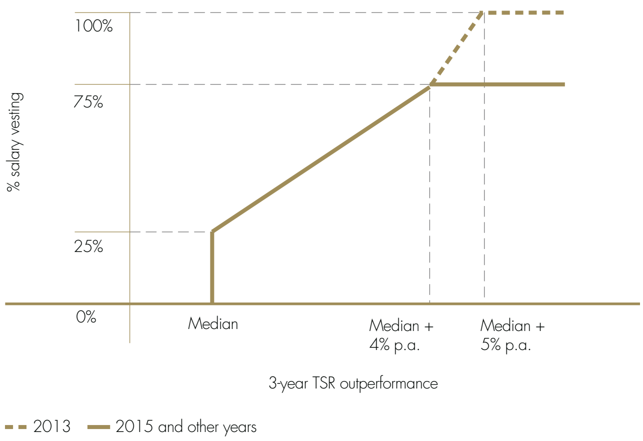
Performance conditions for the PSP

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/ Holding period	Threshold Vesting %[2]	Exercisable between
Ian Hawksworth	Value of Deferred Bonus	351.93p	Nil	£351,448	99,863	2014 – 2017	100%	01/04/17 – 31/03/24
Soumen Das	Value of Deferred Bonus	351.93p	Nil	£255,600	72,628	2014 – 2017	100%	01/04/17 – 31/03/24
Gary Yardley	Value of Deferred Bonus	351.93p	Nil	£312,398	88,767	2014 – 2017	100%	01/04/17 – 31/03/24
Ian Hawksworth	Match of Deferred Bonus	351.93p	Nil	£702,896	199,726	2014 – 2017	8.3%	01/04/17 – 31/03/24
Soumen Das	Match of Deferred Bonus	351.93p	Nil	£511,199	145,256	2014 – 2017	8.3%	01/04/17 – 31/03/24
Gary Yardley	Match of Deferred Bonus	351.93p	Nil	£624,795	177,534	2014 – 2017	8.3%	01/04/17 – 31/03/24
Ian Hawksworth	Match of Co-investment	322.40p	Nil	£90,001	27,916	2014 – 2017	8.3%	06/08/17 – 05/08/24
Soumen Das	Match of Co-investment	322.40p	Nil	£154,294	47,858	2014 – 2017	8.3%	06/08/17 – 05/08/24
Gary Yardley	Match of Co-investment	322.40p	Nil	£52,667	16,336	2014 – 2017	8.3%	06/08/17 – 05/08/24

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	Threshold Vesting %[2]	Exercisable between
Ian Hawksworth	150 per cent of salary	351.93p	Nil	£787,500	223,766	2014 – 2017	16.5%	01/04/17 – 31/03/24
Soumen Das	150 per cent of salary	351.93p	Nil	£561,543	159,561	2014 – 2017	16.5%	01/04/17 – 31/03/24
Gary Yardley	150 per cent of salary	351.93p	Nil	£686,334	195,020	2014 – 2017	16.5%	01/04/17 – 31/03/24

1 Average closing share price on three business days preceding the date of grant.
2 Assumes threshold vesting under one performance condition.

2.8 Payments for loss of office and payments to previous Directors (Audited)

There were no payments for loss of office or payments to previous Directors made during 2014.

2.9 Total pension entitlement

No Director participates in or has a deferred benefit under a defined benefit pension scheme.

2.10 External Non-executive Directorships

During the year, Ian Hawksworth received a fee of £28,750 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 2015

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 and is also below market levels when compared to property and development companies of similar size. However, the Committee has decided to address this issue as part of the 2015 review of remuneration, and for 2015 will increase the salary of the Chief Executive by 6.3 per cent which is in line with the increase expected to be applied to the head office and Covent Garden staff. In setting the 2015 salaries of the Managing Directors, the Committee took advice from its remuneration adviser, and considered the increased scope of each role, each Director's current experience, and market data. The salary of the Managing Director & Chief Investment Officer will be increased by approximately 9.3 per cent to £500,000. The salary increase of the Managing Director & Chief Financial Officer will be phased over two years: the first increase in 2015 will be by approximately 9.5 per cent to £410,000, and there will be a second increase in 2016 to £450,000, subject to the Committee's assessment of his performance in role.

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

Executive Director Salaries – 2014 and 2015

	2015	2014	% Increase
Ian Hawksworth	£558,000	£525,000	6.3
Soumen Das	£410,000	£374,364	9.5
Gary Yardley	£500,000	£457,556	9.3

Pension and benefits

As described in the policy table on pages 68 and 69.

Annual bonus

The annual bonus opportunity will remain unchanged for 2015.

The financial performance targets for the year ended 31 December 2014 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 2015 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 2014 and reflect the Committee's view of their relative importance for 2015 given the current stage in the execution of Capco's strategy. The key area of focus for 2015 continues to be capital growth. The Committee has decided that the 2015 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.

Non-executive Director fees – 2014 and 2015

	2015	2014
Basic fee	£48,500	£45,760
Committee member (except Nomination Committee)	£6,300	£5,720
Committee member (Nomination Committee)	£5,750	£5,720
Committee Chairman (Audit and Remuneration Committee)	£15,000	£11,440
Committee Chairman (CR Committee)	£11,500	£11,440
Senior Independent Director	£12,000	£11,440

Matching Share Plan

The MSP awards to be made in 2015 are described on page 78. The applicable performance conditions are set out on page 79.

Performance Share Plan

PSP awards of 150 per cent of salary will be made in 2015 (2014: 150 per cent) as nil cost options. The applicable performance conditions are set out on page 79.

Chairman and Non-executive Director remuneration

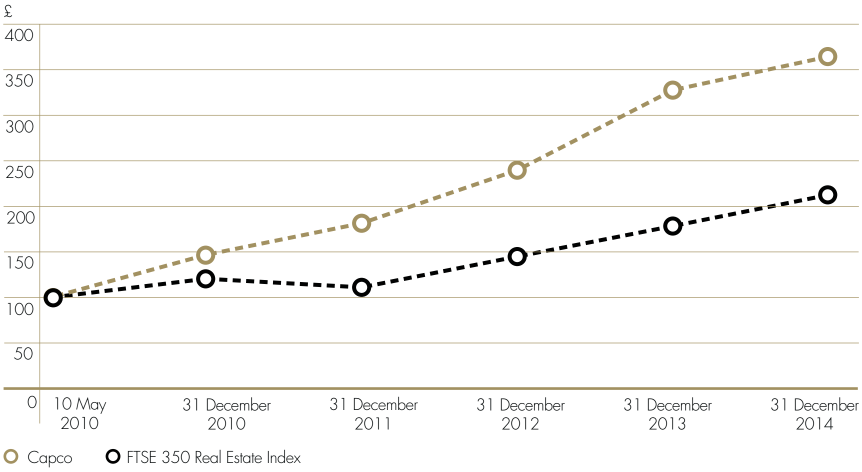
The Chairman has been appointed for a three-year term, subject to annual re-election by shareholders, which will expire at the 2016 AGM. The Chairman's annual base fee for 2014 was £234,000.

The remuneration of the Chairman is reviewed annually. Following the 2014 review it was agreed that the Chairman's annual base fee would be increased to £248,000 with effect from 1 May 2015.

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 2014 review it was agreed that the Non-executive Director fees would be increased as set out in the table above with effect from 1 May 2015.

2.12 Chart of single figure vs. TSR

Figure 5: Total shareholder return



This graph shows the total shareholder return at 31 December 2014 of £100 invested in Capital & Counties Properties PLC at the start of the first day of trading in its shares following its demerger from Liberty International PLC (10 May 2010), compared to the FTSE 350 Real Estate Index. The Committee considers this benchmark to be the most appropriate for illustrating the Company's performance.

Financial Year	2010	2011	2012	2013	2014
CEO Single Figure	£1,184,082	£1,253,235	£8,967,543	£3,529,554	£3,137,872
Annual bonus % of max	97.50%	100%	95%	94.67%	96.73%
MSP vesting % of max	n/a	n/a	100%	100%	93.1%
PSP vesting % of max	n/a	n/a	100%	100%	93.1%

2.13 Percentage increase of Chief Executive remuneration

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.

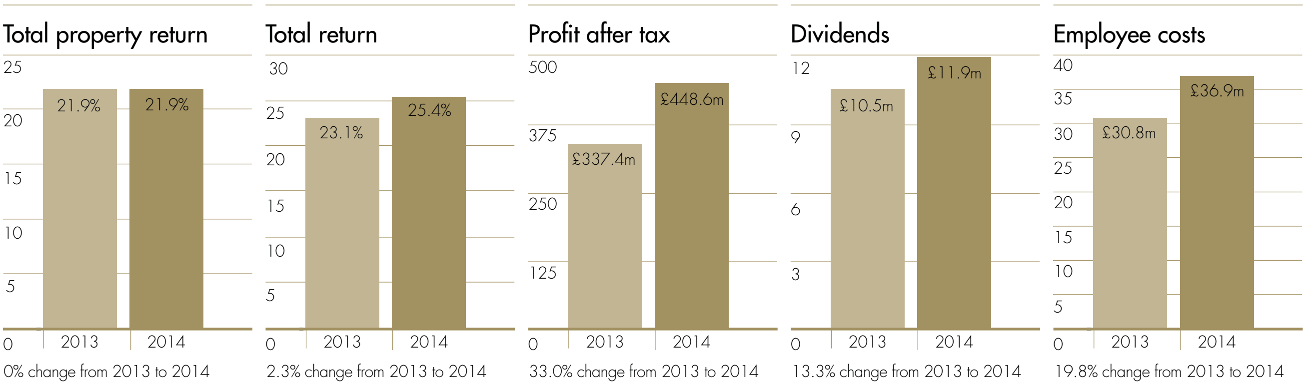
	Chief Executive			Employees
	2014 £	2013 £	% change	% change
Salary	517,500	483,750	7.0%	7.2%
Taxable benefits	21,910	21,812	0.4%	5.0%
Single-year variable	762,000	702,900	8.4%	14.0%
Total	1,301,410	1,208,462		

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 2013 and 31 December 2014, 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

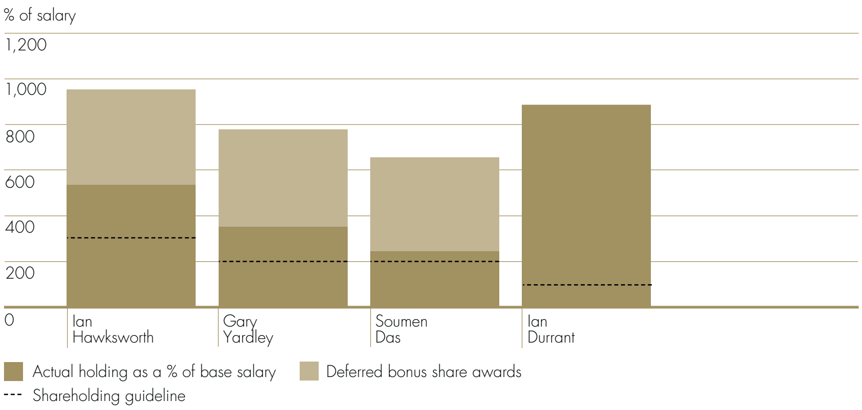
(a) Directors' shareholdings

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) – 2013 and 2014 (Audited)

	2014	2013
Chairman		
Ian Durant	568,632	568,632
Executive:		
Ian Hawksworth	770,604	755,604
Soumen Das	252,018	236,470
Gary Yardley	442,972	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	250,000	250,000
Andrew Strang	–	–

Figure 7: Executive Director and Chairman shareholdings as at 31 December 2014



(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 Executive Directors' interests in shares and share schemes (full details are set out on pages 84 and 85)

Executive Director	Shares held	Share options not subject to performance conditions[1]	Share options subject to performance conditions[2]	Total
Ian Hawksworth	770,604	1,633,854	1,721,230	4,125,688
Soumen Das	252,018	2,260,944	1,253,175	3,766,137
Gary Yardley	442,972	1,483,310	1,500,827	3,427,109
Total	**1,465,594**	**5,378,108**	**4,475,232**	**11,318,934**

1 Comprises MSP awards made in respect of deferred bonus and vested but unexercised MSP and PSP awards.
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 2014	Granted during the year	Exercised during the year[3]	Held at 31 December 2014	Exercisable between
Ian Hawksworth[2]	2011	157.73	19,019	–	–	19,019	21/03/14 – 20/03/21
Ian Hawksworth[2]	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
Ian Hawksworth	2014	Nil	–	223,766	–	223,766	01/04/17 – 31/03/24
Soumen Das[2]	2010	103.87	1,155,290	–	–	1,155,290	28/05/13 – 27/05/20
Soumen Das[2]	2011	157.73	19,019	–	10,000	9,019	21/03/14 – 20/03/21
Soumen Das[2]	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
Soumen Das	2014	Nil	–	159,561	–	159,561	01/04/17 – 31/03/24
Gary Yardley	2010	103.87	1,540,387	–	1,540,387	0	–
Gary Yardley[2]	2011	157.73	19,019	–	–	19,019	21/03/14 – 20/03/21
Gary Yardley[2]	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
Gary Yardley	2014	Nil	–	195,020	–	195,020	01/04/17 – 31/03/24
Total			5,688,460			4,716,420	

1 Subject to performance conditions that apply to awards made under the PSP and MSP, as set out on pages 68 and 69.
2 Vested but unexercised.
3 The aggregate gain on exercise of share options was £4,290,044.21.

The market price of Capital & Counties Properties PLC shares on 31 December 2014 was 364.6 pence and during the year the price varied between 392 pence and 315 pence.

(c) 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 (pence)	Option price (pence)	Held at 1 January 2014	Granted during the year	Exercised during the year	Held at 31 December 2014	Exercisable between
Ian Hawksworth[1]	2011	160.10	Nil	205,535	–	–	205,535	18/03/14 – 17/03/21
Ian Hawksworth	2012	190.70	Nil	176,979	–	–	176,979	09/03/15 – 08/03/22
Ian Hawksworth	2013	268.10	Nil	119,591	–	–	119,591	02/04/16 – 01/04/23
Ian Hawksworth	2014	351.93	Nil	–	99,863	–	99,863	01/04/17 – 31/03/24
Soumen Das[1]	2011	160.10	Nil	137,023	–	–	137,023	18/03/14 – 17/03/21
Soumen Das	2012	190.70	Nil	117,986	–	–	117,986	09/03/15 – 08/03/22
Soumen Das	2013	268.10	Nil	93,248	–	–	93,248	02/04/16 – 01/04/23
Soumen Das	2014	351.93	Nil	–	72,628	–	72,628	01/04/17 – 31/03/24
Gary Yardley[1]	2011	160.10	Nil	182,698	–	–	182,698	18/03/14 – 17/03/21
Gary Yardley	2012	190.70	Nil	157,315	–	–	157,315	09/03/15 – 08/03/22
Gary Yardley	2013	268.10	Nil	106,303	–	–	106,303	02/04/16 – 01/04/23
Gary Yardley	2014	351.93	Nil	–	88,767	–	88,767	01/04/17 – 31/03/24
Total				1,296,678			1,557,936	

1 Vested but unexercised.

(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 (pence)	Option price (pence)	Held at 1 January 2014	Granted during the year	Exercised during the year	Held at 31 December 2014	Exercisable between
Ian Hawksworth[2]	2011	160.10	Nil	205,535	–	–	205,535	18/03/14 – 17/03/21
Ian Hawksworth	2012	190.70	Nil	176,979	–	–	176,979	09/03/15 – 08/03/22
Ian Hawksworth	2013	268.10	Nil	119,591	–	–	119,591	02/04/16 – 01/04/23
Ian Hawksworth	2014	351.93	Nil	–	199,726	–	199,726	01/04/17 – 31/03/24
Soumen Das[2]	2011	160.10	Nil	137,023	–	–	137,023	18/03/14 – 17/03/21
Soumen Das	2012	190.70	Nil	117,986	–	–	117,986	09/03/15 – 08/03/22
Soumen Das	2013	268.10	Nil	93,248		–	93,248	02/04/16 – 01/04/23
Soumen Das	2014	351.93	Nil	–	145,256	–	145,256	01/04/17 – 31/03/24
Gary Yardley[2]	2011	160.10	Nil	182,698	–	–	182,698	18/03/14 – 17/03/21
Gary Yardley	2012	190.70	Nil	157,315	–	–	157,315	09/03/15 – 08/03/22
Gary Yardley	2013	268.10	Nil	106,303	–	–	106,303	02/04/16 – 01/04/23
Gary Yardley	2014	351.93	Nil	–	177,534	–	177,534	01/04/17 – 31/03/24
Total				1,296,678			1,819,194	

1 Subject to performance conditions that apply to awards made under the PSP and MSP, as set out on pages 68 and 69.
2 Vested but unexercised.

(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 2014	Granted during the year	Exercised during the year	Held at 31 December 2014	Exercisable between
Ian Hawksworth[2]	2011	Nil	386,066	–	–	386,066	21/12/14 – 20/12/21
Ian Hawksworth[2]	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
Ian Hawksworth	2014	Nil	–	27,916	–	27,916	06/08/17 – 05/08/24
Soumen Das[2]	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
Soumen Das	2014	Nil	–	47,858	–	47,858	06/08/17 – 05/08/24
Gary Yardley[2]	2011	Nil	354,870	–	–	354,870	21/12/14 – 20/12/21
Gary Yardley[2]	2011	Nil	18,020	–	–	18,020	21/12/14 – 20/12/21
Gary Yardley[2]	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
Gary Yardley	2014	Nil	–	16,336	–	16,336	06/08/17 – 05/08/24
Total			1,667,680			1,759,790	

1 Subject to performance conditions that apply to awards made under the PSP and MSP, as set out on pages 68 and 69.
2 Vested but unexercised.

This Remuneration Report has been approved for issue by the Board of Directors on 26 February 2015.

Ian Henderson
Chairman of the Remuneration Committee

DIRECTORS' REPORT

The Directors present their Annual Report, and the audited consolidated financial statements for the year ended 31 December 2014.

STRATEGIC REPORT

The Group's 2014 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 54 and 55 and details of each Director's interests in the Company's shares are set out on page 139.

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 2012 UK Corporate Governance Code, at the 2015 Annual General Meeting all the Directors will retire from office and will offer themselves for election or re-election, except for Andrew Huntley who is retiring from the Board at the Annual General Meeting.

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 26 September 2014	0.5p per ordinary share
Proposed Final Dividend to be paid on 19 June 2015	1p per ordinary share
Total proposed dividend for 2014	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 2013 final dividend and the 2014 interim dividend. It is intended that the Scrip Dividend be offered to shareholders in respect of the proposed final dividend for 2014, subject to SARB approval.

The proposed final dividend will be paid on 19 June 2015 to shareholders whose names are on the register at 29 May 2015.

CAPITAL STRUCTURE

Details of the Company's issued ordinary share capital, including details of movements in the issued share capital during the year, authorities to issue or repurchase shares and details of shares repurchased by the Company during the year, are shown in note 31 to the financial statements on page 130. 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 87.

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 28 on pages 124 to 128.

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 £665 million facility, the Covent Garden £150 million notes issued pursuant to a US Private Placement, the Empress State £118.5 million term and revolving facility and the Lillie Square development joint venture.

Holder	Shares held at time of last notification	Percent held at time of last notification	Nature of holding	Date of last notification
BlackRock, Inc.	122,846,907	13.49%	Indirect Interest	11 Feb 2015
Coronation Asset Management (pty) Limited	92,500,726	11.07%	Direct Interest	30 Oct 2014
Gordon Family Interests	92,143,204	11.03%	Direct Interest	23 May 2014
Norges Bank	58,766,814	7.03%	Direct Interest	1 Dec 2014
Public Investment Corporation	43,195,171	5.17%	Direct Interest	12 Dec 2014

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 25 February 2015, are shown in the table above:

EMPLOYEES

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

Certain of the Group's employees are eligible to participate in annual bonus arrangements. These arrangements, which may include awards under the Group's Performance Share Plan, help to develop employees' interest in the Company's performance. Full details of the Performance Share Plan are contained in note 39 to the accounts on pages 134 to 136.

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 7 on page 108 .The Group provides retirement benefits for the majority of its employees. Details of the Group pension arrangements are set out in note 40 on pages 137 to 139.

Further information on Group employees can be found on pages 47 and 48.

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 44 to 53.

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.

LISTING RULES DISCLOSURES

The information required to be disclosed pursuant to LR 9.8.4R can be found in the following locations:

	Page
– Interest capitalised	109
– Non-pre-emptive issue of equity	130
– Interests in significant contracts	139

GOING CONCERN

As set out on page 43, 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 steps that he or she ought to have taken as a Director in order 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 2015 Annual General Meeting of the Company will be held from 11.30 am on 1 May 2015 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

26 February 2015

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 26 February 2015.

Ian Hawksworth
Chief Executive

Soumen Das
Finance Director

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion:

- Capital & Counties Properties PLC's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit and the Group's and the 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 International Financial Reporting Standards ("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.

What we have audited

Capital & Counties Properties PLC's financial statements comprise:

- the Group and Parent Company balance sheets as at 31 December 2014;
- the consolidated income statement and consolidated 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.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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

Our audit approach

Overview

Materiality	- Overall Group materiality: £31 million which represents 1% of total assets.
Audit scope	- We audited the complete financial information of each of the Group's four business lines of which Covent Garden, Earls Court and Venues are financially significant.
Area of focus	- Valuation of central London investment and development properties. - Taxation

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Valuation of central London investment and development properties *Refer to page 61 to 63 (Audit committee report), page 100 to 105 (Principal accounting policies) and page 100 to 139 (Notes to the accounts).* The valuation of the Group's investment and development properties is the key component of the net asset value and underpins the Group's result for the year. The result of the revaluation this year was a gain of £454m (2013: £304m), which is accounted for within 'Gain on revaluation and sale of investment and development property' and is a significant component of total consolidated income. The Group's property portfolios, which comprise investment property (including, retail, restaurants, offices, exhibition and residential) and development property located in central London are not uniform in nature, and therefore a number of different assumptions are made by the Group's external valuers in determining fair value: - Investment properties – The valuation of investment properties (principally Covent Garden) is inherently subjective, due principally to the individual nature of each property (including its location) which heavily influences the future rental it is expected to generate. The assumptions on which the property values are based are influenced by tenure and tenancy details for each property, prevailing market yields and comparable market transactions. - Development properties – The valuation of development property is also inherently subjective. For development properties (principally Earls Court), these are valued using the residual appraisal method (i.e. by estimating the fair value of the completed project using either a sales comparison or income capitalisation method less estimated costs to completion and a market based profit margin providing a return on development risk). The valuations were carried out by third party valuers, Jones Lang LaSalle and CB Richard Ellis (the "Valuers"). They were engaged by the Directors, in accordance with the RICS Valuation – Professional Standards ("RICS"). The Valuers used by the Group are well-known firms, with considerable experience of the Group's market. The fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus on this area.	*Experience of Valuers and relevance of their work* We read the Valuers' reports from CB Richard Ellis which covers approximately two thirds of the total property valuation and Jones Lang LaSalle covering the remainder of the portfolio. We confirmed that the approaches used were consistent with RICS and the requirements of IFRS. We assessed the Valuers' competence and capabilities and read their terms of engagement with the Group, determining that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. *Data provided to the Valuers* For investment properties we sample tested data provided to the Valuers by management and found that it was accurate and reliable. This data included tenancy schedules, capital expenditure details, acquisition cost schedules and square footage details which we agreed back to appropriate supporting documentation. For development properties we agreed that the planned schemes being valued were consistent with the actual planned developments in place. *Assumptions and estimates used by the Valuers* We met with the Valuers independently of management and challenged the valuation methods and assumptions used. The nature of assumptions used varied across the portfolio depending on the nature of each property but they included, estimated capital values, investment yields, construction costs and developers margins. In each of these areas, and on a sample basis, we compared the estimates and assumptions used by the Valuers against our own expectations using evidence of comparable market transactions. Where we identified estimates and assumptions that were outside the typical ranges used, we discussed these with the Valuers to understand the rationale and then assessed, based on all the available evidence and our experience in this sector, whether the use of the estimate or assumption was justified. Our testing indicated that the estimates and assumptions used were justified in the context of the Group's property portfolio.
Taxation *Refer to page 61 to 63 (Audit committee report), page 100 to 105 (Principal accounting policies) and page 100 to 139 (Notes to the accounts).* Tax is a specific risk for the Group due to the degree of judgement involved in some of the on-going activities of the Group at Earls Court and Covent Garden. This gives rise to material tax considerations on the calculation, recognition, and classification of current and deferred tax balances from both a tax compliance and accounting perspective. Judgements are made by management to arrive at the current and deferred tax position. These judgements include the impact of the transfer of investment property to trading property on the Covent Garden residential conversions and the Group holding structure.	We assessed the principal assumptions and judgements made in arriving at the current and deferred tax position by using our experience of similar matters in the industry. We used our tax expertise to evaluate tax provisions and potential exposures as at 31 December 2014, challenging the Group's assumptions and judgements through our knowledge of the tax circumstances and by reading relevant correspondence between the Group and Her Majesty's Revenue & Customs and the Group's external tax advisors. Our testing did not identify any matters that the Directors had not adequately reflected in their calculation of the necessary current and deferred tax provisions.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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 engagement team audited all business lines except Venues, where the detailed audit procedures were performed by a separate engagement team. The Group team issued the Venues audit team with detailed instructions that explained the work that the Venues audit team needed to do and highlighted, in particular, the areas of focus insofar as they were relevant to the Venues business line. Throughout the audit, the Group team communicated with the Venues team to make sure that we obtained sufficient appropriate audit evidence to form a basis for our opinion on the Group financial statements as a whole.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and 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 financial statements as a whole as follows:

Overall Group materiality	£31 million (2013: £23 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	The key area of focus in the audit is the valuation of investment and development properties and the balance sheet as a whole. Given this, consistent with the prior year, we set an overall Group materiality level based on total assets.

In addition, in recognition of the contribution made by revenue line items to certain key performance indicators of the Group we applied a lower specific materiality of £13 million (2013: £9 million) based on a three year average profit before tax for testing 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 (2013: £1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
Under the Listing Rules we are required to review the Directors' statement, set out on page 88, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the 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 Parent Company's ability to continue as a going concern.

OTHER REQUIRED REPORTING

Consistency of other information

Companies Act 2006 opinions

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; and

– the information given in the Corporate governance statement set out on pages 56 to 60 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

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 - otherwise misleading.	We have no exceptions to report arising from this responsibility.
- the statement given by the Directors on page 88, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), 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 and Parent Company's performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
- the section of the Annual Report on page 62, as required by provision C.3.8 of the Code, 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.

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

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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 Parent Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

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, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

We primarily focus 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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the 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.

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

26 February 2015

(a) The maintenance and integrity of the Capital & Counties Properties PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

For the year ended 31 December 2014

	Notes	2014 £m	Re-presented 2013 £m
Continuing operations			
Revenue	2	**110.6**	115.5
Rental income		**100.3**	89.4
Rental expenses		**(30.3)**	(29.1)
Net rental income	2	**70.0**	60.3
Profit on sale of trading property	3	**2.6**	10.4
Other income		**3.0**	0.2
Gain on revaluation and sale of investment and development property	4	**454.2**	303.7
Profit on sale of available-for-sale investments	5	**–**	0.9
Write back/(write down) of trading property		**0.5**	(0.5)
Impairment of other receivables	6	**(12.7)**	(4.3)
Other costs		**(0.2)**	(0.5)
		517.4	370.2
Administration expenses		**(43.2)**	(32.6)
Operating profit		**474.2**	337.6
Finance costs	9	**(15.9)**	(20.7)
Finance income	9	**0.8**	1.1
Other finance costs	9	**(5.2)**	(0.2)
Other finance income	9	**8.4**	7.5
Change in fair value of derivative financial instruments	28	**(12.1)**	15.6
Net finance (costs)/income		**(24.0)**	3.3
		450.2	340.9
Share of post-tax profit from joint ventures	19	**–**	6.3
Profit before tax		**450.2**	347.2
Current tax		**2.1**	(3.3)
Deferred tax		**(3.4)**	(10.2)
Taxation	12	**(1.3)**	(13.5)
Profit for the year from continuing operations		**448.9**	333.7
Discontinued operation			
Post-tax (loss)/profit for the year from discontinued operation	11	**(0.3)**	4.7
Profit for the year		**448.6**	338.4
Profit attributable to:			
Owners of the Parent		**448.6**	337.4
Non-controlling interest	10	**–**	1.0
Earnings per share from continuing operations attributable to owners of the Parent			
Basic earnings per share	15	**55.6p**	44.1p
Diluted earnings per share	15	**55.0p**	43.3p
Weighted average number of shares	15	**806.4m**	755.6m

Earnings per share from discontinued operation and adjusted earnings per share from continuing and discontinued operations are shown in note 15 'Earnings Per Share and Net Assets Per Share'.

Notes on pages 100 to 139 form part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	Notes	2014 £m	2013 £m
Profit for the year		**448.6**	338.4
Other comprehensive income/(expense)			
Items that may or will be reclassified subsequently to the income statement			
Fair value losses on available-for-sale investments	28	**–**	(0.7)
Realisation of revaluation reserve on disposal of available-for-sale investments	28	**–**	(0.9)
Gain on cash flow hedge	28	**0.3**	–
Items that will not be reclassified subsequently to the income statement			
Actuarial (loss)/gain on defined benefit pension scheme	40	**(1.8)**	1.2
Tax relating to items that will not be reclassified	29	**0.4**	(0.5)
Total other comprehensive expense for the year		**(1.1)**	(0.9)
Total comprehensive income for the year		**447.5**	337.5
Attributable to:			
Owners of the Parent		**447.5**	336.5
Non-controlling interest	10	**–**	1.0
Arising from:			
Continuing operations		**447.8**	332.8
Discontinued operation	11	**(0.3)**	4.7

Notes on pages 100 to 139 form part of these consolidated financial statements.

Strategic report

Governance

Financial statements

Balance sheets
As at 31 December 2014

	Notes	**Group 2014 £m**	Re-presented Group 2013 £m	Re-presented Group 1 January 2013 £m	**Company 2014 £m**	Company 2013 £m
Non-current assets						
Investment and development property	16	**2,784.4**	2,049.8	1,427.2	**–**	–
Plant and equipment	17	**1.0**	0.9	1.0	**–**	–
Investment in Group companies	18	**–**	–	–	**676.4**	446.5
Investment in joint ventures	19	**0.1**	93.3	179.1	**–**	–
Available-for-sale investments	20	**0.4**	0.4	3.6	**–**	–
Derivative financial instruments	21	**2.1**	3.5	0.5	**–**	–
Pension asset	40	**–**	0.8	–	**–**	–
Trade and other receivables	22	**129.5**	113.5	107.4	**–**	–
		2,917.5	2,262.2	1,718.8	**676.4**	446.5
Current assets						
Trading property	16	**22.1**	31.6	14.9	**–**	–
Trade and other receivables	22	**42.8**	37.7	25.4	**539.6**	515.7
Cash and cash equivalents	23	**94.8**	43.0	174.8	**–**	0.5
		159.7	112.3	215.1	**539.6**	516.2
Total assets		**3,077.2**	2,374.5	1,933.9	**1,216.0**	962.7
Non-current liabilities						
Borrowings, including finance leases	25	**(432.2)**	(357.7)	(269.6)	**–**	–
Derivative financial instruments	21	**(3.9)**	(17.6)	(29.3)	**–**	–
Pension liability	40	**(0.2)**	–	(0.4)	**–**	–
Deferred tax	29	**(12.9)**	(9.9)	–	**–**	–
Trade and other payables	24	**(0.2)**	–	–	**–**	–
		(449.4)	(385.2)	(299.3)	**–**	–
Current liabilities						
Borrowings, including finance leases	25	**(17.5)**	(16.5)	(6.5)	**–**	–
Other provisions	30	**–**	(7.2)	(7.3)	**–**	–
Tax liabilities		**(1.6)**	(0.1)	(2.2)	**–**	–
Trade and other payables	24	**(102.4)**	(153.4)	(140.8)	**(0.4)**	(0.6)
		(121.5)	(177.2)	(156.8)	**(0.4)**	(0.6)
Total liabilities		**(570.9)**	(562.4)	(456.1)	**(0.4)**	(0.6)
Net assets		**2,506.3**	1,812.1	1,477.8	**1,215.6**	962.1
Equity						
Share capital	31	**209.1**	189.5	188.3	**209.1**	189.5
Other components of equity		**2,297.2**	1,622.6	1,289.5	**1,006.5**	772.6
Total equity		**2,506.3**	1,812.1	1,477.8	**1,215.6**	962.1

Notes on pages 100 to 139 form part of these consolidated financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 February 2015.

Ian Hawksworth
Chief Executive

Soumen Das
Finance Director

Consolidated statement of changes in equity

For the year ended 31 December 2014

Group		Share capital £m	Share premium £m	Merger reserve[1] £m	Share-based payment reserve £m	Other reserves[2] £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
		Equity attributable to owners of the Parent								
Balance at 1 January 2013		188.3	117.7	277.8	5.2	0.7	888.1	1,477.8	–	1,477.8
Profit for the year		–	–	–	–	–	337.4	337.4	1.0	338.4
Other comprehensive income/(expense):										
Fair value losses on available-for-sale investments	28	–	–	–	–	(0.7)	–	(0.7)	–	(0.7)
Realisation of revaluation reserve on disposal of available-for-sale investments	28	–	–	–	–	(0.9)	–	(0.9)	–	(0.9)
Actuarial gain on defined benefit pension scheme	40	–	–	–	–	–	1.2	1.2	–	1.2
Tax relating to items that will not be reclassified	29	–	–	–	–	–	(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	31	1.2	3.3	–	–	–	–	4.5	–	4.5
Dividend expense	14	–	–	–	–	–	(11.3)	(11.3)	–	(11.3)
Adjustment for bonus issue	14	–	–	–	–	–	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	39	–	–	–	4.7	–	–	4.7	–	4.7
Tax relating to share-based payment	29	–	–	–	–	–	0.9	0.9	–	0.9
Non-controlling interest	10	–	–	–	–	–	–	–	43.9	43.9
Acquisition of non-controlling interest		–	–	–	–	–	–	–	(44.9)	(44.9)
Disposal of treasury shares[3]		–	–	–	–	1.0	(1.0)	–	–	–
Total transactions with owners		1.2	3.3	–	2.2	1.0	(9.9)	(2.2)	(1.0)	(3.2)
Balance at 31 December 2013		**189.5**	**121.0**	**277.8**	**7.4**	**0.1**	**1,216.3**	**1,812.1**	**–**	**1,812.1**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**448.6**	**448.6**	**–**	**448.6**
Other comprehensive income/(expense):										
Gain on cash flow hedge	28	**–**	**–**	**–**	**–**	**0.3**	**–**	**0.3**	**–**	**0.3**
Actuarial loss on defined benefit pension scheme	40	**–**	**–**	**–**	**–**	**–**	**(1.8)**	**(1.8)**	**–**	**(1.8)**
Tax relating to items that will not be reclassified	29	**–**	**–**	**–**	**–**	**–**	**0.4**	**0.4**	**–**	**0.4**
Total comprehensive income for the year ended 31 December 2014		**–**	**–**	**–**	**–**	**0.3**	**447.2**	**447.5**	**–**	**447.5**
Transactions with owners										
Ordinary shares issued		**19.6**	**85.9**	**148.0**	**–**	**–**	**–**	**253.5**	**–**	**253.5**
Dividend expense	14	**–**	**–**	**–**	**–**	**–**	**(12.5)**	**(12.5)**	**–**	**(12.5)**
Adjustment for bonus issue	14	**–**	**–**	**–**	**–**	**–**	**0.6**	**0.6**	**–**	**0.6**
Realisation of share-based payment reserve on issue of shares		**–**	**–**	**–**	**(0.8)**	**–**	**0.8**	**–**	**–**	**–**
Fair value of share-based payment	39	**–**	**–**	**–**	**4.8**	**–**	**–**	**4.8**	**–**	**4.8**
Tax relating to share-based payment	29	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**	**–**	**0.3**
Total transactions with owners		**19.6**	**85.9**	**148.0**	**4.0**	**–**	**(10.8)**	**246.7**	**–**	**246.7**
Balance at 31 December 2014		**209.1**	**206.9**	**425.8**	**11.4**	**0.4**	**1,652.7**	**2,506.3**	**–**	**2,506.3**

1 Represents non-qualifying consideration received by the Group following the share placing in May 2014 and previous share placements. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration as they form part of linked transactions.

2 Refer to note 32 'Other Reserves'.

3 431,450 treasury shares were acquired as a result of an odd-lot offer launched in November 2012. These shares were used to satisfy employee share awards exercised in August 2013.

Notes on pages 100 to 139 form part of these consolidated financial statements.

Statement of changes in equity
For the year ended 31 December 2014

Company	Notes	Share capital £m	Share premium £m	Merger reserve[1] £m	Share-based payment reserve £m	Other reserves[2] £m	Retained earnings £m	Total equity £m
Balance at 1 January 2013		188.3	117.7	277.8	5.2	(1.0)	370.5	958.5
Profit for the year	13	–	–	–	–	–	6.7	6.7
Total comprehensive income for the year ended 31 December 2013		–	–	–	–	–	6.7	6.7
Transactions with owners								
Ordinary shares issued	31	1.2	3.3	–	–	–	–	4.5
Dividend expense	14	–	–	–	–	–	(11.3)	(11.3)
Adjustment for bonus issue	14	–	–	–	–	–	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	39	–	–	–	4.7	–	–	4.7
Disposal of treasury shares[3]		–	–	–	–	1.0	(1.0)	–
Total transactions with owners		1.2	3.3	–	2.2	1.0	(10.8)	(3.1)
Balance at 31 December 2013		**189.5**	**121.0**	**277.8**	**7.4**	**–**	**366.4**	**962.1**
Profit for the year	13	**–**	**–**	**–**	**–**	**–**	**7.1**	**7.1**
Total comprehensive income for the year ended 31 December 2014		**–**	**–**	**–**	**–**	**–**	**7.1**	**7.1**
Transactions with owners								
Ordinary shares issued		**19.6**	**85.9**	**148.0**	**–**	**–**	**–**	**253.5**
Dividend expense	14	**–**	**–**	**–**	**–**	**–**	**(12.5)**	**(12.5)**
Adjustment for bonus issue	14	**–**	**–**	**–**	**–**	**–**	**0.6**	**0.6**
Realisation of share-based payment reserve on issue of shares		**–**	**–**	**–**	**(0.8)**	**–**	**0.8**	**–**
Fair value of share-based payment	39	**–**	**–**	**–**	**4.8**	**–**	**–**	**4.8**
Total transactions with owners		**19.6**	**85.9**	**148.0**	**4.0**	**–**	**(11.1)**	**246.4**
Balance at 31 December 2014		**209.1**	**206.9**	**425.8**	**11.4**	**–**	**362.4**	**1,215.6**

1 Represents non-qualifying consideration received by the Group following the share placing in May 2014 and previous share placements. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration as they form part of linked transactions.

2 Refer to note 32 'Other Reserves'.

3 431,450 treasury shares were acquired as a result of an odd-lot offer launched in November 2012. These shares were used to satisfy employee share awards exercised in August 2013.

Notes on pages 100 to 139 form part of these consolidated financial statements.

Statements of cash flows

For the year ended 31 December 2014

	Notes	Group 2014 £m	Re-presented Group 2013 £m	Company 2014 £m	Company 2013 £m
Continuing operations					
Cash flows from operating activities					
Cash generated from operations	35	**26.2**	37.5	**(82.1)**	7.0
Interest paid		**(15.5)**	(18.5)	**–**	–
Interest received		**0.8**	1.2	**–**	–
Tax received/(paid)		**3.5**	(4.4)	**–**	–
Net cash inflow/(outflow) from operating activities		**15.0**	15.8	**(82.1)**	7.0
Cash flows from investing activities					
Purchase and development of property		**(251.2)**	(114.4)	**–**	–
Sale of property		**7.3**	26.5	**–**	–
Sale of available-for-sale investments		**–**	2.6	**–**	–
Pension funding		**(0.8)**	–	**–**	–
Control acquired of former joint venture	10	**–**	(50.3)	**–**	–
Cash acquired on acquisition of former joint venture		**–**	0.2	**–**	–
Sale of subsidiaries[1]		**0.8**	0.6	**–**	–
Loan advances to joint ventures		**(13.5)**	(17.7)	**–**	–
Net cash outflow from investing activities		**(257.4)**	(152.5)	**–**	–
Cash flows from financing activities					
Issue of shares		**252.1**	–	**92.6**	–
Borrowings drawn	25	**730.0**	138.5	**–**	–
Borrowings repaid	25	**(650.2)**	(172.1)	**–**	–
Purchase of derivative financial instruments		**(8.7)**	(1.5)	**–**	–
Other finance costs		**(25.2)**	(0.2)	**–**	–
Cash dividends paid	14	**(11.0)**	(6.9)	**(11.0)**	(6.9)
Contribution from non-controlling interest	24	**7.1**	–	**–**	–
Net cash inflow/(outflow) from financing activities		**294.1**	(42.2)	**81.6**	(6.9)
Net increase/(decrease) in unrestricted cash and cash equivalents from continuing operations		**51.7**	(178.9)	**(0.5)**	0.1
Cash flows from discontinued operation					
Net cash inflow from investing activities		**0.1**	47.1	**–**	–
Net increase in unrestricted cash and cash equivalents from discontinued operation		**0.1**	47.1	**–**	–
Net increase/(decrease) in unrestricted cash and cash equivalents		**51.8**	(131.8)	**(0.5)**	0.1
Unrestricted cash and cash equivalents at 1 January		**37.0**	168.8	**0.5**	0.4
Unrestricted cash and cash equivalents at 31 December	23	**88.8**	37.0	**–**	0.5

1 Cash inflows from sale of subsidiaries relate to deferred consideration on the disposal of The Brewery by EC&O Limited on 9 February 2012 and the disposal of Covent Garden Restaurants Limited on 29 February 2012.

Notes on pages 100 to 139 form part of these consolidated financial statements.

Strategic report

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1 PRINCIPAL ACCOUNTING POLICIES

General information

Capital & Counties Properties PLC (the "Company") 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 Group's assets principally comprise investment and development property 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 derivative financial instruments.

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:

IAS 19 'Employee Benefits' (amendment)

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

During 2014, the following accounting standards were adopted by the Group:

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)

These pronouncements had no significant impact on the consolidated financial statements and resulted in changes to presentation and disclosure only with the exception of IFRS 11 'Joint Arrangements' ("IFRS 11").

Impact of transition to IFRS 11

IFRS 11, which has been endorsed by the European Union, removes the proportional consolidation option which was available under IAS 31 'Interests in Joint Ventures'. This impacted the Group's published accounting policy in respect of joint ventures. The Group's net interest in joint ventures is now disclosed as a single line item on the consolidated balance sheet and in the consolidated income statement using the equity method of accounting rather than proportionally consolidating the Group's share of assets, liabilities, income and expenses on a line-by-line basis.

This change has increased the total assets and total liabilities as previously presented, but there has been no overall change in net assets. This standard was adopted by the Group from 1 January 2014 with retrospective application. The change in accounting policy has a material impact on the consolidated balance sheet at 1 January 2013; consequently, the opening consolidated balance sheet has been presented within the primary statements.

The following tables show the impact of the change in accounting policy on the consolidated income statement, consolidated balance sheet and consolidated statement of cash flows for all periods presented. There is no impact on the consolidated statement of comprehensive income, consolidated statement of changes in equity or basic and diluted earnings per share.

Impact of transition to IFRS 11 on prior year comparatives

Impact on the consolidated income statement

Revenue	2013 £m
Increase/(decrease)	
Revenue for the year from continuing operations as previously reported under proportionate consolidation	118.8
Adjustment to:	
Net rental income	(3.3)
Revenue for the year from continuing operations re-presented under the equity method	115.5

Profit for the year	2013 £m
Increase/(decrease)	
Profit for the year from continuing operations as previously reported under proportionate consolidation	333.7
Adjustment to:	
Net rental income	(3.3)
Gain on revaluation of investment and development property	(6.9)
Write down of trading property	1.2
Impairment of other receivables	(6.3)
Administration expenses	1.0
Operating profit	(14.3)
Net finance costs	8.0
Share of post-tax profit from joint ventures	6.3
Profit for the year from continuing operations under the equity method	333.7

Impact on the consolidated balance sheet

Assets	31 December 2013 £m	1 January 2013 £m
Increase/(decrease)		
Total assets as previously reported under proportionate consolidation	2,282.5	1,925.5
Adjustment to:		
Investment and development property	(1.3)	(159.0)
Investment in joint ventures	93.3	179.1
Other non-current assets	68.2	68.0
Trading property	(83.6)	(69.5)
Other current assets	17.4	(0.5)
Cash and cash equivalents	(2.0)	(9.7)
Total assets re-presented under the equity method	2,374.5	1,933.9

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Impact of transition to IFRS 11 on prior year comparatives continued

Impact on the consolidated balance sheet continued

Liabilities	31 December 2013 £m	1 January 2013 £m
(Increase)/decrease		
Total liabilities as previously reported under proportionate consolidation	(470.4)	(447.7)
Adjustment to:		
Borrowings	–	71.9
Derivative financial instruments	–	2.0
Tax liabilities	–	(0.1)
Trade and other payables	(92.0)	(82.2)
Total liabilities re-presented under the equity method	(562.4)	(456.1)

Equity	31 December 2013 £m	1 January 2013 £m
Total equity under both proportionate consolidation and the equity method	1,812.1	1,477.8

Impact on consolidated statement of cash flows

Cash flows	2013 £m
Increase/(decrease):	
Net decrease in unrestricted cash and cash equivalents from continuing operations as previously reported under proportionate consolidation	(185.5)
Adjustment to:	
Cash flows from operating activities	7.3
Cash flows from investing activities	(2.2)
Cash flows from financing activities	1.5
Net decrease in unrestricted cash and cash equivalents from continuing operations re-presented under the equity method	(178.9)

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

Going Concern

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, Claremont Park 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

Subsidiaries are fully consolidated from the date on which the Group has control; it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over an entity. Subsidiaries cease to be consolidated from the date this control is lost.

Non-controlling interests are recognised on the basis of their proportionate share in the recognised amounts of a subsidiary's identifiable net assets. On the balance sheet non-controlling interests are presented separately from the equity of the owners of the Parent. Profit or loss and total comprehensive income for the period attributable to non-controlling interests are presented separately in the income statement and the statement of comprehensive income.

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, equity, 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

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.

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.

Tenant 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.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Revenue recognition continued

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. Revenue arising from the sale of property under construction is recognised when both contracts have been exchanged and the building work is physically complete.

Other income includes management fees charged to joint ventures for services associated with the management of properties and other general expenses as defined by management agreements.

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 Company's right to receive payment has been established.

Exceptional items

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

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.

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 substantially 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 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 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 respectively.

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.

Share-based payment

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 tenant lease incentives and fixed head leases.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Investment and development property continued

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

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 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. 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.

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 in the income statement.

Trading property

Trading property comprises those properties that in the Directors' view are not held for long-term rental income or 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 constructed, acquired, or if transferred from investment and development 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. 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 asset. 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 companies

Investment in Group companies, which eliminates 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.

Investment in joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Investments in joint ventures are accounted for using the equity method. On initial recognition the investment is recognised at cost, and the carrying amount is subsequently increased or decreased to recognise the Group's share of the profit or loss of the joint venture after the date of acquisition. The Group's investment in joint ventures is presented separately on the balance sheet and the Group's share of the joint venture's post-tax profit or loss for the year is also presented separately in the income statement.

Where there is an indication that the Group's investment in joint ventures may be impaired the Group evaluates the recoverable amount of its investment, being the higher of the joint venture's fair value less costs to sell and value in use. If the recoverable amount is lower than the carrying value an impairment loss is recognised in the income statement.

If the Group's share of losses in a joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make payments on behalf of the joint venture.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Available-for-sale 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.

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. They are initially recognised on the trade date at fair value and subsequently remeasured at fair value based on market price.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Instruments that have not been designated as qualifying for hedge accounting are classified as held for trading. Changes in fair value of these instruments are recognised directly in the income statement.

The Group designates certain derivatives as hedges of a highly probable forecast transaction (cash flow hedge). For hedging instruments, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Trade and other payables

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

Deposits

Property deposits and on account receipts are held within trade and other payables.

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. Any transaction costs, premiums or discounts are capitalised and recognised over the contractual life of the loan using the effective interest rate method; or on a straight line basis where it is impractical to do so. 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 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.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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. For management and reporting purposes the Group is organised into four divisions:

- Covent Garden;
- Earls Court Properties which 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;
- Venues comprises the exhibitions business including the Olympia property assets; and
- Other comprises the discontinued activity of The Great Capital Partnership, the Group's residual China investments, the business unit historically known as Opportunities and other head office companies.

Management information is reported on a proportionally consolidated basis. Segmental reporting has been presented in line with management information and therefore consolidation adjustments are presented to reconcile segmental performance and position to the IFRS total.

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

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

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	2014						
Continuing operations	**Covent Garden £m**	**Earls Court Properties[1] £m**	**Venues[1] £m**	**Other £m**	**Group total £m**	**Consolidation adjustments £m**	**IFRS total £m**
Revenue	**53.0**	**19.0**	**36.5**	**1.6**	**110.1**	**0.5**	**110.6**
Rent receivable and exhibition income	**42.7**	**19.0**	**36.5**	**0.1**	**98.3**	**(1.0)**	**97.3**
Service charge income	**3.0**	**–**	**–**	**–**	**3.0**	**–**	**3.0**
Rental income	**45.7**	**19.0**	**36.5**	**0.1**	**101.3**	**(1.0)**	**100.3**
Rental expenses[2]	**(8.9)**	**(1.0)**	**(21.2)**	**(0.1)**	**(31.2)**	**0.9**	**(30.3)**
Net rental income	**36.8**	**18.0**	**15.3**	**–**	**70.1**	**(0.1)**	**70.0**
Profit/(loss) on sale of trading property	**2.6**	**(4.5)**	**–**	**–**	**(1.9)**	**4.5**	**2.6**
Other income	**–**	**–**	**–**	**1.5**	**1.5**	**1.5**	**3.0**
Gain on revaluation and sale of investment and development property	**270.2**	**139.0**	**45.6**	**(0.4)**	**454.4**	**(0.2)**	**454.2**
Write back of trading property	**0.5**	**1.2**	**–**	**–**	**1.7**	**(1.2)**	**0.5**
Write back of impairment/(impairment) of other receivables	**–**	**–**	**–**	**0.2**	**0.2**	**(12.9)**	**(12.7)**
Other costs	**–**	**–**	**(0.2)**	**–**	**(0.2)**	**–**	**(0.2)**
Segment result	**310.1**	**153.7**	**60.7**	**1.3**	**525.8**	**(8.4)**	**517.4**
Unallocated costs							
Administration expenses					**(43.2)**	**–**	**(43.2)**
Operating profit					**482.6**	**(8.4)**	**474.2**
Net finance costs[3]					**(32.4)**	**8.4**	**(24.0)**
Profit before tax					**450.2**	**–**	**450.2**
Taxation					**(1.3)**	**–**	**(1.3)**
Profit for the year from continuing operations					**448.9**	**–**	**448.9**
Discontinued operation							
Loss for the year from discontinued operation	**–**	**–**	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**
Profit for the year					**448.6**	**–**	**448.6**
Profit attributable to:							
Owners of the Parent					**448.6**	**–**	**448.6**
Summary balance sheet							
Total segment assets[4]	**1,640.4**	**1,161.2**	**222.9**	**29.5**	**3,054.0**	**(42.8)**	**3,011.2**
Total segment liabilities[4]	**(380.0)**	**(173.8)**	**(43.0)**	**(16.9)**	**(613.7)**	**42.8**	**(570.9)**
Segmental net assets	**1,260.4**	**987.4**	**179.9**	**12.6**	**2,440.3**	**–**	**2,440.3**
Unallocated assets[3]					**66.0**	**–**	**66.0**
Net assets					**2,506.3**	**–**	**2,506.3**
Other segment items:							
Depreciation	**(0.1)**	**–**	**(0.2)**	**–**	**(0.3)**	**–**	**(0.3)**
Capital expenditure	**(206.2)**	**(85.4)**	**(3.9)**	**(4.9)**	**(300.4)**	**11.9**	**(288.5)**

1 Rental income and rental expenses include amounts charged by Earls Court Properties to Venues for use of EC1 & EC2 of £0.8 million during 2014 (2013: £1.1 million).

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

	Re-presented 2013						
Continuing operations	Covent Garden £m	Earls Court Properties[1,2] £m	Venues[2] £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Revenue	70.0	15.0	33.6	0.2	118.8	(3.3)	115.5
Rent receivable and exhibition income	41.3	15.0	33.6	–	89.9	(3.3)	86.6
Service charge income	2.8	–	–	–	2.8	–	2.8
Rental income	44.1	15.0	33.6	–	92.7	(3.3)	89.4
Rental expenses[3]	(8.5)	(0.5)	(20.1)	–	(29.1)	–	(29.1)
Net rental income	35.6	14.5	13.5	–	63.6	(3.3)	60.3
Profit on sale of trading property	10.4	–	–	–	10.4	–	10.4
Other income	–	–	–	0.2	0.2	–	0.2
Gain on revaluation of investment and development property	179.9	121.2	9.5	–	310.6	(6.9)	303.7
Profit on sale of available-for-sale investments	–	–	–	0.9	0.9	–	0.9
Write down of trading property	(0.5)	(1.2)	–	–	(1.7)	1.2	(0.5)
Write back of impairment/(impairment) of other receivables	–	–	–	2.0	2.0	(6.3)	(4.3)
Other costs	–	(0.5)	–	–	(0.5)	–	(0.5)
Segment result	225.4	134.0	23.0	3.1	385.5	(15.3)	370.2
Unallocated costs							
Administration expenses					(33.6)	1.0	(32.6)
Operating profit					351.9	(14.3)	337.6
Net finance (costs)/income[4]					(4.7)	8.0	3.3
Share of post-tax profit from joint venture					–	6.3	6.3
Profit before tax					347.2	–	347.2
Taxation					(13.5)	–	(13.5)
Profit for the year from continuing operations					333.7	–	333.7
Discontinued operation							
Profit for the year from discontinued operation	–	–	–	4.7	4.7	–	4.7
Profit for the year					338.4	–	338.4
Profit attributable to:							
Owners of the Parent					337.4	–	337.4
Non-controlling interest					1.0	–	1.0
Summary balance sheet							
Total segment assets[5]	1,180.6	897.9	175.1	18.5	2,272.1	92.0	2,364.1
Total segment liabilities[5]	(312.8)	(120.4)	(33.8)	(17.0)	(484.0)	(92.0)	(576.0)
Segmental net assets	867.8	777.5	141.3	1.5	1,788.1	–	1,788.1
Unallocated assets[4]					24.0	–	24.0
Net assets					1,812.1	–	1,812.1
Other segment items:							
Depreciation	(0.1)	–	(0.2)	–	(0.3)	–	(0.3)
Capital expenditure	(40.0)	(205.6)	(5.1)	(0.8)	(251.5)	(100.1)	(351.6)

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 interest.

2 Rental income and rental expenses include amounts charged by Earls Court Properties to Venues for use of EC1 & EC2 of £1.1 million during 2013.

3 Comprises service charge and other non-recoverable costs.

4 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.

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

3 PROFIT ON SALE OF TRADING PROPERTY

Continuing operations	2014 £m	2013 £m
Proceeds from the sale of trading property	**7.3**	25.9
Cost of sale of trading property	**(4.6)**	(15.5)
Agent, selling and marketing fees	**(0.1)**	–
Profit on sale of trading property	**2.6**	10.4

4 GAIN ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

Continuing operations	2014 £m	Re-presented 2013 £m
Gain on revaluation of investment and development property	**446.6**	303.7
Revaluation gain on transfer from trading property	**7.7**	–
Loss on sale of investment and development property	**(0.1)**	–
Gain on revaluation and sale of investment and development property	**454.2**	303.7

5 PROFIT ON SALE OF AVAILABLE-FOR-SALE INVESTMENTS

Continuing operations	2014 £m	2013 £m
Profit on sale of available-for-sale investments	**–**	0.9

In 2013 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.

6 IMPAIRMENT OF OTHER RECEIVABLES

Following an impairment review of amounts receivable from joint ventures by the Group, an impairment of £12.9 million has been recognised (2013: £6.3 million). The impairment was calculated with reference to the Group's share of the cumulative losses in the Lillie Square joint venture. The carrying value of the investment is £nil (2013: £nil) in accordance with IAS 28 'Investment in Associates and Joint Ventures' ("IAS 28"). Refer to note 19 'Investment in Joint Ventures'.

Following an impairment review of loan notes receivable by the Group, a write back of £0.2 million was recognised in 2014 (2013: write back £2.0 million). The write back was calculated with reference to the market value of certain property assets that the Group has priority over in the event of default.

7 EMPLOYEE INFORMATION

(a) Employee costs

	Group 2014 £m	Group 2013 £m
Wages and salaries	**26.3**	21.0
Social security costs	**4.6**	2.6
Other pension costs	**1.2**	0.9
Share-based payment	**4.8**	4.5
Total employee costs	**36.9**	29.0

(b) Employee numbers

Total number of people (including Executive Directors) employed	Group 2014	Group 2013
Venues	**218**	214
Capco head office (including Earls Court Properties) & Covent Garden	**122**	86
Total headcount at 31 December	**340**	300

Average monthly number of people (including Executive Directors) employed	Group 2014	Group 2013
Venues	**223**	256
Capco head office (including Earls Court Properties) & Covent Garden	**109**	85
Total average headcount	**332**	341

8 AUDITORS' REMUNERATION

	2014 £m	2013 £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 of 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.

9 FINANCE COSTS AND FINANCE INCOME

Continuing operations	2014 £m	Re-presented 2013 £m
Finance costs:		
On bank overdrafts, loans and other	**16.5**	21.1
On obligations under finance leases	**0.5**	0.4
Gross finance costs	**17.0**	21.5
Interest capitalised on property under development	**(1.1)**	(0.8)
Finance costs	**15.9**	20.7
Other finance costs:		
Loss on termination of derivative financial instruments	**1.3**	0.2
Costs of termination of bank loans and other	**3.9**	–
Other finance costs[1]	**5.2**	0.2

1 Non-recurring finance costs 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 3.4 per cent (2013: 4.4 per cent) applied to the cost of property under development during the year.

Continuing operations	2014 £m	Re-presented 2013 £m
Finance income:		
On loan notes	**(0.6)**	(0.6)
On deposits and other	**(0.2)**	(0.5)
Finance income	**(0.8)**	(1.1)
Other finance income:		
On deep discount bonds	**(8.4)**	(7.5)
Other finance income[1]	**(8.4)**	(7.5)

1 Excluded from the calculation of underlying earnings as deep discount bonds eliminate under proportionate consolidation.

10 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 ("ESLP"), which owns and manages, through its general partner, the Empress State Building in West London. This 451,000 square foot, 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. ESLP was accounted for as a joint venture under the equity method to the date that control of the partnership was acquired by the Group.

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 interest. A net profit of £1.0 million was attributable to the non-controlling interest 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 consolidated income statement. No deferred tax was recognised on this date because the tax base of the underlying asset was equal to its fair value.

10 BUSINESS COMBINATION CONTINUED

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

	2013 £m
Non-current assets	234.0
Current assets	5.6
Current liabilities	(151.8)
Net assets of ESLP on acquisition of control	87.8
Disposal of investment in ESLP as joint venture	(43.9)
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. ESLP is now consolidated as a subsidiary of the Group.

11 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 affected 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. GCP was established as a joint venture in 2007 with Great Portland Estates plc ("GPE"), to own, manage and develop a number of central London properties.

A summary of the results of GCP for the year which have been presented separately in the consolidated income statement is set out below:

Summarised income statement	**2014 £m**	2013 £m
Revenue	**–**	1.2
Net rental income	**–**	1.2
Gain on sale of investment property	**–**	2.8
Administration expenses	**–**	(0.2)
Profit before tax	**–**	3.8
Taxation[1]	**(0.3)**	0.9
Post-tax (loss)/profit for the year from discontinued operation	**(0.3)**	4.7

1 GCP, as a partnership, is not subject to tax. Tax arises at Group level as a result of the Group's investment in the joint venture.

12 TAXATION

Continuing operations	**2014 £m**	2013 £m
Current income tax:		
Current income tax charge excluding non-underlying items	**3.5**	2.2
Current income tax on profits	**3.5**	2.2
Deferred income tax:		
On accelerated capital allowances	**0.3**	(0.6)
On fair value of investment and development property	**9.0**	1.3
On fair value of derivative financial instruments	**(0.7)**	6.3
On Group losses	**(3.3)**	0.5
On other temporary differences	**(1.9)**	0.5
Deferred income tax on profits	**3.4**	8.0
Current income tax (credit)/charge on non-underlying items	**(1.8)**	2.5
Adjustments in respect of previous years – current income tax	**(3.8)**	(1.4)
Adjustments in respect of previous years – deferred income tax	**–**	2.2
Total income tax expense reported in the consolidated income statement	**1.3**	13.5

12 TAXATION CONTINUED

Factors affecting the tax charge for the year

The tax assessed for the year is £1.3 million which reflects a rate lower than the standard rate of corporation tax in the United Kingdom ("UK").

The differences are explained below:

Continuing operations	2014 £m	2013 £m
Profit before tax	**450.2**	347.2
Profit on ordinary activities multiplied by the standard rate in the UK of 21.5% (2013: 23.3%)	**96.8**	80.7
Unrecognised deferred income tax on revaluation gains	**(85.5)**	(70.0)
Adjustments in respect of previous years	**(3.8)**	0.8
Transfer pricing adjustment	**–**	0.3
Expenses disallowed	**0.4**	1.4
Non-taxable items	**–**	(0.8)
Other temporary differences	**(5.3)**	2.8
Reduction in deferred income tax following change in corporation tax rate	**(1.3)**	(1.7)
Total income tax expense reported in the consolidated income statement	**1.3**	13.5

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.

The main rate of corporation tax decreased from 23 per cent to 21 per cent from 1 April 2014. A further reduction in the main rate of corporation tax from 21 per cent to 20 per cent will occur on 1 April 2015.

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

Profit after tax of £7.1 million was attributable to the shareholders of the Parent Company for 2014 (2013: £6.7 million). No income statement or statement of comprehensive income is presented for the Company as permitted by Section 408 Companies Act 2006.

14 DIVIDENDS

Group and Company	2014 £m	2013 £m
Ordinary shares		
Prior year final dividend of 1.0p per share (2013: 1.0p)	**8.4**	7.5
Interim dividend of 0.5p per share (2013: 0.5p)	**4.1**	3.8
Dividend expense	**12.5**	11.3
Shares issued in lieu of cash[1]	**(0.9)**	(3.6)
Adjustment for bonus issue[2]	**(0.6)**	(0.8)
Cash dividends paid	**11.0**	6.9
Proposed final dividend of 1.0p per share (2013: 1.0p)	**8.4**	7.6

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.

15 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(a) Earnings per share

	2014			Re-presented 2013		
	Earnings £m	**Shares[1] million**	**Earnings per share (pence)**	Earnings £m	Shares[1] million	Earnings per share (pence)
Continuing and discontinued operations attributable to owners of the Parent						
Basic earnings	**448.6**	**806.4**	**55.6**	337.4	755.6	44.7
Dilutive effect of share option awards[2]	**–**	**4.2**		–	6.1	
Dilutive effect of matched share awards[2]	**–**	**–**		–	0.9	
Dilutive effect of matching nil cost options[2]	**–**	**3.9**		–	4.3	
Dilutive effect of deferred shares[2]	**–**	**1.0**		–	1.0	
Diluted earnings	**448.6**	**815.5**	**55.0**	337.4	767.9	43.9
Continuing operations attributable to owners of the Parent						
Basic earnings	**448.9**	**806.4**	**55.6**	332.7	755.6	44.1
Diluted earnings	**448.9**	**815.5**	**55.0**	332.7	767.9	43.3
Discontinued operation attributable to owners of the Parent						
Basic earnings	**(0.3)**	**806.4**	**–**	4.7	755.6	0.6
Diluted earnings	**(0.3)**	**815.5**	**–**	4.7	767.9	0.6
Continuing operations attributable to owners of the Parent						
Basic earnings	**448.9**			332.7		
Group adjustments:						
Profit on sale of trading property	**(2.6)**			(10.4)		
Gain on revaluation and sale of investment and development property	**(454.2)**			(303.7)		
(Write back)/write down of trading property	**(0.5)**			0.5		
Other costs	**–**			0.5		
Loss on termination of derivative financial instruments	**1.3**			0.2		
Change in fair value of derivative financial instruments	**12.1**			(15.6)		
Current tax adjustments	**–**			2.0		
Deferred tax adjustments	**8.6**			9.2		
Less amounts above due to non-controlling interest	**–**			0.5		
Joint venture adjustments:						
Loss on sale of trading property	**4.5**			–		
Gain on revaluation of investment and development property	**(0.2)**			(6.9)		
(Write back)/write down of trading property	**(1.2)**			1.2		
Change in fair value of derivative financial instruments	**–**			(0.8)		
EPRA adjusted earnings on continuing operations[3]	**16.7**	**806.4**	**2.1**	9.4	755.6	1.2
Other income	**–**			(0.2)		
Profit on sale of available-for-sale investments	**–**			(0.9)		
Other finance costs	**3.9**			–		
Write back of impairment of other receivables	**(0.2)**			(2.0)		
Other costs	**0.2**			–		
Current tax adjustments	**(3.1)**			0.5		
Deferred tax adjustments	**(4.1)**			(1.5)		
Discontinued operation	**(0.3)**			2.0		
Underlying earnings[3]	**13.1**	**806.4**	**1.6**	7.3	755.6	1.0

1 Weighted average number of shares in issue has been adjusted by 0.2 million (2013: 0.2 million) for the issue of bonus shares in connection with the scrip dividend scheme, 0.7 million (2013: 0.7 million) for shares issued at a discount as part of share placing and by nil (2013: 0.3 million) for shares held in Treasury.

2 Further information on these potential ordinary shares can be found in note 39 'Share-Based Payments'.

3 EPRA adjusted earnings and underlying earnings have been reported on a proportionally consolidated basis.

15 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.

(a) Earnings per share continued

	2014			Re-presented 2013		
	Earnings £m	**Shares[1] million**	**Earnings per share (pence)**	Earnings £m	Shares[1] million	Earnings per share (pence)
Continuing and discontinued operations attributable to owners of the Parent						
Basic earnings	**448.6**	**806.4**	**55.6**	337.4	755.6	44.7
Group adjustments:						
Gain on revaluation and sale of investment and development property	**(446.5)**			(303.7)		
Profit on sale of available-for-sale investments	**–**			(0.9)		
Write back of impairment of other receivables	**(0.2)**			(2.0)		
Deferred tax adjustments	**8.7**			1.3		
Joint venture adjustments:						
Gain on revaluation of investment and development property – Joint venture	**(0.2)**			(6.9)		
Gain on sale of investment property – Discontinued operation	**–**			(2.8)		
Headline earnings	**10.4**	**806.4**	**1.3**	22.4	755.6	3.0
Dilutive effect of share options awards[2]	**–**	**4.2**		–	6.1	
Dilutive effect of matched share awards[2]	**–**	**–**		–	0.9	
Dilutive effect of matching nil cost options[2]	**–**	**3.9**		–	4.3	
Dilutive effect of deferred shares[2]	**–**	**1.0**		–	1.0	
Diluted headline earnings	**10.4**	**815.5**	**1.3**	22.4	767.9	2.9

1 Weighted average number of shares in issue has been adjusted by 0.2 million (2013: 0.2 million) for the issue of bonus shares in connection with the scrip dividend scheme, 0.7 million (2013: 0.7 million) for shares issued at a discount as part of share placing and by nil (2013: 0.3 million) for shares held in Treasury.

2 Further information on these potential ordinary shares can be found in note 39 'Share-Based Payments'.

(b) Net assets per share

	2014			2013		
	Net assets £m	**Shares million**	**NAV per share (pence)**	Net assets £m	Shares million	NAV per share (pence)
Net assets attributable to owners of the Parent	**2,506.3**	**836.2**	**299.7**	1,812.1	757.9	239.1
Effect of dilution on exercise of options[1]	**–**	**5.1**		–	6.2	
Effect of dilution on issue of matching nil cost options[1]	**–**	**4.0**		–	4.3	
Effect of dilution on issue of deferred shares[1]	**–**	**1.0**		–	1.0	
Diluted NAV	**2,506.3**	**846.3**	**296.1**	1,812.1	769.4	235.5
Fair value of derivative financial instruments	**1.8**			14.1		
Unrecognised surplus on trading property – Group	**12.9**			1.0		
Unrecognised surplus on trading property – Joint venture	**83.4**			68.2		
Deferred tax adjustments	**25.1**			16.2		
EPRA adjusted, diluted NAV	**2,629.5**	**846.3**	**310.7**	1,911.6	769.4	248.5
Fair value of derivative financial instruments	**(1.8)**			(14.1)		
Excess fair value of debt over carrying value	**(15.8)**			–		
Deferred tax adjustments	**(13.3)**			(13.1)		
EPRA adjusted, diluted NNNAV	**2,598.6**	**846.3**	**307.1**	1,884.4	769.4	244.9

1 Further information on these potential ordinary shares can be found in note 39 'Share-Based Payments'.

16 PROPERTY PORTFOLIO

(a) Investment and development property

	Property portfolio					Tenure	
Re-presented Group[1]	**Covent Garden £m**	**Earls Court Properties £m**	**Venues £m**	**Other £m**	**Total £m**	**Freehold £m**	**Leasehold £m**
At 1 January 2013	920.9	359.8	146.5	–	1,427.2	644.8	782.4
Additions from acquisitions	17.9	37.5	–	–	55.4	38.9	16.5
Additions from subsequent expenditure	10.5	30.0	5.1	–	45.6	16.0	29.6
Control acquired of former joint venture	–	238.7	–	–	238.7	238.7	–
Transfers to trading property	(20.8)	–	–	–	(20.8)	(20.8)	–
Gain on valuation[2]	179.9	114.3	9.5	–	303.7	131.7	172.0
At 31 December 2013	**1,108.4**	**780.3**	**161.1**	**–**	**2,049.8**	**1,049.3**	**1,000.5**
Reclassification	**–**	**–**	**–**	**–**	**–**	**5.9**	**(5.9)**
Additions from acquisitions	**166.7**	**50.0**	**–**	**4.5**	**221.2**	**214.7**	**6.5**
Additions from subsequent expenditure	**28.7**	**23.5**	**3.9**	**0.4**	**56.5**	**26.6**	**29.9**
Disposals	**(13.0)**	**–**	**–**	**–**	**(13.0)**	**(13.0)**	**–**
Transfers from trading property[3]	**23.3**	**–**	**–**	**–**	**23.3**	**23.3**	**–**
Gain on valuation[2]	**262.6**	**138.8**	**45.6**	**(0.4)**	**446.6**	**162.6**	**284.0**
At 31 December 2014	**1,576.7**	**992.6**	**210.6**	**4.5**	**2,784.4**	**1,469.4**	**1,315.0**

(b) Trading property

	Property portfolio					Tenure	
Re-presented Group[1]	**Covent Garden £m**	**Earls Court Properties £m**	**Venues £m**	**Other £m**	**Total £m**	**Freehold £m**	**Leasehold £m**
At 1 January 2013	14.6	0.3	–	–	14.9	3.6	11.3
Transfers from investment and development property[2]	20.8	–	–	–	20.8	20.8	–
Additions from subsequent expenditure	11.6	0.3	–	–	11.9	9.7	2.2
Disposals	(15.5)	–	–	–	(15.5)	(3.5)	(12.0)
Write down of trading property	(0.5)	–	–	–	(0.5)	(0.5)	–
At 31 December 2013[4]	**31.0**	**0.6**	**–**	**–**	**31.6**	**30.1**	**1.5**
Additions from subsequent expenditure	**10.8**	**–**	**–**	**–**	**10.8**	**10.6**	**0.2**
Disposals	**(4.6)**	**–**	**–**	**–**	**(4.6)**	**(3.0)**	**(1.6)**
Transfers to investment and development property[3]	**(15.6)**	**–**	**–**	**–**	**(15.6)**	**(15.6)**	**–**
Write back/(write down) of trading property and other	**0.5**	**(0.6)**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
At 31 December 2014[4]	**22.1**	**–**	**–**	**–**	**22.1**	**22.1**	**–**

1 The 2013 numbers disclosed in Earls Court Properties and Other have been re-presented following the adoption of IFRS 11. Property held by joint ventures is included in investment in joint ventures on the consolidated balance sheet. Refer to note 19 'Investment in Joint Ventures' for further details.

2 Gain on valuation of £446.6 million (2013: re-presented £303.7 million) is recognised in the consolidated 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.

3 Included within £23.3 million is a revaluation gain on transfer from trading property of £7.7 million (2013: £nil) that is recognised in the consolidated 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.

4 The value of trading property carried at net realisable value was £nil (re-presented 2013: £29.6 million).

16 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 and development property at 31 December 2014	**1,576.7**	**992.6**	**210.6**	**4.5**	**2,784.4**
Carrying value of trading property at 31 December 2014	**22.1**	**–**	**–**	**–**	**22.1**
Carrying value of investment, development and trading property at 31 December 2014[1]	**1,598.8**	**992.6**	**210.6**	**4.5**	**2,806.5**
Adjustment in respect of fixed head leases	**(3.7)**	**–**	**–**	**–**	**(3.7)**
Adjustment in respect of tenant lease incentives	**27.6**	**–**	**–**	**–**	**27.6**
Unrecognised surplus on trading property[2]	**12.9**	**–**	**–**	**–**	**12.9**
Market value of investment, development and trading property at 31 December 2014	**1,635.6**	**992.6**	**210.6**	**4.5**	**2,843.3**
Joint ventures					
Carrying value of joint venture investment, development and trading property at 31 December 2014	**–**	**98.3**	**–**	**–**	**98.3**
Unrecognised surplus on joint venture trading property[2]	**–**	**83.4**	**–**	**–**	**83.4**
Market value of investment, development and trading property on a proportionate basis at 31 December 2014	**1,635.6**	**1,174.3**	**210.6**	**4.5**	**3,025.0**

Re-presented Group[3]	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m
Carrying value of investment and development property at 31 December 2013	1,108.4	780.3	161.1	–	2,049.8
Carrying value of trading property at 31 December 2013	31.0	0.6	–	–	31.6
Carrying value of investment, development and trading property at 31 December 2013[1]	1,139.4	780.9	161.1	–	2,081.4
Adjustment in respect of fixed head leases	(3.8)	–	–	–	(3.8)
Adjustment in respect of tenant lease incentives	19.7	–	–	–	19.7
Unrecognised surplus on trading property[2]	1.0	–	–	–	1.0
Market value of investment, development and trading property at 31 December 2013	1,156.3	780.9	161.1	–	2,098.3
Joint ventures					
Carrying value of joint venture investment, development and trading property at 31 December 2013	–	84.9	–	–	84.9
Unrecognised surplus of joint venture trading property[2]	–	68.2	–	–	68.2
Market value of investment, development and trading property on a proportionate basis at 31 December 2013	1,156.3	934.0	161.1	–	2,251.4

1 Included within investment and development property is £1.1 million (2013: £0.8 million) of interest capitalised during the year on developments in progress.

2 The unrecognised 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.

3 The 2013 numbers disclosed in Earls Court Properties have been re-presented following the adoption of IFRS 11. Property held by joint ventures is included in investment within joint ventures on the consolidated balance sheet. Refer to note 19 'Investment in Joint Ventures' for further details.

16 PROPERTY PORTFOLIO CONTINUED

At 31 December 2014, the Group was contractually committed to £100.9 million (re-presented 2013: £103.9 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 33 'Capital Commitments' for further information on capital commitments.

The fair value of the Group's investment, development and trading property at 31 December 2014 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 property portfolio. 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 re-gear costs, planning risk and sales prices based on known market transactions for similar properties or properties similar to those contemplated for development.

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. In respect of development valuations, the valuer ordinarily considers the gross development value of the completed scheme based upon assumptions of capital values, 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.

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, deriving a residual land valuation on the basis of a standalone development of these interests. During 2014 the properties were 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.

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. Refer to disclosures surrounding development risks on page 15.

Non-financial assets carried at fair value, as is the case for investment and development property held by the Group, are required to be analysed by level depending on the valuation method adopted under IFRS 13 'Fair Value Measurement' ("IFRS 13"). Trading property is exempted from IFRS 13 disclosure requirements. 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; and

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

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 from Level 3 to Level 2. All investment and development property held by the Group are classified as Level 3.

16 PROPERTY PORTFOLIO CONTINUED

The following table sets out the valuation techniques used in the determination of market value of investment and development property on a property by property basis, as well as the key unobservable inputs used in the valuation models.

Property portfolio	Market value 2014 £m	Re-presented Market value 2013 £m	Valuation technique	Key unobservable inputs	Range (weighted average) 2014	Re-presented range (weighted average) 2013
Covent Garden	**1,412.7**	1,071.0	Income capitalisation	Estimated Rental Value per sq ft p.a	**£10 – £248 (£71)**	£10 – £208 (£66)
				Equivalent Yield	**2.6% – 6.0% (4.0%)**	2.6% – 6.3% (4.4%)
	187.9	53.3	Residual development method	Construction costs including site specific costs per sq ft	**£165 – £469 (£391)**	£206 – £696 (£369)
Earls Court Properties	**11.5**	26.6	Income capitalisation	Estimated Rental Value per sq ft p.a.	**£25 – £40 (£33)**	£13 – £102 (£32)
				Equivalent Yield	**2.3% – 6.7% (4.5%)**	2.5% – 7.0% (4.8%)
	981.1	753.7	Residual development method	Construction costs including site specific costs per sq ft	**£209 – £565 (£461)**	£191 – £492 (£377)
Venues	**182.8**	161.1	Discounted cash flow approach	Pre-tax discount rate	**12.0%**	12.0%
	27.8	–	Residual development method	Construction costs including site specific costs per sq ft	**£246**	–
Other	**4.5**	–	Income capitalisation	Estimated Rental Value per sq ft p.a.	**£8**	–
				Equivalent Yield	**4.3%**	–
At 31 December	**2,808.3**	2,065.7				

A number of Earls Court properties previously valued on an income capitalisation approach have been valued on a residual development method as a result of significant progress taking place in land assembly this year. There is a major residential scheme planned for the site as part of the main Earls Court Masterplan.

Planning consent for a hotel was received during the year on part of the Venues' site. This has resulted in a change to residual development method of valuation for this site.

The below tables illustrate the impact of changes in key unobservable inputs on the market value of investment and development property.

Sensitivity analysis – income capitalisation method

	2014		Re-presented 2013	
	Estimated Rental Value	**Equivalent Yield**	Estimated Rental Value	Equivalent Yield
Income capitalisation	**10% increase or decrease £m**	**25 basis point contraction or expansion £m**	10% increase or decrease £m	25 basis point contraction or expansion £m
Covent Garden	**134.2/(129.7)**	**104.0/(91.3)**	97.3/(92.0)	65.0/(58.0)
Earls Court Properties	**1.2/(1.2)**	**0.8/(0.7)**	2.7/(2.7)	1.4/(1.5)
Other	**0.5/(0.5)**	**0.3/(0.3)**	–	–

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

	2014	Re-presented 2013
	Construction costs including site specific costs per sq ft	Construction costs including site specific costs per sq ft
Residual development method	**10% increase or decrease £m**	10% increase or decrease £m
Covent Garden	**(10.4)/10.1**	(1.3)/1.2
Earls Court Properties	**(145.1)/141.9**	(115.2)/115.6
Venues	**(3.1)/3.0**	–

Sensitivity analysis – discounted cash flow approach

	2014	2013
	Pre-tax discount rate	Pre-tax discount rate
Discounted cash flow approach	**10% increase or decrease £m**	10% increase or decrease £m
Venues	**(21.3)/26.4**	(18.9)/23.8

17 PLANT AND EQUIPMENT

Group	2014 Cost £m	2014 Accumulated depreciation £m	2014 Carrying value £m	2013 Cost £m	2013 Accumulated depreciation £m	2013 Carrying value £m
At 1 January	**1.3**	**(0.4)**	**0.9**	1.1	(0.1)	1.0
Additions	**0.7**	**–**	**0.7**	0.5	–	0.5
Disposals	**(0.4)**	**0.1**	**(0.3)**	(0.3)	–	(0.3)
Charge for the year	**–**	**(0.3)**	**(0.3)**	–	(0.3)	(0.3)
At 31 December	**1.6**	**(0.6)**	**1.0**	1.3	(0.4)	0.9

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.

18 INVESTMENT IN GROUP COMPANIES

Company	2014 £m	2013 £m
At 1 January	**446.5**	566.8
Additions	**229.9**	–
Disposals	**–**	(120.3)
At 31 December	**676.4**	446.5

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 (2013: £nil).

In May 2014, the Company acquired preference shares in a subsidiary following the share placing. During 2013 following a redemption, the Company disposed of the preference shares it held in a former subsidiary.

19 INVESTMENT IN JOINT VENTURES

Investment in joint ventures is measured using the equity method. All joint ventures are held with other joint venture investors on a 50:50 basis.

At 31 December 2014, joint ventures comprise the Lillie Square joint venture (“LSJV”) and The Great Capital Partnership (“GCP”) which is accounted for as a discontinued operation. Refer to note 11 ‘Discontinued Operation’ for further information regarding GCP. Until May 2013, The Empress State Limited Partnership (“ESLP”) was also accounted for as a joint venture of the Group. Following acquisition of control the partnership has been fully consolidated. Refer to note 10 ‘Business Combination’ for further information regarding ESLP and disclosure of the assets and liabilities acquired.

LSJV was established as a joint venture arrangement with the Kwok Family Interests (“KFI”), 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, acting as general partner to the partnership, and its subsidiaries. All major decisions regarding LSJV are taken by the Board of Lillie Square GP Limited, through which the Group shares strategic control.

The summarised income statement and balance sheet of LSJV are presented below.

LSJV	2014 £m	2013 £m
Summarised income statement		
Revenue	**0.4**	0.4
Net rental income	**0.1**	0.4
Gain/(loss) on revaluation of investment and development property	**0.4**	(0.2)
Agent, selling and marketing fees	**(9.0)**	–
Write back/(write down) of trading property	**2.4**	(2.4)
Administration expenses	**(3.1)**	(2.0)
Finance costs[1]	**(16.7)**	(15.0)
Taxation	**0.1**	–
Loss for the year	**(25.8)**	(19.2)

1 Finance costs relates to the amortisation of deep discount bonds that were issued by LSJV to the Group and KFI. The bonds are redeemable at their nominal value of £263.4 million on 24 August 2019. The discount applied is unwound over the period to maturity using the effective interest rate. Finance income receivable to the Group of £8.4 million (2013: £7.5 million) is recognised in the consolidated income statement within other finance income.

19 INVESTMENT IN JOINT VENTURES CONTINUED

LSJV	2014 £m	2013 £m
Summarised balance sheet		
Investment and development property	**3.0**	2.6
Other non-current assets	**1.4**	2.6
Trading property	**193.5**	167.2
Cash and cash equivalents[1]	**33.9**	3.4
Other current assets	**0.2**	1.6
Borrowings	**(13.8)**	–
Other non-current liabilities[2]	**(155.8)**	(139.0)
Partners' loans[3]	**(72.0)**	(48.0)
Other current liabilities	**(28.8)**	(3.0)
Net liabilities	**(38.4)**	(12.6)

Capital commitments	**141.0**	3.8

Carrying value of investment, development and trading property	**196.5**	169.8
Unrecognised surplus on trading property[4]	**166.9**	136.4
Market value of investment, development and trading property[4]	**363.4**	306.2

1 Includes restricted cash and cash equivalents of £22.6 million (2013: £nil) relating to amounts received as property deposits that will not be available for use by LSJV until completion of building work.

2 Other non-current liabilities relate to deep discount bonds. Amounts receivable by the Group of £77.9 million (2013: £69.5 million) are recognised on the consolidated balance sheet within non-current trade and other receivables.

3 Partners' loans relate to working capital funding advanced by the Group and KFI. Recoverable amounts receivable of £19.1 million (2013: £18.4 million) by the Group are recognised on the consolidated balance sheet within current trade and other receivables.

4 The unrecognised surplus on trading property and the market value of LSJV's property portfolio are shown for informational purposes only and are not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value.

A summarised income statement for ESLP is presented below illustrating performance of the joint venture to the date control was acquired. No summarised balance sheet is included below as ESLP was fully consolidated at 31 December 2013.

ESLP	2014 £m	Period ended 29 May 2013 £m
Summarised income statement		
Revenue	**–**	6.2
Net rental income	**–**	6.2
Gain on revaluation of investment and development property	**–**	14.0
Net finance costs	**–**	(1.0)
Profit for the period	**–**	19.2

The summarised income statement and balance sheet of GCP are presented below.

GCP	2014 £m	2013 £m
Summarised income statement		
Revenue	**–**	2.4
Net rental income	**–**	2.4
Gain on sale of investment property	**–**	5.6
Administration expenses	**–**	(0.4)
Profit for the year	**–**	7.6

GCP	2014 £m	2013 £m
Summarised balance sheet		
Cash and cash equivalents	**0.2**	0.5
Other current assets	**–**	0.1
Partners' loans[1]	**–**	186.0
Net assets	**0.2**	186.6

1 Partners' loans relate to funding advanced by GCP to the Group and GPE that were settled during 2014 by way of distributions. Amounts payable by the Group of £93.0 million at 31 December 2013 were recognised on the consolidated balance sheet within current trade and other payables.

19 INVESTMENT IN JOINT VENTURES CONTINUED

Reconciliation of summarised financial information:

The table below reconciles the summarised joint venture financial information previously presented to the carrying value of investment in joint ventures as presented on the consolidated balance sheet.

	GCP £m	LSJV £m	Total £m
Net assets/(liabilities) of joint ventures at 31 December 2013	186.6	(12.6)	174.0
Elimination of joint venture partners' interest	(93.3)	6.3	(87.0)
Cumulative losses restricted[1]	–	6.3	6.3
Carrying value at 31 December 2013	93.3	–	93.3
Net assets/(liabilities) of joint ventures at 31 December 2014	**0.2**	**(38.4)**	**(38.2)**
Elimination of joint venture partners' interest	**(0.1)**	**19.2**	**19.1**
Cumulative losses restricted[1]	**–**	**19.2**	**19.2**
Carrying value at 31 December 2014	**0.1**	**–**	**0.1**

1 Cumulative losses restricted represent the Group's share of losses in LSJV which exceed its investment in the joint venture. As a result the carrying value of the investment in LSJV is £nil (2013: £nil) in accordance with the requirements of IAS 28.

Reconciliation of investment in joint ventures:

The table below reconciles the opening to closing carrying value of investment in joint ventures as presented on the consolidated balance sheet.

Investment in joint ventures	GCP £m	LSJV £m	ESLP £m	Total £m
At 1 January 2013	141.5	3.3	34.3	179.1
Distributions	(52.0)	–	–	(52.0)
Acquisition of control	–	–	(43.9)	(43.9)
(Loss)/profit for the year[1]	–	(9.6)	9.6	–
Loss restricted[1]	–	6.3	–	6.3
Profit attributable to discontinued operation	3.8	–	–	3.8
At 31 December 2013	**93.3**	**–**	**–**	**93.3**
Distributions	**(93.2)**	**–**	**–**	**(93.2)**
Loss for the year[1]	**–**	**(12.9)**	**–**	**(12.9)**
Loss restricted[1]	**–**	**12.9**	**–**	**12.9**
At 31 December 2014	**0.1**	**–**	**–**	**0.1**

1 Share of post-tax profit from joint ventures in the consolidated income statement of £nil (2013: profit £6.3 million) comprise loss for the year of £12.9 million (2013: £nil) and loss restricted totalling £12.9 million (2013: £6.3 million).

20 AVAILABLE-FOR-SALE INVESTMENTS

	Group 2014 £m	Group 2013 £m
Harvest China Real Estate Fund I	**0.4**	0.4
Available-for-sale investments	**0.4**	0.4

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 and 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 2014 was £0.2 million (2013: £0.2 million).

21 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative assets held for trading	Group 2014 £m	Group 2013 £m
Non-current		
Interest rate caps	**0.9**	2.7
Interest rate collars	**1.2**	0.8
Derivative financial instruments	**2.1**	3.5

Derivative liabilities held for trading		
Non-current		
Interest rate swaps	**(3.9)**	(17.6)
Derivative financial instruments	**(3.9)**	(17.6)

22 TRADE AND OTHER RECEIVABLES

	Group 2014 £m	Re-presented Group 2013 £m	Company 2014 £m	Company 2013 £m
Non-current				
Loan notes receivable	**6.2**	6.0	**–**	–
Other receivables[1]	**18.7**	18.6	**–**	–
Prepayments and accrued income[2]	**26.7**	19.4	**–**	–
Amounts receivable from joint ventures[3]	**77.9**	69.5	**–**	–
Trade and other receivables	**129.5**	113.5	**–**	–
Current				
Amounts owed by subsidiaries	**–**	–	**539.5**	515.6
Rent receivable[4]	**8.1**	5.8	**–**	–
Other receivables	**6.5**	1.7	**–**	–
Prepayments and accrued income[2]	**9.1**	11.8	**0.1**	0.1
Amounts receivable from joint ventures[5]	**19.1**	18.4	**–**	–
Trade and other receivables	**42.8**	37.7	**539.6**	515.7

1 Includes £15.0 million (2013: £15.0 million) exclusivity payment to LBHF which forms part of the CLSA.

2 Included within prepayments and accrued income are tenant lease incentives of £27.6 million (2013: £19.7 million).

3 Non-current amounts receivable from joint ventures relate to deep discount bonds that were issued by LSJV to the Group. The bonds are redeemable at their nominal value of £131.7 million on 24 August 2019.

4 Includes exhibition trade receivables.

5 Current amounts receivable from joint ventures comprise working capital funding advanced by the Group to LSJV. The balance has been impaired by £19.2 million (2013: £6.3 million).

23 CASH AND CASH EQUIVALENTS

	Group 2014 £m	Re-presented Group 2013 £m	Company 2014 £m	Company 2013 £m
Cash at hand	**29.8**	20.0	**–**	0.5
Cash on short-term deposit	**59.0**	17.0	**–**	–
Unrestricted cash and cash equivalents	**88.8**	37.0	**–**	0.5
Restricted cash and cash equivalents[1]	**6.0**	6.0	**–**	–
Cash and cash equivalents	**94.8**	43.0	**–**	0.5

1 Restricted cash and cash equivalents relate to amounts placed on deposit in accounts which are subject to withdrawal conditions.

24 TRADE AND OTHER PAYABLES

	Group 2014 £m	Re-presented Group 2013 £m	Company 2014 £m	Company 2013 £m
Non-current				
Other payables	**0.2**	–	**–**	–
Trade and other payables	**0.2**	–	**–**	–
Current				
Rent received in advance	**20.6**	18.0	**–**	–
Accruals and deferred income	**61.3**	27.8	**0.4**	0.6
Trade payables	**4.4**	4.4	**–**	–
Other payables	**8.3**	7.9	**–**	–
Other taxes and social security	**0.7**	2.3	**–**	–
Amounts payable to non-controlling interest	**7.1**	–	**–**	–
Amounts payable to joint ventures[1]	**–**	93.0	**–**	–
Trade and other payables	**102.4**	153.4	**0.4**	0.6

1 Amounts payable to joint ventures at 31 December 2013 comprised funding advanced by GCP to the Group. Amounts payable were settled during 2014 by way of distributions.

25 BORROWINGS, INCLUDING FINANCE LEASES

	2014						
Group	**Carrying value £m**	**Secured £m**	**Unsecured £m**	**Fixed rate £m**	**Floating rate £m**	**Fair value £m**	**Nominal value £m**
Current							
Bank loans and overdrafts	**11.0**	**11.0**	**–**	**–**	**11.0**	**11.0**	**11.0**
Loan notes	**6.0**	**6.0**	**–**	**–**	**6.0**	**6.0**	**6.0**
Borrowings	**17.0**	**17.0**	**–**	**–**	**17.0**	**17.0**	**17.0**
Finance lease obligations	**0.5**	**0.5**	**–**	**0.5**	**–**	**0.5**	**0.5**
Borrowings, including finance leases	**17.5**	**17.5**	**–**	**0.5**	**17.0**	**17.5**	**17.5**
Non-current							
Bank loan 2018	**96.5**	**96.5**	**–**	**–**	**96.5**	**97.5**	**97.5**
Bank loan 2019	**183.1**	**–**	**183.1**	**–**	**183.1**	**190.0**	**190.0**
Loan notes 2024	**74.7**	**–**	**74.7**	**74.7**	**–**	**79.1**	**75.0**
Loan notes 2026	**74.7**	**–**	**74.7**	**74.7**	**–**	**78.2**	**75.0**
Borrowings	**429.0**	**96.5**	**332.5**	**149.4**	**279.6**	**444.8**	**437.5**
Finance lease obligations	**3.2**	**3.2**	**–**	**3.2**	**–**	**3.2**	**3.2**
Borrowings, including finance leases	**432.2**	**99.7**	**332.5**	**152.6**	**279.6**	**448.0**	**440.7**
Total borrowings, including finance leases	**449.7**	**117.2**	**332.5**	**153.1**	**296.6**	**465.5**	**458.2**
Cash and cash equivalents	**(94.8)**						
Net debt	**354.9**						

	2013						
Group	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Current							
Bank loans and overdrafts	10.0	10.0	–	–	10.0	10.0	10.0
Loan notes	6.0	6.0	–	–	6.0	6.0	6.0
Borrowings	16.0	16.0	–	–	16.0	16.0	16.0
Finance lease obligations	0.5	0.5	–	0.5	–	0.5	0.5
Borrowings, including finance leases	16.5	16.5	–	0.5	16.0	16.5	16.5
Non-current							
Bank loan 2016	155.6	155.6	–	–	155.6	155.6	158.2
Bank loan 2017	111.7	111.7	–	–	111.7	111.7	112.0
Bank loan 2018	87.1	87.1	–	–	87.1	87.1	88.5
Borrowings	354.4	354.4	–	–	354.4	354.4	358.7
Finance lease obligations	3.3	3.3	–	3.3	–	3.3	3.3
Borrowings, including finance leases	357.7	357.7	–	3.3	354.4	357.7	362.0
Total borrowings, including finance leases	374.2	374.2	–	3.8	370.4	374.2	378.5
Re-presented cash and cash equivalents	(43.0)						
Re-presented net debt	331.2						

On 21 February 2014, the Group entered into £665 million unsecured five year revolving credit facility to replace existing secured debt facilities that were due to mature in 2016 and 2017 and to improve operational and financial flexibility. The Group incurred charges of £12.9 million as a result of the refinancing. Transaction costs of £8.1 million were capitalised and will be amortised over the contractual life of the new facility. £190 million of the facility was drawn at year-end.

On 16 December 2014, the Group issued a US Private Placement of £150 million 10 and 12 year senior unsecured notes. The Group incurred and capitalised charges of £0.6 million as a result of the placement.

The market value of investment and development property secured as collateral against borrowings at 31 December 2014 was £278.0 million (2013: £1,339.6 million).

Cash and undrawn committed facilities attributable to the Group at 31 December 2014 were £579.8 million (2013: £285.0 million).

The fair values of floating rate borrowings have been established using the market value, which approximates nominal value. The fair values of fixed rate borrowings have been calculated using a discounted cash flow approach.

25 BORROWINGS, INCLUDING FINANCE LEASES CONTINUED

	2014			
Analysis of movement in net debt	**Current borrowings £m**	**Non-current borrowings £m**	**Cash and cash equivalents £m**	**Net debt £m**
Balance at 1 January	**16.5**	**357.7**	**(43.0)**	**331.2**
Borrowings drawn	**–**	**730.0**	**(730.0)**	**–**
Borrowings repaid	**(10.0)**	**(640.2)**	**650.2**	**–**
Other net cash movements	**–**	**(8.3)**	**28.0**	**19.7**
Other non-cash movements	**11.0**	**(7.0)**	**–**	**4.0**
Balance at 31 December	**17.5**	**432.2**	**(94.8)**	**354.9**

	Re-presented 2013			
Analysis of movement in net debt	Current borrowings £m	Non-current borrowings £m	Cash and cash equivalents £m	Net debt £m
Balance at 1 January	6.5	269.6	(174.8)	101.3
Control acquired of former joint venture	132.1	–	(0.4)	131.7
Borrowings drawn	20.0	118.5	(138.5)	–
Borrowings repaid	(152.1)	(20.0)	172.1	–
Other net cash movements	–	(1.5)	98.6	97.1
Other non-cash movements	10.0	(8.9)	–	1.1
Balance at 31 December	16.5	357.7	(43.0)	331.2

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

	Group 2014 £m	Group 2013 £m
Wholly repayable within one year	**17.0**	16.0
Wholly repayable in more than one year but not more than two years	**12.0**	11.0
Wholly repayable in more than two years but not more than five years	**275.5**	347.7
Wholly repayable in more than five years	**150.0**	–
	454.5	374.7

Certain borrowing agreements contain financial and other covenants that, if contravened, could alter the repayment profile.

26 FINANCE LEASE OBLIGATIONS

(a) Minimum lease payments under finance leases obligations

	Group 2014 £m	Group 2013 £m
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**	12.0
	14.4	14.4
Future finance charges on finance leases	**(10.7)**	(10.6)
Present value of finance lease obligations	**3.7**	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**	1.5
Later than five years	**1.7**	1.8
	3.7	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.

27 OPERATING LEASES

The Group earns rental income by leasing its investment property 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 2014 £m	Re-presented Group 2013 £m
Not later than one year	**59.5**	53.9
Later than one year and not later than five years	**189.7**	174.2
Later than five years	**152.4**	127.2
	401.6	355.3

The consolidated income statement includes £0.3 million (2013: £0.3 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 2014 £m	Group 2013 £m
Not later than one year	**0.2**	0.5
Later than one year and not later than five years	**–**	0.2
	0.2	0.7

28 FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of risks arising from the Group's operations: market risk (including interest rate risk and foreign exchange 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. Interest rate 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 payable at the collar's ceiling but sacrifices the profitability of interest rate falls below a certain floor.

The table below shows the effects of derivative contracts that are linked to the drawn external borrowings profile of the Group and joint ventures. The table is disclosed on a proportionally consolidated basis in line with the reporting of this information internally to management.

	Fixed/Capped 2014 £m	**Floating 2014 £m**	Fixed/Capped 2013 £m	Floating 2013 £m
Group borrowings excluding finance leases[1]	**150.0**	**298.5**	–	368.7
Joint venture borrowings excluding finance leases	**–**	**6.9**	–	–
	150.0	**305.4**	–	368.7
Derivative impact (nominal value of derivative contracts)	**276.8**	**(276.8)**	368.7	(368.7)
Borrowings profile net of derivative impact	**426.8**	**28.6**	368.7	–
Interest rate protection		**94%**		100%

1 Excludes current loan notes of £6.0 million to which the Group has no interest rate exposure under the terms of the borrowing.

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 at 31 December 2014 was 2.2 per cent (2013: 3.2 per cent).

Cash flow hedge:
In 2014, the Group entered into a forward starting interest rate swap to hedge the variability in specified hedged interest cash flows arising on £50 million of outstanding debt from 2014 to 2024. The gain recognised in other comprehensive income in the year was £0.3 million. This gain will be reclassified from other comprehensive income to the consolidated income statement over the term of the designated debt. The fair value of the designated hedging instrument at 31 December 2014 was £nil. The hedge was 100 per cent effective; therefore no charge for an ineffective portion has been taken to the consolidated income statement during the year.

28 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 £6.9 million (2013: £6.2 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 £6.9 million (2013: £6.2 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. The fixed rate derivative financial instruments are matched by floating rate debt, therefore 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.

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 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. This was the strategy employed in the refinancing of existing borrowings in 2014.

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.

	2014									
	1 yr		**Less than 1-2 yrs**		**Between 2-5 yrs**		**Over 5 yrs**		**Total**	
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	**3.1**	**11.0**	**3.1**	**12.0**	**5.2**	**85.5**	**–**	**–**	**11.4**	**108.5**
Other secured borrowings	**–**	**6.0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6.0**
Unsecured borrowings	**9.7**	**–**	**10.4**	**–**	**29.6**	**190.0**	**32.9**	**150.0**	**82.6**	**340.0**
Finance lease obligations	**–**	**0.5**	**0.1**	**0.4**	**0.3**	**1.1**	**10.3**	**1.7**	**10.7**	**3.7**
Other payables	**–**	**19.8**	**–**	**0.2**	**–**	**–**	**–**	**–**	**–**	**20.0**
Interest rate derivatives payable	**2.2**	**–**	**2.2**	**–**	**4.7**	**–**	**–**	**–**	**9.1**	**–**
Interest rate derivatives receivable	**(0.6)**	**–**	**(1.0)**	**–**	**(3.5)**	**–**	**–**	**–**	**(5.1)**	**–**
	14.4	**37.3**	**14.8**	**12.6**	**36.3**	**276.6**	**43.2**	**151.7**	**108.7**	**478.2**

	Re-presented 2013									
	1 yr		Less than 1-2 yrs		Between 2-5 yrs		Over 5 yrs		Total	
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	0.1	0.4	0.3	1.1	10.2	1.8	10.6	3.8
Other payables	–	105.3	–	–	–	–	–	–	–	105.3
Interest rate derivatives payable	8.4	–	8.4	–	14.6	–	–	–	31.4	–
Interest rate derivatives receivable	(1.6)	–	(3.0)	–	(9.5)	–	–	–	(14.1)	–
	14.8	121.8	15.0	11.4	28.1	348.8	10.2	1.8	68.1	483.8

Contractual maturities reflect the expected maturities of financial instruments.

28 FINANCIAL RISK MANAGEMENT CONTINUED

Credit risk

The Group's principal financial assets are trade and other receivables, cash and cash equivalents, amounts receivable from joint ventures and loan notes. 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.

Trade and other receivables:

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 2014 was £5.9 million (2013: £4.2 million).

Due to the nature of tenants being managed individually by asset managers, it is Group 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 2014 £m	Group 2013 £m
Up to 90 days	**7.9**	5.5
Over 90 days	**0.2**	0.3
Trade receivables	**8.1**	5.8

In 2014 there was an impairment write back on trade receivables of £0.4 million (2013: £0.1 million).

Loan notes:

Included within receivables are £6.2 million (2013: £6.0 million) of loan notes that relate to the disposal of a subsidiary in 2008. The loan notes have been impaired by £9.8 million (2013: £10.0 million) to their recoverable amount with reference to the market value of secured property assets. Whilst uncertainty remains, the loan notes have continued to perform, all interest payments have been serviced on a timely basis during 2014 and are forecast to continue during 2015.

Amounts receivable from joint ventures:

Following the adoption of IFRS 11 and the application of the equity method, loans between the Group and its joint ventures, as well as interest thereon, are no longer eliminated on consolidation. Included within receivables is £19.1 million (2013: £18.4 million) of amounts advanced to LSJV. The carrying value of the investment in LSJV is £nil (2013: £nil) as the Group's share of losses exceeds the cost of its investment. Total funding advanced to LSJV of £38.3 million (2013: £24.7 million) has been impaired by the cumulative losses attributable to the joint venture, £19.2 million (2013: £6.3 million).

LSJV is in a net liability position due to carrying trading property at the lower of cost and market value. However based on a market valuation undertaken by the Group's valuers Jones Lang LaSalle, there is an unrecognised surplus of £83.4 million (Group share) as at 31 December 2014. This surplus will only be evidenced on sale of trading property when building work is physically complete. Therefore, while Lillie Square demonstrates positive pricing evidence commercially and funding provided is not deemed to be at risk of default, for reporting purposes the Group is required to impair amounts advanced to LSJV until the unrecognised surplus on trading property is realised through sale.

Cash, deposits and derivative financial instruments:

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 cash investment policy relating to limits on the credit ratings of counterparties (between BBB+ and A+).

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

				Re-presented		
Counterparty	**Credit rating**	**Authorised limit £m**	**Group 2014 £m**	Credit rating	Authorised limit £m	Group 2013 £m
Bank #1	**A+**	**75.0**	**61.5**	A+	75.0	27.1
Bank #2	**A+**	**40.0**	**30.0**	–	–	–
Bank #3	**–**	**–**	**–**	A-	50.0	6.7
Bank #4	**A-**	**50.0**	**0.2**	A-	50.0	4.6
Bank #5	**BBB+**	**50.0**	**3.1**	BBB+	50.0	4.6
Bank #6[1]	**BBB+**	**50.0**	**2.1**	BBB	50.0	3.5
Sum of five largest exposures			**96.9**			46.5
Sum of cash, cash equivalents and derivative financial assets			**96.9**			46.5
Five largest exposures as a percentage of total amount at risk			**100%**			100%

1 Only derivative financial instruments are held with this counterparty.

28 FINANCIAL RISK MANAGEMENT CONTINUED

Classification of financial assets and liabilities

The tables below set out each class of financial assets, financial liabilities, and their fair values at 31 December 2014 and 31 December 2013.

Group	Carrying value £m	Fair value £m	(Loss)/gain to income statement £m	Gain to other comprehensive income £m
	2014			
Derivative financial assets	**2.1**	**2.1**	**(8.4)**	**–**
Total held for trading assets	**2.1**	**2.1**	**(8.4)**	**–**
Cash and cash equivalents	**94.8**	**94.8**	**–**	**–**
Other financial assets	**172.3**	**172.3**	**0.2**	**–**
Total cash and other financial assets	**267.1**	**267.1**	**0.2**	**–**
Available-for-sale investments	**0.4**	**0.4**	**–**	**–**
Total available-for-sale investments	**0.4**	**0.4**	**–**	**–**
Derivative financial liabilities	**(3.9)**	**(3.9)**	**(3.7)**	**–**
Total held for trading liabilities	**(3.9)**	**(3.9)**	**(3.7)**	**–**
Borrowings, including finance leases	**(449.7)**	**(465.5)**	**–**	**–**
Other financial liabilities	**(104.2)**	**(104.2)**	**–**	**–**
Total borrowings and other financial liabilities	**(553.9)**	**(569.7)**	**–**	**–**

Group	Carrying value £m	Fair value £m	Gain to income statement £m	Loss to other comprehensive income £m
	Re-presented 2013			
Derivative financial assets	3.5	3.5	1.6	–
Total held for trading assets	3.5	3.5	1.6	–
Cash and cash equivalents	43.0	43.0	–	–
Other financial assets	151.2	151.2	2.0	–
Total cash and other financial assets	194.2	194.2	2.0	–
Available-for-sale investments	0.4	0.4	0.9	(1.6)
Total available-for-sale investments	0.4	0.4	0.9	(1.6)
Derivative financial liabilities	(17.6)	(17.6)	14.0	–
Total held for trading liabilities	(17.6)	(17.6)	14.0	–
Borrowings, including finance leases	(374.2)	(374.2)	–	–
Other financial liabilities	(160.7)	(160.7)	–	–
Total borrowings and other financial liabilities	(534.9)	(534.9)	–	–

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 other 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 ratios are disclosed on a proportionally consolidated basis excluding the non-controlling interest share of net debt and property in line with the reporting of this information internally to management. These metrics are discussed in the Financial review on pages 38 to 43.

Debt to assets ratio	Group 2014 £m	Group 2013 £m
Investment and development property	**2,785.9**	2,051.1
Trading property	**118.9**	115.2
	2,904.8	2,166.3
Net external debt	**(344.7)**	(329.2)
Non-controlling interest adjustment	**(7.1)**	–
	12.1%	15.2%

The maximum debt to assets ratio for the year was 16.9 per cent and occurred on 31 March 2014.

Interest cover	Group 2014 £m	Group 2013 £m
Finance costs	**(15.9)**	(22.0)
Finance income	**0.8**	1.1
	(15.1)	(20.9)
Underlying operating profit	**28.4**	31.0
	188%	148%

28 FINANCIAL RISK MANAGEMENT CONTINUED

The minimum interest coverage ratio for the year was 148 per cent and occurred on 1 January 2014.

Fair value estimation

Financial instruments carried at fair value are required to be analysed by level depending on the valuation method adopted under IFRS 13. The different valuation levels are defined in note 16 'Property Portfolio'.

The tables below present the Group's financial assets and liabilities recognised at fair value at 31 December 2014 and 31 December 2013. 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.

	2014			
Group	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Derivative financial assets				
Held for trading	**–**	**2.1**	**–**	**2.1**
Investments				
Available-for-sale investments	**–**	**–**	**0.4**	**0.4**
Total assets	**–**	**2.1**	**0.4**	**2.5**
Derivative financial liabilities				
Held for trading	**–**	**(3.9)**	**–**	**(3.9)**
Total liabilities	**–**	**(3.9)**	**–**	**(3.9)**

	2013			
Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial assets				
Held for trading	–	3.5	–	3.5
Investments				
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 a reconciliation of Level 3 fair value measurements for the year:

	Group 2014 £m	Group 2013 £m
At 1 January	**0.4**	3.6
Disposals[1]	**–**	(2.5)
Unrealised losses[2]	**–**	(0.7)
At 31 December	**0.4**	0.4

1 Profit on sale is recycled through the consolidated income statement.

2 Unrealised losses are recognised in other 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 Harvest China Real Estate Fund 1 with reference to the market value of the underlying assets held.

29 DEFERRED TAX

The decrease in corporation tax rate referred to in note 12 'Taxation' has been substantively enacted for the purposes of IAS 12 'Income Taxes' ("IAS 12") and therefore has 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 and the Group's holding structure. The Group's recognised deferred tax liability on investment and development property as calculated under IAS 12 is £11.8 million at 31 December 2014 (2013: £3.1 million).

A disposal of the Group's trading property including Lillie Square at their market value as per note 16 'Property Portfolio' would result in a corporation tax charge to the Group of £20.7 million (21.5 per cent of £96.3 million).

The Group's contingent tax liability which is calculated on the same basis as the IAS 12 liability above is £nil (2013: £nil) after allowing for loss relief.

Group	Accelerated capital allowances £m	Fair value of investment & development property £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 2013	11.2	1.8	(6.1)	(4.1)	(2.8)	–
Adjustment 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**
Adjustments in respect of previous years	**0.1**	**(0.3)**	**0.2**	**–**	**–**	**–**
Recognised in income	**1.3**	**9.6**	**(0.8)**	**(1.8)**	**(3.3)**	**5.0**
Recognised in other comprehensive income	**–**	**–**	**–**	**(0.4)**	**–**	**(0.4)**
Recognised directly in equity	**–**	**–**	**–**	**(0.3)**	**–**	**(0.3)**
Reduction due to rate change	**(0.7)**	**(0.6)**	**0.1**	**(0.1)**	**–**	**(1.3)**
At 31 December 2014	**13.6**	**11.8**	**(0.3)**	**(6.6)**	**(5.6)**	**12.9**
Unprovided deferred tax (assets):						
At 1 January 2014	**–**	**–**	**(4.6)**	**–**	**(11.5)**	**(16.1)**
Movement during the year	**–**	**–**	**4.6**	**–**	**(6.8)**	**(2.2)**
At 31 December 2014	**–**	**–**	**–**	**–**	**(18.3)**	**(18.3)**

In accordance with the requirements of IAS 12, a 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.

30 OTHER PROVISIONS

Group	2014 £m	2013 £m
Current		
At 1 January	**7.2**	7.3
Remeasurement	**(0.1)**	(0.1)
Reclassification to accruals and deferred income	**(7.1)**	–
At 31 December	**–**	7.2

The 2009 acquisition of the residual 50 per cent interest in Earls Court & Olympia included deferred consideration payable if certain planning consents were achieved over the Earls Court Masterplan area. The maximum potential deferred consideration payable was £20.0 million. The long stop date for the calculation of deferred consideration was 17 December 2014. At this date £7.1 million has been reclassified from other provisions to accruals and deferred income in trade and other payables.

31 SHARE CAPITAL AND SHARE PREMIUM

Group and Company

Issue type	Transaction date	Issue price (pence)	Number of shares	Share capital £m	Share premium £m
At 1 January 2013			753,127,803	188.3	117.7
Scrip dividend – 2012 final	June	318	1,130,749	0.2	3.4
Scrip dividend – 2013 interim	September	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**
Share placing	May	340	**75,900,000**	**18.9**	**84.7**
Scrip dividend – 2013 final	June	347	**254,158**	**0.1**	**0.8**
Scrip dividend – 2014 interim	September	338	**174,600**	**–**	**–**
Share-based payment[2]			**2,004,491**	**0.6**	**0.4**
At 31 December 2014			**836,236,407**	**209.1**	**206.9**

1 Between July and December 2013 a total of 3,404,855 new shares were issued to satisfy employee share scheme awards.

2 In 2014 a total of 2,004,491 new shares were issued to satisfy employee share scheme awards.

In May 2014 the Company completed a placing of 75,900,000 new ordinary shares of 25 pence each (aggregate nominal value £18.9 million) at a price of 340 pence per share to UK and South African institutions. The placing generated gross proceeds of £258.1 million, £251.7 million net of expenses. The terms of the placing were fixed on 14 May 2014. The market price of the Company's shares on 14 May 2014 was 344.2 pence per share. Aggregate market price of placing shares on 14 May 2014 was £261.2 million.

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 26 February 2015, the Company had an unexpired authority to repurchase shares up to a maximum of 75,903,686 shares with a nominal value of £19.0 million, and the Directors had an unexpired authority to allot up to a maximum of 505,264,392 shares with a nominal value of £126.3 million of which 252,759,275 with a nominal value of £63.2 million can only be allotted pursuant to a fully pre-emptive rights issue.

32 OTHER RESERVES

	Group 2014 £m	Group 2013 £m	**Company 2014 £m**	Company 2013 £m
Revaluation reserve	**0.1**	0.1	**–**	–
Cash flow hedge reserve	**0.3**	–	**–**	–
Total other reserves	**0.4**	0.1	**–**	–

33 CAPITAL COMMITMENTS

At 31 December 2014, the Group was contractually committed to £100.9 million (re-presented 2013: £103.9 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Of the £100.9 million committed, £40.9 million is committed 2015 expenditure.

In November 2013, 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 land can be transferred unless replacement homes for the residents of the relevant phase have been provided and vacant possession is given. 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.

The Group's share of joint venture capital commitments arising on LSJV amounts to £70.5 million (2013: £1.9 million).

34 CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of legal claims, guarantees and warranties arising from the ordinary course of business. Contingent liabilities that may result in material liabilities are described below.

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 (refer to note 33 'Capital Commitments').

In March 2013, 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, the Group can exercise options during the next 50 years 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.

Within the terms of the agreement of the acquisition of the Northern Access Road land, the vendor's successor in title is entitled to further payments until 2027 if certain conditions are met. Further payments become due following the grant of a planning permission for change of use or on disposal. In the event such planning permission is implemented, the payment is calculated at 50 per cent of the uplift in land value following the grant of the permission. In the event of a disposal, the payment is calculated as 50 per cent of the difference between the sale value against the land value without the relevant permission.

35 CASH GENERATED FROM OPERATIONS

Continuing operations	Notes	**Group 2014 £m**	Re-presented Group 2013 £m	**Company 2014 £m**	Company 2013 £m
Profit before tax attributable to owners of the Parent		**450.2**	346.2	**6.9**	6.8
Adjustments:					
Profit on sale of trading property	3	**(2.6)**	(10.4)	**–**	–
Other income		**–**	(0.2)	**–**	–
Gain on revaluation and sale of investment and development property	4	**(454.2)**	(303.7)	**–**	–
Other costs		**0.2**	0.5	**–**	–
Profit on sale of available-for-sale investments	5	**–**	(0.9)	**–**	–
(Write back)/write down of trading property		**(0.5)**	0.5	**–**	–
Impairment of other receivables	6	**12.7**	4.3	**–**	–
Depreciation	17	**0.3**	0.3	**–**	–
Amortisation of tenant lease incentives and other direct costs		**5.3**	2.4	**–**	–
Share-based payment[1]		**5.2**	3.7	**–**	–
Finance costs	9	**15.9**	20.7	**–**	–
Finance income	9	**(0.8)**	(1.1)	**–**	–
Other finance costs	9	**5.2**	–	**–**	–
Other finance income	9	**(8.4)**	(7.3)	**(8.0)**	(5.7)
Preference share dividend		**–**	–	**–**	(2.1)
Change in fair value of derivative financial instruments	28	**12.1**	(15.6)	**–**	–
Share of post-tax profit from joint ventures	19	**–**	(6.3)	**–**	–
Change in working capital:					
Change in trade and other receivables		**(17.5)**	(1.8)	**(81.0)**	8.0
Change in trade and other payables		**3.1**	6.2	**–**	–
Cash generated from operations		**26.2**	37.5	**(82.1)**	7.0

1 Includes £4.8 million (2013: £4.7 million) relating to the IFRS 2 'Share-based payment' charge. Refer to note 39 'Share-Based Payments' for further details.

36 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.

Subsidiary and principal activity	Class of share capital	% held
Capital & Counties Limited (holding company) and its subsidiaries:	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
Claremont Park Properties GP Limited acting as General Partner of Claremont Park Properties LP (property)	Ordinary shares of £1 each	100
EC Properties Management Limited (services)	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 financing) and its subsidiaries:	Ordinary shares of £1 each	100
Capital & Counties CG Limited acting as General Partner of Capital & Counties CGP (property) and its principal subsidiary:	Ordinary shares of £1 each	100
20 The Piazza Limited (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:	Ordinary shares of £1 each	100
34 Henrietta Street Limited (property)	Ordinary shares of £1 each	100
Capco CG 2010 Limited[1] acting as General Partner of Capco CGP 2010 LP (property)	Ordinary shares of £1 each	100
Capco CG 2012 Limited acting as General Partner of Capco CGP 2012 LP (property)	Ordinary shares of £1 each	100
Covent Garden LP Limited (holding company) (Jersey)	Ordinary shares of £1 each	100
Capco Covent Garden Residential Limited (letting)	Ordinary shares of £1 each	100
Capvestco Limited (holding company and financing) (Jersey) and its principal subsidiaries:	Ordinary shares of £1 each	100
Capvestco China Limited (investments) (Jersey)	Ordinary shares of £1 each	100
Earls Court Partnership Limited[2] (venture with TfL)	Ordinary shares of £1 each	63
Olympia Exhibitions Holdings Limited[2] (holding company) and its principal subsidiary:	"A" Ordinary shares of £0.01 each	100
	"B" Ordinary shares of £0.01 each	100
Olympia Group Limited[2] (financing) and its principal subsidiary:	Ordinary shares of £1 each	100
Olympia Management Services Limited (venues) and its principal subsidiaries:	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
Capital & Counties Properties (Jersey) 2 Limited (financing) (Jersey)	Ordinary shares of £1 each	100

1 Capco CG 2010 Limited acting as General Partner of Capco CGP 2010 LP was placed into liquidation on 17 December 2014.

2 Shareholdings held by intermediate subsidiaries.

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 consolidated financial statements. The companies are incorporated and registered in England and Wales unless otherwise stated.

37 RELATED PARTY TRANSACTIONS

1. Transactions between the Parent Company and its subsidiaries

Transactions between the Parent 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	2014 £m	2013 £m
Investing activities			
Capital & Counties Properties (Jersey) 2 Limited	Acquisition of preference shares	**159.9**	–
C&C Properties UK Limited	Additional investment in subsidiary	**70.0**	–
Colligo (Jersey) Limited	Redemption of preference shares	**–**	(120.3)
Colligo (Jersey) Limited	Preference share dividend	**–**	2.1
Funding activities			
Capco Group Treasury Limited	Intercompany loan following share placing	**91.7**	–
Capco Group Treasury Limited	Intercompany loan following additional investment in subsidiary	**(70.0)**	–
Capco Group Treasury Limited	Interest on intercompany loan	**8.1**	5.8

37 RELATED PARTY TRANSACTIONS CONTINUED

Significant balances outstanding at 31 December between the Parent Company and its subsidiaries are shown below:

Subsidiary	Amounts owed by subsidiaries 2014 £m	2013 £m
Capco Group Treasury Limited	**539.5**	515.6

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.

2. Transactions with Directors

Key management compensation[1]	2014 £m	2013 £m
Salaries and short-term employee benefits	**3.3**	3.1
Share-based payment	**3.6**	4.0
	6.9	7.1

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

Property purchased by Directors of the Company

During the year a related party of the Group, Lillie Square GP Limited, entered into the following related party transactions as defined by IAS 24 'Related Party Disclosures':

- In April 2014 Ian Durant, Chairman of Capital & Counties Properties PLC, together with his spouse exchanged contracts to acquire an apartment for a purchase price of £725,000. At 31 December 2014 an initial deposit of £72,500 has been received with £652,500 not yet due for payment. In April 2015 a further £72,500 will become due with the balance due upon legal completion.
- In April 2014 Andrew Strang, a Non-executive Director of Capital & Counties Properties PLC exchanged contracts to acquire an apartment for a purchase price of £855,000. At 31 December 2014 an initial deposit of £85,500 has been received with £769,500 not yet due for payment. In April 2015 a further £85,500 will become due with the balance due upon legal completion.
- In April 2014 Henry Staunton, a Non-executive Director of Capital & Counties Properties PLC, together with his spouse exchanged contracts to acquire an apartment for a purchase price of £1,999,000. At 31 December 2014 an initial deposit of £199,900 has been received with £1,799,100 not yet due for payment. In April 2015 a further £199,900 will become due with the balance due upon legal completion.
- In December 2014 Graeme Gordon, a Non-executive Director of Capital & Counties Properties PLC, exchanged contracts to acquire two apartments for £1,925,000 and £2,725,000 respectively. At 31 December 2014, initial deposits of £192,500 and £272,500 have been received, with £1,732,500 and £2,452,500 not yet due for payment. In December 2015 a further £192,500 and £272,500 will become due with the balance due upon legal completion.
- In December 2014, Blue Lillie Limited, an entity connected to Graeme Gordon, exchanged contracts to acquire two apartments for £1,975,000 and £2,825,000 respectively. At 31 December 2014, initial deposits of £197,500 and £282,500 have been received, with £1,777,500 and £2,542,500 not yet due for payment. In December 2015 a further £197,500 and £282,500 will become due with the balance due upon legal completion.

The above transactions with Directors were conducted at fair and reasonable market price based upon similar comparable transactions at that time. Where applicable, appropriate approval has been provided.

Lillie Square GP Limited acts in the capacity of general partner to Lillie Square LP, a joint venture between the Group and KFI.

3. Transactions with equity holders

In May 2014, the Company completed a placing of 75.9 million new ordinary shares at a price of 340 pence per share. Blackrock Investment Management (UK) Limited, a related party controlling more than 10 per cent of the voting rights in the Company, subscribed for 11.6 million shares.

38 DIRECTORS' EMOLUMENTS

The details of individual Directors' remuneration and pension benefits as set out in the tables contained in the Directors' remuneration report on pages 66 to 85 form part of these consolidated financial statements.

39 SHARE-BASED PAYMENTS

The Group operates a number of share-based payment schemes relating to employee benefits and incentives. All schemes are equity settled with the increase in equity measured by reference to the fair value of the Group's equity instruments at the grant date of the share awards. The corresponding 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. The total expense recognised in the consolidated income statement in respect of share-based payments for 2014 was £4.8 million (2013: £4.7 million).

Reconciliations of movements in share incentive schemes are given in the tables on pages 134 to 136.

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 Group Performance Share Plan ("PSP").

Exercise at the vesting date is subject to appropriately challenging performance conditions determined by the Remuneration Committee ("the Committee") at the time of grant.

All awards are subject to performance conditions relating to:

– 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

– 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 69, 78 and 79.

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.

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 2014 were exercisable between nil pence and 268.1 pence and have a weighted average remaining contractual life of eight years and are exercisable between 2015 and 2024.

(a) Market value option awards

	2014		2013	
	Number of market value options	**Weighted average exercise price (pence)**	Number of market value options	Weighted average exercise price (pence)
Outstanding at 1 January	**5,239,909**	**124.6**	9,140,963	117.55
Awarded during the year	**–**	**–**	11,189	268.10
Forfeited during the year	**(56,944)**	**176.3**	(205,275)	157.73
Exercised during the year[1]	**(2,802,325)**	**125.7**	(3,706,968)	105.96
Outstanding at 31 December	**2,380,640**	**122.1**	5,239,909	124.62
Exercisable at 31 December	**2,369,451**		3,395,981	

1 The weighted average share price at the date of exercise was 338.5 pence (2013: 339.7 pence).

39 SHARE-BASED PAYMENTS CONTINUED

1. Performance share plan (continued)

(b) Nil cost option awards

	Number of nil cost options	
	2014	2013
Outstanding at 1 January	**2,935,726**	1,969,670
Awarded during the year	**578,347**	966,056
Forfeited during the year	**–**	–
Exercised during the year	**–**	–
Outstanding at 31 December	**3,514,073**	2,935,726
Exercisable at 31 December	**1,065,109**	–

(c) Deferred share awards

	Number of deferred share awards	
	2014	2013
Outstanding at 1 January	**1,037,622**	549,570
Awarded during the year	**1,259,144**	589,117
Forfeited during the year	**(100,466)**	(93,493)
Vested during the year	**(35,441)**	(7,572)
Outstanding at 31 December	**2,160,859**	1,037,622

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 consolidated income statement in respect of shares and share options awarded under the PSP was £2.7 million (2013: £2.2 million).

2. Matching share plan

Under the Group Matching Share Plan ("MSP"), deferred shares may be awarded as part of any bonus. These 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 is determined by the market price of the shares at the grant date.

(a) Deferred share awards – nil cost options

	Number of nil cost options	
	2014	2013
Outstanding at 1 January	**1,296,678**	977,536
Awarded during the year	**261,258**	319,142
Forfeited during the year	**–**	–
Exercised during the year	**–**	–
Outstanding at 31 December	**1,557,936**	1,296,678
Exercisable at 31 December	**525,256**	–

Under the MSP, 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 69, 78 and 79.

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

The total expense recognised in the consolidated income statement in respect of shares and share options awarded under the MSP was £2.1 million (2013: £2.5 million).

(b) Matched share awards

	Number of matched share awards	
	2014	2013
Outstanding at 1 January	**–**	1,251,984
Vested during the year	**–**	(1,251,984)
Outstanding at 31 December	**–**	–

39 SHARE-BASED PAYMENTS CONTINUED

2. Matching share plan (continued)

(c) Deferred share awards and co-investment – matched nil cost options

	Number of matched nil cost options	
	2014	2013
Outstanding at 1 January	**2,964,358**	2,004,996
Awarded during the year	**614,626**	959,362
Forfeited during the year	**–**	–
Exercised during the year	**–**	–
Outstanding at 31 December	**3,578,984**	2,964,358
Exercisable at 31 December	**1,352,468**	–

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 2013 consolidated income statement in respect of the Chairman's award was £0.1 million. The share price at the date of vesting was 327.9 pence.

3. Fair value of share-based payment

As stated above, one half of each award granted is subject to the TR performance condition and the other half to the TSR performance condition. The fair value of share awards is calculated using the Black-Scholes option pricing model for the half that is subject to the TR performance condition and using the stochastic pricing model for the half that is subject to the TSR performance condition. Inputs to the models for share awards during the year are as follows:

Year of share award	**2014**	2013	2012	2011
Closing share price at grant date	**320 – 350p**	271p	196p	183p
Exercise price	**–**	0 – 268p	–	0 – 176p
Expected option life	**3 years**	3 years	5 years	4 – 5 years
Risk-free rate	**1.1 – 1.2%**	0.24%	0.37%	0.34 – 2.49%
Expected volatility	**20.6 – 22.2%**	21.7%	27%	27 – 30%
Expected dividend yield[1]	**0.4 – 0.5%**	0.5%	0.8%	0.9 – 1.1%
Average share price	**344p**	308p	208p	172p
Value per option	**82 – 126p**	23 – 134p	85p	21 – 75p

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

40 PENSIONS

1. Current pension arrangements

The Venues business ("Venues") has a hybrid pension scheme comprising a money purchase section that was closed on 28 February 2014 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. On closure of the money purchase section of the Venues' pension scheme, a defined contribution group personal pension plan was offered to eligible Venues employees.

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:

- 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.
- 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.
- 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.
- Mortality risk – in the event that members live longer than assumed a deficit will emerge in the Scheme.

2. Pension costs

(i) Defined benefit scheme

Amounts are recognised in the consolidated income statement in respect of the Scheme:

Amounts recognised in respect of the Scheme	Included in consolidated income statement within:	2014 £m	2013 £m
Interest cost on pension obligation	Administration expenses	**0.8**	0.7
Interest income on the Scheme assets	Administration expenses	**(0.8)**	(0.7)
Net interest expense		**–**	–

Amounts recognised in the consolidated statement of comprehensive income	2014 £m	2013 £m
Actuarial loss/(gain) on defined benefit scheme	**1.8**	(1.2)
Cumulative actuarial loss on defined benefit scheme	**5.8**	4.0

Whilst the actuarial gains or losses in respect of the Scheme are recognised in the consolidated statement of comprehensive income, the net interest income or expense on the Scheme's opening plan assets and scheme obligation is included in the Group's administration expenses. For the year ended 31 December 2014 this amounts to a charge of £nil to the consolidated income statement (2013: charge £nil).

Amounts recognised in the consolidated balance sheet	2014 £m	2013 £m
Fair value of Scheme assets	**21.1**	19.0
Present value of Scheme liabilities	**(21.3)**	(18.2)
Net pension (liability)/asset	**(0.2)**	0.8

Movements in the fair value of the Scheme's assets	2014 £m	2013 £m
At 1 January	**19.0**	16.7
Interest income on Scheme assets	**0.8**	0.7
Contributions paid	**0.8**	–
Actuarial gains	**0.8**	1.8
	21.4	19.2
Benefits paid	**(0.3)**	(0.2)
Scheme assets at 31 December	**21.1**	19.0

40 PENSIONS CONTINUED

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

Asset category:	2014 %	2013 %
Equities	**75**	77
Index-linked gilts	**10**	9
Corporate bonds	**15**	14
Total	**100**	100

The actual return on the Scheme's assets for the year was as follows:

	2014 £m	2013 £m
Actual return on Scheme assets in the year	**1.6**	2.5

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 obligation	2014 £m	2013 £m
At 1 January	**(18.2)**	(17.1)
Interest cost on pension obligation	**(0.8)**	(0.7)
Actuarial loss	**(2.6)**	(0.6)
	(21.6)	(18.4)
Benefits paid	**0.3**	0.2
Scheme liabilities at 31 December	**(21.3)**	(18.2)

The significant actuarial assumptions were as follows:

	2014 % (per annum)	2013 % (per annum)
Discount rate	**3.4**	4.4
Rate of inflation (based on the Retail Prices Index)	**3.0**	3.4
Increases to pensions in payment (Limited Prices Index 5%)	**3.0**	3.4
Increases to deferred pensions before payment	**2.2**	2.7
Post retirement mortality assumption (S1 PXA CM1)	**1.5**	1.5

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 3.4 per cent has been applied as at 31 December 2014 (2013: 4.4 per cent). This is higher than the rate used in prior year given the changes to the yields on bonds over the current year.

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 below makes allowance for future improvements in longevity based on the year of birth of each member.

		2014	2013
The mortality assumptions used in this valuation were:			
Life expectancy at age 65 (current age 45):	Male	**90.1**	89.9
	Female	**92.6**	92.4
Life expectancy at age 65 (current age 65):	Male	**87.8**	87.7
	Female	**90.2**	90.1

The following table shows a quantitative sensitivity analysis of the significant assumptions used in determining the defined benefit obligation as at 31 December 2014:

	2014 Assumptions %	Adjustments to 2014 assumptions %	Financial impact of adjustments on the year end obligation £m
Discount rate	**3.4**	**(0.1)**	**0.5**
Rate of inflation	**3.0**	**0.1**	**0.4**
Post retirement mortality assumption	**1.5**	**(0.3)**	**(0.3)**

40 PENSIONS CONTINUED

The following table shows the history of experience gains and losses:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Present value of Scheme's liabilities	**21.1**	19.0	(17.1)	(14.1)	(13.4)
Fair value of Scheme's assets	**(21.3)**	(18.2)	16.7	15.1	11.4
Net pension (liability)/asset	**(0.2)**	0.8	(0.4)	1.0	(2.0)
Experience adjustment on Scheme liabilities	**–**	0.4	(0.3)	0.1	0.3
Changes in assumptions used to value Scheme liabilities	**(2.6)**	(1.1)	(2.2)	(0.6)	0.4
Experience adjustment on Scheme assets	**0.8**	1.8	0.8	(0.8)	0.6

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

The estimated contribution expected to be paid to the Scheme during 2015 is £nil (2014: £0.9 million).

(ii) Defined contribution arrangements
The pension charge in respect of other schemes is the actual contributions paid. These amounted to £1.2 million (2013: £0.7 million).

41 EVENTS AFTER THE REPORTING PERIOD

On 5 January 2015, the Venues business vacated EC1 & EC2 and development started on site. Under the agreement with Transport for London ("TfL") the Group was obliged to provide vacant possession of the exhibition halls at EC1 & EC2 prior to 31 January 2015 which was the earliest date that transfer of EC1 & EC2 to the investment vehicle, Earls Court Partnership Limited ("ECPL"), established with TfL could be triggered. ECPL is held 63 per cent by the Group, 37 per cent by TfL and will enable the development of EC1 & EC2 in line with the Earls Court Masterplan. When the Group's investment properties are transferred to ECPL, TfL will simultaneously grant 999 year headleases over EC1 & EC2. As ECPL is fully consolidated, the Group's investment property will reflect the full value of the 999 year headlease and this increase will be offset by the recognition of non-controlling interest and loan notes attributable to TfL such that the impact on the net assets attributable to owners of the Parent is neutral. Since the year end, arrangements have been put in place such that completion will occur by the date of the interim financial statements, 30 June 2015.

On 9 January 2015, the Group acquired the freehold interest of 31-33 Bedford Street, Covent Garden for £30.0 million.

On 14 January 2015, the Group signed a £64.8 million building contract with Sir Robert McAlpine for the construction of Kings Court, Covent Garden.

42 DIRECTORS' INTERESTS

(a) In shares in Capital & Counties Properties PLC

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

	2014	2013
Chairman:		
I. C. Durant	**568,632**	568,632
Executive:		
I. D. Hawksworth	**770,604**	755,604
S. Das	**252,018**	236,470
G. J. Yardley	**442,972**	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**	250,000
D. Pinsent	**–**	–

(b) Share dealings

No Director had any dealings in the shares of any Group company between 31 December 2014 and 26 February 2015, 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 2014.

1. PROPERTY DATA AS AT 31 DECEMBER 2014

	Market value £m	Ownership	Initial yield (EPRA)	Nominal equivalent yield	Passing rent £m	ERV £m	Occupancy rate (EPRA)	Weighted average unexpired lease years	Gross area million sq ft
Covent Garden	**1,635.6**	**100%**	**2.46%**	**3.67%**	**41.4**	**75.1**	**97.6%**	**7.4**	**1.0**
Earls Court Properties[1,2]	**1,174.3**					**18.2**			
Venues[1]	**210.6**	**100%**				**–**			**0.7**
Other[1]	**4.5**	**100%**				**0.2**			
Total property	**3,025.0**					**93.5**			
Investment and development property	***2,809.8***								
Trading property	***215.2***								

1 Due to the nature of properties held in these segments, not all metrics are disclosed.

2 Represents the Group's interests at Earls Court, predominantly comprising EC1 & EC2, the Empress State Building and 50 per cent of property held by LSJV.

2. ANALYSIS OF CAPITAL RETURN FOR THE YEAR

Like-for-like capital	**Market value 2014 £m**	Market value 2013 £m	**Revaluation surplus/ (deficit)[1] 2014 £m**	Increase
Covent Garden	**1,468.4**	1,138.5	**284.7**	24.5%
Earls Court Properties	**1,150.8**	934.0	**174.7**	17.9%
Venues	**210.6**	161.1	**45.6**	27.6%
Total like-for-like capital	**2,829.8**	2,233.6	**505.0**	21.9%
Like-for-like investment and development property	***2,615.3***	*2,053.9*	***475.5***	*22.3%*
Like-for-like trading property[2]	***214.5***	*179.7*	***29.5***	*15.7%*
Non like-for-like capital				
Acquisitions	**195.2**	–	**(21.0)**	
Disposals	**–**	17.8	**–**	
Total property	**3,025.0**	2,251.4	**484.0**	19.2%
Investment and development property	***2,809.8***	*2,067.0*	***454.5***	*19.1%*
Trading property	***215.2***	*184.4*	***29.5[3]***	*15.8%*

All property				
Covent Garden	**1,635.6**	1,156.3	**283.7**	21.4%
Earls Court Properties	**1,174.3**	934.0	**155.1**	15.2%
Venues	**210.6**	161.1	**45.6**	27.6%
Other	**4.5**	–	**(0.4)**	
Total property	**3,025.0**	2,251.4	**484.0**	19.2%

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

2 Property transferred to trading during the year is included as like-for-like property in the current and comparative year where appropriate.

3 Represents unrecognised surplus, impairment charges and write backs of impairment charges on trading property. Presented for informational purposes only.

3. ANALYSIS OF NET RENTAL INCOME FOR THE YEAR

Like-for-like net rental income	2014 £m	2013 £m	Increase
Covent Garden	**35.3**	35.2	0.4%
Earls Court Properties[1]	**15.0**	14.5	3.8%
Venues[1]	**15.3**	13.5	13.3%
Total like-for-like net rental income	**65.6**	63.2	3.9%
Like-for-like investment and development property	***65.5***	*63.1*	*3.9%*
Like-for-like trading property	***0.1***	*0.1*	*1.9%*
Non like-for-like net rental income			
Acquisitions	**1.2**	–	
Control acquired of former joint venture	**3.2**	–	
Disposals	**0.3**	1.6	
Prior year acquisitions (like-for-like capital)	**(0.2)**	–	
Total net rental income[2]	**70.1**	64.8	8.2%
Investment and development property	***70.1***	*64.7*	*8.3%*
Trading property	**–**	*0.1*	

All property	2014 £m	2013 £m	Increase
Covent Garden	**36.8**	35.6	3.6%
Earls Court Properties[1]	**18.0**	14.5	23.6%
Venues[1]	**15.3**	13.5	13.3%
Other	**–**	1.2	
Total net rental income[2]	**70.1**	64.8	8.2%

1 Like-for-like net rental income includes amounts charged by Earls Court Properties to Venues for use of EC1 & EC2 of £0.8 million during 2014 (2013: £1.1 million).

2 Includes continuing and discontinued operations.

4. ANALYSIS OF PROPERTY BY USE

	2014					
Market value	**Retail £m**	**Office £m**	**Exhibition £m**	**Residential £m**	**Other £m**	**Total £m**
Covent Garden	**1,175.6**	**199.4**	**–**	**103.1**	**157.5[1]**	**1,635.6**
Earls Court Properties	**11.6**	**6.0**	**–**	**27.2**	**1,129.5[1]**	**1,174.3**
Venues	**–**	**–**	**210.6**	**–**	**–**	**210.6**
Other	**–**	**–**	**–**	**–**	**4.5**	**4.5**
	1,187.2	**205.4**	**210.6**	**130.3**	**1,291.5**	**3,025.0**

1 Consists of property where the highest and best use valuation differs from the current use.

	2014					
ERV	**Retail £m**	**Office £m**	**Exhibition £m**	**Residential £m**	**Other £m**	**Total £m**
Covent Garden	**52.9**	**10.9**	**–**	**2.8**	**8.5**	**75.1**
Earls Court Properties	**0.6**	**0.7**	**–**	**0.8**	**16.1**	**18.2**
Venues	**–**	**–**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**	**0.2**	**0.2**
	53.5	**11.6**	**–**	**3.6**	**24.8**	**93.5**

Consolidated underlying profit statement (unaudited)

For the year ended 31 December 2014

	2014 £m	2013 £m
Net rental income	**70.1**	64.8
Other income	**1.5**	–
Administration expenses	**(43.2)**	(33.8)
Operating profit	**28.4**	31.0
Finance costs	**(15.9)**	(22.0)
Finance income	**0.8**	1.1
Net finance costs	**(15.1)**	(20.9)
Profit before tax	**13.3**	10.1
Taxation	**(0.2)**	(2.3)
Non-controlling interest	**–**	(0.5)
Underlying earnings[1]	**13.1**	7.3
Underlying earnings per share (pence)	**1.6**	1.0
Weighted average number of shares	**806.4m**	755.6m

1 Underlying earnings includes continuing and discontinued operations and is calculated on a proportionate basis.

CONTINUING AND DISCONTINUED OPERATIONS

Consolidated income statement	2014 £m	2013 £m	2012 £m	Restated 2011 £m	2010 £m
Net rental income	**70.1**	64.8	65.3	69.0	69.0
(Loss)/profit on sale of trading property	**(1.9)**	10.4	6.1	–	–
Other income	**1.5**	0.2	–	0.8	0.1
Gain on revaluation and sale of investment and development property	**454.4**	313.4	213.9	123.3	134.6
Non-recurring income/(costs)	**1.7**	0.7	10.4	26.2	(6.3)
Administration expenses	**(43.2)**	(33.8)	(26.1)	(22.2)	(18.6)
Operating profit	**482.6**	355.7	269.6	197.1	178.8
Net finance costs	**(32.4)**	(4.7)	(24.1)	(35.2)	(46.3)
Profit before tax	**450.2**	351.0	245.5	161.9	132.5
Taxation	**(1.6)**	(12.6)	(5.5)	(3.4)	(0.9)
Non-controlling interest	**–**	(1.0)	–	–	–
Profit for the year attributable to Parent	**448.6**	337.4	240.0	158.5	131.6

Consolidated balance sheet					
Investment and development property	**2,785.9**	2,051.1	1,586.2	1,616.8	1,377.6
Other non-current assets	**55.8**	50.9	44.5	56.3	79.7
Cash and cash equivalents	**111.9**	45.0	184.5	89.6	188.5
Other current assets	**144.9**	135.5	110.3	27.5	27.1
Total assets	**3,098.5**	2,282.5	1,925.5	1,790.2	1,672.9
Non-current borrowings, including finance leases	**(439.1)**	(357.7)	(269.6)	(534.6)	(651.5)
Other non-current liabilities	**(17.2)**	(27.5)	(29.7)	(36.9)	(59.2)
Current borrowings, including finance leases	**(17.5)**	(16.5)	(78.4)	(18.7)	(13.1)
Other current liabilities	**(118.4)**	(68.7)	(70.0)	(92.1)	(65.7)
Total liabilities	**(592.2)**	(470.4)	(447.7)	(682.3)	(789.5)
Net assets	**2,506.3**	1,812.1	1,477.8	1,107.9	883.4

Per share information	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	**55.6**	44.7	34.1	23.9	21.2
Underlying earnings per share	**1.6**	1.0	1.8	1.4	1.5
Basic net assets per share	**299.7**	239.1	196.3	162.0	142.1
EPRA adjusted, diluted NAV	**310.7**	248.5	203.1	166.9	148.4
Dividend per share	**1.5**	1.5	1.5	1.5	1.5

Prepared on a proportionate basis.

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
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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 2015.

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

Annual General Meeting	1 May 2015
Sterling/Rand exchange rate struck	14 May 2015
Sterling/Rand exchange rate and dividend amount in Rand announced	15 May 2015
Ordinary shares listed ex-dividend on the JSE, Johannesburg	25 May 2015
Ordinary shares listed ex-dividend on the London Stock Exchange	28 May 2015
Record date for final dividend in UK and South Africa	29 May 2015
Dividend payment date for shareholders	**19 June 2015**

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 22 May 2015 and that no dematerialisation of shares will be possible from 25 May 2015 to 29 May 2015 inclusive. No transfers between the UK and South Africa registers may take place from 14 May 2015 to 29 May 2015.

Subject to SARB approval, the Board intends to offer an optional scrip dividend alternative in respect of the 2014 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.

ABC1
Demographic classification in the UK used to describe a professional class determined by income, earning levels, social grade and lifestyle.

BREEAM
Building Research Establishment Environmental Assessment Method assesses the sustainability of buildings against a range of criteria.

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.

Earls Court Masterplan
The Earls Court Masterplan, created by Sir Terry Farrell and Partners is the consented scheme for the transformation of ECOA. The London Borough of Hammersmith & Fulham and The Royal Borough of Kensington and Chelsea formerly granted outline planning permission for the Earls Court Masterplan on 14 November 2013.

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.

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. Earls Court Partnership Limited, the investment vehicle with TfL relates to these interests. The Group holds 63 per cent controlling interest and TfL holds 37 per cent.

ECOA
The Earls Court and West Kensington Opportunity Area.

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

EPRA adjusted, diluted NAV
The net assets as at the end of the year including the excess of the fair value of trading property over its cost and excluding the fair value of financial instruments, deferred tax 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 tax 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 tax 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.

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

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 calculated on the basis of net debt divided by the value of the Group's property portfolio. The Group focuses most on an LTV measure that includes the notional share of joint venture interests but excludes the share of cash, debt and property which is held by the Group on behalf of non-controlling interest.

NAV
Net Asset Value.

Net Debt
Total borrowings less cash and cash equivalents.

NIA
Net Internal Area.

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 lease 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.

RIDDOR
Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

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 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, costs of termination of derivative financial instruments and non-recurring costs and income. Underlying earnings is reported on a proportionally consolidated basis.

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 Proprietary Limited
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 9.00 am – 5.30 pm Monday to Friday); from Ireland: 1 890 946 375; or from outside UK: +44 20 3367 2686 or you can log on to www.capitadeal.com.

Electronic communication

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 from 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 or by calling the FCA's consumer helpline on 0800 111 6768.

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