PRESS RELEASE

26 February 2015

CAPITAL & COUNTIES PROPERTIES PLC ("Capco")

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

Ian Durant, Chairman of Capco, commented:

"At the core of Capco's strategy is a focus on London. Covent Garden and Earls Court are uniquely well-positioned with clear objectives to realise their future growth prospects to continue delivering long term market-leading returns for our shareholders.

Successful delivery of this clear and focused strategy is demonstrated with another year of strong performance and significant milestones have been achieved across the business."

Ian Hawksworth, Chief Executive of Capco, commented:

"These results demonstrate excellent performance across the Group. The 25 per cent total return delivered in 2014 reflects an acceleration in performance across Capco, particularly at Covent Garden.

Covent Garden is established as a leading global destination following a very active year of leasing, setting new rental levels across the estate. Premium brands continue to be attracted to this prime location and the distinct approach we take to managing our estate. We are investing to continue to create the best retail and dining destination in central London and are on site at Kings Court & Carriage Hall.

The Earls Court Masterplan is a unique opportunity to create the new great estate of London in one of the Capital's best locations and continues to advance. We have established our venture with TfL and demolition of EC1 & EC2 is underway. Lillie Square is our first residential development in the masterplan area. Its central location, connectivity and premium specification generated high demand for Phase 1, setting a new pricing benchmark for the area.

Our balance sheet is robust and flexible. We successfully raised equity earlier in the year and have moved to a predominantly unsecured debt model at Covent Garden, following new bank facilities and a US Private Placement.

We enter 2015 with confidence. We have clear and focused objectives and a strong financial position to drive value creation for our shareholders from our unique assets."

2014 Highlights

Positive valuation performance

- 25 per cent increase in EPRA adjusted, diluted NAV to 311 pence per share (2013: 249 pence)
- 22 per cent (like-for-like) increase in total property value to £3.0 billion (2013: £2.3 billion)
- 25 per cent total return in the year
- Proposed final 2014 dividend of 1.0 pence per share giving a full-year dividend of 1.5 pence per share

Strong leasing and investment activity at Covent Garden

- Total property value of £1.6 billion up 25 per cent (like-for-like) (2013: £1.2 billion)
- Strong growth in ERV, up 14 per cent (like-for-like) to £75 million
- ERV guidance increased to £100 million by December 2017
- New leases and renewals 12 per cent above December 2013 ERV
- Acquisitions totalling £167 million enhancing presence on the estate

Further milestones achieved and pricing evidence established at Earls Court Properties

- Earls Court interests valued at £1.2 billion, up 18 per cent (like-for-like) (2013: £0.9 billion)
- Earls Court Partnership Limited, the investment vehicle with TfL in relation to EC1 & EC2, established (Capco share 63 per cent)
- Demolition of EC1 & EC2 underway
- Detailed planning consent granted for Earls Court Village and residential consent granted for the Empress State Building
- Positive pricing evidence established following successful sales of Phase 1 at Lillie Square
- Acquisitions totalling £51 million consolidating ownership around the Masterplan area

Positive progress at Venues

- EBITDA of £11.1 million, up 7 per cent (2013: £10.4 million)
- Strong property valuation of £211 million, up 28 per cent (like-for-like) (2013: £161 million)
- Successful transition of shows to Olympia London with over 80 per cent of Earls Court's 2014 bookings transferred

Robust and flexible financial position

- Group loan-to-value 12 per cent (2013: 15 per cent)
- Cash and available facilities of £655 million
- 9.99 per cent capital raise generating £258 million to accelerate value creation
- Predominantly unsecured debt model for Covent Garden following new £665 million revolving debt facility and successful £150 million US Private Placement

FINANCIAL HIGHLIGHTS

	2014	2013
25% Total return in 2014		
EPRA adjusted net asset value	**£2,630m**	£1,912m
EPRA adjusted diluted net asset value per share	**311p**	249p
Dividend per share	**1.5p**	1.5p
22% Total property return in 2014		
Market value of property portfolio[1]	**£3,025m**	£2,251m
Net rental income[1]	**£70.1m**	£64.8m
Underlying earnings per share	**1.6p**	1.0p

1 On a proportionate basis. Refer to the Financial Review.

ENQUIRIES

Capital & Counties Properties PLC:

Ian Hawksworth	Chief Executive	+44 (0)20 3214 9188
Soumen Das	Finance Director	+44 (0)20 3214 9183
Michelle McGrath	Director of Investor Relations	+44 (0)20 7297 6093

Media enquiries:

Sarah Hagan	Director of Communications	+44 (0)20 3214 9185
UK: Hudson Sandler	Michael Sandler, Wendy Baker	+44 (0)20 7796 4133
SA: Instinctif	Frederic Cornet	+27 (0) 11 447 3030

A presentation to analysts and investors will take place today at 9:00am at UBS, 100 Liverpool Street London, EC2M 2RH. The presentation will also be available to international analysts and investors through a live audio call and webcast and after the event on the Group's website www.capitalandcounties.com.

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

CHAIRMAN'S STATEMENT

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 17.9 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.

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.

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

CHIEF EXECUTIVE'S REVIEW

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.

	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	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 value is shown in note 13 'Property Portfolio' within the consolidated financial statements.

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 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 placemaking 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

STRATEGIC REPORT

COVENT GARDEN

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 placemaking.

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.

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.

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 8 retail and 2 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 placemaking 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.

EARLS COURT PROPERTIES

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 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 3 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.

Lillie Square demonstrates positive pricing evidence

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.

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.

VENUES

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.

FINANCIAL REVIEW

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.

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.

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-underlying 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.

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.

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).

FINANCIAL PERFORMANCE

	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-underlying items	**1.4**	10.3
Underlying earnings	**13.1**	7.3
Underlying earnings per share (pence)	**1.6**	1.0

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.

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.

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 5 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

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Board has overall responsibility for Group risk management. It reviews principal risks and uncertainties regularly, together with the actions taken to mitigate them. The Board has delegated responsibility for 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.

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 Polies' to the consolidated financial statements, 'Estimation and uncertainty'.

CORPORATE RISKS

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

Risk	Impact potential	Mitigation factors
Responding to regulatory and legislative challenges 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.

CORPORATE RISKS CONTINUED

Risk	Impact potential	Mitigation factors
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.

ECONOMIC RISKS

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

Risk	Impact potential	Mitigation factors
Increased competition, changes in social behaviour or deteriorating profitability and confidence during a period of economic uncertainty.	Declining profitability. ERV targets not achieved. Reduced rental income and/or capital values.	Focus on prime assets and quality tenants with initial assessment of credit risk and active credit control. Diversity of tenant mix with limited exposure to any single tenant. Strategic focus on creating retail destinations and residential districts with unique attributes.
Decline in UK commercial or residential real estate market heightened by 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.

FINANCING RISKS

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

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

DEVELOPMENT RISKS

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.

CONCENTRATION OF INVESTMENTS

Impact: Heightened exposure to events that threaten or disrupt central London

Risk	Impact potential	Mitigation factors
Events which damage or diminish London's status as a global financial, business and tourist centre could affect the Group's ability to let vacant space, reduce the value of the Group's properties and potentially disrupt access or operations at the Group's head office. 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.

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities

The statement of Directors' responsibilities has been prepared in relation to the Group's full Annual Report & Accounts for the year ended 31 December 2014. Certain parts of the Annual Report & Accounts are not included within this announcement.

We confirm to the best of our knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board on 26 February 2015.

Ian Hawksworth

Chief Executive

Soumen Das

Finance Director

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	7	**(15.9)**	(20.7)
Finance income	7	**0.8**	1.1
Other finance costs	7	**(5.2)**	(0.2)
Other finance income	7	**8.4**	7.5
Change in fair value of derivative financial instruments	19	**(12.1)**	15.6
Net finance (costs)/income		**(24.0)**	3.3
		450.2	340.9
Share of post-tax profit from joint ventures	14	**–**	6.3
Profit before tax		**450.2**	347.2
Current tax		**2.1**	(3.3)
Deferred tax		**(3.4)**	(10.2)
Taxation	10	**(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	9	**(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	8	**–**	1.0
Earnings per share from continuing operations attributable to owners of the Parent			
Basic earnings per share	12	**55.6p**	44.1p
Diluted earnings per share	12	**55.0p**	43.3p
Weighted average number of shares	12	**806.4m**	755.6m

Earnings per share from discontinued operation and adjusted earnings per share from continuing and discontinued operations are shown in note 12 'Earnings Per Share and Net Assets Per Share'.

Notes on pages 24 to 51 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	19	**–**	(0.7)
Realisation of revaluation reserve on disposal of available-for-sale investments	19	**–**	(0.9)
Gain on cash flow hedge		**0.3**	–
Items that will not be reclassified subsequently to the income statement			
Actuarial (loss)/gain on defined benefit pension scheme		**(1.8)**	1.2
Tax relating to items that will not be reclassified	20	**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	8	**–**	1.0
Arising from:			
Continuing operations		**447.8**	332.8
Discontinued operation	9	**(0.3)**	4.7

Notes on pages 24 to 51 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Notes	2014 £m	Re-presented 2013 £m	Re-presented 1 January 2013 £m
Non-current assets				
Investment and development property	13	**2,784.4**	2,049.8	1,427.2
Plant and equipment		**1.0**	0.9	1.0
Investment in joint ventures	14	**0.1**	93.3	179.1
Available-for-sale investments		**0.4**	0.4	3.6
Derivative financial instruments		**2.1**	3.5	0.5
Pension asset		**–**	0.8	–
Trade and other receivables	15	**129.5**	113.5	107.4
		2,917.5	2,262.2	1,718.8
Current assets				
Trading property	13	**22.1**	31.6	14.9
Trade and other receivables	15	**42.8**	37.7	25.4
Cash and cash equivalents	16	**94.8**	43.0	174.8
		159.7	112.3	215.1
Total assets		**3,077.2**	2,374.5	1,933.9
Non-current liabilities				
Borrowings, including finance leases	18	**(432.2)**	(357.7)	(269.6)
Derivative financial instruments		**(3.9)**	(17.6)	(29.3)
Pension liability		**(0.2)**	–	(0.4)
Deferred tax	20	**(12.9)**	(9.9)	–
Trade and other payables	17	**(0.2)**	–	–
		(449.4)	(385.2)	(299.3)
Current liabilities				
Borrowings, including finance leases	18	**(17.5)**	(16.5)	(6.5)
Other provisions	21	**–**	(7.2)	(7.3)
Tax liabilities		**(1.6)**	(0.1)	(2.2)
Trade and other payables	17	**(102.4)**	(153.4)	(140.8)
		(121.5)	(177.2)	(156.8)
Total liabilities		**(570.9)**	(562.4)	(456.1)
Net assets		**2,506.3**	1,812.1	1,477.8
Equity				
Share capital	22	**209.1**	189.5	188.3
Other components of equity		**2,297.2**	1,622.6	1,289.5
Total equity		**2,506.3**	1,812.1	1,477.8

Notes on pages 24 to 51 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

		Equity attributable to owners of the Parent								
	Notes	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
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	19	–	–	–	–	(0.7)	–	(0.7)	–	(0.7)
Realisation of revaluation reserve on disposal of available-for-sale investments	19	–	–	–	–	(0.9)	–	(0.9)	–	(0.9)
Actuarial gain on defined benefit pension scheme		–	–	–	–	–	1.2	1.2	–	1.2
Tax relating to items that will not be reclassified	20	–	–	–	–	–	(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	22	1.2	3.3	–	–	–	–	4.5	–	4.5
Dividend expense	11	–	–	–	–	–	(11.3)	(11.3)	–	(11.3)
Adjustment for bonus issue	11	–	–	–	–	–	0.8	0.8	–	0.8
Realisation of share-based payment reserve on issue of shares		–	–	–	(2.5)	–	0.7	(1.8)	–	(1.8)
Fair value of share-based payment		–	–	–	4.7	–	–	4.7	–	4.7
Tax relating to share-based payment	20	–	–	–	–	–	0.9	0.9	–	0.9
Non-controlling interest	8	–	–	–	–	–	–	–	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		**–**	**–**	**–**	**–**	**0.3**	**–**	**0.3**	**–**	**0.3**
Actuarial loss on defined benefit pension scheme		**–**	**–**	**–**	**–**	**–**	**(1.8)**	**(1.8)**	**–**	**(1.8)**
Tax relating to items that will not be reclassified	20	**–**	**–**	**–**	**–**	**–**	**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	11	**–**	**–**	**–**	**–**	**–**	**(12.5)**	**(12.5)**	**–**	**(12.5)**
Adjustment for bonus issue	11	**–**	**–**	**–**	**–**	**–**	**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		**–**	**–**	**–**	**4.8**	**–**	**–**	**4.8**	**–**	**4.8**
Tax relating to share-based payment	20	**–**	**–**	**–**	**–**	**–**	**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 23 '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 24 to 51 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 £m	Re-presented 2013 £m
Continuing operations			
Cash flows from operating activities			
Cash generated from operations	26	**26.2**	37.5
Interest paid		**(15.5)**	(18.5)
Interest received		**0.8**	1.2
Tax received/(paid)		**3.5**	(4.4)
Net cash inflow from operating activities		**15.0**	15.8
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	8	**–**	(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**	–
Borrowings drawn		**730.0**	138.5
Borrowings repaid		**(650.2)**	(172.1)
Purchase of derivative financial instruments		**(8.7)**	(1.5)
Other finance costs		**(25.2)**	(0.2)
Cash dividends paid	11	**(11.0)**	(6.9)
Contribution from non-controlling interest	17	**7.1**	–
Net cash inflow/(outflow) from financing activities		**294.1**	(42.2)
Net increase/(decrease) in unrestricted cash and cash equivalents from continuing operations		**51.7**	(178.9)
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)
Unrestricted cash and cash equivalents at 1 January		**37.0**	168.8
Unrestricted cash and cash equivalents at 31 December	16	**88.8**	37.0

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 24 to 51 form part of these consolidated financial statements.

NOTES TO THE ACCOUNTS

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 stamens 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 statement of comprehensive income, 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:	
Rental income	(3.3)
Revenue for the year from continuing operations re-presented under the equity method	115.5

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Impact of transition to IFRS 11 on prior year comparatives continued

Impact on the consolidated income statement continued

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

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

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Impact of transition to IFRS 11 on prior year comparatives continued

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.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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.

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.

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.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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.

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

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.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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 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.

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.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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.
- 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

Continuing operations	Covent Garden £m	Earls Court Properties[1] £m	Venues[1] £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
	2014						
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)	(100.0)	(351.5)

1 Included in the net rental income from Earls Court Properties is £11.9 million attributable to the Empress State Building, of which £1.2 million represents non-controlling 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 14 '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 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.

7 FINANCE COSTS AND FINANCE INCOME CONTINUED

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.

8 BUSINESS COMBINATION

The Empress State Limited Partnership

On 29 May 2013, the Group acquired control of the 50 per cent interest not already owned in The Empress State Limited Partnership, which owns and manages, through its general partner, the Empress State Building in West London. This 451,000 square feet, 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.

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.

9 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 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 a Group level as a result of the Group's investment in the joint venture.

10 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

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.

11 DIVIDENDS

	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.

12 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(a) Earnings per share	2014 Earnings £m	2014 Shares[1] million	2014 Earnings per share (pence)	Re-presented 2013 Earnings £m	Re-presented 2013 Shares[1] million	Re-presented 2013 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	**–**	**4.2**		–	6.1	
Dilutive effect of matched share awards	**–**	**–**		–	0.9	
Dilutive effect of matching nil cost options	**–**	**3.9**		–	4.3	
Dilutive effect of deferred shares	**–**	**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[2]	**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[2]	**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 EPRA adjusted earnings and underlying earnings have been reported on a proportionally consolidated basis.

12 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	**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 option awards	**–**	**4.2**		–	6.1	
Dilutive effect of matched share awards	**–**	**–**		–	0.9	
Dilutive effect of matching nil cost options	**–**	**3.9**		–	4.3	
Dilutive effect of deferred shares	**–**	**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.

	2014			2013		
b) Net assets per share	**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
Adjustments:						
Effect of dilution on exercise of options	**–**	**5.1**		–	6.2	
Effect of dilution on issue of matching nil cost options	**–**	**4.0**		–	4.3	
Effect of dilution on issue of deferred shares	**–**	**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

13 PROPERTY PORTFOLIO

a) Investment and development property

Re-presented[1]	Property portfolio Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m	Tenure 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

Re-presented[1]	Property portfolio Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m	Tenure 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 have been re-presented following the adoption of IFRS 11. Property held by joint ventures is included in investment in joint ventures in the consolidated balance sheet. Refer to note 14 'Investment in Joint Ventures' for further details.

2 Gain on valuation of £446.6 million (2013: £303.7 million) 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).

13 PROPERTY PORTFOLIO CONTINUED

c) Market value reconciliation of total property

	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 of 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[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 within investment in joint ventures on the consolidated balance sheet. Refer to note 14 'Investment in Joint Ventures' for further details.

13 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 24 ‘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 17.

14 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 9 '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 8 '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.

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)**	–
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 Non-current liabilities relates 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 relates 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.

14 INVESTMENT IN JOINT VENTURES CONTINUED

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 relates to funding advanced by GCP to the Group 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.

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.

14 INVESTMENT IN JOINT VENTURES CONTINUED

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

	GCP £m	LSJV £m	ESLP £m	Total £m
Investment in joint ventures				
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	**(92.2)**	**–**	**–**	**(92.2)**
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).

15 TRADE AND OTHER RECEIVABLES

	2014 £m	Re-presented 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		
Rent receivable[4]	**8.1**	5.8
Other receivables	**6.5**	1.7
Prepayments and accrued income[2]	**9.1**	11.8
Amounts receivable from joint ventures[5]	**19.1**	18.4
Trade and other receivables	**42.8**	37.7

1 Includes £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).

16 CASH AND CASH EQUIVALENTS

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

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

17 TRADE AND OTHER PAYABLES

	2014 £m	Re-presented 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
Trade payables	**4.4**	4.4
Other payables	**8.3**	7.9
Other taxes and social security	**0.7**	2.3
Amount payable to non-controlling interest	**7.1**	–
Amounts payable to joint ventures[1]	**–**	93.0
Trade and other payables	**102.4**	153.4

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.

18 BORROWINGS, INCLUDING FINANCE LEASES

	2014						
	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						
	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						

19 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.

	2014			
	Carrying value £m	**Fair value £m**	**(Loss)/gain to income statement £m**	**Gain to other comprehensive income £m**
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 loans and other financial liabilities	**(553.9)**	**(569.7)**	**–**	**–**

	Re-presented 2013			
	Carrying value £m	Fair value £m	Gain to income statement £m	Loss to other comprehensive income £m
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 loans and other financial liabilities	(534.9)	(534.9)	–	–

20 DEFERRED TAX

The decrease in corporation tax rate referred to in note 10 'Taxation' has been substantively enacted for the purposes of IAS 12 'Income Taxes' ("IAS12") 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 13 '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.

	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.

21 OTHER PROVISIONS

	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 the 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.

22 SHARE CAPITAL AND SHARE PREMIUM

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 £18,975,000) 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 £261,247,800.

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.

23 OTHER RESERVES

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

24 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).

25 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 24 '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.

25 CONTINGENT LIABILITIES CONTINUED

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.

26 CASH GENERATED FROM OPERATIONS

Continuing operations	Notes	2014 £m	Re-presented 2013 £m
Profit before tax attributable to owners of the Parent		**450.2**	346.2
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		**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	7	**15.9**	20.7
Finance income	7	**(0.8)**	(1.1)
Other finance costs	7	**5.2**	–
Other finance income	7	**(8.4)**	(7.3)
Change in fair value of derivative financial instruments	19	**12.1**	(15.6)
Share of post-tax profit from joint ventures	14	**–**	(6.3)
Change in working capital:			
Change in trade and other receivables		**(17.5)**	(1.8)
Change in trade and other payables		**3.1**	6.2
Cash generated from operations		**26.2**	37.5

1 Includes £4.8 million (2013: £4.7 million) relating to the IFRS 2 'Share-Based Payment' charge.

27 RELATED PARTY TRANSACTIONS

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 the KFI.

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% of the voting rights in the Company, subscribed for 11.6 million shares.

28 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.

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

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.

ANALYSIS OF PROPERTY PORTFOLIO CONTINUED (UNAUDITED)

3. ANALYSIS OF NET RENTAL INCOME FOR THE YEAR

Like-for-like net rental income	2014 £m	2013 £m	Change
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	Change
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.

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.

GLOSSARY

ABC1
Demographic classification in the UK used to describe a professional class determined by income, earning levels, social grade and lifestyle.

Capco
Capco represents Capital & Counties Properties PLC (also referred to as “the Company”) and all its subsidiaries and group undertakings, collectively referred to as “the Group”.

CLSA
Conditional Land Sale Agreement, an agreement with LBHF relating to its land in the ECOA.

Diluted figures
Reported amounts adjusted to include the dilutive effects of potential shares issuable under employee incentive arrangements.

Earls Court
The London district made up of a series of residential neighbourhoods crossing the boundaries of LBHF and RBKC.

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.

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').