



Capital & Counties Properties PLC
Annual Report & Accounts
2015

DRIVING LONG-TERM VALUE CREATION

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

Competitive strengths

CLEAR AND FOCUSED STRATEGY *See p.12*

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

PRIME ASSETS *See p.18*

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

STRONG CAPITAL STRUCTURE *See p.40*

- Conservative leverage and substantial liquidity

EXPERIENCED MANAGEMENT *See p.54*

- Strong track record

EFFECTIVE GOVERNANCE *See p.56*

- Strong commitment to effective corporate governance



For more information visit:
www.capitalandcounties.com



*Covent Garden
West Piazza*



*Progress at Earls Court.
EC1 roof lowered
October 2015*



*Artist's impression
of Lillie Square*

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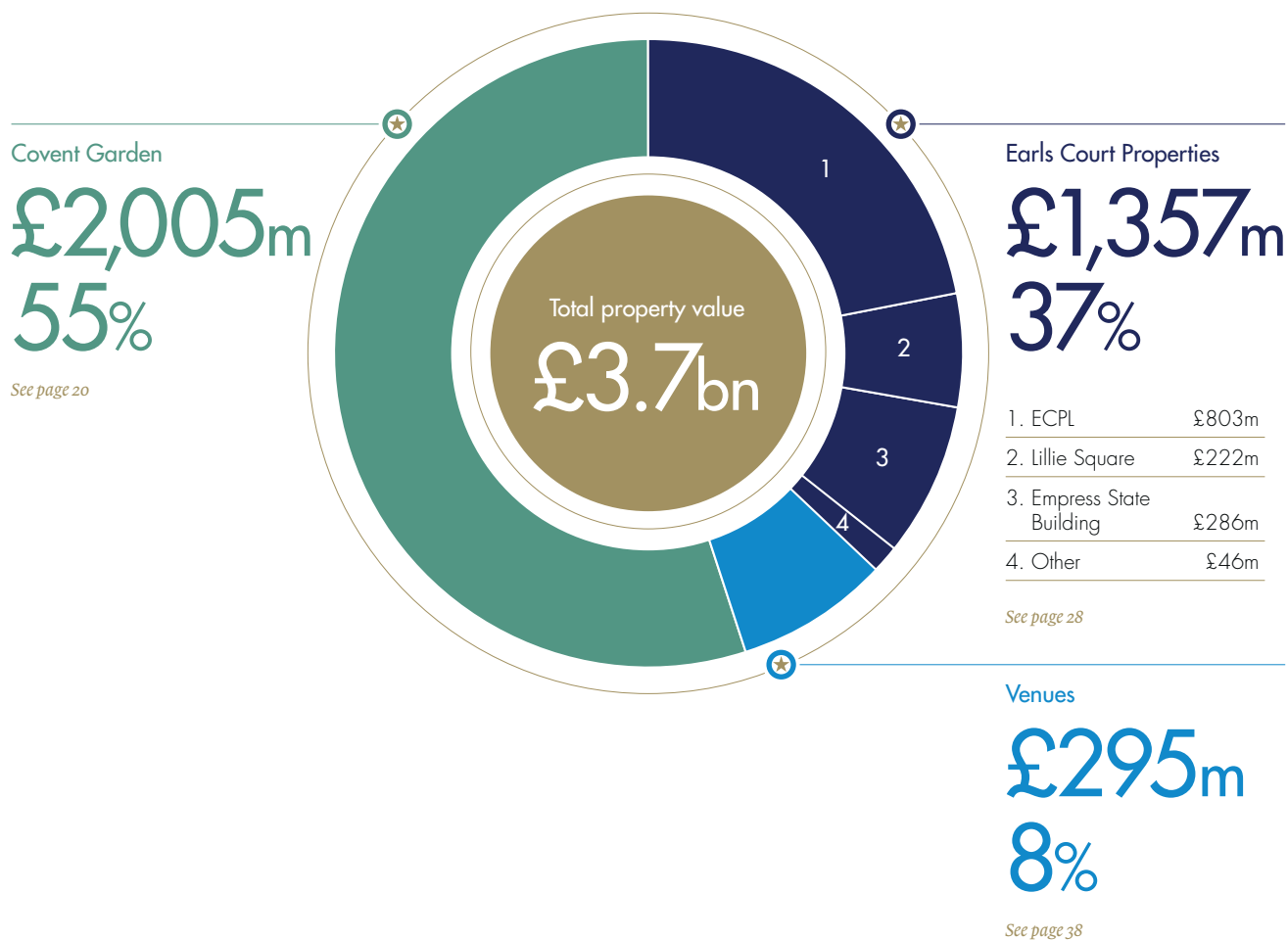
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PROPERTY PORTFOLIO¹



¹ Market value on Group share basis



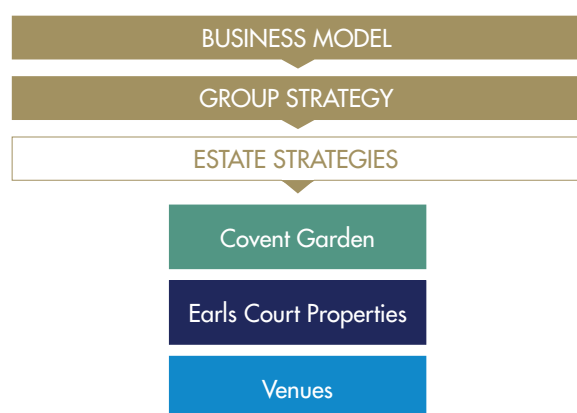
Covent Garden East and South Piazza



Artist's impression of al fresco dining in the Lost River Park

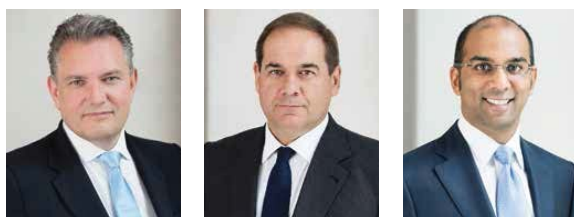
BUSINESS MODEL AND STRATEGY

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



See page 12

EXPERIENCED MANAGEMENT



Ian Hawksworth

Gary Yardley

Soumen Das

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

See page 54

EFFECTIVE GOVERNANCE

The framework of oversight, controls and reporting provided by Capco's governance structure supports the business and allows Capco to operate with transparency to achieve its objectives.



See page 56

STRONG FINANCIAL RESULTS

Total property return

16%

Total return

17%

EPRA net asset value per share

361p

Total shareholder return

20%

Property valuation uplift on a like-for-like basis

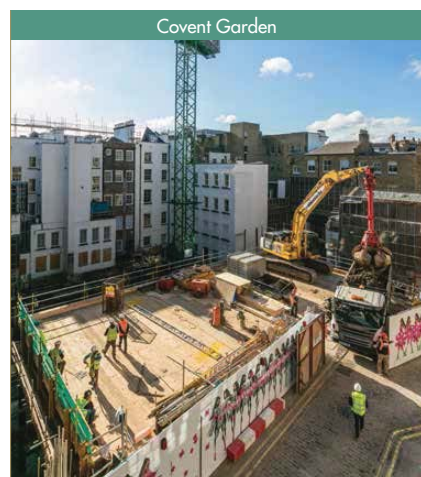
14%

Loan to value (LTV)

16%

See pages 13 & 40

A MILESTONE YEAR



Covent Garden

Development of Kings Court

The development of Kings Court is underway while fashion illustrator Donald Robertson unveils bespoke illustrations for hoardings on Floral Street, launching a new upmarket direction for the street



Covent Garden

Charlotte Tilbury signs lease

The premium makeup brand signs lease on James Street for first stand-alone boutique, setting a new Zone A rental level of £1,400 per square foot



Covent Garden

35 King Street refurbished

14,100 square foot of office space is let prior to completion of works. The ground floor retail unit is refurbished



Covent Garden

Launch of The Pass

New smartphone loyalty app provides offers from over 50 tenants and 8,000 downloads in six months after launch



Covent Garden

Charles Pétillon's Heartbeat

Cultural commission of 100,000 white balloons in the Market Building generates over 400 pieces of coverage and attracts 2.3 million visitors to the district, driving footfall up by 13%



Covent Garden

Expansion of the estate

A number of acquisitions including 30-33 Henrietta Street, further enhancing Capco's presence on this key strategic street

JANUARY 2015

MARCH

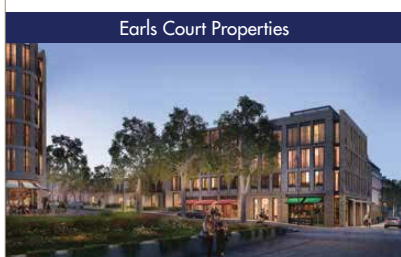
APRIL

MAY

JUNE

JULY

AUGUST



Earls Court Properties

Detailed planning consent achieved for West Brompton Village

Consent achieved for West Brompton Village to include an apartment block, townhouses, three retail units and a new public square



Earls Court Properties

Earls Court sign removed

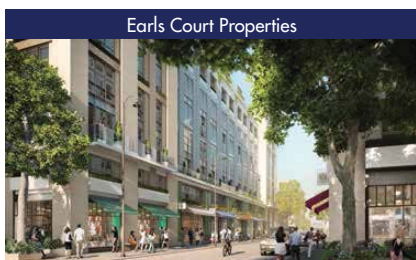
The iconic illuminated sign is removed from EC1 and carefully wrapped and archived for potential future use



Earls Court Properties

The Hub opens

Earls Court community Hub opens on Mund Street, initiating Capco's presence on the ground and inviting drop in sessions from the local community



Earls Court Properties

ECPL completed

Earls Court Partnership Limited ("ECPL"), the venture between Capco and TfL completed. Capco is leading the venture



Earls Court Properties

Community outreach launches

New sports facilities at Fulham Boys School made available to estates residents



Earls Court Properties

Lillie Square construction continues

Construction of Phase 1 of Lillie Square progresses on track, with Phase 1 buyers due to start moving in from H2 2016

Covent Garden



Christmas at Covent Garden

Covent Garden unveils brand new Christmas decorations scheme in the Market Building while a series of pop-up shops from Harrods, Lulu Guinness and kikki.K launched in the Royal Opera House Arcade focusing on festive gifting

Covent Garden



kikki.K opens on James Street

Australian stationery brand kikki.K followed its pop-up with a permanent store on James Street, reinforcing the Zone A rental level of £1,400 per square foot

Covent Garden

Refinancing of Covent Garden

Extended and increased £705 million unsecured revolving credit facility agreed

Covent Garden



3INA sets new Zone A rental level

3INA Cosmetics signs to James Street, setting a new Zone A rental level of £1,475 per square foot

Covent Garden

SUSHISAMBA®

SUSHISAMBA

SUSHISAMBA announces lease of the Opera Terrace, one of the most prominent dining locations in London

Covent Garden



Club Monaco joins Henrietta Street

International retailer Club Monaco introduces a men's clothing and accessories concept to Henrietta Street

Covent Garden



Frenchie and Flat Iron open on Henrietta Street

The opening of two new dining concepts, Flat Iron and Frenchie, enhance the F&B offer on Henrietta Street

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

Q1 2016

Earls Court Properties



Lillie Square new mock-up apartment opens

The Lillie Square three-bedroom mock-up apartment opens on Seagrave Road

Earls Court Properties



EC1 roof removed

1,300 tonnes of steel is lowered into the former exhibition hall below

Earls Court Properties



Demolition of EC2

EC2 roof and structures are demolished to ground level

Earls Court Properties



Lillie Square Phase two sales launch

Lillie Square East, Phase two of Lillie Square, introduces a broad range of luxury one, two and three bedroom lateral homes and a collection of duplex apartments with private gardens

Earls Court Properties



Project Rooms open

Earls Court Project Rooms open, showcasing the plans and vision for the development



Ian Durant, Chairman

DELIVERING VALUE THROUGH A RESPONSIBLE CULTURE

Total return

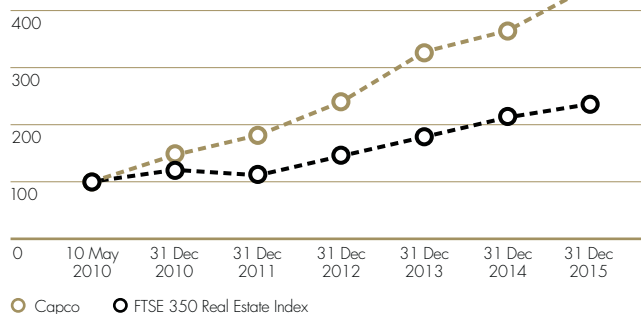
17%

Dividend

1.5p

Total shareholder return

pence
500



OVERVIEW

I am pleased to report that Capco had another successful year in 2015, executing its strategy for its assets and generating strong returns for shareholders. Covent Garden and Earls Court have experienced a very active year and milestones have been reached at both of these unique London estates.

PERFORMANCE

In 2015, Capco delivered positive performance with a total return of 17 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 14 per cent on a like-for-like basis and total shareholder return, which reflects the share price change and dividends paid, was 20 per cent.

The strategy at Covent Garden to create an internationally renowned destination for retailers and visitors continues to drive performance. Following a positive year for leasing on the estate, new Zone A rental levels were achieved and we have continued to invest in the estate through strategic acquisitions and developments. Management remains confident that the ERV target of £100 million by December 2017 is on track.

At Earls Court, our plans continue to advance. The team is demonstrating the capability to undertake complex and ambitious projects and to manage them successfully. The demolition of the former Earls Court Exhibition Centres is well-advanced and construction of Lillie Square is underway, with first completions expected later this year.

The strategy to transfer the Venues business from Earls Court to Olympia London has been undertaken successfully and performance of the Venues business has exceeded expectations in this year of transition.

I would like to thank all of Capco's employees for their hard work during the year. It is their commitment and expertise that allows Capco to continue to deliver our strategy and generate market-leading returns for our shareholders.

FINANCIAL POSITION AND DIVIDENDS

Prudent financing remains an important part of Capco's strategy. The Board ensures that the Company maintains a strong balance sheet which will enable it to operate throughout the property cycle. The balance sheet is strong and flexible with a conservative LTV of 16 per cent. Following a Covent Garden refinancing of £705 million, which has further strengthened the balance sheet, the Company is well-positioned to support its future activities with confidence.

The Company continues to seek shareholder returns delivered through capital growth and a modest annual dividend. This is appropriate during a phase of capital investment and land value enhancement. Accordingly, the Directors are proposing a final dividend of 1.0 pence per share, which brings the total dividend for 2015 to 1.5 pence per share.

THE BOARD AND ITS PRIORITIES

There were a number of changes to the Board during the year, with Gerry Murphy joining as an independent Non-executive Director and Andrew Huntley's retirement.

Ian Henderson is to retire from the Capco Board and as Deputy Chairman and Senior Independent Director at the Company's forthcoming AGM on 6 May 2016, and will step down as Chairman of the Remuneration Committee with effect from 25 April 2016. The Board is pleased that Ian will remain available to the Company on a consultancy basis following his retirement from the Board, allowing the Company to continue to benefit from his extensive experience.

Gerry Murphy will be appointed as Chairman of the Remuneration Committee with effect from 25 April 2016, and Demetra Pinsent will join the Remuneration Committee on the same date. The role of Senior Independent Director will be taken up by Henry Staunton on Ian Henderson's retirement.

Anthony Steains has been appointed as a Non-executive Director of the Company with effect from 1 March 2016. On appointment, Anthony will become a member of the Nomination Committee. The Board is keen to ensure that a balance of skills and experience aligned to Capco's strategic goals is maintained, and in 2016, will continue to consider whether any additional Non-executive Directors should be appointed.

You can read more about Anthony Steains' experience and our work on succession planning in the Nomination Committee report on page 65.

Following the promotions of Gary Yardley and Soumen Das to the roles of Managing Director with responsibility for the oversight of and investment performance at Earls Court and Covent Garden respectively, the business has continued to evolve its operational structure. Operational functions have been further re-organised to embed and strengthen our focus on long-term returns from our assets. Both Managing Directors continue to report to Ian Hawksorth, Chief Executive. The Board continues its commitment to encouraging diversity and the development of our people to ensure that Capco is resourced appropriately for the future.

A RESPONSIBLE CULTURE

Capco seeks to generate market-leading returns with entrepreneurial flair, whilst operating responsibly, professionally and with accountability. The Board encourages this culture throughout the business.

You can read more about Capco's culture in our Corporate Responsibility report on page 49.

Targeting ambitious returns requires us to ensure that risk is carefully managed. During the year, the Board undertook a comprehensive review of its principal risks and its risk management reporting across the business in order to ensure that the level of risk and return aspirations are appropriately balanced.

2015 saw our first major demolition and construction projects begin at Earls Court and Lillie Square, and in preparation for this we reviewed our health and safety reporting across the Group and established a Group Safety Leadership Team.

Corporate Responsibility and how we conduct our business in the communities and environments in which we operate remains inherent in Capco's strategy and culture. Our employees remain committed to our Corporate Responsibility programme and throughout the year we have supported a number of charitable fundraising initiatives including Maggie's Culture Crawl, a quiz night in aid of the Sir Simon Milton Foundation and the Royal British Legion Poppy fundraising day for the fourth consecutive year. In addition, sustainability continues to play an important role in our business and activities on both of our estates are underpinned by an ambitious environmental and sustainability strategy.

LOOKING AHEAD

London's economic prospects are positive and it is estimated that the population will grow significantly over the next ten years. Capco's two unique estates are well-placed to benefit from this growth, providing vibrant and well-managed places for people to live, work and enjoy. Whilst we expect increasing market uncertainty due to global and political challenges, Capco's strategy remains clear and focused. With a strong balance sheet we are well-positioned to continue to deliver long-term value creation for our shareholders.



Ian Durant
Chairman

24 February 2016



Ian Hawksworth, Chief Executive

DRIVING VALUE CREATION FOR SHAREHOLDERS

OVERVIEW

A year of performance and progress

2015 was another year of performance and progress across Capco. Underpinned by a clear and focused strategy to drive value from our estates, the business has delivered a total return of 17 per cent.

With its focus on London, Capco's two prime assets are well-placed for long-term success. London is a global and growing city with positive economic prospects and continues to attract businesses and people who wish to live, work and enjoy this great city. The population continues to increase and the Greater London Authority ("GLA") estimates that the Capital's population will grow by two million by 2031.

At Covent Garden, our distinct approach to placemaking and creative asset management will continue to ensure its success as a vibrant destination for retailers, visitors and residents. Our consented strategic land holding at Earls Court forms the only central London development opportunity of scale within existing strong transport infrastructure. As a designated GLA Opportunity Area, the Earls Court Masterplan is a strategic scheme for the Capital and a unique opportunity to create the next great estate of London, providing thousands of much-needed new homes and opportunities.

Capco continues to investigate new areas for investment opportunities where our core skills of placemaking and masterplanning can be utilised effectively. In 2015, we acquired a 50 per cent interest in the Solum Developments joint venture with Network Rail, which will allow us to explore potential opportunities for future redevelopments at significant railway station sites across London.

The balance sheet is robust and disciplined with a conservative loan-to-value of 16 per cent and strong liquidity with £452 million of cash and available facilities, strengthened by the recent refinancing at Covent Garden.

Valuations

The Group has benefited from solid valuation performance following positive momentum across the business. The property portfolio is valued at £3.7 billion as at 31 December 2015, having grown by 14 per cent on a like-for-like basis over the year.

The Group has a 63 per cent controlling interest in Earls Court Partnership Limited ("ECPL"), the investment vehicle with Transport for London ("TfL") which owns the land formerly occupied by the Earls Court Exhibition Centres. As a result, it is fully consolidated in the consolidated financial statements and TfL's interest is represented as a non-controlling interest. See page 41 of the Financial Review for further information.



Covent Garden East Piazza

	Market Value 2015 £m	Market Value 2014 £m	Valuation Change Like-for-Like ¹
Covent Garden	2,005	1,636	15.9%
Earls Court Properties			
Earls Court Partnership Limited ("ECPL")	803 ²	657 ²	14.3%
Lillie Square	222 ³	182 ³	4.0%
Empress State	286	278	1.5%
Other	46	35	2.8%
Group share of Earls Court Properties	1,357	1,152	9.2%
Venues	295	233	24.7%
Other	5	4	
Group share of total property	3,662	3,025	
Non-controlling interest in Earls Court Properties	471	–	
Total property ⁴	4,133	3,025	13.9%

¹ Valuation change takes account of amortisation of tenant lease incentives, capital expenditure, fixed head leases and unrecognised trading surplus.

² Market value at 31 December 2015 represents the Group's 63 per cent interest in ECPL. Market value at 31 December 2014 represents the Group's interest in the properties that were transferred into ECPL on 2 April 2015.

³ Represents the Group'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 16 'Property Portfolio' within the consolidated financial statements.

Covent Garden – a leading global destination for brands and visitors

Covent Garden is continuing its success as a leading global destination. Underpinned by our vision to position the estate at the forefront of global destinations for brands and visitors, 2015 was a strong year of performance and we are delighted to have signed our 100th brand to the estate.

Our asset management strategy, where every street has a plan, continues to attract global and premium brands while our creative approach to placemaking has continued to drive high quality footfall.

The estate is valued at £2.0 billion as at 31 December 2015, a like-for-like increase of 16 per cent. 2015 has been our most active year of leasing with 74 new lettings and renewals agreed at 11 per cent above December 2014 ERV. The ERV of the estate is £86 million, up 12 per cent on a like-for-like basis. Against this positive performance, we remain on course to deliver our ERV target of £100 million by December 2017.

James Street established a new benchmark rental level reflecting the competition and the depth of demand for space on the street. A new Zone A rental level of £1,400 per square foot was achieved following lettings to Charlotte Tilbury and kikki.K who have both opened their first London stores. Since the year-end, a new letting to cosmetics store, 3INA Cosmetics has set a new Zone A rental level of £1,475 per square foot.

The dining offer at Covent Garden has further strengthened and we are delighted to welcome SushiSamba, the iconic global restaurant, who will be moving into the Opera Terrace of the Market Building, one of the most prominent dining locations in London.

The redevelopment of Kings Court is on track for completion in 2017 and will transform pedestrian flows on the north side of the estate. There has been positive interest from brands for this new development in line with the strategy to create an innovative retail and dining experience at Kings Court.

We have continued to expand our presence on the estate through strategic acquisitions, investing £50 million on properties located at key access points to the estate. This takes the total invested in the estate since demerger in 2010 to over £500 million establishing one of the largest managed retail estates in London.

Earls Court – over 70 acres of consented strategic land in Chelsea and Fulham

It has been a year of progress and momentum for our land interests at Earls Court.

The valuation of Capco's interests at Earls Court, represented by Earls Court Properties, has grown in the year to £1.4 billion. This represents an increase of 9 per cent over the year on a like-for-like basis benefiting from Capco's strategy of driving value through planning, land assembly and land enablement as well as selective development.

Our investment vehicle with TfL, ECPL, which is led by Capco, completed in April 2015 resulting in new 999 year leases over the former Exhibition Centres' land. The significant and complex demolition of the former Exhibition Centres, ("EC1 & EC2"), is successfully underway, as we continue to de-risk our land holdings in this part of the scheme. Demolition to ground level of the EC2 building is now complete and demolition to ground level for the entire site is on track for completion this year.

Detailed planning consent for West Brompton Village, a 1.2 acre site adjacent to the former Exhibition Centres, was granted by the Royal Borough of Kensington and Chelsea, bringing the total area for which detailed consent has been achieved to over 17 acres.

Following the successful launch of Phase 1 of Lillie Square in 2014, construction is underway with first completions on track for the second half of 2016. The first phase is predominantly sold, crystallising over £250 million of sales and the average price per square foot for Phase 1 is approximately £1,500.

The first release of Phase 2 of Lillie Square which comprises 70 units, was launched in September 2015; 40 per cent of this first release has been reserved or exchanged. The residential sales market in London experienced challenging conditions towards the end of 2015 as a result of increasing supply, particularly in emerging locations, and regulatory intervention which has impacted demand. Whilst we remain confident in Lillie Square, the rate of sales has reduced compared to 2014, which reflects these challenges in the residential market. Nevertheless, sales prices achieved for Phase 2 are 5 per cent higher than comparable units in Phase 1, which reflects the strong location and transport connectivity of the scheme.



Artist's impression of West Brompton Square

The Earls Court Masterplan is a unique opportunity to create the next great estate of London. The Masterplan is in one of the GLA's designated Opportunity Areas, making it a strategic scheme for London. Against a backdrop of London's rapidly growing population and its housing needs, options are being considered to intensify the Masterplan to optimise the development potential of this strategic project.

Venues – operational excellence

The Venues business performed very well in 2015 with EBITDA for the year of £15 million, up 33 per cent. Its valuation was up 25 per cent to £295 million on a like-for-like basis, reflecting its bright future prospects.

Following the success of the transition of shows from the Earls Court Exhibition Centres, 2015 was Olympia London's busiest year with over 200 events held and over 1.5 million visitors. It is now the venue of choice for premium shows in central London and continues to attract new events.

As announced in November 2015, Capco is conducting a strategic review of its Venues business. A number of proposals are being explored as part of this review, including a sale or continued ownership.

OUTLOOK

Since our demerger in 2010, we have positioned Capco with two significant prime estates in central London.

Covent Garden now comprises over one million square feet of retail-led space in the West End. In line with our ambitious vision to establish the estate as the leading world-class destination for retailers and visitors, we will continue to reposition the estate whilst maintaining our creative approach. We remain on track to achieve our ERV target of £100 million by December 2017. We will invest selectively in acquisitions and developments which enhance the estate and meet our return expectations.

Earls Court comprises over 70 acres of consented strategic land in Chelsea and Fulham. As a GLA Opportunity Area, the Earls Court Masterplan is a key strategic site and the only consented scheme capable of scale in central London. Our focus will be on continued de-risking of our land holdings, through the complex demolition of the former Exhibition Centres, as well as exploring options to evolve and intensify the Masterplan in order to optimise the potential of this strategic scheme.

London's status as a world class city continues. Its economic prospects are positive and the population is growing significantly. With its focus on London, Capco's two prime assets are well-placed for long-term success.

We expect increasing global and political uncertainty, while the challenging conditions seen in the residential market at the end of the year are expected to continue in 2016. Our strategy at Capco remains clear and focused and we are confident in the outlook for our prime estates which are backed by a robust capital structure. We enter a new year with confidence to drive long-term value creation for our shareholders from our two exceptional London estates.



Pure London fashion event at Olympia London

Ian Hawksworth
Chief Executive

24 February 2016

DEFINING PERFORMANCE

Our unique business model underpins our strategy to drive value creation

BUSINESS MODEL

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

GROUP STRATEGY

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

1

STRONG CAPITAL
STRUCTURE

2

STRATEGIC
INVESTMENTS AND
PARTNERSHIPS

3

ACTIVE ASSET
MANAGEMENT

4

LAND ASSEMBLY
AND PLANNING

5

SELECTIVE
DEVELOPMENTS

6

ENGAGEMENT WITH
STAKEHOLDERS AND
PARTICIPATION IN
COMMUNITIES

ESTATE STRATEGIES

COVENT GARDEN

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

Read more on page 20

EARLS COURT PROPERTIES

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

Read more on page 28

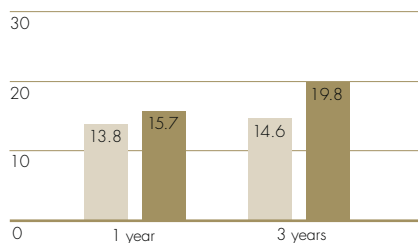
VENUES

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

Read more on page 38

MEASURING PERFORMANCE

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



DESCRIPTION

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

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

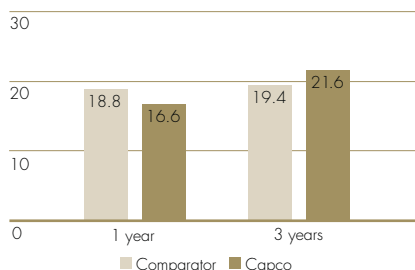
★ PART OF EXECUTIVE DIRECTORS' 2015 BONUS

TARGET

1.5 per cent per annum outperformance

PERFORMANCE

During the year the Group has outperformed by 1.9 per cent



DESCRIPTION

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

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

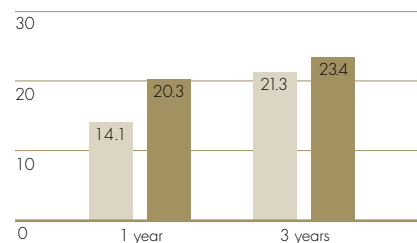
★ PART OF EXECUTIVE DIRECTORS' LONG-TERM INCENTIVE, TOGETHER WITH SPECIFIC ANNUAL NAV TARGETS RELATING TO 2015 BONUS

TARGET

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

PERFORMANCE

The Group has generated a total return of 21.6 per cent per annum on a rolling three-year basis, outperforming the comparator group by 2.2 per cent¹



DESCRIPTION

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

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

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

★ PART OF EXECUTIVE DIRECTORS' LONG-TERM INCENTIVES

TARGET

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

PERFORMANCE

The Group generated a total shareholder return of 23.4 per cent per annum on a rolling three-year basis, outperforming the comparator group by 2.1 per cent

¹ Based on consensus estimates at 16 February 2016 for comparator group where results unavailable.

The three-year total property return is calculated assuming annual reinvestment. Annualised three-year total return and total shareholder return are calculated on a basis consistent with the Group's long-term incentive plans. A number of other indicators of performance are considered by the Board either at a Group level (including underlying earnings per share) or specifically relevant to each estate, for example ERV at Covent Garden and EBITDA at Venues. These are discussed further in the asset-specific operating reviews in the Strategic Report.

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

EFFECTIVE RISK MANAGEMENT

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

Risk Management:

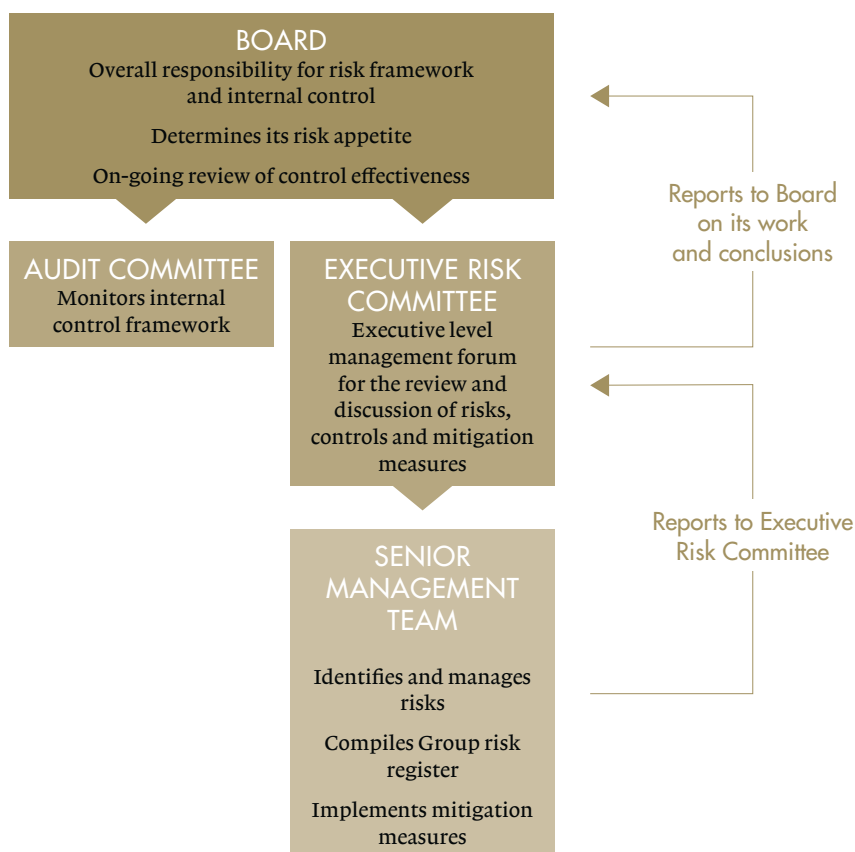
The Board has overall responsibility for Group risk management. It determines its risk appetite and reviews principal risks and uncertainties regularly, together with the actions taken to mitigate them. The Board has delegated responsibility for the review of the adequacy and effectiveness of the Group's internal control framework to the Audit Committee.

During 2015, a comprehensive review of risk management across the Group was undertaken. The purpose of the review was to set the right tone regarding risk at Board level and to develop a more risk aware culture and consistency in decision making across the organisation in line with the corporate strategy and risk appetite. Following the review, risk is now a standing agenda item at all management meetings. All corporate decision making takes risk into account while continuing to drive entrepreneurial culture.

The Executive Directors are responsible for the day to day operational and commercial activity across the Group and are therefore responsible for the management of business risk. The Executive Risk Committee, consisting of the Executive Directors, the General Counsel and the Financial Controller, is the executive level management forum for the review and discussion of risks, controls and mitigation measures. The corporate and business division risks are reviewed on a quarterly basis by the Executive Risk Committee so that trends and emerging risks can be identified and reported to the Board.

Senior management from every division and corporate function of the business identify and manage the risks for their division or function and complete and maintain a risk register. The severity of each risk is assessed through a combination of each risk's likelihood of an adverse outcome and its impact. In assessing impact, consideration is given to financial, reputational and regulatory factors and risk mitigation plans

RISK MANAGEMENT STRUCTURE



established. A full risk review is undertaken annually where the risk registers are aggregated and reviewed by the Executive Risk Committee. The Directors confirm that they have completed a robust assessment of the principal risks faced by the business, assisted by the work performed by the Executive Risk Committee.

On the following pages are the principal risks and uncertainties from across the business and these are reflective of where

the Board has invested time during the year. These principal risks are not exhaustive. The Group monitors a number of additional risks and adjusts those considered 'principal' as the risk profile of the business changes. See also the risks inherent in the compilation of financial information, as disclosed within note 1 'Principal Accounting Policies' to the consolidated financial statements, 'Estimation and uncertainty'.

Key
 Increase
 Stable
 Decrease



CORPORATE

Risk	Impact on strategy	Mitigation	Change in 2015
Health, safety & the environment Accidents causing loss of life or very serious injury to employees, contractors, occupiers and visitors to the Group's properties Activities at the Group's properties causing detrimental impact on the environment	3 5 6 Prosecution for non-compliance with legislation Reputational damage Litigation or fines Distraction of management	Health and safety procedures across the Group Appointment of Group Head of Health & Safety Appointment of reputable contractors External consultants undertake annual audits in all locations Adequate insurance held to cover the risks inherent in construction projects	
Funding Lack of availability or increased cost of debt or equity funding	1 2 3 Reduced financial and operational flexibility Increased cost of borrowing Delay to development works Constrained growth, lost opportunities	Maintain appropriate liquidity to cover commitments Target longer and staggered debt maturities Consideration of early refinancing Derivative contracts to provide interest rate protection Development phasing to enable flexibility and reduce financial exposure Covenant headroom monitored and stress tested	
Economic conditions Decline in real estate valuations due to: – global macro-economic conditions – adverse movement in interest rates or currency Relative attractiveness of other asset classes or locations Inability of the Company to adopt the appropriate strategy or to react to changing market conditions	2 3 5 Reduced return on investment and development property Higher finance costs Reduced profitability	Focus on prime assets Regular assessment of investment market conditions including bi-annual external valuations Regular strategic reviews Strategic focus on creating retail destinations and residential districts with unique attributes	
Political climate and public opinion Unfavourable policy or changes in legislation (in particular, as a result of political change) e.g. London mayoral elections The Group's business (or aspects of it) is opposed or challenged by public interest or activist groups	4 6 Reputational damage Litigation Distraction of management Prosecution for non-compliance	Monitoring proposals and emerging policy and legislation Engagement with key stakeholders and politicians Monitoring intelligence on activist groups	

Principal risks and uncertainties continued

CORPORATE CONTINUED

Risk	Impact on strategy	Mitigation	Change in 2015
People	2 3 4 6		
Inability to retain the right people and develop leadership skills within the business	Inability to execute strategy and business plan Constrained growth, lost opportunities	Succession planning, performance evaluations, training and development Long-term and competitive incentive rewards	—
Catastrophic External Event	2 3 5		
Such as a terrorist attack, health pandemic or cyber crime	Diminishing London's status Heightened by concentration of investments Reduced rental income and/or capital values Business disruption or damage to property Reputational damage	Terrorist insurance On-site security Health and safety policies and procedures Close liaison with police, National Counter Terrorism Security Office ("NaCTSO") and local authorities	▲
Compliance with law, regulations and contracts	2 6		
Breach of legislation, regulation or contract Inability to monitor or anticipate legal or regulatory changes	Prosecution for non-compliance with legislation Reputational damage Litigation or fines Distraction of management	Appointment of external advisers to monitor changes in law or regulation Members of staff attend external briefings to remain cognisant of legislative and regulatory changes	—

PROPERTY

Risk	Impact on strategy	Mitigation	Change in 2015
Leasing	3 5		
Inability to achieve target rents or to attract target tenants due to market conditions Competition from other locations	Decline in tenant demand for the Group's properties Reduced income Expansion of yield	Quality tenant mix Strategic focus on creating retail destinations with unique attributes	—
Residential Sales	3 5		
Inability to achieve sales targets or prices due to market conditions or competition from other residential districts	Reduced cash flow and development return Decline in valuations Viability of projects	Strategic focus on creating residential districts with unique attributes Market demand assessments and review of product mix Pre-sales marketing	▲

PROPERTY CONTINUED

Risk	Impact on strategy	Mitigation	Change in 2015
Planning	3 4 5		
Unfavourable changes to planning policy or legislation (in particular, as a result of political change)	Inability to secure future planning approvals or consents	Outline planning permission already granted for the Earls Court Masterplan	—
Secretary of State intervention or judicial review	Delay in development programme	Engagement with local and national authorities Pre-application and consultation with key stakeholders and landowners	
Existing buildings within proposed development scheme becoming listed		Engagement with local community bodies	
Development	5		
Inability to deliver anticipated returns due to:	Reduced development returns	Focus on prime assets	▲
– market conditions	Decline in valuations	Regular assessment of market conditions	
– increased construction costs or delays		Business strategy based on long-term returns	
Construction	5		
Increased construction costs or delay due to:	Reduced cash flow and development return	Extensive consultation, design and technical work undertaken	▲
– site or planning conditions	Reduced underlying income	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	
– contractor / sub-contractor default	Decline in valuations	Under building contracts the risk of sub-contractor failure resides primarily with the principal contractor	
– complexity of developing adjacent to and above public transport infrastructure	Reputational damage	Commercially astute development and project management teams to ensure management of costs and delivery of programme	
Land assembly	4		
Failure to reach agreement on strategic land deals or implement strategic land deals with adjacent landowners on acceptable terms	Inability to fully execute strategy and business plan	Pro-active investment team	—
	Increased costs and delays resulting in reduced development return	Dialogue with adjacent landowners Earls Court Masterplan designed to allow phased implementation	

VIABILITY STATEMENT

The Directors have assessed the viability of the Group over the three-year period to December 2018, the period covered by the latest business plan, taking account of the Group's current position and the potential impact of the principal risks disclosed on pages 15 - 17. Based on this assessment, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2018. In making this statement the Directors have considered the resilience of the Group, taking account of its current position, the risk appetite, the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions.

The business plan considers the Group's cash flows, capital commitments, financial resources, debt covenants and other key financial ratios. A sensitivity analysis was carried out which involved flexing a number of these key assumptions underlying the three-year business plan both individually and together. This analysis was carried out to evaluate the potential impact of the Group's principal risks actually occurring. The Directors believe that the Group is well-placed to manage its principal risks successfully. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period.

The Directors have determined that the three year period to December 2018 is an appropriate period over which to provide its viability statement. In making their assessment, the Directors have taken account of the Group's robust and flexible balance sheet position with a debt to asset ratio well below the 40 per cent limit set, substantial cash and available facilities, the Group's ability to raise new finance and the flexibility of future development expenditure.

OUR ASSETS

Our assets are concentrated around two prime estates in central London with a combined value of £3.7 billion

- Covent Garden**
100% Capco owned
- Earls Court Properties**
 - 1
Earls Court Partnership
Limited Capco share
63% under terms of
investment vehicle
with TfL
 - 2
Empress State
Building
100% Capco owned
 - 3
Lillie Square
A 50:50
joint venture
with KFI
- CLSA LAND**
Capco has exercised
its option under
the CLSA to acquire
LBHF land
- TfL**
Lillie Bridge Depot
owned by TfL
- Consented
Earls Court
Masterplan
(including Empress
State Building)**
- Venues**
100% Capco owned

Consented area shown
includes The Empress
State Building which has
a separate consent for
residential conversion.

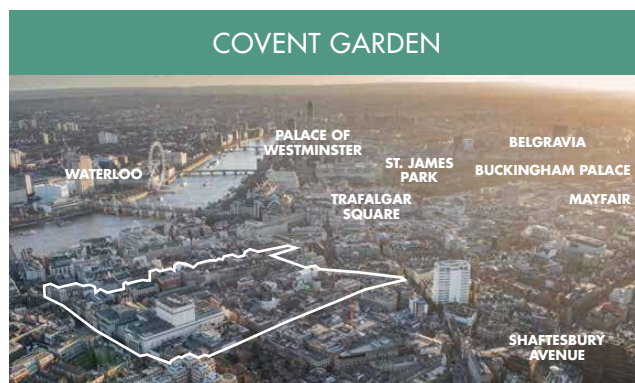
The landowners' map to
the right is indicative.





EARLS COURT PROPERTIES

The Earls Court opportunity area including Lillie Square



COVENT GARDEN

The Covent Garden estate



COVENT GARDEN: AN ICONIC GLOBAL RETAIL DESTINATION



View of the Market Building and East Piazza

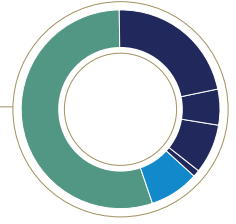
Capital value

£2,005m

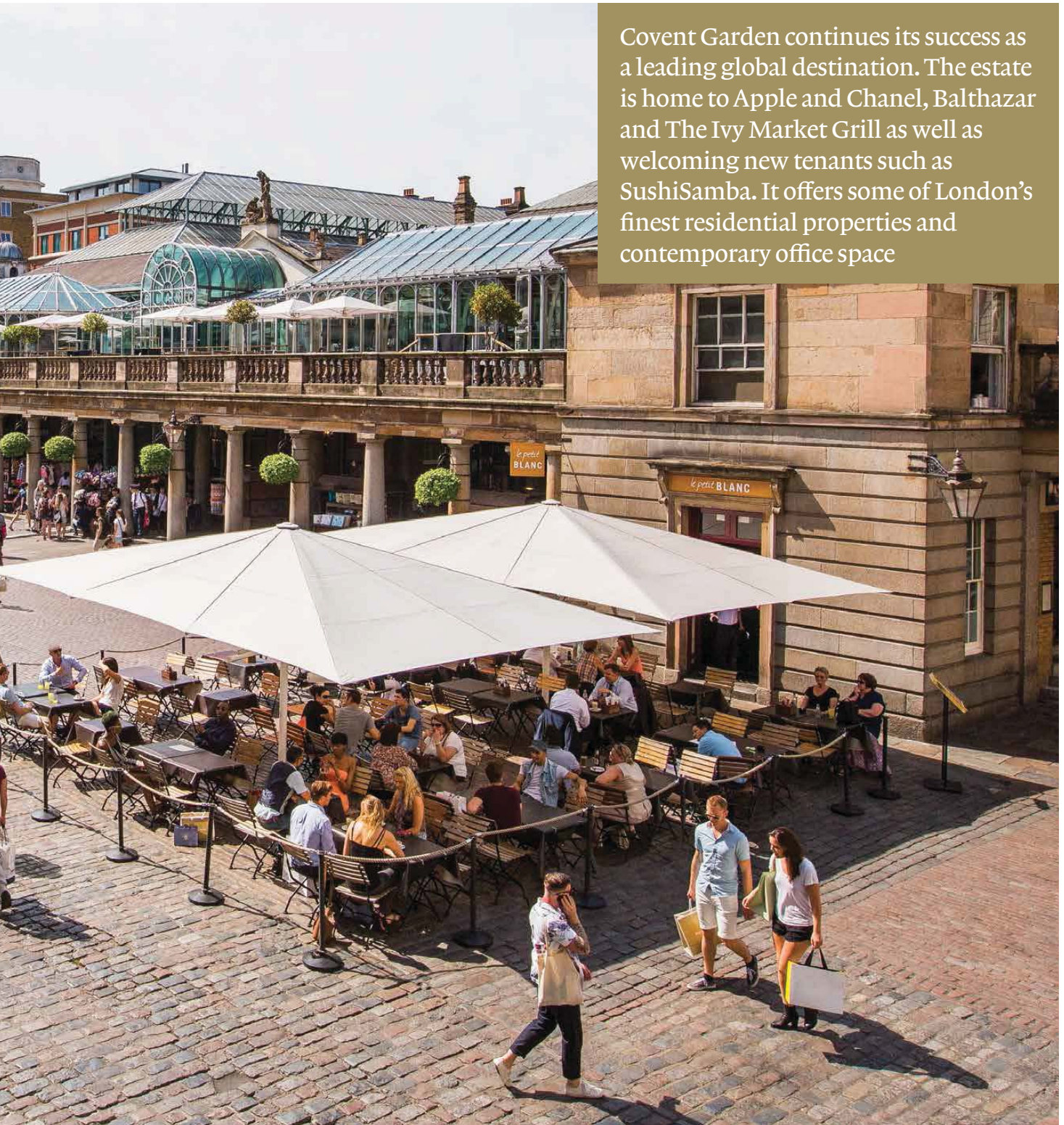
Contribution to portfolio value

55%

Covent Garden



Covent Garden continues its success as a leading global destination. The estate is home to Apple and Chanel, Balthazar and The Ivy Market Grill as well as welcoming new tenants such as SushiSamba. It offers some of London's finest residential properties and contemporary office space



COVENT GARDEN

“2015 was our most active year of leasing. Our creative and active approach to managing our estate has positioned it as a leading global destination for brands and visitors.”

Soumen Das, Managing Director & Chief Financial Officer

HIGHLIGHTS

- Property value of £2,005 million as at 31 December 2015, up 16 per cent on a like-for-like basis
- ERV of £86 million as at December 2015, up 12 per cent on a like-for-like basis
- New leases and renewals in 2015 at 11 per cent above 31 December 2014 ERV
- Development of Kings Court and Carriage Hall underway
- Acquisitions totalling £50 million enhancing presence on the estate

STRATEGY

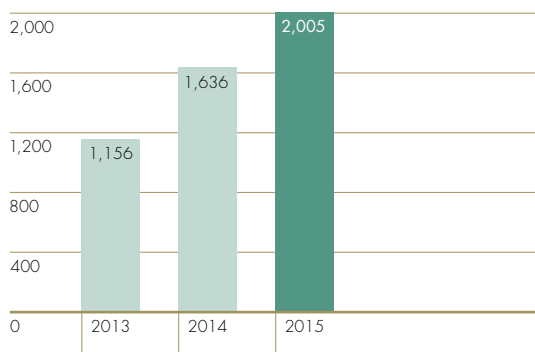
- ERV guidance of £100 million by December 2017
- Drive passing rent
- Reposition retail mix of streets and set new Zone A levels throughout the estate
- Improve variety and quality of the dining experience
- Expand contemporary luxury retail throughout the estate
- Extend the high quality residential portfolio – for sale and for rent
- Undertake and explore selective developments and tactical acquisitions



Covent Garden management team

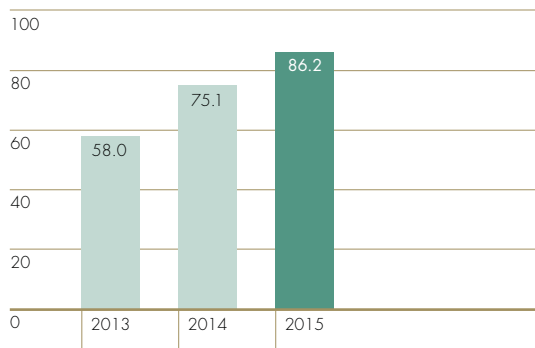
Covent Garden capital value

£2,005m +15.9% (Lfl)



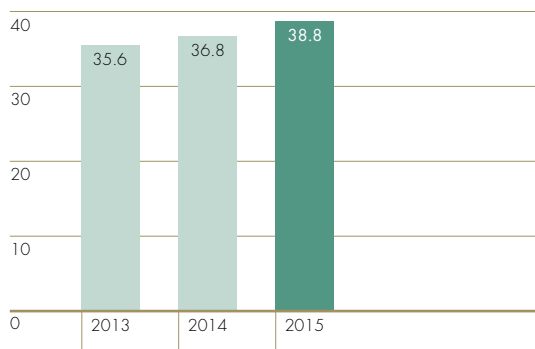
Covent Garden ERV

£86.2m +12.1% (Lfl)



Covent Garden net rental income

£38.8m +4.4% (Lfl)



OPERATING PERFORMANCE

A global destination in London's West End

The Covent Garden estate continues to reinforce its position as a major global destination and address for retailers, visitors and residents, in the heart of London's West End. Capco's distinct approach to creating places attracts premium brands to Covent Garden and footfall remains consistently positive as visitors are drawn to the estate's energy and unique retail, dining and cultural experience.

Following another active year of leasing and investment activity, the Covent Garden estate remains on track to achieve its ERV target of £100 million by 2017.

Overview

Providing over one million square feet of lettable space in London's West End, the Covent Garden estate represents 55 per cent of Capco's portfolio. At Covent Garden, Capco drives value creation through asset management, strategic investment and creativity, underpinned by a vision to consistently compete as one of the world's best retail and dining destinations for brands and visitors.

Covent Garden performed positively in 2015 with the value of the estate up 15.9 per cent on a like-for-like basis to £2.0 billion. ERV was £86.2 million, a like-for-like increase of 12.1 per cent following an active year of leasing which reflects the success of the estate's focused strategy to drive rental growth. Reflecting the depth of demand from retailers, 74 new lettings and renewals were negotiated (including transactions under offer at year-end and signed in 2016) securing £11.9 million of passing rent, 11 per cent above the 31 December 2014 ERV level. EPRA occupancy remains high at 98 per cent and footfall is consistently strong at over 42 million customer visits per year.

As the owner of the Covent Garden estate, Capco regularly hosts events on and around the Piazza which supports the estate's cultural offering. In September, a major installation by French artist Charles Pétillon saw the South Hall of the Market Building filled with over 100,000 balloons. The installation "Heartbeat" featured a pulsing light display and symbolised the Market Building as the beating heart of central London. This innovative exhibit enjoyed positive reviews and received global media attention.

Capco continues to work closely with community stakeholders including Westminster City Council ("WCC") and the Covent Garden Area Trust ("CGAT") to maintain and celebrate the attributes which make the area unique.



1 SUSHISAMBA
Global restaurant SUSHISAMBA will bring its unique blend of Japanese, Brazilian and Peruvian culture and cuisine to the district, with exceptional views across the Piazza from the Opera Terrace



2 Charlotte Tilbury
This premium cosmetics brand has taken space on James Street for its first stand-alone store globally, setting a new Zone A rental level of £1,400 per square foot



3 3INA
This cosmetics store is the latest brand to choose James Street for its first global store and set a new Zone A rental level of £1,475 per square foot



4 Chanel
Chanel's first stand-alone cosmetics store has moved to a larger unit in the north-east of the Market Building with almost 50 per cent additional space



5 kikki.K
Australian stationery brand kikki.K opens its first UK store on James Street



6 Club Monaco Men's Shop
New York-based fashion label opens a new menswear store on Henrietta Street joining an array of other premium menswear brands including Nigel Cabourn and The Real McCoy's



ACQUISITIONS IN 2015

- A** 31-33 Bedford Street (Retail/Office)
- B** 30-33 Henrietta Street (Retail/Office)



7 Edwin

Japanese denim brand offering a selection of exclusively developed, premium Japanese and European jeans in variety of fits, weights and washes



8 Frenchie

Gallic chef Gregory Marchand brings his successful Parisian restaurant to London in early 2016



9 Flat Iron

Remarkable steaks served in an industrial-style space spanning two floors adds to Henrietta Street's F&B offering



10 Stefanel

Italian luxury knitwear label founded in 1959 has further enhanced the range of womenswear on King Street



11 Claudie Pierlot

Parisian womenswear concept synonymous with affordable luxury opened adjacent to Stefanel in the summer



12 NARS

Luxury beauty brand NARS will open its first UK standalone boutique on King Street in 2016

Retail

Retailer demand for space at Covent Garden continues to be positive. Continued curation of a contemporary luxury tenant mix where every street has a plan, fresh concepts and “global first” stores has positioned Covent Garden at the forefront of demand for street retail in London.

James Street is now an established destination for global retailers coming to London. The depth of demand for a presence on James Street has led to a strong progression of rental growth on the street. Cosmetics store, 3INA Cosmetics, is the latest tenant to choose James Street for their first London store, setting a new Zone A high of £1,475 per square foot which compares to a Zone A rental level of £1,000 per square foot for the street as at 31 December 2014. This follows lettings during the year to premium cosmetics brand Charlotte Tilbury, which opened its first stand-alone store and premium Australian stationery brand kikki.K, which also opened its first London store, both at a Zone A rental level of £1,400 per square foot.

The “Street to Suit” strategy to reposition Henrietta Street with a contemporary menswear focus and complementary dining offer has proven successful with nine retail and dining brands introduced to date. International retailer, Club Monaco, is the latest brand to take space and brings its classic yet modern clothing and accessories to Henrietta Street. The street now offers an array of premium menswear brands including Nigel Cabourn, The Real McCoy’s, Oliver Sweeney and Edwin.

Following the trading success of its first stand-alone cosmetics store, Chanel has signed a new lease to move to a larger unit in the north-east of the Market Building. The new unit will offer Chanel almost 50 per cent additional space to enhance its presence on the estate.

King Street’s contemporary luxury offering has continued to expand with a new letting to French cosmetics brand NARS, which will open its first London standalone store on the street. This follows the introduction of Parisian womenswear concept, Claudie Pierlot, and Italian knitwear brand, Stefanel, both of which opened earlier in the year.

Dining

Covent Garden has experienced an active year for new restaurant lettings, further enhancing the estate’s reputation for destination dining.

Renowned fusion dining restaurant, SushiSamba, has agreed terms to let the Opera Terrace, located above the Market Building with exceptional views across the Piazza. Plans for the unique dining space will see the existing glass structure replaced with a new Eric Parry design, creating an iconic structural addition to this historic London landmark.

Adding to the depth of variety on the estate, Aubaine will open their latest delicatessen, bringing their successful French cuisine to the Market Building.

JAMES STREET – A LEADING GLOBAL RETAIL STREET



Henrietta Street’s dining offer has been further strengthened with the introduction of two new restaurants. Gregory Marchand, through his successful Parisian restaurant Frenchie, has taken space for its first London restaurant which has recently opened. Flat Iron steakhouse has opened its latest London restaurant occupying over 4,000 square feet, its largest space to date.

On King Street, Mariage Frères, the iconic French tea house, will open its first standalone store outside of Paris offering a tea emporium, café and store comprising over 8,000 square feet.

With brands including Charlotte Tilbury, kikki.K and 3INA Cosmetics choosing James Street for their first London stores, this prime street is now established as a destination for global retailers

HENRIETTA STREET TRANSFORMS



The introduction of complementary dining to support the “street to suit” menswear offering has seen Henrietta Street transform

Acquisitions

Capco has continued to expand its presence on the estate through strategic acquisitions. During the year, new properties were acquired for a total consideration of £50 million, representing £2.2 million of ERV.

The acquisition of 30-33 Henrietta Street for £16 million has further consolidated Capco's holdings on this strategic street. The building offers the opportunity of repositioning of the retail units and conversion of the upper floors.

31-33 Bedford Street was acquired for £32 million in the first half of the year offering prime retail frontage. This follows the acquisition of 10-14 Bedford Street in 2014 and further enhances Capco's presence on the street, a key access point to the estate.

Residential and offices

Demand for residential at Covent Garden continues. The letting market has been particularly strong with 35 new lettings completed during the year. The Southampton, a premium residential development of seven apartments for rent, established a rental tone of £65-70 per square foot and have all been leased. Recent residential conversions of units on the upper floors of King Street and Henrietta Street have proved extremely successful with rents on certain units achieving over £80 per square foot.

At The Beecham, a luxury development of nine apartments for sale or rental overlooking the Piazza, six apartments have now been sold or are under offer at an average price per square foot of £2,800.

Establishing a new benchmark for prime office space, 35 King Street, the first new office development on the estate, has been leased to a digital agency for £77 per square foot.

Developments

The Kings Court and Carriage Hall developments continue to progress positively. The schemes will transform pedestrian flow in the area, creating a new connecting passage from Long Acre to King Street, unlocking the potential to extend Capco's placemaking approach through to Floral Street.

Kings Court will provide over 85,000 square feet (NIA) of space through eight retail and two restaurant units centred around a new public courtyard as well as 45 premium apartments above the development. Carriage Hall includes the refurbishment of 15,000 square feet (NIA) and plans include the provision of a double height covered atrium.

The Kings Court and Carriage Hall schemes are on track to complete in 2017. The total development cost is expected to be approximately £100 million, an increase of circa 8 per cent. Material changes are not expected to the total development cost going forward.

FUTURE PRIORITIES

Through its creative vision at Covent Garden, Capco remains committed to enhancing the estate's reputation as a leading global retail and dining destination for premium brands and visitors.

The strategy at Covent Garden remains focused on driving value through creative asset management and strategic investment. The estate's repositioning strategy, where every street has a plan is underway with initiatives across the estate. In particular, building on the success of Henrietta Street's 'Street to Suit' strategy and repositioning the Royal Opera House Arcade with luxury gifting and accessories, following successful pop-up lettings in the year, will be key areas of activity.

The Kings Court and Carriage Hall schemes are progressing well and are on track for completion in 2017. The developments are a unique opportunity to transform pedestrian flow in the area and extend Capco's placemaking approach through Floral Street and King Street, unlocking further value potential in these key parts of the estate.

Work progressed on Kings Court throughout 2015. This new mixed use development will open up a pedestrian route between Floral Street and King Street, establishing new high quality residential, retail and restaurant space



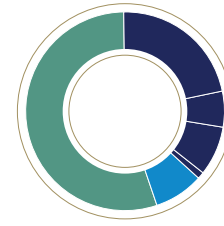
EARLS COURT: THE LARGEST REGENERATION OPPORTUNITY IN CENTRAL LONDON



Capital value

£1,357_m¹

Contribution to portfolio value



37%

Earls Court
Properties

¹ Group share

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



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

EARLS COURT PROPERTIES

“2015 has been a year of progress at Earls Court. We have continued to de-risk our land holdings and the complex demolition of the former Exhibition Centres is progressing well.”

Gary Yardley, Managing Director & Chief Investment Officer

HIGHLIGHTS

- Property value of £1,357 million as at 31 December 2015, up 9 per cent on a like-for-like basis
- ECPL, the investment vehicle completed with TfL
- Demolition of EC1 & EC2 progressing well
- Construction of Phase 1 of Lillie Square on track and sales of Phase 2 have commenced
- £30 million of acquisitions consolidating ownership around the Masterplan area

STRATEGY

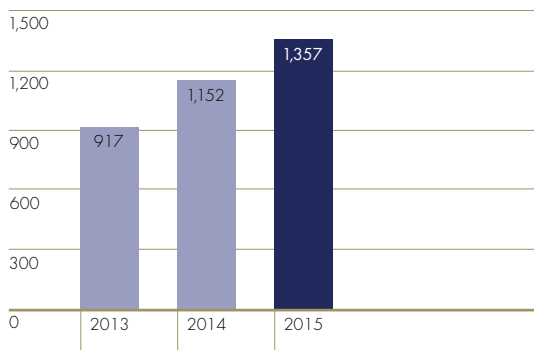
- Establish a new exciting address for London
- Progress the detailed planning process
- Continue land assembly and land enablement
- Progress sales values at Lillie Square
- Animate the Masterplan through place-making initiatives



Earls Court management team

Earls Court Properties capital value

£1,357m¹ +9.2%(Lfl)



¹ Group share

OPERATING PERFORMANCE

Over 70 acres of consented strategic land in central London

The Earls Court Masterplan covers over 70 acres of prime, consented, strategic land in central London. The scheme, which is located in Chelsea and Fulham is the largest regeneration opportunity in central London and is currently 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 scheme is located in an established premium neighbourhood with history and heritage and is well connected, offering existing strong public transport connectivity. Underpinned by Capco's distinct approach to creating places, the Earls Court Masterplan represents an opportunity to create the next great estate for London.

Earls Court is one of the Greater London Authority's ("GLA") 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 to 10 million by 2031 and the provision of housing is a key priority, with the Capital needing over 40,000 new homes per annum. Against this backdrop of London's housing need, the GLA increased the housing designation for Earls Court to at least 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:

- 63 per cent interest in ECPL: the investment vehicle with TfL in respect of EC1 & EC2, and including certain other assets on and around Lillie Road
- 100 per cent of the Empress State Building
- 50 per cent interest in the Lillie Square joint venture

In addition, in 2013 Capco exercised its option under the Conditional Land Sale Agreement ("CLSA"), a binding agreement in relation to the West Kensington and Gibbs Green Estates.

Plans at Earls Court are progressing well with demolition of the Exhibition Centres underway and construction of Phase 1 of Lillie Square on track with first completions expected in the second half of this year. This positive momentum is reflected in the valuation which has increased to £1.4 billion (Group share), a like-for-like increase of 9.2 per cent.

The Masterplan is located in two London Boroughs, the Royal Borough of Kensington and Chelsea and the London Borough of Hammersmith & Fulham. Capco continues to work positively and constructively with all its stakeholders.

The Earls Court Masterplan saw continued progress and achieved a number of milestones throughout 2015.



1 Earls Court Partnership Limited (63:37 Capco: TfL)

2 Empress State Building (100% Capco)

3 Lillie Square (50:50 Capco: KFI)

LBHF Estates (land subject to CLSA)

Lillie Bridge Depot (100% TfL)

— Consented Earls Court Masterplan (including Empress State Building)

The landowners' map is indicative.

EARLS COURT PROGRESS



The largest regeneration opportunity in Central London located where Chelsea, Fulham and Kensington meet. Artist's impression of Earls Court in 2030

DEMOLITION OF THE EARLS COURT EXHIBITION CENTRES

APRIL 2015



The services within EC1 and EC2 were decommissioned in early 2015 as internal deconstruction of the buildings began

AUGUST 2015



By summer 2015, all internal demolition complete and roof trusses prepared for demolition



Continued planning momentum

Capco continues to create value through the planning process at Earls Court. In March 2015, detailed planning consent was granted by the Royal Borough of Kensington and Chelsea for West Brompton Village. The consent will deliver a public square, a residential apartment building, townhouses, and three retail units across 1.2 acres. Following detailed planning achieved for Earls Court Village in 2014, this brings the total area for which detailed consent has been achieved to over 17 acres.

Significant progress in land assembly and land enablement

ECPL, the venture with TfL in respect of EC1 & EC2, completed in April 2015. ECPL is a UK limited company and owns 999 year leases over the EC1 & EC2 land together with certain other adjacent properties acquired from Capco on completion, primarily located on or around Lillie Road. Capco owns a 63 per cent share and is leading the venture following its appointment as exclusive business and development manager.

Demolition of the former Exhibition Centres to ground level is progressing well and is on track for completion in the second half of 2016. As previously stated, the total cost of this phase of demolition is £50 – £60 million.

Capco continues to consolidate its ownership in the Masterplan area, acquiring a number of smaller assets which will enhance the implementation of the scheme. £30 million of acquisitions were made during the year, of which £17 million were acquired by ECPL.

In November 2013, Capco exercised its option under the CLSA relating to West Kensington and Gibbs Green Estates. Capco to date has paid £45 million of the £105 million cash consideration including the first of five annual instalments of £15 million which was paid in December 2015. Plans are progressing towards

the construction of Block D of Lillie Square which will facilitate the first phase of replacement homes for the residents of the estates.

The Earls Court Masterplan achieved outline planning consent for 10.1 million square feet in 2012. Due to its scale, there will remain a risk of protests or legal challenges (ranging from complaints about noise through to judicial reviews or applications for listing) against specific aspects of the scheme as it is progressed. It should be noted that all such challenges to date have been successfully defended however future challenges of this nature cannot be discounted.



Artist's impression of the Lost River Park

OCTOBER 2015



The 1,300 tonne roof of EC1 was lowered in an eleven-hour, precise operation

JANUARY 2016



EC2 roof and structures demolished and the roof of EC1 demolished and removed from site

DETAILED DESIGNS FOR THE FIRST PHASE OF THE EARLS COURT MASTERPLAN



Artist's impression of the Lost River Park



Artist's impression of the Broadway



Artist's impression of the High Street

LILLIE SQUARE

OPERATING PERFORMANCE

The Lillie Square development is a one million square feet (Gross External Area ("GEA")) residential scheme located adjacent to the Earls Court Masterplan. Providing 608 private and 200 affordable homes, across three phases, Lillie Square delivers modern garden-square living in one of the most centrally-located and well-connected schemes in London.

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 £222 million, a like-for-like increase of 4.0 per cent over the year.

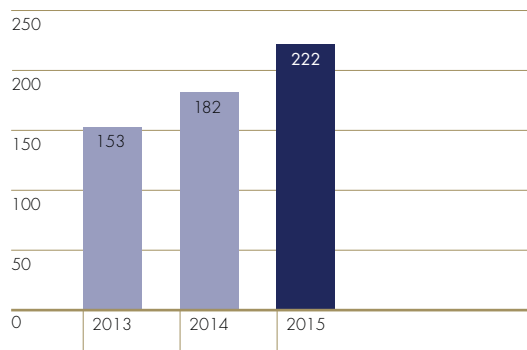
Phase 1 launched successfully in 2014 and is predominantly sold, crystallising value through £250 million of sales in this part of the scheme. The average price per square foot for Phase 1 is approximately £1,500 with individual premium units achieving over £2,200 per square foot.

The first release of Phase 2 of Lillie Square, which comprises 70 units, was launched in September 2015; 40 per cent of this first release has been reserved or exchanged. The rate of sales has reduced compared to 2014, reflecting challenging conditions in the residential sales market. However, sales prices achieved for Phase 2 are 5 per cent higher than comparable units in Phase 1, which reflects the strong location and transport connectivity of the scheme.

Construction of Phase 1 is underway and progressing positively with first completions on track for delivery in 2016. Construction of the private element of the scheme is expected to cost £400 million.

Lillie Square capital value

£222m¹ +4.0% (LFL)



¹ Capco's 50% share

HIGHLIGHTS

- Lillie Square valued at £222 million (Capco's share) up 4 per cent (on a like-for-like basis)
- Construction of Phase 1 underway and first completions on track for H2 2016
- Sales of Phase 2 commenced

STRATEGY

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



Lillie Square management team

LILLIE SQUARE



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

FUTURE PRIORITIES

Capco remains committed to its strategy to create value through planning, land assembly, land enablement and selective development through its land holdings at Earls Court.

At Earls Court, the focus of activities this year will be the completion of the complex and significant demolition of the former Exhibition Centres to ground level. In addition, Capco will continue to selectively acquire small but important assets around the Masterplan area, which will enhance the overall implementation of the scheme.

At Lillie Square, the focus is on construction of Phase 1 and delivery of the first completions in 2016, together with sales of Phase 2.

The Earls Court Masterplan is currently consented for 10.1 million square feet of residential-led space and is a designated GLA opportunity area, making it a strategic scheme for the Capital. With a rising population and London's forecast housing needs, maximising opportunity areas is vital in order to meet London's housing demands and options are being considered which enhance and maximise the potential of this important London scheme.

ON SITE AT LILLIE SQUARE



Construction of Phase 1 of Lillie Square began in 2014 and is progressing well

CONSTRUCTION AT LILLIE SQUARE



Construction progress on site at Lillie Square. The first Phase 1 buyers are to begin moving in during 2016



Interior of new three-bedroom mock-up apartment at Lillie Square

Artist's impression of Lillie Square

OLYMPIA LONDON

OPERATIONAL EXCELLENCE

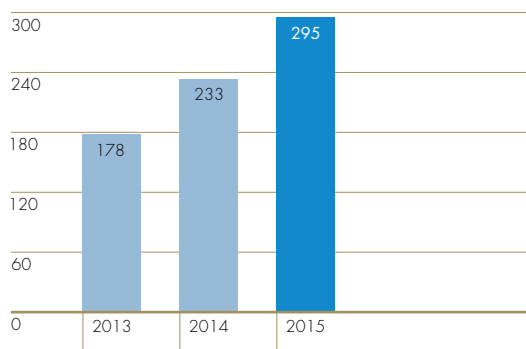
The reinvigorated Venues business performed ahead of expectations in 2015 reflecting the positive transition of shows from the Earls Court Exhibition Centres. EBITDA for the year was £15 million, up 33 per cent. This is reflected in the positive valuation performance, which has increased 24.7 per cent to £295 million on a like-for-like basis.

2015 was Olympia London's busiest year with over 200 events held and over 1.5 million visitors. Transitioned shows, including the Ideal Home Show and International Book Fair, have been successfully held at this reinvigorated venue. Olympia London is now the venue of choice for premium shows in central London and continues to attract new shows.

Following this successful transition, Capco announced in November 2015 that it is conducting a strategic review of its Venues business. A number of proposals are being explored as part of this review, including a sale or continued ownership.

Venues capital value

£295m +24.7% (LFL)



HIGHLIGHTS

- Strong valuation performance up 25% like-for-like
- EBITDA of £15 million, up 33%
- Successful transition of shows to Olympia London

STRATEGY

- Maximise utilisation by continuing to attract new shows



Olympia London management team

MOST ACTIVE YEAR FOR EXHIBITIONS AT OLYMPIA LONDON



*Ideal Home Show
at Olympia London*



The Business Show in Olympia Grand

FINANCIAL REVIEW



Soumen Das, Chief Financial Officer

“Capco continues to maintain a robust and disciplined financial position with low leverage of 16 per cent and available liquidity of £452 million². Our capital structure provides the platform to continue to deliver market-leading returns for our shareholders and continue to drive value creation across our assets.”

FINANCIAL HIGHLIGHTS

- EPRA NAV of 361 pence per share, a 16% increase
- Total return of 17%
- Total property value of £3.7 billion¹
- LTV of 16%
- £705 million unsecured revolving credit facility agreed for Covent Garden
- Cash and undrawn facilities £452 million²
- Completion of Earls Court Partnership Limited

¹ Group share.

² Group share. Includes £40 million increase in the Covent Garden facilities completed in January 2016.

EPRA adjusted, diluted net assets per share rose 16.1 per cent during the year, increasing from 311 pence at 31 December 2014 to 361 pence. This 50 pence increase together with the 1.5 pence dividend paid during the year represents a total return of 16.6 per cent.

At Covent Garden continued growth in estimated rental values (“ERV”) was the main driver of the increase in the value of the estate by 15.3 per cent (15.9 per cent like-for-like).

The market value of Earls Court Properties, which comprises the Group’s interests at Earls Court, has increased by 8.4 per cent (9.2 per cent like-for-like), primarily as a result of further de-risking of the development scheme through the completion of property transfers to ECPL (the investment vehicle with TfL) and progress with demolition of the Earls Court Exhibition Centres.

Basis of preparation

In line with the requirements of IFRS 11 ‘Joint Arrangements’ (“IFRS 11”) the Group is required to present its joint ventures under the equity method in the consolidated financial statements. Under the equity method, the Group’s interest in joint ventures is disclosed as a single line item in both the consolidated balance sheet and consolidated income statement rather than proportionally consolidating the Group’s share of assets, liabilities, income and expenses on a line-by-line basis.

Internally the Board focuses on and reviews information and reports prepared on a proportionate consolidation 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 proportionate consolidation basis. Continuing and discontinuing operations have also been combined.

Completion of property transfers to Earls Court Partnership Limited

On 2 April 2015, the Group’s leasehold interests in EC1 & EC2 were transferred into ECPL which occurred simultaneously with a grant of 999 year headleases by the freeholder, TfL, to ECPL. Other adjacent property interests, primarily located on and around Lillie Road, were also transferred into ECPL.

ECPL is held 63 per cent by the Group and 37 per cent by TfL. ECPL is fully consolidated within the Group’s financial statements as the Group holds the controlling interest. At completion, the grant of 999 year headleases over EC1 & EC2 was treated as an acquisition of property and fully consolidated. The transaction resulted in an increase in the carrying value of investment and development property (£419.1 million) which was offset by loan notes payable to TfL (£374.7 million) and TfL’s non-controlling interest share in capital (£44.4 million), both of which are recognised in equity.

Due to the significance of this transaction and to aid comparability to the previously reported position, a reconciliation to the Group’s share of property, net debt and other assets and liabilities is included in the summary adjusted balance sheet.

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 under IFRS required for investment and development property. Annual payments of £15 million commenced in December 2015. Where amounts are paid prior to the transfer of property, they will be carried on the Group’s consolidated balance sheet as prepayments against future land draw down. Of the £45 million paid to date, £15 million relates to the acquisition of two properties and £30 million is held as a prepayment. The remaining future payments totalling £60 million are disclosed as a capital commitment. 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.

Financial review continued

FINANCIAL POSITION

At 31 December 2015 the Group's EPRA adjusted net assets were £3.1 billion (2014: £2.6 billion) representing 361 pence per share, an increase of 50 pence per share since 31 December 2014.

SUMMARY ADJUSTED BALANCE SHEET

	2015				
	IFRS £m	Joint ventures ¹ £m	Proportionate consolidation £m	Non-controlling interest £m	Group share £m
Investment, development and trading property	3,870.7	130.9	4,001.6	(471.6)	3,530.0
Net debt	(559.2)	(9.4)	(568.6)	(10.3)	(578.9)
Other assets and liabilities ²	91.3	(121.5)	(30.2)	13.1	(17.1)
Non-controlling interest	(468.8)	–	(468.8)	468.8	–
Net assets attributable to the Parent	2,934.0	–	2,934.0	–	2,934.0
Adjustments:					
Fair value of derivative financial instruments			2.4		
Unrecognised surplus on trading property			99.9		
Deferred tax adjustments			28.9		
Non-controlling interest in respect of the adjustments			(5.8)		
EPRA adjusted net assets			3,059.4		
EPRA adjusted, diluted net assets per share (pence)³			361		

¹ Primarily Lillie Square.

² IFRS includes amounts receivable from joint ventures which eliminate on proportionate consolidation.

³ Adjusted, diluted number of shares in issue at 31 December 2015 was 847.7 million.

	2014				
	IFRS £m	Joint ventures ¹ £m	Proportionate consolidation £m	Non-controlling interest £m	Group share £m
Investment, development and trading property	2,806.5	98.3	2,904.8	–	2,904.8
Net debt	(354.9)	10.2	(344.7)	(7.1)	(351.8)
Other assets and liabilities ²	54.7	(108.5)	(53.8)	7.1	(46.7)
Net assets	2,506.3	–	2,506.3	–	2,506.3
Adjustments:					
Fair value of derivative financial instruments			1.8		
Unrecognised surplus on trading property			96.3		
Deferred tax adjustments			25.1		
EPRA adjusted net assets			2,629.5		
EPRA adjusted, diluted net assets per share (pence)³			311		

¹ Primarily Lillie Square.

² IFRS includes amounts receivable from joint ventures which eliminate on proportionate consolidation.

³ Adjusted, diluted number of shares in issue at 31 December 2014 was 846.3 million.

Investment, development and trading property

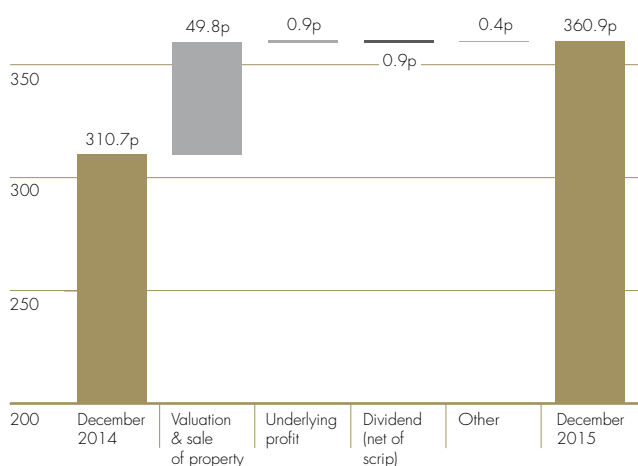
The revaluation surplus on the Group's property portfolio was £461.6 million during the year, a 13.9 per cent gain on a like-for-like basis compared with the IPD Capital Return for the equivalent period of 7.8 per cent.

Total property return for the year was 15.7 per cent, outperforming the IPD Total Return index which recorded a 13.8 per cent return for the corresponding period.

Trading property is carried on the consolidated balance sheet at the lower of cost and market value therefore valuation surpluses on trading property are not recorded. Any unrecognised surplus is however reflected within the EPRA adjusted net asset measure. At 31 December 2015, the unrecognised surplus on trading property was £99.9 million, up from £96.3 million at 31 December 2014. This primarily arises on trading property at Lillie Square.

EPRA adjusted, diluted net assets per share NAV +16% to 361p

Pence
400



The completion of ECPL on 2 April 2015 resulted in additions to property of £419.1 million which was offset by a non-controlling interest in equity. Excluding this, acquisitions during the year were £80.1 million, £50.0 million at Covent Garden and £30.1 million around the Earls Court Masterplan area.

Debt and gearing

The Group share of net debt increased by £227.1 million to £578.9 million, principally as a result of further investment in the business through property acquisitions and subsequent expenditure.

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 carrying 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 the non-controlling interest. The LTV of 16.4 per cent remains comfortably within the Group's limit of no more than 40 per cent. In January 2016 the £665 million Covent Garden facility was replaced by a new £705 million Covent Garden debt facility which has increased available facilities by £40 million. The table below includes the pro forma impact of the facility.

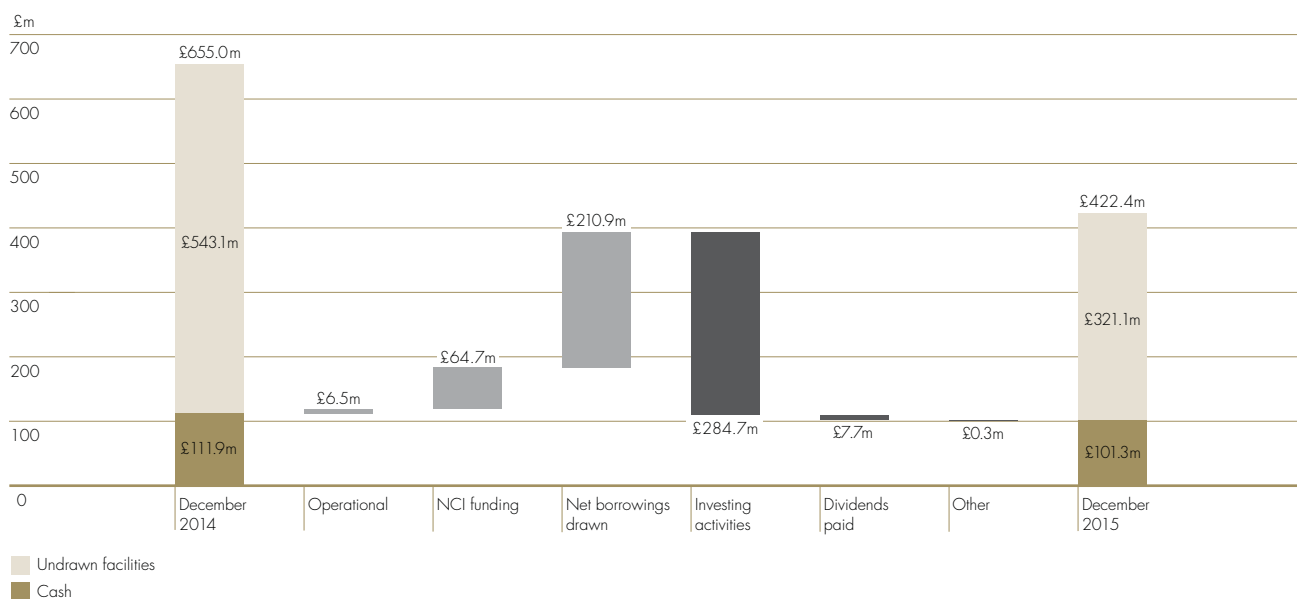
	Pro forma	2015	2014
Loan to value		16.4%	12.1%
Interest cover		123%	188%
Weighted average debt maturity	5.3 years	4.1 years	5.1 years
Weighted average cost of debt	2.8%	3.3%	3.4%
Proportion of Group share gross debt with interest rate protection		91%	94%

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 2015 the proportion of Group's share of gross debt with interest rate protection was 91 per cent (2014: 94 per cent). In January 2016 additional derivative contracts have been entered into taking advantage of the historically low market rates.

The Group remains compliant with all of its debt covenants.

At 31 December 2015 the Group had capital commitments of £211.1 million (£206.5 million Group share) compared to £171.4 million at 31 December 2014. The increase is mainly attributable to the Kings Court construction contract.

Cash and undrawn facilities



Financial review continued

CASH FLOW

A summary of the Group's cash flow for the year ended 31 December 2015 is presented below:

	2015 £m	2014 £m
Operating cash flows after interest and tax	6.5	19.4
Purchase and development of property, plant and equipment	(282.9)	(259.8)
Investment in joint venture	(12.5)	–
Sales proceeds from property and investments	17.8	8.1
Deferred consideration on purchase of subsidiary	(7.1)	–
Pension funding	–	(0.8)
Net cash flow before financing	(278.2)	(233.1)
Issue of shares	0.1	252.1
Financing	275.2	58.9
Dividends paid	(7.7)	(11.0)
Net cash flow	(10.6)	66.9

Operating cash inflows were £6.5 million compared with cash inflows of £19.4 million for 2014, as a result of an increase in net working capital requirements.

During the year £102.8 million was invested at Covent Garden for the purchase of three properties, completion of a property that had exchanged in the prior year and subsequent expenditure. At Earls Court £36.4 million was invested in land assembly and £132.4 million was spent on subsequent expenditure for the construction of Lillie Square Phase 1, the demolition of the Earls Court Exhibition Centres and transaction costs associated with the completion of ECPL.

On 29 June 2015, the Group acquired a 50 per cent interest in Solum Developments, a joint venture arrangement with Network Rail Infrastructure Limited for £12.5 million. The joint venture will explore opportunities for future redevelopments on and around significant railway stations in London.

Net borrowings drawn during the year were £210.9 million. Financing from TfL (i.e. the non-controlling interest) of £64.7 million was received to settle the non-controlling interest share of ECPL completion costs and subsequent expenditure on the demolition of Earls Court Exhibition Centres.

Dividends paid of £7.7 million reflect the final dividend payment made in respect of the 2014 financial year and the 2015 interim dividend paid in September. This was lower than the previous year due to a higher take up of the scrip dividend alternative, 51 per cent versus 11 per cent in 2014.

The Group's cash and undrawn committed facilities at 31 December 2015 were £422.4 million (£412.1 million Group share). On a pro forma basis, adjusting for the increase in available facilities as a result of the new Covent Garden facility, the Group's cash and undrawn committed facilities are £462.4 million (£452.1 million Group share).

FINANCIAL PERFORMANCE

The Group presents underlying earnings and underlying earnings per share in addition to the amounts reported on a proportionate consolidation 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.

	2015 £m	2014 £m
Net rental income	75.4	70.1
Profit/(loss) on sale of trading property and other income	4.0	(0.4)
Gain on revaluation and sale of investment and development property	454.0	454.4
Administration expenses	(52.8)	(43.2)
Net finance costs	(20.1)	(15.1)
Non-recurring finance costs	–	(5.2)
Change in fair value of derivative financial instruments	(0.6)	(12.1)
Other	–	1.7
Taxation	(2.7)	(1.6)
Less: Profit for the year attributable to non-controlling interest	(26.1)	–
Profit for the year attributable to owners of the Parent	431.1	448.6
Adjustments:		
(Profit)/loss on sale of trading property and non-underlying other income	(2.0)	1.9
Gain on revaluation and sale of investment and development property	(454.0)	(454.4)
Non-recurring finance costs	–	5.2
Change in fair value of derivative financial instruments	0.6	12.1
Other	–	(1.7)
Taxation on non-underlying items	5.7	1.4
Non-controlling interest in respect of the adjustments	26.4	–
Underlying earnings	7.8	13.1
Underlying earnings per share (pence)	0.9	1.6
Weighted average number of shares	840.8m	806.5m

Income

Net rental income has increased by £5.3 million (7.6 per cent like-for-like) during the year. Olympia London performed strongly, benefiting from the transition of exhibitions from Earls Court.

Gain on revaluation of investment and development property

The gain on revaluation of the Group's investment and development property was £454.0 million, £262.9 million arising from the Covent Garden estate, £133.1 million from Earls Court Properties and £58.4 million from Olympia London.

EPRA PERFORMANCE MEASURES

Measure	Definition of Measure	2015	2014
Adjusted earnings	Recurring earnings from core operational activity	£6.0m	£16.7m
Adjusted earnings per share	Adjusted diluted earnings per weighted number of ordinary shares	0.7p	2.1p
Adjusted net assets	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	£3,059m	£2,630m
Adjusted net assets per share	Adjusted diluted net assets per share	361p	311p
Triple net assets	Adjusted net assets adjusted to include the fair value of financial instruments, debt and deferred tax	£3,016m	£2,599m
Triple net assets per share	Diluted triple net assets per share	356p	307p
Net initial yield	Annualised rental income less non-recoverable costs as a percentage of market value plus assumed purchaser's costs	2.6%	2.9%
Topped-up initial yield	Net initial yield adjusted for the expiration of rent-free periods	2.7%	3.1%
Occupancy	ERV of occupied space as a percentage of ERV combined portfolio	97.8%	97.5%

Administration expenses

Administration expenses have increased by 22.1 per cent to £52.8 million. Certain activities previously capitalised to the EC1 & EC2 properties are now treated as overheads following the completion of ECPL and this will also increase reported administration expenses going forward. This change together with an increased headcount in line with expansion of the Group's activities has resulted in the increase in administration expenses.

Net finance costs

Net finance costs have increased by 33.6 per cent to £20.1 million as a result of the increased net debt.

Taxation

The total tax charge for the year was £2.7 million which is made up of both underlying tax and non-underlying tax.

Tax on underlying profits for 2015 reflects a rate of 20 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 credit of £3.0 million. Following the Chancellor's announcement in the July 2015 Budget, the main rate of corporation tax will fall to 19 per cent from April 2017 and 18 per cent from April 2020.

Contingent tax, the amount of tax that would become payable on a theoretical disposal of all investment property held by the Group, was £17.6 million. This relates to the properties held by ECPL which is a UK limited company. A disposal of the Group's trading property at market value would result in a corporation tax charge to the Group of £20.2 million (20.25 per cent of £99.9 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 21 June 2016 to shareholders on the register at 27 May 2016. Subject to SARB approval a scrip dividend alternative will be offered.

Going concern

At 31 December 2015 the Group's cash and undrawn committed facilities were £422.4 million and its capital commitments were £211.1 million. With weighted average debt maturity exceeding four years, LTV of 16.4 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 2015 Annual Report & Accounts on a going concern basis.



Soumen Das
Chief Financial Officer

24 February 2016



From the Chairman of the
Corporate Responsibility Committee

CORPORATE RESPONSIBILITY REPORT

“Our continued programme of CR activity reflects our desire to have a positive social and environmental impact in the Capital.”

Respecting the environment and communities in which we operate underpins our strong commitment to creating public value and delivering our strategy with integrity.

Our continued programme of CR activity reflects our desire to have a positive social and environmental impact in the Capital. Capco retains a reputation for sympathetic stewardship of Covent Garden and innovative urban creation at Earls Court. We have developed a robust internal management of community, environmental and people matters and hence the Board has decided that CR should now be reported directly to the Board instead of through the Corporate Responsibility Committee. The CR Executive Committee will continue to manage the Group’s day to day CR activities.

We will continue to focus our charitable activity on social improvements in London, including youth employment, education and homelessness as we have identified these as important to the City’s future success.

Our CR strategy continues to develop as our business plan is delivered and we regularly review progress against our targets. This year we have taken the opportunity to refresh our CR reporting. We have included our performance against our key targets for 2015, and you can view performance against all our 2015 CR targets on our website.

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

Ian Henderson
Chairman of the Corporate Responsibility Committee

24 February 2016

MATERIALITY

We monitor and assess the effectiveness of our CR strategy and measure impact in three fundamental areas: people, community and environment.

See pages 48 & 49

PEOPLE

TALENT

We aim to hire and retain the best people in our industry and develop them into leaders of the future.

REWARD

We recognise that good people must be incentivised to sustain consistently high levels of performance, and consequently we benchmark our remuneration and aim to be at upper quartile in our sector.

CULTURE

The fast-moving and entrepreneurial culture at Capco is exciting and offers opportunity for innovation and creativity.

GIVING BACK

We value the opportunity to give back to society and work closely with our chosen volunteer organisations and charities. The feedback we receive from our external partners and Capco staff indicates that we contribute positively to the areas of London in which we invest.



THE COVENT GARDEN ESTATE HOSTED POPPY DAY COMMEMORATIONS

Uniformed personnel from the Royal Navy, Army and Airforce participated in the acts of remembrance and a Spitfire plane was exhibited beside the Piazza.

See pages 50 & 51

COMMUNITY

SUPPORTING LOCAL ECONOMIES

We work closely with community groups and local stakeholders and aim to make a positive social and environmental impact in the areas where our assets are located.

EDUCATIONAL PROGRAMMES

We deliver an education programme to primary and secondary schools in Covent Garden and Earls Court, designed to introduce children of school age to specific issues affecting their areas of London.

CHARITY PROGRAMMES

We work closely with selected charities which focus on making a difference in one of the areas of special interest to Capco, including young people, youth employment, homelessness and ex-military personnel. We aim to build long-standing relationships with our chosen charities in order to help enhance their success.



WE AIM TO BENEFIT YOUNG PEOPLE IN AREAS WHERE OUR ASSETS ARE LOCATED

The sports and activity clubs funded by Capco have been well attended and have provided valuable additional out of school facilities.

It is our intention to benefit the communities in which our assets are located, provide fulfilling development opportunities of our talented people and respect the environment.

A summary of progress against all our 2015 targets can be found in the CR section of the Capco corporate website.

See pages 52 & 53

ENVIRONMENT

ENERGY & CARBON MANAGEMENT

In order to reduce our carbon footprint we procured at least 80 per cent of electricity from low carbon or renewable energy tariffs and in 2015 offset our office based carbon emissions via a tree planting initiative in the London region.

WASTE MANAGEMENT

We are introducing further initiatives to improve recycling rates and continue to divert all non-hazardous operational waste from landfill at Olympia, Covent Garden and Head Office.

RESPONSIBLE DEVELOPMENT

We continue to implement Construction Environmental Management Plans and robust on-site procedures to prevent environmental incidents at our major on-site projects Earls Court, Kings Court and Lillie Square.

HEALTH & SAFETY

We continue to strive for health and safety excellence across all of our property activities in order to offer the highest levels of protection for our employees, supply chain partners and the members of the public who interact with our business operations.



CAPCO APPRENTICESHIP PROGRAMME IN PARTNERSHIP WITH SIR ROBERT MCALPINE LTD

During the early planning stages of Lillie Square, Capco committed to offering opportunities for apprenticeships for local residents at various stages throughout the development.

PEOPLE

People are the key to our success and we are proud of our team ethos and results oriented approach. We aim to recruit the best people and develop careers by promoting talented individuals to positions of leadership.

TALENT

Our aim is to manage talent effectively and ensure that we have sufficient capability to realise our ambitious strategy. We regularly undertake succession planning exercises to review the talent pipeline and progress individuals according to capability.

We recruit top graduates each year who pursue an internal programme of training and mentoring which will ensure they are well prepared for the Royal Institution of Chartered Surveyors ("RICS") Assessment of Professional Competence ("APC"). Each graduate is assigned an experienced Capco counsellor and supervisor who guides them through the APC process.

New opportunities that arise in the business are advertised internally and we prefer to promote internal candidates in order to enhance career development and encourage mobility across the Group.

TRAINING AND DEVELOPMENT

Capco training and development programmes are designed to augment the bench strength of our teams and challenge aspiring leaders.

Individual training and development needs are identified and discussed at performance review meetings with line managers. During 2015, our employees spent 452 hours on training activity, against a target of 400 hours.

Through our sponsorship of individuals undertaking further professional qualifications, we encourage continuous learning reflecting our intention to create a learning environment.

In order to promote knowledge transfer across the Group, we run a series of 'lunch and learn' sessions, where business leaders showcase their strategy to other employees, in order to enhance understanding of wider business objectives.

During 2015 we ran a bespoke training programme for Personal Assistants covering aspects of professionalism and organisational skills.

Our Essential Management Skills programme concluded in the first quarter of 2015 and was supplemented by a 360 degree feedback exercise for rising stars within the business.

We recognise that coaching and mentoring can have significant impact on behaviours and key staff continued to benefit from bespoke coaching programmes.

PERFORMANCE MANAGEMENT

Company strategy and over-arching corporate objectives are communicated bi-annually by the Executive Directors, and Heads of Business Units ensure that their team objectives align with corporate strategy.

Annual performance objectives for individuals are agreed at performance review meetings which take place at the beginning of the calendar year. Performance is measured against objectives set for the previous year and individual performance ratings underpin bonus awards which are paid in April of each year.

We regard the giving of regular and direct feedback as a core competency of effective leadership and encourage line managers to appraise performance regularly during the year.

2015 ACHIEVEMENTS

Leadership development

We continued to develop leadership capability in 2015 and 11.6 per cent of people were promoted internally thereby assuming greater leadership responsibility.

Extended benefits

A programme of lifestyle benefits was introduced which reflect our desire to promote healthy work-life balance.

Maturing culture

In 2015, Capco signed up to the RICS Equality Mark as a sign of our commitment to diversity in the workplace.

OUR COMMITMENTS IN 2016

Knowledge transfer

In 2016 we intend to extend the mentoring of managers across the Group in order to accelerate the internal development of our rising stars.

Graduate intake

We will make further investment in the recruitment of new graduates and the ongoing extension of the graduate development programme.

Induction

Corporate induction programmes will be extended to those in new roles in order to improve the role transition period.

CULTURE

The high performance culture at Capco is reflective of the ambitious and innovative business strategy.

Typically, Capco people are results-driven and brave in their approach to new ideas. Many of our people are in new roles and have assumed increased levels of responsibility since joining Capco.

The three tenets of our corporate behaviour are: Collaboration, Creativity and Courage. These three aspects formed the basis of behavioural discussions across the business last year.

We believe that every person in the Company has a part to play in generating value and we understand fully the benefits of a diverse workforce. We have a good track record of developing the careers of senior women and 50 per cent of the senior management team are female.

We support parents returning after childbirth and encourage our people to adopt a healthy attitude to work-life balance.

BENEFITS

In addition to core elements, we reward people with an attractive package of additional benefits.

Our competitive package of benefits includes private medical insurance and also covers dental treatment. The Company contributes up to 10 per cent of salary into the MyCapco pension scheme.

We have enhanced parental arrangements and encourage new parents to take their full entitlement to parental leave.

Our policy is to enable employees to take their full annual leave entitlement of 28 days per annum, rising to 30 days after four years' service.

LIFESTYLE PROGRAMME

In September, we launched a new programme of lifestyle benefits designed to assist Capco people with some of the issues that are important in their lives.

The programme included assistance with financial planning, mortgage advice and the support of a specialist will writer.

We have partnered with a leading childcare adviser who will assist our working parents to find a suitable childcare solution.

REWARD

The aim of our reward strategy is to compensate people for high performance and to incentivise them to strive to improve.

Core compensation packages at Capco comprise three elements of base salary, discretionary performance bonus and discretionary share awards.

We regularly benchmark our approach to reward to ensure that we remain competitive in the market and we aim to remain within the upper quartile range of our sector.

Awards are made in April of each year and take account of performance ratings discussed at performance review meetings in January.

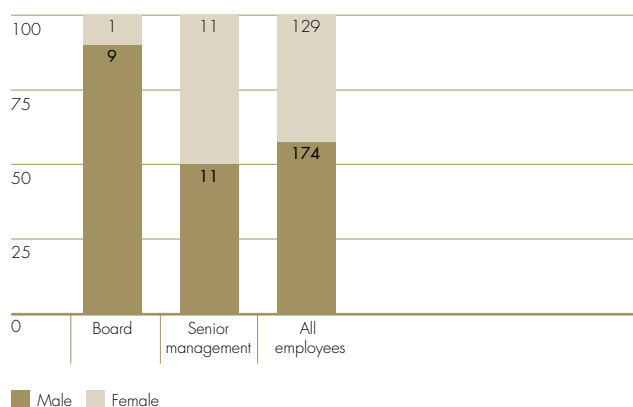
All Capco employees are eligible to receive share awards so that everyone can participate in the success of the Company. These awards have a three-year performance period and are subject to corporate performance conditions.



AT CAPCO WE ENCOURAGE COLLABORATIVE WORKING WITHIN AND ACROSS TEAMS

During the summer, the Finance Team spent a day working with a team of actors exploring communication techniques. Using simulation sessions, they put into practice new and different methods of putting across views in the context of an effective team. With renewed understanding that genuine innovation depends on the ideas of others being heard, the session has enhanced the team's ability to have a positive impact on the business.

Gender Diversity (%)



HUMAN RIGHTS

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

COMMUNITY

During 2015, Capco continued to work to benefit the communities in which we operate and to support our chosen charities. Capco staff committed a total of 607 hours to CR related activity (against a target of 400 hours) and volunteered to help with CR projects.

Benefiting the communities in which our assets are located is the cornerstone of the stewardship of our estates.

SUPPORTING LOCAL ECONOMIES

Community initiatives

A programme of local community clubs and activities in the Earls Court area is now well established, delivering several community benefits through Fulham Boys School ("FBS").

Children from the West Kensington & Gibbs Green estates were given the opportunity to take part in free educational and sporting activities using state of the art equipment, educational and sporting facilities funded by Capco at FBS.

There has been a high level of take up of all clubs providing the potential to expand on the current programme, offering new clubs and additional opportunities to access activities.

Covent Garden Management Plan

Capco has signed an agreement with Westminster City Council ("WCC") which sets out the basis of collaboration for the management of the public realm of the Covent Garden area. The document is in keeping with Capco's commitment to ensuring both the smooth running of servicing operations and enhancing public safety. Achievements include Capco lowering street access across the Covent Garden estate to enable access for vehicles. In addition, Capco and WCC have agreed to split responsibility for cleaning and gum removal in the district, with Capco focusing on King Street, Floral Street and Rose Street and litter picking on James Street.

Public realm enhancement

Capco has signed an agreement with WCC to fund the replacement of tarmac pavements with high quality York Stone paving on Henrietta Street, Southampton Street and sections of the Piazza including St. Paul's Church portico. Work on the first phase, which included the area under the portico, was completed before Christmas and the remainder of the streets will be finished by May 2016. As part of this, Capco has supported the contractor FM Conway in launching its apprenticeship scheme.

2015 ACHIEVEMENTS

Local initiatives

We have delivered a range of local community and education projects on our estates that have benefited people of all ages.

Charitable donations

This year we have developed close ties with selected charities which align with our overarching CR strategy and have donated over £388,000 to charitable causes. A highlight was our sponsorship of the Maggie's Culture Crawl.

Staff CR engagement

Capco staff remain committed to participating in CR related activities.

Each employee was given a CR objective as part of their performance review and several teams undertook group volunteering activities.

OUR COMMITMENTS IN 2016

Apprenticeships

We will continue to identify opportunities for apprenticeships for local young people across our assets and encourage our contractors to support this initiative.

Education Programme

We will extend the number of schools that participate in the Capco Education Programme, building further on our success with school children of all ages.

Charitable work

We will launch a volunteer programme with The Connection at St Martin-in-the-Fields, the charity for homeless people at St. Martin's.

We will encourage employees to engage in CR initiatives and contribute 450 employee hours to supporting CR related projects.

Recruit London

This is the second year that Capco has supported the Recruit London scheme. In 2015 40 people were recruited via the scheme into jobs with companies in Covent Garden. This year we contributed to the provision of a more dedicated Workplace Co-ordinator, focused solely on recruiting residents of Westminster into jobs in companies on the Covent Garden estate. This has given, and will continue to give us the opportunity to support our retailers in their recruitment. The Workplace Co-ordinator was involved in helping to fill a number of temporary Christmas vacancies.

Staff cleaning the Covent Garden district

All of the Covent Garden management team donned hi-vis clothing and completed a two hour shift cleaning streets in the district, as part of an initiative aimed at developing the team's understanding of how such services can be improved.

CHARITABLE SUPPORT

In October 2015, we hosted a quiz night in aid of the Sir Simon Milton Foundation which raised £29,000 towards the establishment of a technical college in his name to benefit young apprentices in London.

We began working with Spear, a charity concerned with youth employment, and sponsored students to participate in Spear's programme which helps young people to enter work and progress in their career. As part of the programme, participants visited our offices for a training session on CV writing with Capco employees and participated in a tour of the Covent Garden estate. We also participated in interview skills workshops at Spear which were beneficial to the students.

The Covent Garden team has worked closely with Lifelites throughout the year and in the summer raised over £7,000 by organising a golf day for consultants and contractors. The equipment that Lifelites provides using these funds helps sick children to learn, play and interact with their families and other children when they would otherwise be isolated due to their illness.

Military personnel

Covent Garden once again hosted the London Poppy Day Appeal across the Piazza, with performances from a variety of military bands, a replica life-size Spitfire and an RAF flight simulator. A poppy shop sold merchandise from the Piazza, while a British Legion pop-up space allowed the public to learn about where the proceeds are spent both for veterans and those in active service. The event raised £42,502 towards the appeal.

Homelessness

We supported The Connection at St Martin's with donations on behalf of employees as part of our Christmas charitable activity.

EDUCATIONAL PROGRAMMES

The Capco Education Programme, which runs in conjunction with the Urban Studies Centre, continued in 2015.

In the spring of 2015, we ran a project with Year Seven at FBS. The project included learning about the history of Earls Court and the local area, meeting experts from Capco to discuss the Earls Court development and visiting the Lillie Square construction site viewing platform and marketing suite. Throughout the duration of the project, the students studied a real life case study of changing urban landscapes, providing opportunities for discussion and critical thinking on development, housing and construction.

In the summer of 2015, we worked with Year Three at Fulham Primary School. The project centred on exploring North End Road Market, conducting environmental surveys and interviews to discover how the retail businesses of North End Road Market are performing. The children created North End Road t-shirts and exhibited project work on the Fulham Primary Market stall at North End Road summer market.

In the autumn of 2015, we joined Year Two at Servite Primary School. They explored the history of the Earls Court area as 'Street Detectives', visiting Brompton Cemetery to hear stories of the locally famous and discussed the future of Earls Court. In one of their sessions, they also visited the Lillie Square marketing suite and the viewing platform overlooking the construction site.



CAPCO SPONSORED THE MAGGIE'S CULTURE CRAWL AND A TEAM OF EMPLOYEES PARTICIPATED IN THE EVENT

Capco was a headline sponsor of the 2015 Maggie's Culture Crawl, a 15 mile night-walk to raise money for Maggie's Cancer Centres. The walk offered participants, including a Capco team of 10 walkers, access to landmark buildings in the Capital as well as performances from musicians, dancers and artists. Covent Garden hosted the finish line overnight, treating walkers to much needed refreshments, massages and an art installation by Rebecca Louise Law. The Capco team raised a total of £6,700 including matched funding and Maggie's raised over £350,000 via the event.



WE INTRODUCED SCHOOL CHILDREN TO DESIGN ASPECTS OF THE BUILT ENVIRONMENT AND CAPCO EMPLOYEES ACTED AS MENTORS TO THE TEAMS

Capco sponsored a highly innovative project called 'Little Architect' which introduced primary school children living near Earls Court and Covent Garden to the built environment. We partnered with The Architectural Association School of Architecture and ran highly interactive design sessions with the children mentored by volunteer Capco employees. The results were spectacular and were displayed at a showcase event hosted by New London Architecture.

ENVIRONMENT

Capco aims to minimise the impact of our operations on the environment. We apply a responsible and forward-looking approach to environmental issues and the principles of sustainability.

HEALTH & SAFETY

2015 saw considerably increased construction and demolition activities across the Group with work at Earls Court and Lillie Square both progressing well and development activities taking place at Covent Garden. During the year two Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 ("RIDDOR") incidents were recorded involving contractor employees; both were minor in nature and resulted from tripping incidents.

There were seven RIDDOR incidents at Covent Garden during 2015, all involving members of the public. At Olympia, there were three RIDDOR incidents involving members of the public and one RIDDOR incident involving an employee.

With the revised Construction (Design and Management) Regulations ("CDM") 2015 that came into force in April 2015, CDM procedures and strategies have been reviewed and updated, taking into account the transitional and permanent changes to Client appointed Duty Holders.

Capco appointed a Head of Health and Safety in August 2015 with a remit to further develop and lead health and safety strategy across the Group, as well as monitoring compliance with relevant health and safety legislation.

With the added support from the Head of Health and Safety, the Group's Health & Safety Committee, chaired by the Managing Director and Chief Investment Officer, continued to meet on a monthly basis. The Health & Safety Committee reviewed health and safety performance, lessons learned and shared best practice across the Group. The outputs from the Health & Safety Committee, along with business-led health and safety reports, were discussed during Board meetings.

ENERGY AND CARBON

We continue to monitor and manage energy consumption and carbon emissions across the Group. In 2015 our absolute carbon emissions reduced by 38 per cent compared with 2014. This was principally due to the closure of the Earls Court Exhibition Centre. Across the Group we introduced a series of energy efficiency measures such as LED lighting, improved heating and cooling controls and energy management initiatives. We have continued our compliance activities in connection with the Carbon Reduction Commitment ("CRC") scheme, the Energy Savings Opportunity Scheme ("ESOS") and continued our work to identify those of our properties with an Energy Performance Certificate rating of below E, which will be prioritised for improvements where appropriate.

In 2015, we participated in World Green Building Week and promoted to our employees, opportunities to reduce energy use in our offices. In 2016 we plan to take further steps to raise awareness of energy efficiency and to extend this by engaging with our tenants.

At Olympia we continued to promote the vehicle share and pre-event booking service, which has been successful in reducing traffic queues at peak times and provided useful data to assist organisers with carbon and sustainability reporting.

2015 ACHIEVEMENTS

Absolute carbon emissions reduced by 38 per cent compared with 2014.

Real time energy monitoring deployed on-site at Lillie Square to analyse carbon data and to implement measures to reduce energy consumption.

Purchased at least 80 per cent of electricity from low carbon or renewable energy tariff.

More than 85 per cent of non-hazardous waste diverted from landfill across Earls Court, Lillie Square and Kings Court projects.

100 per cent of operational non-hazardous waste diverted from landfill at Olympia, Covent Garden and Head Office.

Earls Court, Lillie Square and Kings Court projects participated in the Considerate Constructors Scheme and achieved scores higher than the industry average.

Improved Carbon Disclosure Project score for the fourth year running to 94B and continued as a participant in FTSE4Good index.

OUR COMMITMENTS IN 2016

Health & Safety

Continue to embed the updated governance and reporting framework at operational levels and promote the highest standards of Health & Safety management.

Energy & Carbon Management

Continue to measure, verify and report on the carbon footprint and achieve a reduction in energy consumption of three per cent in assets where Capco has operational control¹.

Waste & Water Management

Aim to minimise waste to landfill from properties where Capco has operational control and develop a waste consolidation strategy for the Covent Garden estate to improve recycling rates.

Monitor water consumption across the portfolio and implement measures to improve water efficiency.

Responsible Development

Continue to work towards achieving a minimum rating of BREEAM Very Good on major construction projects and, where existing planning conditions apply, Code for Sustainable Homes Level 4 certification. Target a minimum of 85 per cent of non-hazardous waste to be diverted from landfill and identify opportunities to reduce on-site energy use, carbon emissions and water consumption at major project sites including Earls Court, Lillie Square and Kings Court.

Further develop our approach to the responsible sourcing of construction materials, including the use of responsibly sourced timber, and determine opportunities to reduce embodied carbon impacts.

¹ Operational control: Assets where Capco has the ability to introduce and manage operational aspects such as energy and water consumption and waste management strategies.

CORPORATE GREENHOUSE GAS EMISSIONS

In accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, Capco has collated data throughout the year to report on the greenhouse gas emissions associated with its operations. Capco adopts the World Resources Institute Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, has applied the operational control approach, and adopted a materiality threshold of five per cent for greenhouse gas reporting purposes.

In 2015 new guidance was introduced to the GHG Protocol which requires Capco to report on emissions resulting from purchased electricity using two different methodologies. The two methodologies are the location-based approach and the market-based approach. For location-based reporting, average national grid emission factors for the UK are used, and these have been sourced from the DEFRA 2015 Government Conversion Factors for Company Reporting. Market-based reporting uses an emission factor specific to the energy purchased, and here tariff or supplier-specific emission factors have been applied. Where a supplier-specific emissions factor was unavailable the residual mix emission factor was used. Reporting Capco's emissions in this way demonstrates the positive impact of procuring electricity generated from renewable sources and from electricity suppliers with cleaner fuel mixes. Capco has engaged with Carbon Credentials Energy Services Ltd to provide verification of the 2015 greenhouse gas emissions assertion in accordance with industry recognised standard ISO14064-3.

GREENHOUSE GAS EMISSIONS DATA FOR YEAR 1 JANUARY TO 31 DECEMBER

Emission Source	Market-based method (tCO ₂) ¹	Location-based method (tCO ₂ e) ²	
	2015	2015	2014
Scope 1 emissions:			
Direct emissions including fuel combustion in owned or controlled boilers and vehicles	–	1,356	1,998
Scope 2 emissions:			
Indirect emissions released into the atmosphere including purchased electricity	801	5,553	9,107
Total annual scope 1 and 2 emissions:	–	6,909	11,105
Intensity Ratio:			
Capco (Tonnes of CO ₂ e per £m of Net Assets)	–	2.03	4.43

¹ Tonnes of carbon dioxide (tCO₂)

² Tonnes of carbon dioxide equivalent (tCO₂e)

WASTE AND WATER MANAGEMENT

Across the Group, improving operational recycling rates and the diversion of waste from landfill has remained a priority and we achieved 100 per cent diversion of operational non-hazardous waste from landfill at Olympia, Covent Garden and Head Office in 2015.

Throughout the year we monitored water consumption, establishing a water consumption baseline across the properties that we operate. We have identified opportunities to reduce usage by installing water efficient fittings whilst undertaking refurbishment works. We will continue to identify water efficiency initiatives in 2016.

RESPONSIBLE DEVELOPMENT

Capco is committed to integrating responsible and sustainable practices into the delivery of our projects and development. At Lillie Square and Kings Court, we continue to work towards achieving a minimum of BREEAM Very Good and Code for Sustainable Homes Level 4 certification. We have established monthly reporting procedures to actively monitor environmental aspects on-site and at Lillie Square real time energy monitoring has been deployed to

analyse carbon data and identify measures to reduce consumption. Across our major projects we continue to procure responsibly sourced timber and have met our target of diverting 85 per cent of non-hazardous waste from landfill.

The Earls Court demolition site achieved a high score in the industry Considerate Constructors Scheme, demonstrating the high standard of environmental management. Managing demolition waste has been a major priority and in 2015 98 per cent of waste was diverted from landfill, 95 per cent was recycled off-site and three per cent was directly re-used. A carbon footprinting tool has been adopted and measures to reduce carbon impacts, such as innovative eco-fuel additives, are being trialled on-site.

To further our commitment to sustainability in the built environment, we have produced a Sustainability Framework for Projects & Development. This will be adopted in 2016 and sets out sustainability performance measures for Capco's projects. Capco is a member of the UK Green Building Council and we plan to become a more active member of the organisation by participating in key sustainability initiatives and collaborating with our peers in the sector.



GARDEN AT THE LILLIE SQUARE MOCK-UP APARTMENT

The planned Lost River Park at Earls Court will create a new five-acre public park designed for walking, resting, play and art, with ecological and productive landscaping to support a wide range of habitats. The garden at the Lillie Square mock-up apartment (pictured) gives an insight into the rich landscaping planned for the park.

Executive Directors



IAN HAWKSWORTH

Chief Executive Age 50

Ian leads Capco, shaping strategy and driving performance. He has over 30 years' experience in global real estate investment, development, asset and corporate management, having been a senior director of both Hongkong Land and Liberty International. Ian is a Chartered Surveyor and a member of leading international industry bodies.



SOUMEN DAS

Managing Director & Chief Financial Officer Age 39

Soumen leads the Capco finance function and has investment responsibility for Covent Garden. Soumen is an experienced corporate financier and formerly an executive director of UBS specialising in real estate. He joined Capco from Liberty International, having coordinated the demerger of the companies in 2010.



GARY YARDLEY

Managing Director & Chief Investment Officer Age 50

Gary leads Capco's real estate investment, overseeing significant real estate transactions, and is responsible for the investment performance of Earls Court. Gary is a Chartered Surveyor with over 30 years' experience in UK real estate. He is a former CIO of Liberty International and former partner of King Sturge.

COMMITTEE MEMBERSHIP KEY

- 1 *Audit Committee*
- 2 *Nomination Committee*
- 3 *Remuneration Committee*

Chairman and Non-executive Directors



IAN DURANT

Chairman Age 57

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

External appointments

Greene King plc (Non-executive Director)
Greggs plc (Chairman)
Home Retail Group plc (Chairman of Audit and Risk Committee)



IAN HENDERSON CBE

Independent Non-executive Deputy Chairman and Senior Independent Non-executive Director Age 72

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

External appointments

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



GRAEME GORDON

Non-executive Director Age 52

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

External appointments

Creative Investments Limited
Mymarket Limited



GERRY MURPHY

Independent Non-executive Director Age 63

A former Deloitte LLP partner with direct industry experience in consumer business, retail and technology, media and telecommunications. Gerry was a member of the Deloitte Board for a number of years and is a Director of Dixons Carphone plc and the Department of Health.

External appointments

Dixons Carphone plc (Non-executive Director)
Department of Health Board
(Non-executive member)



DEMETRA PINSENT

Independent Non-executive Director Age 41

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

External appointments

Charlotte Tilbury Beauty Limited



HENRY STAUNTON

Independent Non-executive Director Age 67

Henry was appointed to the Board in June 2010 and became Chairman of the Audit Committee shortly after in July 2010. Previously Finance Director of Granada and ITV, Chairman of Ashted Group and Vice Chairman of Legal & General.

External appointments

WH Smith PLC (Chairman)
Brighthouse Group PLC (Chairman)
Phoenix Group Holdings (Chairman)



ANDREW STRANG

Independent Non-executive Director Age 63

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

External appointments

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

OUR GOVERNANCE FRAMEWORK



Ian Durant, Chairman

“A governance framework that supports the achievement of Capco’s strategic objectives.”

Dear Shareholder,

I am pleased to introduce Capco’s 2015 Corporate Governance Report.

As reported in my Chairman’s statement, Capco had another successful year in 2015, executing its strategy for its assets and generating strong returns for shareholders.

The Board is responsible for the long-term success of Capco, and as Chairman I am responsible for ensuring that the Board operates effectively and efficiently in achieving its strategic objectives and managing the corporate risks while continuing to strive for outperformance for our shareholders.

Capco’s strong performance since its establishment has been underpinned by a robust governance framework. In this report, and the Committee reports that follow, we explain how the Board and its Committees operated during the year. We also include information on some of the management committees that strengthen the controls and reporting framework across the Group.

During the year, we undertook reviews of a number of our internal management systems, including risk management, business continuity and disaster recovery. 2015 saw our first major demolition and construction projects begin at Earls Court and Lillie Square, alongside a heightened security environment following the terrorist incidents in Paris and elsewhere. We therefore reviewed our health and safety reporting across the Group and established a Security Risk Committee to provide Group-wide oversight of security risk.

Taking account of the robust internal management of Community, Environmental and People matters, the Board has decided that with immediate effect Corporate Responsibility matters will be reported directly to the Board. Accordingly, the Corporate Responsibility Committee of the Board will be dissolved.

The Board is keen to ensure that a balance of skills and experience aligned to Capco’s strategic goals is maintained, and during the year, the Nomination Committee continued to review succession planning and progress recruitment of Non-executive Directors. In March 2015, Gerry Murphy was appointed as an additional Non-executive Director and I am pleased that we will welcome Anthony Steains to the Board in March 2016. The Nomination Committee Report on pages 65 to 66 provides more detail of our recruitment process and induction arrangements for Non-executive Directors.

Ian Henderson will be retiring from the Board and as Deputy Chairman and Senior Independent Director at the Company’s forthcoming AGM, and will step down as Chairman of the Remuneration Committee with effect from 25 April 2016. The Board is pleased that Ian will remain available to the Company on a consultancy basis following his retirement from the Board, allowing the Company to continue to benefit from his extensive experience. Gerry Murphy is to become Chairman of the Remuneration Committee, and Demetra Pinsent will join the Committee on 25 April 2016. I am pleased to confirm that Henry Staunton will become Senior Independent Director on Ian Henderson’s retirement.

A handwritten signature in dark ink, appearing to read 'Ian Durant'.

Ian Durant
Chairman

24 February 2016

STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the provisions of the UK Corporate Governance Code (the “Code”) during 2015.

THE BOARD

The Board is collectively responsible for the long-term success of the Company, and for its leadership, strategy, values, standards, control and management. Day-to-day management of the Group is delegated to the Executive Directors, subject to formal delegated authority limits; however, certain matters have been reserved for Board approval. These matters are reviewed annually and include: Board and Committee composition, strategy, significant funding decisions and corporate transactions, delegated authority limits and dividend policy.

Board composition

As at 31 December 2015, the Board comprised the Chairman, three Executive Directors and six Non-executive Directors. The table on page 58 summarises the membership of the Board and Committees.

Biographies of each of the Directors, which include information on their skills and experience, can be found on pages 54 and 55.

Board independence

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

The Board has considered the independence of the Non-executive Directors, and the table on page 58 sets out those Directors considered to be independent in character and judgement. Each of these Directors has also confirmed that there is no reason why they should not continue to be considered independent.

In considering Director independence, the Board concluded that Directors' tenure should be counted from the date of their first election by shareholders to the Capco Board.

The key responsibilities of Board members are set out in the table on page 59.

THE BOARD IN 2015

The Board met formally throughout the year with main meetings timed around the financial calendar, and additional meetings convened to consider specific matters as required. Attendance at Board and Committee meetings held during 2015 is shown on page 61.

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

Board papers are circulated a week in advance of meetings to ensure that Directors have sufficient time to consider their content prior to the meeting. If matters require approval at short notice, written approval is sought from the Directors.

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

As matters that require the Board's decision are often large, complex and evolve over a period of time, informal update meetings are held between Board meetings to allow Board members adequate time to explore, understand and challenge matters under consideration. These are often combined with site visits and provide an opportunity for the Non-executive Directors to meet senior management. Four such updates were held during 2015, including a presentation on EC planning matters and a visit to the Earls Court demolition and Lillie Square construction sites.

During 2015, the Board received regular asset, financial and performance updates from the Executive Directors and reports from the Company Secretary, General Counsel, Director of HR & CR and Committee Chairmen. The table below shows the key areas considered by the Board during the year.

BOARD COMMITTEES

The Board has established Audit, Remuneration, Nomination and Corporate Responsibility Committees to enable the Board to operate effectively and ensure a strong governance framework for decision making.

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

The Board has decided that, taking account of the robust internal management of Community, Environmental and People matters, Corporate Responsibility will in future be reported on directly to the Board, instead of through a Corporate Responsibility Committee. Accordingly, this Committee will be dissolved.

A number of management committees support the business in delivering its strategy.

A summary of the role of each Committee is shown on page 58, and the activity of each Committee during 2015 is described on pages 62 to 87.

MATTERS CONSIDERED BY THE BOARD IN 2015

Business Strategy & New Business	Properties	Financial Performance	Governance, Internal Controls & Risk
Strategy	Property valuations	Annual and half-year results and dividends	Risk appetite and principal risks
New business opportunities	Covent Garden performance	Treasury and cash management including refinancings	Health & Safety, Security Risk and IT security updates
Completion of TfL investment vehicle	Kings Court & Carriage Hall developments	Group tax position	Board evaluation and action plan
Key investment decisions including property acquisitions, launch of Lillie Square Phase 2 and acquisition of interest in Solum Developments	Earls Court demolition and Lillie Square construction Planning consents	Market & Broker updates Budget	Legal and regulatory updates AGM resolutions and voting Board Committees' terms of reference and schedule of matters reserved for the Board

LEADERSHIP STRUCTURE

THE BOARD

Collectively responsible for the long-term success of the Company. Management of strategy, leadership and risk

Audit Committee

- Oversees financial reporting
- Monitors internal controls
- Oversees risk management
- Monitors internal and external auditors

Remuneration Committee

- Sets remuneration policy
- Sets Executive Director remuneration and incentives
- Approves annual performance objectives

Nomination Committee

- Recommends Board appointments
- Succession planning
- Board evaluation

Corporate Responsibility Committee (dissolved)

- Aligned corporate responsibility initiatives with the corporate strategy
- Oversaw corporate responsibility activities

Further information can be found in:

Audit Committee Report on pages 62 to 64
Risk Management Report on pages 14 to 17

Directors' Remuneration Report on pages 68 to 87

Nomination Committee Report on pages 65 and 66

CR Committee Report on page 67
Corporate Responsibility Report on pages 46 to 53

Management Committees:

Executive Risk Committee

- Executive management forum for review and discussion of risks, controls and mitigation measures

Business Services Committee

- Supports the business and streamlines delivery of business services
- Establishes and promotes Group-wide policies and systems to enable the Company to operate efficiently

Security Risk Committee

- Provides Group-wide oversight of the management of security risk

Group Safety Leadership Team

- Provides Group-wide oversight of management and implementation of Capco's Health and Safety Policy and Management System

Corporate Responsibility Executive Committee

- Manages the CR activities of the Group
- Prepares CR policy
- Sets CR targets and monitors progress

Insurance Committee

- Ensures coordination of Group-wide insurance matters

BOARD INDEPENDENCE

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

56% independent

ROLES OF BOARD MEMBERS

The following table sets out the key responsibilities of Board members:

Roles of Board Members

Position	Name	Responsibilities
Chairman	Ian Durant	Leads the Board, ensures its effectiveness and sets its agenda. Ensures an effective link between shareholders, the Board and management.
Chief Executive	Ian Hawksworth	Develops the Company's strategic direction, implements policies and strategies agreed by the Board and manages the business.
Managing Director & Chief Financial Officer	Soumen Das	Responsible for developing and implementing financial strategy for the Group, and the investment performance of the Covent Garden Estate.
Managing Director & Chief Investment Officer	Gary Yardley	Responsible for leading the Group's real estate investment, overseeing significant real estate transactions and the investment performance of Earls Court.
Non-executive Directors	Ian Henderson, Graeme Gordon, Gerry Murphy, Demetra Pinsent, Henry Staunton, Andrew Strang	Constructively challenge the Executive Directors and monitor the delivery of the agreed corporate strategy within the risk and control framework set by the Board.

All Directors have access to the advice and services of:

Company Secretary	Ruth Pavey	Advises the Board on corporate governance matters and ensures a good flow of information within the Board and its Committees and between senior management and the Non-executive Directors.
General Counsel	Anne Byrne	Provides legal advice and guidance to the Board; reports on business services activities.



SITE VISIT TO EARLS COURT AND LILLIE SQUARE

In November 2015, the Non-executive Directors toured the Earls Court demolition site at one of the Board updates. During the engaging tour the Directors were shown the progress that had been made so far in the demolition of the Exhibition Centres and saw first-hand some of the methods used and the logistical challenges of the site.

In addition to visiting the Earls Court demolition site, the Directors also visited the Lillie Square construction site where they were able to see how the development was progressing from a purpose built observation platform, and viewed the new three-bedroom mock-up apartment.

ENSURING AN EFFECTIVE BOARD

Recognising that Capco's Board must be effective, the Board conducts an annual evaluation of its own performance and that of its Committees and Directors. In 2015 the evaluation was managed by the Chairman and Company Secretary. Directors were asked to assess the effectiveness of the Board by providing a mixture of quantitative and narrative responses. The outcomes of the evaluation were considered by the Board and a Board action plan for 2016 was agreed. As the last external Board evaluation was undertaken in 2013, an externally-facilitated Board evaluation will be undertaken during 2016.

In addition, during the year the Senior Independent Director conducted an appraisal of the Chairman's performance which identified a number of matters for focus during 2016, and the Chairman undertook appraisals of the other Directors' performance.

COMMUNICATION WITH STAKEHOLDERS

Our policy

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

Corporate website

Our corporate website www.capitalandcounties.com allows visitors to access Company information, annual reports, results

presentations and webcasts. The site also includes links to our business unit websites and contact details for shareholder queries.

Annual General Meeting

Our AGM allows the Board to update our shareholders on Capco's progress, and provides an opportunity for shareholders to pose questions to the Directors, and meet senior executives.

Shareholders are encouraged to vote on the resolutions put to the meeting, either in person, online or by submitting a proxy card. We publish the results of the votes on all resolutions on our website following the meeting.

Our 2016 AGM will be held on Friday 6 May 2016. The notice of Annual General Meeting will be issued to shareholders at least 20 working days before the meeting. Separate resolutions will be proposed on each issue, and in accordance with the Code, each Director, with the exception of Ian Henderson who is retiring from the Board at the AGM, will offer themselves for election or re-election.

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

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

2015 BOARD EVALUATION

Chairman and Company Secretary considered the approach to be taken for the 2015 Board Evaluation

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

A questionnaire was prepared and issued to Directors

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

An action plan was agreed

ACTIONS FOR 2015

- Ensure effective induction of new Non-executive Director(s)
- Consider whether existing opportunities for informal Board contact are sufficient
- Review risk management and reporting

PROGRESS

- Effective induction programme of Gerry Murphy delivered
- Ensured regular updates held including a Non-executive Director dinner
- Risk management review completed. Risk is considered at every Board meeting

ACTIONS FOR 2016

- Implement annual health and safety briefing in addition to the regular reports to each meeting
- Ensure effective reporting of Corporate Responsibility to the Board
- Review the effectiveness of the new risk management structure

ATTENDANCE AT MEETINGS

The following table shows Directors' attendance at Board and Committee meetings held during 2015:

Name	Board	Audit	Remuneration	Nomination	CR
Ian Durant (Chairman)	7/7			2/2	3/3
Ian Hawksworth (Chief Executive)	7/7			2/2	3/3
Soumen Das	7/7				
Gary Yardley	7/7				
Graeme Gordon	7/7				
Ian Henderson (SID)	7/7	3/3	7/7	2/2	3/3
Andrew Huntley	2/2		2/2	1/1	
Gerry Murphy	6/6	2/2	5/5	1/1	
Demetra Pinsent	7/7			2/2	3/3
Henry Staunton	7/7	3/3	7/7	2/2	
Andrew Strang	7/7	3/3	7/7	2/2	
	7	3	7	2	3

Communications with shareholders and other stakeholders

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

The Company's major shareholders are encouraged to meet with the Chairman and the Senior Independent Director to discuss any matters they may wish to raise. During 2015, the Chairman and Chairman of the Remuneration Committee held a number of meetings with shareholders, including discussion of remuneration and governance matters.

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

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

The Company maintains active relations with community stakeholders.

Please see page 50 and 51 in the CR Report for more details of Capco's stakeholder engagement.

CONFLICTS OF INTEREST

The Chairman's other business commitments are set out in his biography on page 55. The Board is satisfied that the Chairman's additional commitments allow him to devote sufficient time to perform his duties as Chairman of Capco.

The Deputy Chairman, who is retiring from the Board at the 2016 AGM, is a Director of the Board of Capco's joint venture in respect of the Lillie Square development. He receives no remuneration for

this appointment. The Board considered this appointment carefully before confirming its approval and remains satisfied that there is no conflict of interest and that the appointment does not compromise his independence.

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

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

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

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

DTR DISCLOSURE

The disclosures required under DTR 7.2 of the Disclosure and Transparency Rules are contained in this report, and the Audit Committee and Nomination Committee Reports, except for information required under DTR 7.2.6 which is contained in the Directors' Report on pages 88 and 89.

AUDIT COMMITTEE REPORT



Henry Staunton, Chairman of the Audit Committee

I am pleased to introduce Capco's 2015 Audit Committee Report. The Committee plays a key oversight role for the Board, and this year its principal activities have focused on monitoring and reviewing all aspects of the Group's financial reporting, internal controls and risk management procedures.

This report provides an overview of the work undertaken by the Committee in the past year. During 2015, the most significant topics considered by the Committee included the Group's property valuations, taxation and the accounting treatment of various significant corporate transactions.

The Committee reviewed the updated risk disclosures resulting from the change in approach to risk management described on page 14, and also reviewed the viability statement disclosure before it was recommended to the Board.

A handwritten signature in black ink, appearing to read 'H. Staunton'.

Henry Staunton
Chairman of the Audit Committee, 24 February 2016

Members:
Henry Staunton (Chairman)
Ian Henderson

Gerry Murphy
Andrew Strang

The Audit Committee, reporting to the Board, oversees the financial reporting process, monitors the effectiveness of internal control, internal audit, risk management, and the statutory audit and monitors the independence of the statutory auditors and the provision of non-audit services. As at 31 December 2015 and the date of this report, the Committee comprises four independent Non-executive Directors, and is chaired by Henry Staunton who is considered to have significant, recent and relevant financial experience.

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

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

The Audit Committee met three times during 2015. Attendance at these meetings is shown in the table on page 61. The Committee also met privately during the year with both the external and internal auditors.

The Committee follows an annual programme, which is agreed with the Committee Chair, management and external auditors prior to each financial year, and ensures it gives thorough consideration to matters of particular importance to the Company, and additional matters are considered when appropriate. The Committee's 2015 agenda is shown in the table below, and the significant matters considered by the Committee during the year are explained on page 63.

THE AUDIT COMMITTEE IN 2015

Regular meeting items	February Meeting	July Meeting	November Meeting
Report from Financial Controller	Going concern assessment	Interim results announcement	Effectiveness of External Auditor and recommendation for re-appointment
Accounting treatment of significant transactions	Preliminary results, Annual Report and Management Representation Letter	2015 Audit Plan	
Accounting standards and policies		Liquidity forecasting	
Property valuations	Determining and recommending to the Board that the Annual Report taken as a whole was fair, balanced and understandable	Risk management	Risk management review
External Auditor report including regulatory update		Viability statement	Internal controls
Internal Auditor report from BDO	Effectiveness of Internal Audit		Viability statement
Tax update			Corporate governance policies and Committee Terms of Reference
			2016 internal audit plan

SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE IN 2015

Matter considered	What the Committee did
Valuations	As in previous years, the independent external valuers presented the year-end and half-year valuations to the Committee at the February and July meetings respectively. The Committee reviewed the valuation process and component parts of the valuations, discussed the valuations with the external auditors and challenged the valuers on the assumptions used. The Committee also advised the Board on the independence of the valuers and obtained confirmation that management had provided all requested information. The Committee was satisfied that the approach taken by the valuers was appropriate. Please refer to note 16 on pages 114 to 117 in the notes to the accounts.
Tax	The Director of Tax and Treasury presented a report to the Committee at the February and July meetings, explained the basis of the Group's tax position, identified key taxation risks to the Group and updated the Committee on the ongoing relationship with HMRC. The Committee challenged the assumptions made in arriving at the tax position and discussed with the external auditors the assumptions and judgements made in arriving at the deferred tax position. The Committee was satisfied that the policy was appropriate for the Group. Please refer to note 29 on page 129 in the notes to the accounts.
Significant and complex transactions	As in previous years, the Committee received updates from the Financial Controller on significant and complex transactions at each meeting. With regards to each transaction, such as the CLSA, the Solum joint venture and the Olympia strategic review, the Committee discussed the accounting treatments with management and the external auditors and is satisfied that the appropriate approach has been taken.

EXTERNAL AUDITORS

Committee Responsibilities

The Committee oversees the relationship with PricewaterhouseCoopers LLP ("PwC"), the external auditors, and is responsible for developing, implementing and monitoring the Company's policy on external audit, and for monitoring the auditors' independence, objectivity and compliance with ethical, professional and regulatory requirements. The external auditors are not permitted to perform any work that they may subsequently need to audit or which might either create a conflict of interest or affect the auditors' objectivity and independence.

Access to Committee

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

Effectiveness of Auditors

The Committee monitored PwC's effectiveness and performance during 2015, and considered a paper prepared by the Financial Controller which confirmed that in management's view PwC were providing a good quality audit service and continued to deliver against all facilities considered at their appointment. The Committee is satisfied that the external auditors remain independent and objective and that the Group is receiving a robust and challenging objective audit and has therefore recommended to the Board that PwC be reappointed in 2016.

Tendering of External Audit Contract

Capco tendered its external audit contract in 2010, and PwC were appointed as Group auditors on an annual rolling contract. The Directors plan to complete an audit tender in 2020, the date by which the external audit contract must be tendered to comply with regulatory requirements, unless issues are identified which require a tender to be undertaken earlier. This is in the best interest of the Company's members because it will ensure continuity of service from the external auditors.

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 – statement of compliance

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.

Non-Audit Services

Non-audit services are normally limited to assignments that are closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group is necessary.

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

- auditing their own work;
- making management decisions for the Company;
- creating a mutuality of interest;
- developing close personal relationships with the Company's personnel; or
- acting in the role of advocate for the Company.

The Committee is satisfied that the policy remains effective.

The total fees paid and payable to PwC in 2015 were £454,000, of which £14,000 related to non-audit work. These fees primarily relate to corporate transactions and verification of performance against share scheme performance conditions. The total fees paid and payable to PwC in 2015 are set out in the table below.

	2015	2014
Total fees paid to PwC	£454,000	£442,000
Non-audit fees	£14,000	£55,000
Ratio of non-audit fees	3.1%	12.4%

INTERNAL AUDITOR

Internal Audit Plan

BDO LLP ("BDO") has been appointed to act as Capco's internal auditor. During 2015, BDO's audit plan included reviews of:

- contract management
- treasury, cash management & bank covenants
- disaster recovery & business continuity
- Bribery Act policies and procedures
- payroll procedures

During 2016, it is expected that the audit plan will include reviews of health & safety, joint ventures, IT security and training, expenses, insurance, accounts payable, talent management, VAT compliance and Bribery Act policies and procedures.

Committee Responsibilities

The Committee reviews the work of the Internal Auditor, the audit plan, any matters identified as a result of internal audits and whether recommendations are addressed by management in a timely and appropriate way. The Committee is satisfied that the internal auditor was independent and its services effective.

Access to the Committee

The internal audit partner has direct access to the Audit Committee Chairman should they wish to raise any concerns outside formal Committee meetings. The Committee meets with the internal auditors at least once per year without management being present.

INTERNAL CONTROL & RISK MANAGEMENT

Risk Management

The Board has overall responsibility for the Group's risk management framework and system of internal control and the ongoing review of their effectiveness; it also determines the risk appetite of the Group and regularly reviews principal risks and uncertainties. The framework is designed to manage rather than eliminate risk, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Board has delegated responsibility for the review of the adequacy and effectiveness of the Group's internal controls relating to risk to the Committee.

During 2015, a review of risk management across the Group was undertaken. The Committee reviewed the controls relating to risks and the updated principal risk disclosures.

A description of the Group risk management framework and the review undertaken during the year is set out on page 14.

Viability Statement

As part of its work in reviewing the Group's financial statements, the Committee reviewed the methodology for the preparation of the viability statement including the principal risks, supporting analysis, qualifications and assumptions to be disclosed.

The viability statement can be found on page 17

Internal Controls

The Audit Committee monitors and reviews the effectiveness of the Group's internal controls and reports regularly to the Board on its work and conclusions. In reviewing the effectiveness of the Group's internal controls, the Committee considers reports provided by the Financial Controller, external auditor and internal auditor. No significant failings or weaknesses were identified in the review process.

Details of the Group's internal controls are set out below:

Day-to-day procedures and internal control framework

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

Specific controls relating to financial reporting and consolidation process

- Appropriately staffed management structure, with clear lines of responsibility and accountability
- A comprehensive budgeting and review system. Board and Audit Committee updates from the Chief Financial Officer which include forecasts, performance against budget and financial covenants
- Led by the Chief Executive, the Group Finance team participates in the control self-assessment and policy compliance elements of the risk management framework and sets formal requirements with business unit finance functions which specify the reports and approvals required
- BDO conduct regular audits of the Group's financial control procedures and reports its findings to the Audit Committee

The Committee is satisfied that the Group's internal controls are operating effectively.

NOMINATION COMMITTEE REPORT



Ian Durant, Chairman of the Nomination Committee

I am pleased to introduce Capco's 2015 Nomination Committee Report.

Having welcomed Gerry Murphy to the Board on 1 March 2015, during 2015 the Committee continued to focus on Board and Committee composition to ensure that the Board continues to have the right mix of skills and experience to deliver Capco's strategy, and I am pleased that Anthony Steains will be joining the Board on 1 March 2016. Anthony will bring extensive corporate finance experience and a diverse and international perspective to the Board. The report below provides more information on our Non-executive Director recruitment process and the induction that we provide to our new Directors.

As I explained in my letter on page 7, Ian Henderson will be retiring from the Board at the Company's forthcoming AGM. The Board is pleased that Ian will remain available to the Company on a consultancy basis following his retirement from the Board, allowing the Company to continue to benefit from his extensive experience.

As previously reported, the Committee recognises the need to maintain the depth of property experience on the Board. Accordingly the Committee will continue to focus on this area during 2016.

A handwritten signature in dark ink, appearing to read 'Ian Durant'.

Ian Durant
Chairman of the Nomination Committee, 24 February 2016

Members:

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

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

The members of the Committee as at 31 December 2015 and the date of this report are listed in the box above. The Nomination Committee met twice during the year, and attendance at these meetings is shown in the table on page 61.

Non-executive Director recruitment

Capco operates a rigorous and transparent recruitment process for new Directors. During 2014, following a full review of the skills, experience, independence and knowledge of Board members, it was agreed that two new Non-executive Directors should be recruited, of whom at least one should have specific property expertise.

The Zygos Partnership, which provides no other services to the Group, was engaged by Capco in 2014 and 2015 to assist with the recruitment of Non-executive Directors. To ensure that the long-list of candidates reflected diversity of both gender and skills, a broad brief was provided to the Zygos Partnership. A description of the Non-executive Director recruitment process is set out on page 66. In January 2015 the Committee made a formal recommendation to the Board that Gerry Murphy be appointed as a Non-executive Director of the Company and as a member of the Nomination Committee, Audit Committee and Remuneration Committee, and in February 2016 the Committee made a formal

recommendation to the Board that Anthony Steains be appointed as a Non-executive Director of the Company and as a member of the Nomination Committee. Work to recruit a further Non-executive Director, with specific property experience, will continue in 2016.

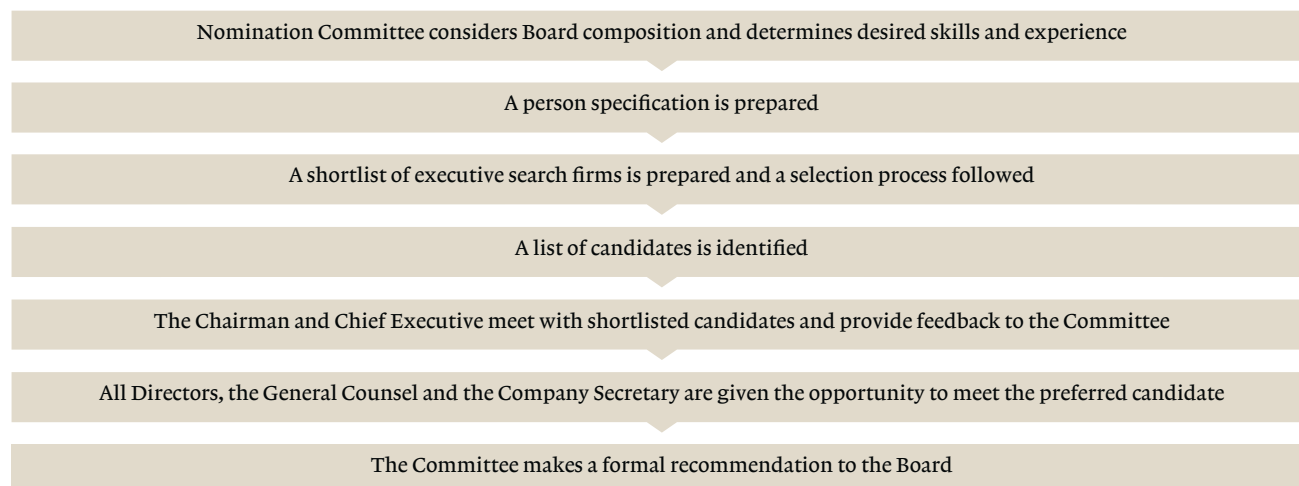
Non-executive Director induction

An induction programme is provided for each new Non-executive Director, which is tailored depending on the Director's experience and expected role on the Board. A typical induction programme for a Capco Non-executive Director will include individual meetings

Matters considered by the Committee during the year include:

- Board and Committee composition, including diversity
- Non-executive Director recruitment
- Succession planning
- Board evaluation
- Directors' skills and experience
- Directors' time commitments
- Committee terms of reference

NON-EXECUTIVE DIRECTOR RECRUITMENT PROCESS



with the Chairman, Executive Directors, General Counsel, Company Secretary and members of senior management, site visits to Capco's estates, and an introduction by the Chairman to the Company's brokers, advisers and lawyers. The Director is also provided with copies of past Board and Committee papers and minutes, and individual briefings are arranged on topics such as Directors' duties and responsibilities and the property market.

Non-Executive Director development

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

Diversity

Diversity is important to Capco across the Group and we recognise the business benefits of employing people with varied outlooks. We are keen to develop female talent and the ratio of men to women within Capco's senior management team is 1:1.

Please refer to pages 48 and 49 of the Corporate Responsibility Report for more information on Capco's people practices, including our learning and development strategies.

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

Board composition and succession

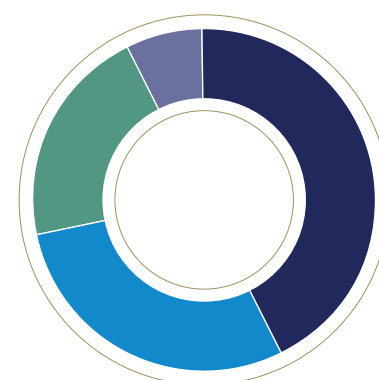
The Committee regularly considers Board composition and succession planning for both Executive and Non-executive Directors. In considering Executive Director succession, the Board's strategy is to consider both internal and external candidates, whilst aiming to develop a choice of internal potential successors. The focus of Non-executive Director succession planning is to ensure that the Board and its Committees continue to have the right mix of skills and experience to deliver Capco's strategy. A summary of Directors' core areas of experience as at the date of this report is shown in the figure to the right.

Board succession and composition will continue to be considered at Committee meetings during 2016, and the Committee will make recommendations to the Board where appropriate.

Committee membership

Following Ian Henderson's decision to retire from the Board, the Committee considered whether it was appropriate to recommend any changes to Committee membership and recommended to the Board that Gerry Murphy should become Chairman of the Remuneration Committee and that Demetra Pinsent should join the Remuneration Committee.

Directors' core areas of experience:



Property	43%
Finance	29%
Consumer & Retail	21%
Luxury Goods	7%

Both Executive and Non-executive Directors are included. Some Directors are represented in more than one category.

CORPORATE RESPONSIBILITY COMMITTEE REPORT



Ian Henderson, Chairman of the Corporate Responsibility Committee

The Corporate Responsibility Committee oversaw the Group's Corporate Responsibility ("CR") initiatives to ensure that they are appropriately aligned with Group strategy.

During the year the Committee considered Capco's sustainability performance and reporting in light of increased construction and demolition activities. Stakeholder engagement remains strong across assets. A summary of the matters considered by the Committee is set out below.

As explained within the Chairman's letter on page 56, Corporate Responsibility matters will now be reported directly to the Board. Accordingly, this Committee will no longer meet.

Our 2015 Corporate Responsibility Report can be found on pages 46 to 53.

A handwritten signature in dark ink, appearing to read 'Ian Henderson'.

Ian Henderson
Chairman of the Corporate Responsibility Committee, 24 February 2016

Members:
Ian Henderson (Chairman)
Ian Durant

Ian Hawsworth
Demetra Pinsent

The Corporate Responsibility Committee was chaired by Ian Henderson and its members are listed above. The Committee met three times during the year. Attendance at these meetings is shown on page 61.

Matters considered by the Committee during the year include:

- Corporate Responsibility reporting
- Charitable donations and spend against budget
- Updates on new legislation
- Compliance with environmental legislation

DIRECTORS' REMUNERATION REPORT



Ian Henderson, Chairman of the Remuneration Committee

"We aim to align our incentive arrangements with our strategy to deliver market-leading returns to our shareholders."

ANNUAL STATEMENT

Dear Shareholder,

The Committee's key objectives, as in previous years, are to ensure that Capco's executive team is appropriately incentivised by remuneration arrangements that are fully aligned with the Company's strategy of providing long-term market-leading returns to shareholders. Management incentives are linked to the KPIs which the Company uses to measure the creation and growth of value for shareholders. These KPIs are described in full on page 13.

Since its establishment in 2010, Capco has delivered TSR performance which ranks first when compared to its listed peers, and strong performance has continued in 2015. This year the financial elements of the bonus paid out at 90 per cent of maximum, reflecting the year-on-year increase in NAV of 16.1 per cent and TPR performance which exceeded the benchmark by 1.9 per cent. However, despite the very strong performance delivered since 2010, the long-term incentive awards which will vest in 2016 based on TSR and TR performance up to the end of 2015 are only expected to vest in part. 60 per cent of the PSP awards and, depending on the award, 40 or 80 per cent of the MSP awards granted in 2013 are expected to vest. This relatively low vesting outcome is due to the stretching nature of our long-term targets for TSR and TR.

During 2015 the Remuneration Committee reviewed the remuneration arrangements in place at Capco in order to simplify the arrangements, take account of shareholder views, and to ensure that the arrangements continue to be aligned with our strategy. During the review process the Committee considered a number of factors, including the best way in which to reward and incentivise performance, market practice at other listed property companies and developers, and how to simplify the remuneration arrangements which are currently too complex. As a result of the review the Remuneration Committee is developing an alternative remuneration structure which will significantly simplify the existing structure by removing the facility to grant exceptional awards, removing the matching and co-investment arrangements,

whilst continuing to incentivise and reward significant outperformance. As part of this review, the Committee also intends to address the salary positioning of the Chief Executive, which remains below the level that the Committee believes to be appropriate for the contribution and experience of the individual concerned, and is also below market levels when compared to property and development companies of similar size. The Committee now intends to consult with shareholders on the new structure during 2016, and then to implement any new arrangement from the expiry of the existing policy at the 2017 AGM at the latest.

In 2016 the operation of the current remuneration policy is expected to be broadly in line with its operation in 2015. In summary, all elements of the remuneration policy will continue to be operated and the Committee has decided not to make any exceptional awards under the long-term incentive schemes.

In more detail, the policy comprises a number of elements, namely, base salary, benefits and pension, annual bonus, PSP awards, MSP awards and the co-investment opportunity. The Remuneration Committee has taken the following decisions with regard to the implementation of these elements in 2016:

- With the exception of the Managing Director & Chief Financial Officer, base salary or fee increases for Executive and Non-executive Directors will be in line with the increase for the general workforce.
- Following an assessment of the performance of the Managing Director & Chief Financial Officer in his new role, the Committee approved an increase in his base salary from £410,000 to £450,000. This increase had been agreed and presented to shareholders upon the promotion of the Managing Director & Chief Financial Officer, but was subject to his performance in role in 2015. The Committee is satisfied that his performance merits the agreed increase.
- No change to benefits or pension provision.
- The annual bonus will continue to be based 75 per cent on financial measures and 25 per cent on personal performance.

- Reflecting the greater relative importance of absolute net asset value per share and relative total property return to Capco's strategy, in 2016 the weighting of underlying earnings per share as a performance measure will be reduced to 5 per cent of the financial performance measures.
- PSP and MSP awards will be made on a normal basis, with no exceptional awards.
- The previous co-investment opportunity was due to expire in December 2015. However, as the Company was in a prohibited dealing period before the year-end, participants will be permitted to participate for a short window as soon as the Company is no longer in a prohibited period, to allow participants to utilise the previous opportunity, before the next cycle of co-investment opportunity commences.

Finally, I will be stepping down from the Committee in advance of my retirement from the Board at Capco's Annual General Meeting on 6 May 2016, and Gerry Murphy will become Chairman of the Committee at this time.

Capco's remuneration policy was approved by shareholders at the 2014 AGM held on 2 May 2014. This year, consistent with market practice, we are not submitting the remuneration policy for another vote at the 2016 AGM, and we will only ask shareholders to approve the Annual Report on Remuneration and this Annual Statement. However, we have included the remuneration policy in the Annual Report in order to provide clarity for our shareholders. The Committee looks forward to receiving your support for this advisory vote at the forthcoming Annual General Meeting.



Ian Henderson
Chairman of Remuneration Committee, 24 February 2016

Members:

Ian Henderson (Chairman)
Gerry Murphy

Henry Staunton
Andrew Strang

COMPLIANCE STATEMENT

This report has been prepared by the Remuneration Committee on behalf of the Board and complies with the requirements of the Listing Rules of the UK Listing Authority, Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the UK Corporate Governance Code. In accordance with Section 439 of the Companies Act 2006, an advisory resolution to approve the above Annual Statement and the Annual Report on Remuneration for 2015 will be proposed at the Annual General Meeting ("AGM") of the Company to be held on 6 May 2016. The information in this report subject to audit comprises the single figure of remuneration and associated detail, confirmation that there were no payments for loss of office or to former Directors, the incentive achievement for 2015, the incentives to be awarded in 2016 and the details of Directors' shareholdings and share interests.

1. POLICY REPORT

This section of the Directors' Remuneration Report sets out Capco's current remuneration policy. Details of actual remuneration paid, share awards made, and the approach to remuneration for 2016 are set out within the Annual Report on Remuneration which starts on page 76.

1.1 Remuneration policy

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

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

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

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

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

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

Directors' remuneration report continued

1.2 Executive Director Policy Table

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

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

Maximum opportunity	Performance metrics
Base salary increases will be applied in line with the outcome of the annual review and will normally be in line with increases awarded to other employees. However, the Committee may make additional adjustments in certain circumstances to reflect, for example, an increase in scope or responsibility, to address a gap in market positioning and/or to reward the long-term performance of an individual. The Chief Executive will have the highest base salary of all Executive Directors, and the maximum base salary for the Chief Executive will be within the top quartile of the Chief Executive salaries for the constituents of the long-term incentive schemes' comparator group (current constituents listed on page 81).	The Committee considers individual and Company performance when setting base salary.
Set at a level which the Committee considers appropriate in light of relevant market practice for the role and individual circumstances. The cost of all benefits will not exceed 10 per cent of base salary, with the exception of any future expatriate and/or relocation benefits, which would be disclosed in the annual report on remuneration.	N/A
The maximum and current contribution rate for Executive Directors is 24 per cent of base salary.	N/A
The maximum bonus opportunity for Executive Directors is 150 per cent of annual salary with a bonus of 75 per cent of salary payable for achieving target levels of performance. No bonus is payable for below threshold performance. The payment for threshold performance will not exceed 10 per cent of maximum. Awards are made on a straight-line basis for performance between threshold and target, and on a separate straight-line basis for performance between target and maximum.	Executives' performance is measured relative to challenging targets in key financial, operational and strategic measures. The measures selected and their weightings vary each year according to the strategic priorities. At least 75 per cent of the bonus will be measured against financial performance. Measures and respective weightings used for the current annual bonus and proposed for next year's annual bonus are set out in the annual report on remuneration on pages 78 and 79. An explanation of how the performance measures were chosen and how the performance targets are set is given on page 72.
Each year participants may be granted up to 150 per cent of salary in shares or nil-cost options or up to 300 per cent of salary in market value share options. In exceptional circumstances the Committee can make awards of up to 200 per cent of salary in shares or nil-cost options or up to 400 per cent of salary in market value share options. The Committee's policy is to consider exceptional executive performance (in the year prior to grant) as a circumstance that could warrant the granting of exceptional awards under incentive plans. For awards made under the usual scheme limit, 33 per cent vests for median performance. Where an exceptional award is made, 25 per cent vests for median performance.	PSP awards vest on the third anniversary of the date of grant, however the additional element of an exceptional award is subject to a two-year post-vesting holding period. The vesting of awards is subject to continued employment and the Company's performance over a three-year performance period based: • 50 per cent on relative Total Return (Net Asset Value growth plus dividends) • 50 per cent on relative TSR For both measures, performance is measured relative to a comparator group comprising the largest FTSE350 property companies. The performance measures and weightings which apply to the PSP are reviewed by the Committee annually, and the Committee may make non-significant changes to the weightings and/or comparator group to ensure that they remain relevant to the Company strategy and suitably stretching. Details of the performance conditions for previous years' awards, and those proposed for 2015 awards, are set out in the annual report on remuneration on pages 80 and 81. An explanation of how the performance measures were chosen and how the performance targets are set is given on page 72.
Participants may earn up to one matching share for each invested share, in normal circumstances. In exceptional circumstances the Committee can award two matching shares for each invested share. The Committee's policy is to consider exceptional executive performance (in the year prior to grant) as a circumstance that could warrant the granting of exceptional awards under incentive plans. For awards made under the usual scheme limit, 33 per cent vests for median performance. Where an exceptional award is made, 16.5 per cent vests for median performance.	MSP awards vest on the third anniversary of the date of grant, however the additional element of an exceptional award made in respect of deferred bonus is subject to a two-year post-vesting holding period. The vesting of awards is subject to the same conditions as the PSP. Details of the performance conditions for previous years' awards, and those proposed for 2015 awards, are set out in the annual report on remuneration on pages 80 and 81. An explanation of how the performance measures were chosen and how the performance targets are set is given on page 72.
In line with HMRC approved limits.	None

1.3 Notes to the Policy Table Performance measurement selection Annual Bonus Scheme

Executive Directors may earn bonuses depending on the Company's financial performance and their own individual performance. The current structure of the annual bonus performance conditions is illustrated within the Annual Report on Remuneration on page 79. The financial performance measures and the importance of each are set out in the table below.

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

Long-term incentives

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

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

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

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

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

Performance is measured relative to a comparator group comprising the largest FTSE350 property companies and Capco. The members of the comparator group are shown in Figure 4 on page 81.

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

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

The current structure of the long-term incentive performance conditions is illustrated within the Annual Report on Remuneration on page 81.

Payments resulting from existing arrangements

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

Bonus malus

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

Why is each performance measure appropriate for Capco?

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

Remuneration of employees below the Board

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

Employees below Board level have not, to date, participated in the MSP but do participate in the PSP with awards being subject to the same performance conditions as apply to awards made to Executive Directors (with the exception of the conditions that apply to any exceptional portion of an award made to an Executive Director). The 2016 awards for employees below the Board will be subject to the same performance conditions as previous years' awards. In exceptional circumstances, such as recruitment, long-term incentive awards may be granted without performance conditions to participants below the Board.

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

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

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

Shareholding guidelines

The Chief Executive is required to achieve a shareholding in the Company equivalent to 300 per cent of salary and the other Executive Directors are required to achieve a shareholding in the Company equivalent to 200 per cent of base salary, to be achieved by retaining at least 50 per cent of any vested share awards (net of tax) and/or within three years. The Committee believes that these shareholding requirements are the most stringent in the listed property sector in the UK. The current shareholdings of the Executive Directors are set out on page 85. The Chairman is required to maintain a shareholding in the Company equivalent to 100 per cent of his base fee.

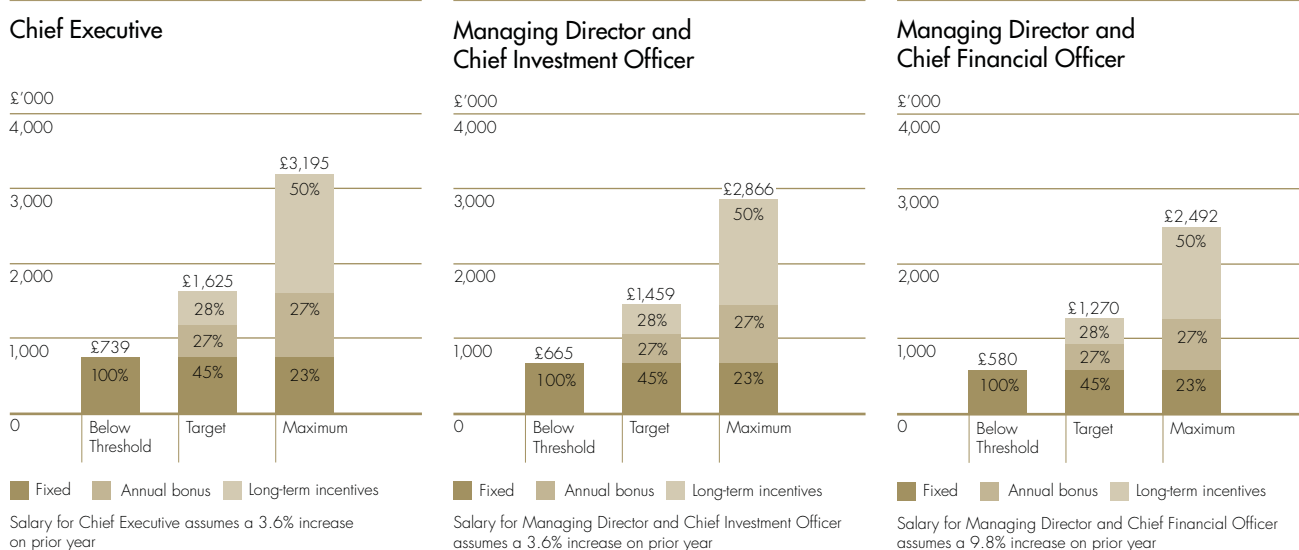
1.4 Performance scenario charts

The potential reward opportunities illustrated in Figure 1 are based on the policy which will apply in 2016, applied to the base salary at the salary review date, 1 April 2016, and provide estimates of the potential future reward opportunity for each Executive Director, and the potential split between the different elements of remuneration under three different performance scenarios: 'Below Threshold', 'Target' and 'Maximum'.

The Below Threshold scenario includes base salary, pension and benefits (fixed pay). No annual bonus or PSP and MSP elements are included (variable pay). The Target scenario includes fixed pay, on target bonus and threshold vesting of PSP and MSP awards. The Maximum scenario includes fixed pay, maximum bonus and full vesting of PSP and MSP awards. For variable pay, the amounts illustrated are the normal maximum opportunities, except for the 2013 MSP co-investment matching opportunity which is based on an exceptional match on an annualised co-investment of 50 per cent of salary.

It should be noted that the PSP and MSP awards granted in a year do not normally vest until the third anniversary of the date of grant. The projected values of long-term incentives shown here exclude the impact of share price movement and dividends.

Figure 1



Directors' remuneration report continued

1.5 Approach to recruitment remuneration

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

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

* Awards are subject to performance conditions.

1.6 Service contracts and exit payment policy

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

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

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

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

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

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

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

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

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

1.7 Non-executive Director Policy Table

The Non-executive Directors do not have service contracts but instead have letters of appointment. The letters of appointment of the Non-executive Directors are reviewed by the Board annually and contain a one month notice period. The Chairman's letter of appointment contains a 12 month notice period.

Non-executive Directors' dates of appointment and unexpired terms

	Date of appointment	Date of most recent letter of appointment	Unexpired term
Graeme Gordon	23 Feb 2010	7 May 2013	3 months
Ian Henderson	23 Feb 2010	11 May 2015	3 months
Gerry Murphy	1 March 2015	11 May 2015	27 months
Demetra Pinsent	1 May 2012	11 May 2015	27 months
Henry Staunton	2 June 2010	7 May 2013	3 months
Andrew Strang	23 Feb 2010	7 May 2013	3 months

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

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

Directors' remuneration report continued

1.8 External Directorships

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

1.9 Consideration of conditions elsewhere in the Company

When setting Executive Director pay the Committee considers the remuneration and overall conditions of all employees. The Committee does not consult with employees when deciding remuneration policy, but it receives regular updates from the HR Director on salary increases, bonus and share awards made to Group employees and is aware of how the remuneration of

Directors compares to that of other employees, for example, salary increases are generally in line with increases awarded to other employees, which are set with reference to market data.

1.10 Consideration of shareholder views

It is the Committee's policy to consult with major shareholders as appropriate, for example, prior to finalising any major changes to its executive remuneration policy.

2. ANNUAL REPORT ON REMUNERATION

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

2.1 Remuneration Committee

The Remuneration Committee is responsible for determining and recommending to the Board the policy for the remuneration of the Executive Directors, setting targets for the Company's incentive schemes and determining the total individual remuneration package for each Executive Director. Membership of the Committee as at 31 December 2015 and the date of this report is set out on page 69. In addition, the Company Chairman, Chief Executive, Company Secretary and the Director of HR & CR are invited to attend Committee meetings and contribute, except on matters relating to their own remuneration. Attendance at the seven meetings held during the year is shown in the table on page 61 and a summary of the matters considered by the Committee during the year is set out in the adjacent shaded box in column 3.

2.2 Remuneration Committee and its advisers

The Committee appointed New Bridge Street as its independent remuneration adviser in 2014 following a competitive process. During the year, the Committee received advice on matters including remuneration structure, incentive design

and target setting from New Bridge Street. New Bridge Street is a member of the Remuneration Consultants Group and adheres to its code of conduct. The Committee has received confirmation of independence from New Bridge Street, and is satisfied that the advice received was objective and independent. In addition to advice provided to the Committee, New Bridge Street also provided share award valuation services to the Company. During 2015, the Company was charged a total of £143,727 by New Bridge Street in respect of advice to the Committee. Fees were charged on a time basis.

2.3 Statement of shareholder voting

The table below shows the results of the advisory vote on the 2014 Directors' Remuneration Report at the 2015 AGM and the binding vote on remuneration policy at the 2014 AGM.

2.4 Single figure of remuneration

The tables on page 77 show the single figures of total remuneration paid to each Director in 2015 and 2014. The charts in Figure 2 on page 78 illustrate the contribution that each element of remuneration made to the total remuneration of the Executive Directors, including the substantial proportion of remuneration that has resulted from the share price growth from which all shareholders have benefited.

Matters considered by the Committee over the past year include:

- Executive Director remuneration
- Shareholder discussion meetings
- Directors' Remuneration Report
- Committee terms of reference
- Institutional investor voting reports and voting at 2015 AGM
- Setting of and evaluation of performance against Executive Directors' performance targets
- Annual bonus structure and application across the Group
- Share scheme awards and performance targets
- Performance of Remuneration advisers
- Chairman and Chief Executive's expenses

Voting on Remuneration Report 2015 AGM

	Votes for	% For	Votes against	% Against	Total votes cast	Votes withheld (abstentions)
Approval of Remuneration Report	624,961,876	94.30	37,745,583	5.70	662,707,459	10,811,072

Voting on Remuneration Policy 2014 AGM

	Votes for	% For	Votes against	% Against	Total votes cast	Votes withheld (abstentions)
Approval of Remuneration Policy	434,538,113	80.33	106,423,033	19.67	540,961,146	29,203,785

2015 (AUDITED)	Base salary and fees £	Taxable benefits ¹ £	Single-year variable £	Multiple-year variable ² £	Pension related benefits ³ £	Other £	Total £
Chairman							
Ian Durant	243,333	3,684	–	–	–	–	247,017
Executive Directors							
Ian Hawksworth	549,750	22,218	763,763	1,807,394	131,940	–	3,275,065
Soumen Das	401,091	21,555	561,000	1,341,206	96,262	–	2,421,114
Gary Yardley	489,389	22,538	660,000	1,577,463	117,453	–	2,866,843
Non-executive Directors							
Graeme Gordon	47,587	–	–	–	–	–	47,587
Ian Henderson	96,540	–	–	–	–	–	96,540
Gerry Murphy ⁴	55,053	–	–	–	–	–	55,053
Demetra Pinsent	59,433	–	–	–	–	–	59,433
Henry Staunton	73,247	–	–	–	–	–	73,247
Andrew Strang	65,540	–	–	–	–	–	65,540
Former Director							
Andrew Huntley ⁵	22,403	–	–	–	–	–	22,403
Total	2,103,366	69,995	1,984,763	4,726,063	345,655	–	9,229,842

2014 (AUDITED)	Base salary and fees £	Taxable benefits ¹ £	Single-year variable £	Multiple-year variable ² £	Pension related benefits ³ £	Other £	Total £
Chairman							
Ian Durant	207,000	3,409	–	–	24,000	–	234,409
Executive Directors							
Ian Hawksworth	517,500	21,910	762,000	1,970,782	124,200	–	3,396,392
Soumen Das	370,773	21,353	551,000	1,313,848	88,896	–	2,345,960
Gary Yardley	453,167	22,212	655,000	1,751,808	108,760	–	2,990,947
Non-executive Directors							
Graeme Gordon	45,173	–	–	–	–	–	45,173
Ian Henderson	90,347	–	–	–	–	–	90,347
Gerry Murphy ⁴	–	–	–	–	–	–	–
Demetra Pinsent	56,467	–	–	–	–	–	56,467
Henry Staunton	67,760	–	–	–	–	–	67,760
Andrew Strang	62,113	–	–	–	–	–	62,113
Former Director							
Andrew Huntley ⁵	56,467	–	–	–	–	–	56,467
Total	1,926,767	68,884	1,968,000	5,036,438	345,946	–	9,346,035

¹ Comprises car allowance of £18,000 and medical insurance.

² In the 2015 table, this comprises the expected value on vesting of the 2013 PSP and MSP awards which have a performance period that ran from 2013 to 2015, and are expected to vest in early 2016. The value on vesting of these awards has been included in the 2015 single figure as the performance conditions relating to these awards had been substantially (but not fully) completed during 2015, and has been calculated assuming that 60 per cent of the PSP awards and, depending on the award, 40 or 80 per cent of the MSP awards will vest and using the average share price for the last three months of 2015, being £4.333. As required under the remuneration regulations, the 2014 multi-year variable comparators (which were previously disclosed on the basis described above assuming 93.1 per cent vesting and using a price of £3.464) have been restated with values calculated using the actual share price on the date that the awards vested, which was £3.987.

³ Comprises payments in lieu of pension contributions.

⁴ Appointed on 1 March 2015.

⁵ Retired on 1 May 2015.

Directors' remuneration report continued

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

2.5 Incentive outcomes in respect of the year ended 31 December 2015

Annual Bonus Scheme

Executive Directors may earn bonuses of up to 150 per cent of salary depending on the Company's financial performance and their own individual performance. Awards made in respect of the year ended 31 December 2015 were based 75 per cent on financial performance, and 25 per cent on individual performance.

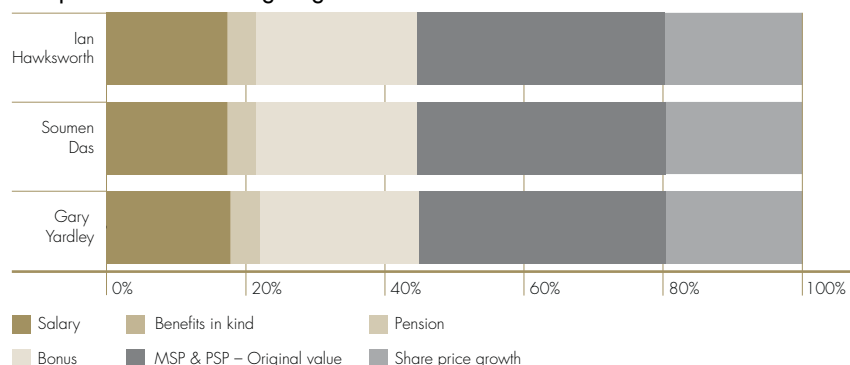
The financial performance element for the year ended 31 December 2015 was based on growth in absolute NAV per share ("NAV"), Total Property Return relative to the IPD Total Return All Property Index ("TPR"), and underlying EPS ("EPS"). In determining the annual targets for these measures in 2015, the Committee recognised the long-term nature of some aspects of the Company's strategy, and the extent to which this would be reflected in these measures on a 12-month horizon. The performance measures, weightings and targets that applied in respect of the 2015 annual bonus are summarised in the table on page 79.

The Committee has decided that, reflecting the greater relative importance of NAV and TPR to Capco's strategy, in 2016 the weighting of EPS as a performance measure will be reduced to 5 per cent of the financial performance measures. The rebalancing of weightings of the financial performance measures for 2016 is shown in the table on page 79. The relative weighting of financial and individual performance measures will remain unchanged. The Committee will consider the appropriate weighting of the EPS measure on an annual basis.

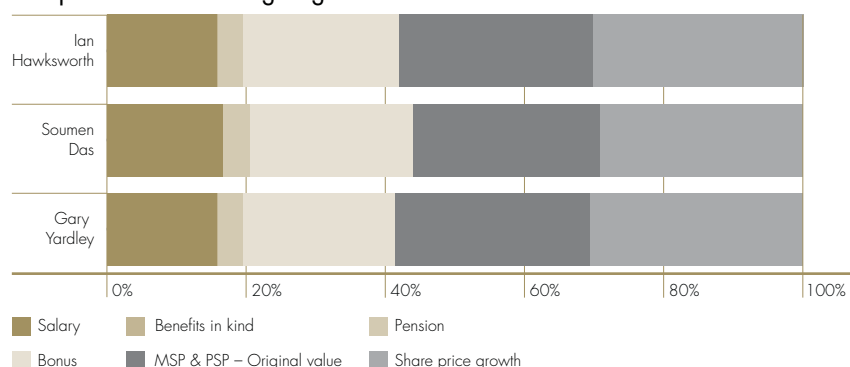
The TPR target is included in the Company's KPIs on page 13. The KPIs are in part dependent upon the occurrence of certain discrete events. Therefore, whilst the outperformance targets that apply to the long-term incentives are disclosed, the Board has decided that as the Group operates in three specific locations within the competitive central London property market, prospective disclosure of specific short-term NAV and EPS targets would provide a level of information to counterparties that could prejudice the Company's commercial interests.

Figure 2

Composition of 2015 single figures



Composition of 2014 single figures



The Committee has previously committed to publish the financial performance targets once they cease to be commercially sensitive. The financial performance targets that applied in respect of the year ended 31 December 2013 are no longer commercially sensitive; accordingly, the targets and the Company's performance against these targets are set out on the following page. The 2013 annual bonus awards were based 75 per cent on financial performance and 25 per cent on individual performance.

In respect of the year ended 31 December 2015, the Company performed strongly against its financial targets, for example NAV per share was over 5.5 per cent higher than the top end of the target range set by the Committee and TPR at 15.7 per cent compares to 13.8 per cent for the IPD index. However, underlying EPS of 0.9p was below the threshold performance target. Accordingly awards of 101.25 per cent of salary were made to each Executive Director in respect of the financial performance measures. The Committee assessed individual performance against a set of KPIs which align with the Company's objectives outlined on page 12 of the Annual Report.

These KPIs include:

- Corporate objectives: enhancing Capco's position and reputation in the market; identifying, monitoring and controlling risk, progress towards meeting medium-term corporate objectives;
- Financial objectives: optimising liquidity and financing; effective cost and capital expenditure management; other budgeted KPIs;
- Investment objectives: strategic investment initiatives; establishment and operation of JVs; implementation of business plans; achievement of planning targets; and
- CR/HR objectives: optimisation of organisational structure; nurturing of future leaders; promotion and support of CR initiatives.

The performance of the Executive Directors in 2015 was considered to have been excellent, including the achievement of new record rental levels at Covent Garden, completion of Earls Court Partnership Limited, the Covent Garden refinancing, the commencement of Earls Court demolition and Lillie Square Phase 1 construction. Accordingly, awards of between 30.75 and 35.63 per cent of salary were made to each Executive Director in respect of the individual performance measures.

Outcome of 2015 Annual Bonus performance measures and 2016 financial performance measures (Audited)

Performance measure	Weighting			Performance	Outcome		
	Chief Executive	MD & CIO	MD & CFO		Chief Executive	MD & CIO	MD & CFO
Financial performance (% of max)	75%	75%	75%	5.5% higher than the top end of the target range 15.7% compared to IPD index return of 13.8% Below threshold			
Absolute Net Asset Value per share	55%	55%	55%		Maximum	Maximum	Maximum
Relative Total Property Return	35%	35%	35%		Maximum	Maximum	Maximum
Underlying Earnings per Share	10%	10%	10%		Nil	Nil	Nil
Individual performance (% of max)	25%	25%	25%		23.75%	20.5%	23.75%
Total performance outcome (% of salary)					137%	132%	137%
Financial performance measures for 2016 (% of max)	75%	75%	75%				
Absolute Net Asset Value per share	60%	60%	60%				
Relative Total Property Return	35%	35%	35%				
Underlying Earnings per Share	5%	5%	5%				

Summary of Executive Directors' Bonuses in 2015 (Audited)

Executive Director	Cash	Deferred shares ¹	Total
Ian Hawksworth	£381,882	£381,881	£763,763
Soumen Das	£280,500	£280,500	£561,000
Gary Yardley	£330,000	£330,000	£660,000

¹ 50 per cent of bonus earned is deferred in Capco shares or nil cost options for three years, subject to forfeiture should the Executive Director leave the Company.

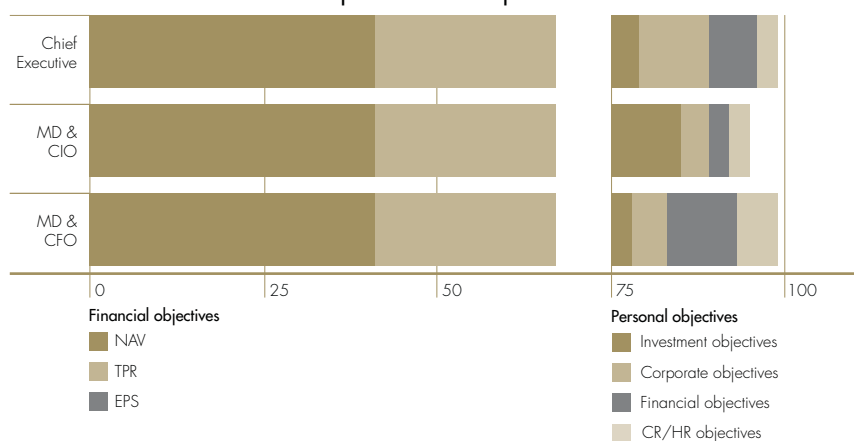
Disclosure of 2013 annual bonus financial performance targets (Audited)

Performance measure	Weighting	Target range		Actual performance	% of bonus opportunity awarded
		Threshold (0% payout)	Maximum (100% payout)		
Absolute Net Asset Value per share	55%	215p	227p	249p	100%
Relative Total Property Return	35%	0	1.5% outperformance	9.2% outperformance	100%
Underlying earnings per share	10%	1.1p	1.6p	1.2p	50% ¹

¹ As previously disclosed, the Committee exercised discretion to modify the EPS outcome to adjust for the impact of the strong share price growth on share-based remuneration in 2013 that had a material impact on underlying earnings per share.

Figure 3

Outcome of 2015 annual bonus performance objectives



Performance Share Plan (PSP)

The operation of, and the maximum opportunities under, the PSP are explained in the remuneration policy on pages 70 and 71. Details of the awards made to Executive Directors under the PSP in 2015 and in past years are set out in the tables on pages 86 and 87. Since 2011, in line with common market practice, with the exception of awards made under the HMRC approved schedule to the PSP, the Committee has made awards to Executive Directors in nil cost options which utilise a lower proportion of the Company's share capital than market value share options.

In 2015, an award of 150 per cent of salary was made to Executive Directors in nil-cost options and the Committee has decided that the same level of award will be made in 2016. In 2015, the Committee determined that the performance conditions relating to the market value options awarded under the PSP in 2012 had been partially satisfied and accordingly 93.1 per cent of the awards vested. Details of the performance conditions that apply to awards made under the PSP are set out in Figure 4 on page 81. The Committee continues to explore ways of structuring future awards under the long-term incentive arrangements in a potentially more tax efficient manner for participants. The Committee will ensure that any changes are cost neutral to Capco. No changes are proposed at this time.

2.6 Long-term incentive performance conditions

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

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

The Committee has reviewed the performance conditions for the PSP and MSP and concluded that the existing performance measures are believed to be appropriately stretching and remain appropriate.

The performance conditions for the MSP and PSP awards are illustrated in Figure 4 on page 81.

2.7 Vesting of 2012 and 2013 MSP and PSP awards (Audited)

In 2015, having considered a report prepared by the Company's auditors, the Committee determined that Capco's TSR had outperformed the median of the comparator group by 3.2 per cent p.a. (vs. an outperformance target of 4 per cent), and that Capco's TR had outperformed the median of the comparator group by more than 9 per cent p.a. (vs. an outperformance target of 2.5 per cent p.a.) and as such 93.1 per cent of the 2012 PSP and MSP awards vested or, where holding periods continued to apply, would vest subject to continued employment on the third anniversary of grant.

In 2016, the Committee determined that Capco's TR was expected to outperform the median of the comparator group by 2.2 per cent p.a. (vs. an outperformance target of 2.5 per cent or 3 per cent for exceptional awards), and that Capco's TSR was expected to outperform the median of the comparator group by 2.1 per cent p.a. (vs. an outperformance target of 4 per cent or 5 per cent for exceptional awards), and as such the performance conditions relating to the 2013 PSP and MSP awards had been met in part. Accordingly 60 per cent of the 2013 PSP awards, 40 per cent of the MSP awards made in respect of co-investment and 80 per cent of the MSP awards made in respect of deferred bonus are expected to vest, subject to continued employment on the third anniversary of grant.

Long-term Incentive Arrangements Matching Share Plan (MSP)

The operation of, and the maximum opportunities under, the MSP are explained in the remuneration policy on pages 70 and 71. Details of the awards made to Executive Directors under the MSP in 2015 and in past years are set out in tables on pages 86 and 87. These awards include deferred bonus shares, and matching awards made in respect of deferred bonus and co-investment, in accordance with the remuneration policy.

Annual bonus:

The Committee has awarded a normal 1:1 matching opportunity in respect of Directors' deferred bonus shares for 2015.

Co-investment opportunity:

In 2010 (the inception year of Capco), Executive Directors were invited to co-invest up to 150 per cent of salary in the Company's shares during the first 12 months of inception (subsequently extended to 24 months as the Company was subject to extended restricted periods during which Directors were unable to purchase Capco shares) in return for the opportunity to receive up to two shares for each share purchased, subject to three-year performance. The Committee considered that the MSP had been highly successful and had played a crucial role in motivating and retaining management. Accordingly, and in light of the Company's strong performance since 2010, which significantly exceeded the maximum level of performance rewarded under the original performance conditions, in 2013 the Committee offered the Executive Directors an opportunity to invest up to 150 per cent of 2013 salary between 2013 and 2015 when permitted by scheme headroom with an exceptional matching opportunity of 2:1. The additional matching opportunity can only be earned for performance above the normal stretch targets, as illustrated in Figure 4 on page 81. As the Company was in a prohibited dealing period before the year-end, the Committee has permitted participants to co-invest under the 2013 invitation for a short window as soon as the Company is no longer in a prohibited period, to allow participants to utilise this opportunity. The MSP awards made in respect of co-investment under this invitation to date are set out on page 87.

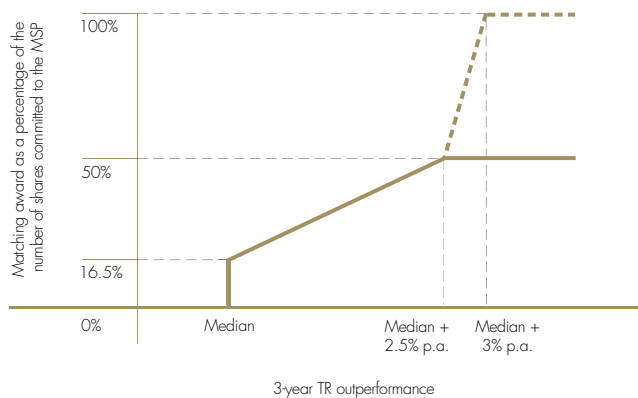
In light of the crucial role the Committee considers the MSP to have in motivating and retaining management, the Committee has offered the Executive Directors in 2016 an opportunity to invest up to 150 per cent of 2016 salary between 2016 and 31 December 2018 when permitted by scheme headroom with a normal matching opportunity of 1:1.

Figure 4

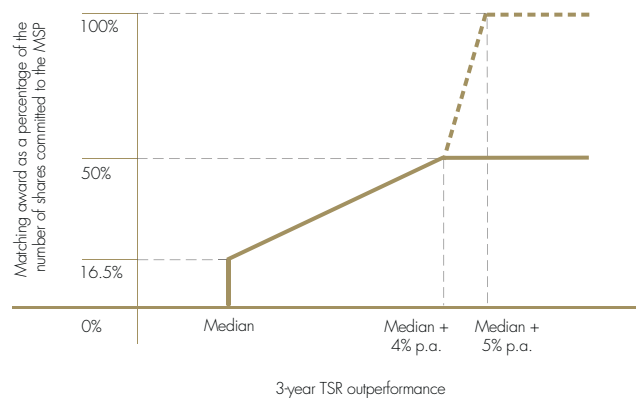
Performance measures for the MSP

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

50% on Total Return



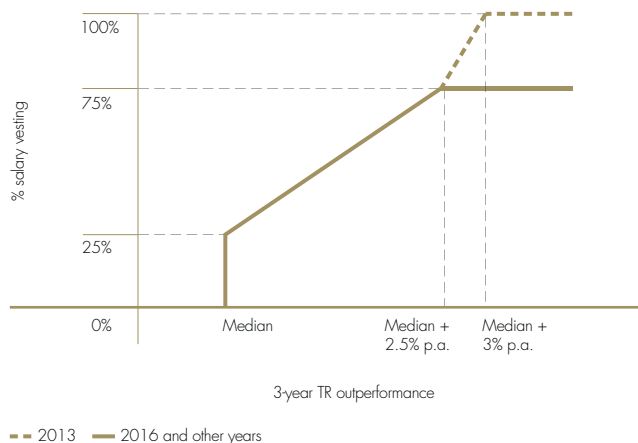
50% on TSR



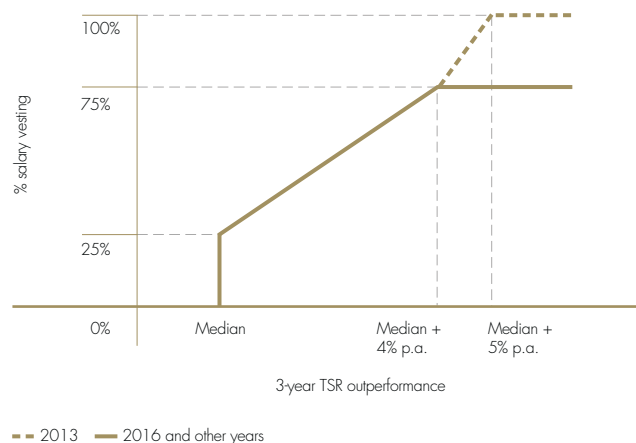
Performance conditions for the PSP

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

50% on Total Return



50% on TSR



TR and TSR Comparator Group for the PSP and MSP

British Land
Capco
Derwent London
Great Portland Estates
Hammerson

Intu Properties
Land Securities
Segro
Shaftesbury

Directors' remuneration report continued

Scheme interests awarded during the financial year

MSP (NIL COST OPTIONS) (AUDITED)

	Basis of award	Market price on date of grant ¹	Exercise price	Face value of award	Number awarded	Performance/Holding period	Threshold Vesting % ²	Exercisable between
Ian Hawksworth	Value of Deferred Bonus	402.93p	Nil	£380,999	94,557	2015 – 2018	100%	01/04/18 – 31/03/25
Soumen Das	Value of Deferred Bonus	402.93p	Nil	£275,499	68,374	2015 – 2018	100%	01/04/18 – 31/03/25
Gary Yardley	Value of Deferred Bonus	402.93p	Nil	£327,497	81,279	2015 – 2018	100%	01/04/18 – 31/03/25
Ian Hawksworth	Match of Deferred Bonus	402.93p	Nil	£380,999	94,557	2015 – 2018	16.5%	01/04/18 – 31/03/25
Soumen Das	Match of Deferred Bonus	402.93p	Nil	£275,499	68,374	2015 – 2018	16.5%	01/04/18 – 31/03/25
Gary Yardley	Match of Deferred Bonus	402.93p	Nil	£327,497	81,279	2015 – 2018	16.5%	01/04/18 – 31/03/25
Gary Yardley	Match of Co-investment	402.93p	Nil	£615,629	152,788	2015 – 2018	8.3%	01/04/18 – 31/03/25

PSP (NIL COST OPTIONS) (AUDITED)

	Basis of award	Market price on date of grant ¹	Exercise price	Face value of award	Number awarded	Performance period	Threshold Vesting % ²	Exercisable between
Ian Hawksworth	150 per cent of salary	402.93p	Nil	£836,998	207,728	2015 – 2018	16.5%	01/04/18 – 31/03/25
Soumen Das	150 per cent of salary	402.93p	Nil	£614,996	152,631	2015 – 2018	16.5%	01/04/18 – 31/03/25
Gary Yardley	150 per cent of salary	402.93p	Nil	£749,998	186,136	2015 – 2018	16.5%	01/04/18 – 31/03/25

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

2 Assumes threshold vesting under one performance condition.

2.8 Payments for loss of office and payments to previous Directors (Audited)
There were no payments for loss of office or payments to previous Directors made during 2015.

2.9 Total pension entitlement (Audited)
No Director participates in or has a deferred benefit under a defined benefit pension scheme.

2.10 External Non-executive Directorships

During the year, Ian Hawksworth received a fee of £40,000 in respect of his former Non-executive Directorship of AIM-listed Japan Residential Investment Company Limited from which he stepped down on 30 December 2015. No other Executive Director currently serves as a Non-executive Director elsewhere.

2.11 Statement of implementation of policy for 2016

Salary

The Executive Directors' salaries are reviewed annually. The current salary positioning of the Chief Executive remains below the level that the Committee believes to be appropriate for the contribution and experience of the individual concerned and is also below market levels when compared to property and development companies of similar size. However, the Committee has decided to address this issue as part of the ongoing review of remuneration, and for 2016 will increase the salary of the Chief Executive by 3.6 per cent to £578,000 which is in line with the increase expected to be applied to Group employees. In setting the 2016 salaries of the Managing Directors, the Committee took advice from its remuneration adviser, and considered

each Director's performance, experience, and market data. Following an assessment of the performance of the Managing Director & Chief Financial Officer in his new role, the Committee has approved an increase in his base salary from £410,000 to £450,000. The salary of the Managing Director & Chief Investment Officer will be increased by approximately 3.6 per cent to £518,000.

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

Executive Director Salaries – 2015 and 2016

	2016	2015	% Increase
Ian Hawksworth	£578,000	£558,000	3.6
Soumen Das	£450,000	£410,000	9.8
Gary Yardley	£518,000	£500,000	3.6

Pension and benefits

As described in the policy table on pages 70 and 71.

Annual bonus

The annual bonus opportunity will remain unchanged for 2016. The financial performance targets for the year ended 31 December 2015 were based on growth in absolute NAV per share, Total Property Return relative to the IPD Total Return All Property Index, and underlying EPS. Further information on the Company's KPIs can be found on page 13.

The Committee has decided that growth in absolute NAV per share and Total Property Return relative to the IPD Total Return All Property Index are the most important financial performance measures for 2016 as they best reflect the KPIs by which the Company measures its success, and that the relative weighting of underlying earnings per share will be reduced to 5 per cent of the financial performance measures for 2016. The rebalancing of weightings of the financial performance measures, which reflects the Committee's view of their relative importance for 2016 given the current stage in the execution of Capco's strategy, is shown in the table on page 79. The relative weighting of financial and individual performance measures will remain unchanged. The Committee will consider the appropriate weighting of underlying earnings per share as a performance measure on an annual basis.

Non-executive Director fees – 2015 and 2016

	2016	2015
Basic fee	£50,000	£48,500
Committee member (except Nomination Committee)	£6,500	£6,300
Committee member (Nomination Committee)	£6,000	£5,750
Committee Chairman (Audit and Remuneration Committee)	£15,500	£15,000
Senior independent Director	£12,500	£12,000

The key area of focus for 2016 continues to be capital growth. The Board has decided that the 2016 annual bonus targets should not be disclosed prospectively due to commercial sensitivity. The Group operates in three specific locations within the competitive central London property market. As a result the Board feels that any disclosure on its targets would provide a level of information to the market around its current return targets which would be commercially sensitive. The Committee expects to publish the performance targets retrospectively once they have ceased to be commercially sensitive.

Matching Share Plan

The MSP awards to be made in 2016 are described on page 80. The applicable performance conditions are set out on page 81.

Performance Share Plan

PSP awards of 150 per cent of salary will be made in 2016 (2015: 150 per cent) as nil cost options. The applicable performance conditions are set out on page 81.

Chairman and Non-executive Director remuneration

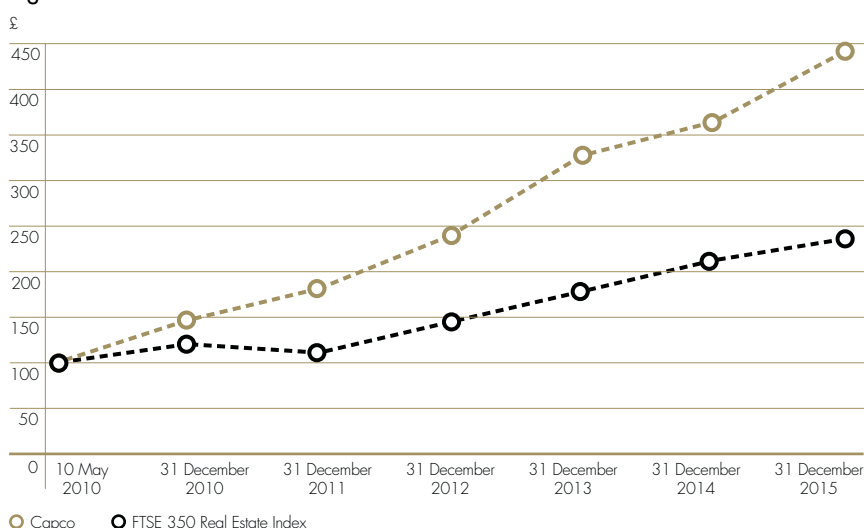
The Chairman has been appointed for a three-year term, subject to annual re-election by shareholders, which will expire at the 2016 AGM at which he will seek re-election. The Chairman's annual base fee for 2015 was £248,000.

The remuneration of the Chairman is reviewed annually. Following the 2015 review it was agreed that the Chairman's annual base fee would be increased to £257,000 with effect from 1 May 2016.

The remuneration of the Non-executive Directors is considered by the Chairman and the Chief Executive, with regard to market comparatives, and recommended to the Board as a whole. The Non-executive Director fees are reviewed annually. Following the 2015 review it was agreed that the Non-executive Director fees would be increased as set out in the table above with effect from 1 May 2016.

2.12 Chart of single figure vs. TSR

Figure 5: Total shareholder return



This graph shows the total shareholder return at 31 December 2015 of £100 invested in Capital & Counties Properties PLC at the start of the first day of trading in its shares following its demerger from Liberty International PLC (10 May 2010), compared to the FTSE 350 Real Estate Index. The Committee considers this benchmark to be the most appropriate for illustrating the Company's performance.

Financial Year	2010	2011	2012	2013	2014	2015
CEO Single Figure	£1,184,082	£1,253,235	£8,967,543	£3,529,554	£3,396,392	£3,275,065
Annual bonus % of max	97.50%	100%	95%	94.67%	96.73%	91.25%
MSP vesting % of max	n/a	n/a	100%	100%	93.1%	40 or 80% ¹
PSP vesting % of max	n/a	n/a	100%	100%	93.1%	60%

¹ Depending on the award.

Directors' remuneration report continued

2.13 Percentage increase of Chief Executive remuneration

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

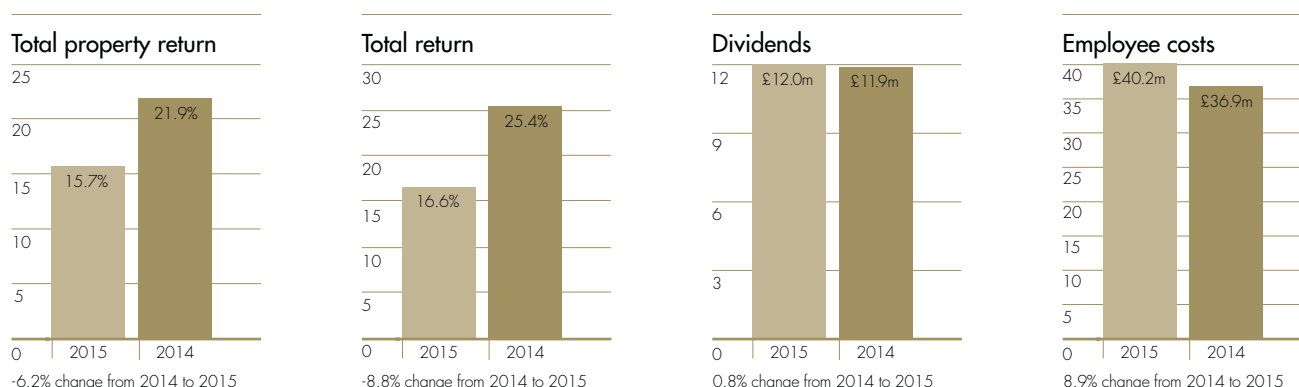
	Chief Executive			Employees
	2015 £	2014 £	% change	% change
Salary	549,750	517,500	6.2%	7.7%
Taxable benefits ¹	22,218	21,910	1.4%	17.7%
Single-year variable	763,763	762,000	0.2%	6.5%
Total	1,335,731	1,301,410		

¹ The increase in Employees' taxable benefits reflects a greater uptake of private medical insurance in 2015.

2.14 Distribution statement

The graphs in Figure 6 below illustrate Capco's dividends paid and total employee pay expenditure (this includes pension, variable pay, and social security) for the financial years ended 31 December 2014 and 31 December 2015, and the percentage change in each. The measures above are those prescribed by the remuneration disclosure regulations, however they do not reflect Capco's KPIs, which are explained on page 13. Accordingly, graphs showing Capco's one-year TPR and TR are also included below. A comparison of profit after tax was included in previous years' reports but has been excluded this year as it is not prescribed by the remuneration disclosure regulations and is not one of the Group's key performance indicators.

Figure 6



2.15 Statement of Directors' shareholdings and share interests (Audited)

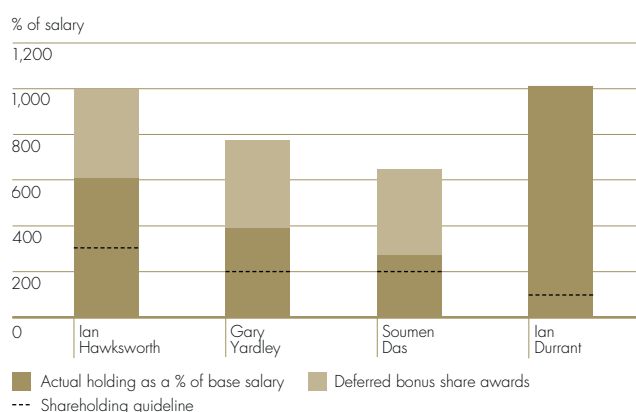
(a) Directors' shareholdings

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

Directors' shareholdings (including connected persons) – 2015 and 2014 (Audited)

	2015	2014
Chairman		
Ian Durant	568,632	568,632
Executive:		
Ian Hawksworth	770,604	770,604
Soumen Das	252,018	252,018
Gary Yardley	442,972	442,972
Non-executive		
Graeme Gordon	30,450,061	30,450,061
Ian Henderson	37,601	37,601
Gerry Murphy	–	N/A
Demetra Pinsent	–	–
Henry Staunton	250,000	250,000
Andrew Strang	–	–
Former Director		
Andrew Huntley ¹	75,000	75,000

Figure 7: Executive Director and Chairman Shareholdings as at 31 December 2015



¹ Shareholdings as at 1 May 2015, being the date that Andrew Huntley retired from the Board.

(b) Directors' share interests (Audited)

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

(i) Summary of Executive Directors' interests in shares and share schemes (full details are set out on pages 86 and 87)

Executive Director	Shares held	Share options not subject to performance conditions ¹	Share options subject to performance conditions ²	Total
Ian Hawksworth	770,604	1,004,311	1,492,577	3,267,492
Soumen Das	252,018	882,017	1,120,222	2,254,257
Gary Yardley	442,972	892,063	1,449,085	2,784,120
Total	1,465,594	2,778,391	4,061,884	8,305,869

¹ Comprises MSP awards made in respect of deferred bonus, and vested but unexercised 2011 and 2012 PSP awards and MSP awards made in respect of 2010 co-investment invitation (some of which remain subject to a holding period).

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

Directors' remuneration report continued

(ii) Outstanding awards made under Performance Share Plan¹

Name	Year granted	Option price (pence)	Held at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2015	Exercisable between
Ian Hawksworth ²	2011	157.73	19,019	–	–	–	19,019	21/03/14 – 20/03/21
Ian Hawksworth	2011	Nil	418,436	–	418,436	–	–	–
Ian Hawksworth ²	2012	Nil	353,959	–	–	24,424	329,535	09/03/15 – 08/03/22
Ian Hawksworth	2013	Nil	369,265	–	–	–	369,265	02/04/16 – 01/04/23
Ian Hawksworth	2014	Nil	223,766	–	–	–	223,766	01/04/17 – 31/03/24
Ian Hawksworth	2015	Nil	–	207,728	–	–	207,728	01/04/18 – 31/03/25
Soumen Das	2010	103.87	1,155,290	–	1,155,290	–	–	–
Soumen Das	2011	157.73	9,019	–	9,019	–	–	–
Soumen Das	2011	Nil	275,787	–	275,787	–	–	–
Soumen Das ²	2012	Nil	235,972	–	–	16,283	219,689	09/03/15 – 08/03/22
Soumen Das	2013	Nil	268,556	–	–	–	268,556	02/04/16 – 01/04/23
Soumen Das	2014	Nil	159,561	–	–	–	159,561	01/04/17 – 31/03/24
Soumen Das	2015	Nil	–	152,631	–	–	152,631	01/04/18 – 31/03/25
Gary Yardley ²	2011	157.73	19,019	–	–	–	19,019	21/03/14 – 20/03/21
Gary Yardley	2011	Nil	370,886	–	370,886	–	–	–
Gary Yardley ²	2012	Nil	314,630	–	–	21,710	292,920	09/03/15 – 08/03/22
Gary Yardley	2013	Nil	328,235	–	–	–	328,235	02/04/16 – 01/04/23
Gary Yardley	2014	Nil	195,020	–	–	–	195,020	01/04/17 – 31/03/24
Gary Yardley	2015	Nil	–	186,136	–	–	186,136	01/04/18 – 31/03/25
Total			4,716,420				2,971,080	

¹ Subject to performance conditions that apply to awards made under the PSP and MSP, as set out on pages 70 and 71.

² Vested but unexercised or not exercised in full.

(c) Matching Share Plan (Audited)

(i) Deferred shares

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

Name	Year granted	Market price on date of grant (pence)	Option price (pence)	Held at 1 January 2015	Granted during the year	Exercised during the year	Held at 31 December 2015	Exercisable between
Ian Hawksworth	2011	160.10	Nil	205,535	–	205,535	–	18/03/14 – 17/03/21
Ian Hawksworth ¹	2012	190.70	Nil	176,979	–	–	176,979	09/03/15 – 08/03/22
Ian Hawksworth	2013	268.10	Nil	119,591	–	–	119,591	02/04/16 – 01/04/23
Ian Hawksworth	2014	351.93	Nil	99,863	–	–	99,863	01/04/17 – 31/03/24
Ian Hawksworth	2015	402.93	Nil	–	94,557	–	94,557	01/04/18 – 31/03/25
Soumen Das	2011	160.10	Nil	137,023	–	137,023	–	18/03/14 – 17/03/21
Soumen Das ¹	2012	190.70	Nil	117,986	–	–	117,986	09/03/15 – 08/03/22
Soumen Das	2013	268.10	Nil	93,248	–	–	93,248	02/04/16 – 01/04/23
Soumen Das	2014	351.93	Nil	72,628	–	–	72,628	01/04/17 – 31/03/24
Soumen Das	2015	402.93	Nil	–	68,374	–	68,374	01/04/18 – 31/03/25
Gary Yardley	2011	160.10	Nil	182,698	–	182,698	–	18/03/14 – 17/03/21
Gary Yardley ¹	2012	190.70	Nil	157,315	–	–	157,315	09/03/15 – 08/03/22
Gary Yardley	2013	268.10	Nil	106,303	–	–	106,303	02/04/16 – 01/04/23
Gary Yardley	2014	351.93	Nil	88,767	–	–	88,767	01/04/17 – 31/03/24
Gary Yardley	2015	402.93	Nil	–	81,279	–	81,279	01/04/18 – 31/03/25
Total				1,557,936			1,276,890	

¹ Vested but unexercised.

(ii) Matched deferred shares¹

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

Name	Year granted	Market price on date of grant (pence)	Option price (pence)	Held at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2015	Exercisable between
Ian Hawksworth	2011	160.10	Nil	205,535	–	205,535	–	–	18/03/14 – 17/03/21
Ian Hawksworth ²	2012	190.70	Nil	176,979	–	–	12,212	164,767	09/03/15 – 08/03/22
Ian Hawksworth	2013	268.10	Nil	119,591	–	–	–	119,591	02/04/16 – 01/04/23
Ian Hawksworth	2014	351.93	Nil	199,726	–	–	–	199,726	01/04/17 – 31/03/24
Ian Hawksworth	2015	402.93	Nil	–	94,557	–	–	94,557	01/04/18 – 31/03/21
Soumen Das	2011	160.10	Nil	137,023	–	137,023	–	–	18/03/14 – 17/03/21
Soumen Das ²	2012	190.70	Nil	117,986	–	–	8,142	109,844	09/03/15 – 08/03/22
Soumen Das	2013	268.10	Nil	93,248	–	–	–	93,248	02/04/16 – 01/04/23
Soumen Das	2014	351.93	Nil	145,256	–	–	–	145,256	01/04/17 – 31/03/24
Soumen Das	2015	402.93	Nil	–	68,374	–	–	68,374	01/04/18 – 31/03/25
Gary Yardley	2011	160.10	Nil	182,698	–	182,698	–	–	18/03/14 – 17/03/21
Gary Yardley ²	2012	190.70	Nil	157,315	–	–	10,855	146,460	09/03/15 – 08/03/22
Gary Yardley	2013	268.10	Nil	106,303	–	–	–	106,303	02/04/16 – 01/04/23
Gary Yardley	2014	351.93	Nil	177,534	–	–	–	177,534	01/04/17 – 31/03/24
Gary Yardley	2015	402.93	Nil	–	81,279	–	–	81,279	01/04/18 – 31/03/25
Total				1,819,194				1,506,939	

¹ Subject to performance conditions that apply to awards made under the PSP and MSP, as set out on pages 70 and 71.

² Vested but unexercised.

(iii) Matching of Directors' co-investment¹

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

Name	Year granted	Option price (pence)	Held at 1 January 2015	Granted during the year	Exercised during the year	Held at 31 December 2015	Exercisable between
Ian Hawksworth	2011	Nil	386,066	–	386,066	–	21/12/14 – 20/12/21
Ian Hawksworth	2011	Nil	2,830	–	2,830	–	22/12/14 – 21/12/21
Ian Hawksworth	2013	Nil	250,028	–	–	250,028	10/09/16 – 09/09/23
Ian Hawksworth	2014	Nil	27,916	–	–	27,916	06/08/17 – 05/08/24
Soumen Das	2011	Nil	62,692	–	62,692	–	03/06/14 – 02/06/21
Soumen Das ²	2012	Nil	125,400	–	–	125,400	28/03/15 – 27/03/22
Soumen Das ²	2012	Nil	40,000	–	–	40,000	15/05/15 – 14/05/22
Soumen Das ²	2012	Nil	34,848	–	–	34,848	16/05/15 – 15/05/22
Soumen Das	2013	Nil	184,738	–	–	184,738	01/09/16 – 09/09/23
Soumen Das	2014	Nil	47,858	–	–	47,858	06/08/17 – 05/08/24
Gary Yardley	2011	Nil	354,870	–	354,870	–	21/12/14 – 20/12/21
Gary Yardley	2011	Nil	18,020	–	18,020	–	21/12/14 – 20/12/21
Gary Yardley	2011	Nil	2,734	–	2,734	–	22/12/14 – 21/12/21
Gary Yardley	2013	Nil	205,454	–	–	205,454	10/09/16 – 09/09/23
Gary Yardley	2014	Nil	16,336	–	–	16,336	06/08/17 – 05/08/24
Gary Yardley	2015	Nil	–	152,788	–	152,788	01/04/18 – 31/03/25
Total			1,759,790			1,085,366	

¹ Subject to performance conditions that apply to awards made under the PSP and MSP, as set out on pages 70 and 71.

² Vested but unexercised.

The market price of Capital & Counties Properties PLC shares on 31 December 2015 was 440.6 pence and during the year the price varied between 473.4 pence and 362.5 pence. The aggregate gain made by the Executive Directors following the exercise of share options during the year was £15,040,280.61.

This Remuneration Report has been approved for issue by the Board of Directors on 24 February 2016.



Ian Henderson
Chairman of the Remuneration Committee

DIRECTORS' REPORT

The Directors present their Annual Report, and the audited consolidated financial statements for the year ended 31 December 2015.

STRATEGIC REPORT

The Group's 2015 Strategic Report, which includes a review of the Group's business during the financial year, the Group's position at year-end and a description of the principal risks and uncertainties facing the Group, comprises the following sections of the Annual Report:

	Page
– Chairman's statement	6
– Chief Executive's review	8
– Business model and strategy	12
– Key performance indicators	13
– Principal risks and uncertainties	14
– Operating review	18
– Financial review	40
– Corporate responsibility (which includes information on the Group's greenhouse gas emissions)	46

DIRECTORS

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

Chairman:

I.C. Durant

Executive Directors:

I.D. Hawsworth

S. Das

G.J. Yardley

Non-executive Directors:

I.J. Henderson

G.J. Gordon

J.G. Murphy (Appointed 1 March 2015)

D. Pinsent

H.E. Staunton

A.D. Strang

A.J.M. Huntley (Retired 1 May 2015)

Biographies of each Director can be found on pages 54 and 55 and details of each Director's interests in the Company's shares are set out on page 139.

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

The rules governing the appointment and replacement of Directors are contained in the Company's Articles and UK legislation. In compliance with the 2014 UK Corporate Governance Code, at the 2016 Annual General Meeting all the Directors will retire from office and will offer themselves for election or re-election.

COMPENSATION FOR LOSS OF OFFICE

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

DIRECTORS' CONFLICTS OF INTEREST

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

DIRECTORS' INDEMNITIES AND INSURANCE

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

ARTICLES OF ASSOCIATION

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

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period can be found in note 42 on page 139.

DIVIDENDS

The Directors have proposed the following dividends:

Interim Dividend paid on 25 September 2015	0.5p per ordinary share
Proposed Final Dividend to be paid on 21 June 2016	1p per ordinary share
Total proposed dividend for 2015	1.5p per ordinary share

The Capco Scrip Dividend Scheme was approved at the 2012 AGM and was offered to shareholders in respect of the 2014 final dividend and the 2015 interim dividend. It is intended that the Scrip Dividend be offered to shareholders in respect of the proposed final dividend for 2015, subject to SARB approval.

The proposed final dividend will be paid on 21 June 2016 to shareholders whose names are on the register at 27 May 2016.

CAPITAL STRUCTURE

Details of the Company's issued ordinary share capital, including details of movements in the issued share capital during the year, authorities to issue or repurchase shares and details of shares repurchased by the Company during the year, of which there were none, are shown in note 31 to the financial statements on page 130. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the transfer of shares beyond those standard provisions set out in the Articles of Association. No shareholder holds shares carrying special rights with regard to control of the Company. Details of significant shareholdings are set out on page 89.

USE OF FINANCIAL INSTRUMENTS

Information on risk management objectives and policies, including hedging policies, and exposure of the Company in relation to the use of financial instruments, can be found in note 28 on pages 124 to 129.

Holder	Shares held at time of last notification	Per cent held at time of last notification	Nature of holding	Date of last notification
BlackRock, Inc.	109,345,046	12.98%	Indirect Interest	17 Feb 2016
Coronation Asset Management (Pty) Limited	92,500,726	11.07%	Direct Interest	30 Oct 2014
Gordon Family Interests	92,083,204	10.96%	Direct Interest	3 March 2015
Norges Bank	59,455,413	7.07%	Direct Interest	24 April 2015
Old Mutual plc	42,330,851	5.03%	Indirect Interest	15 Dec 2015
Public Investment Corporation Limited	52,536,104	6.25%	Direct Interest	5 June 2015

CHANGE OF CONTROL PROVISIONS

There are a number of agreements which take effect, alter or terminate upon a change of control of the Company. The agreements that would be considered significant are the former and current Covent Garden facilities, the Covent Garden £150 million notes issued pursuant to a US Private Placement, the Empress State £118.5 million term and revolving facility and the Lillie Square development joint venture.

SUBSTANTIAL SHAREHOLDINGS

The significant holdings of voting rights in the share capital of the Company notified and disclosed in accordance with Disclosure and Transparency Rule 5, as at 22 February 2016, are shown in the table above.

EMPLOYEES

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

Certain of the Group's employees are eligible to participate in annual bonus arrangements. These arrangements, which may include awards under the Group's Performance Share Plan, help to develop employees' interest in the Company's performance. Full details of the Performance Share Plan are contained in note 40 to the accounts on pages 134 to 136.

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

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

Information relating to employees is given in note 7 on page 109. The Group provides retirement benefits for the majority of its employees. Details of the Group pension arrangements are set out in note 41 on pages 137 to 139.

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

THE ENVIRONMENT

Details of the Group's corporate responsibility policy and its aims and activities are described on the Company's website www.capitalandcounties.com. An overview of the Group's CR activity is on pages 46 to 53.

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

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

OVERSEAS BRANCH REGISTER

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

LISTING RULES DISCLOSURES

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

	Page
– Interest capitalised	110
– Non-pre-emptive issue of equity	130
– Interests in significant contracts	139

GOING CONCERN

As set out on page 45, the Directors have a reasonable expectation that the Company and the Group have adequate resources to meet both on going and future commitments for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

DISCLOSURE TO AUDITORS

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

INDEPENDENT AUDITORS

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

ANNUAL GENERAL MEETING

The 2016 Annual General Meeting of the Company will be held from 11.30 am on 6 May 2016 at Four Seasons Hotel London at Canary Wharf. The Notice of the Meeting, together with an explanation of the business to be dealt with at the Meeting, is included as a separate document sent to shareholders who have elected to receive hard copies of shareholder information and is also available on the Company's website.

By Order of the Board.



R. E. Pavey
Secretary

24 February 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and accounting estimates that are reasonable and prudent;
- (c) state whether applicable IFRSs as adopted by the European Union (EU) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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

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

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

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Directors' report contained includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and
- having taken all matters considered by the Board and brought to the attention of the Board during the year into account, the Directors consider that the Annual Report & Accounts, taken as a whole are fair, balanced and understandable. The Directors believe that the disclosures set out in the Annual Report & Accounts provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The financial statements on pages 96 to 142 were approved by the Board of Directors on 24 February 2016 and signed on its behalf by



Ian Hawksworth
Chief Executive



Soumen Das
Chief Financial Officer

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion:

- Capital & Counties Properties PLC's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit and the Group's and the Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report & Accounts ("the Annual Report"), comprise:

- the Group and Company Balance sheets as at 31 December 2015;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated and Company Statements of changes in equity and the Group and Company Statements of cash flows for the year then ended; and
- the Notes to the accounts, which include a summary of significant accounting policies and other explanatory information.

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

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Context

Our 2015 audit was planned and executed having regard to the fact that Capital & Counties Properties PLC's operations were largely unchanged in nature from the previous year, additionally, there have been no significant changes to the valuation methodology and accounting standards relevant to the Group. In light of this, our approach to the audit in terms of scoping and areas of focus was largely unchanged.

Overview

Materiality	– Overall Group materiality: £42 million (2014: £31 million) which represents 1% of total assets.
Audit scope	– We audited the complete financial information of each of the Group's four business lines of which Covent Garden, Earls Court and Venues are financially significant.
Areas of focus	– Valuation of central London investment and development properties. – Taxation.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

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

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

Independent Auditors' Report to the Members of Capital & Counties Properties PLC continued

Area of focus

Valuation of investment and development properties

Refer to pages 62 to 64 (Audit Committee Report), pages 102 to 106 (Principal Accounting Policies) and pages 102 to 142 (Notes to the accounts)

The valuation of the Group's investment and development properties is the key component of the net asset value and underpins the Group's result for the year. The result of the revaluation this year was a gain of £454m (2014: £454m), which is accounted for within 'Gain on revaluation and sale of investment and development property' and is a significant component of total consolidated income. The Group's property portfolios, which comprise investment property (including, retail, restaurants, offices, exhibition and residential) and development property located in central London are not uniform in nature, and therefore a number of different assumptions are made by the Group's external valuers in determining fair value:

- Investment properties – The valuation of investment properties (principally Covent Garden) is inherently subjective, due principally to the individual nature of each property (including its location) which heavily influences the future rental it is expected to generate. The assumptions on which the property values are based are influenced by tenure and tenancy details for each property, prevailing market yields and comparable market transactions.
- Development properties – The valuation of development property is also inherently subjective. Development properties (principally Earls Court), are valued using the residual appraisal method (i.e. by estimating the fair value of the completed project using either a sales comparison or income capitalisation method less estimated costs to completion and market based profit margin providing a return on development risk).

The valuations were carried out by third party valuers, Jones Lang LaSalle and CB Richard Ellis (the "Valuers"). They were engaged by the Directors, in accordance with the RICS Valuation – Professional Standards ("RICS"). The Valuers used by the Group are well-known firms, with considerable experience of the Group's market.

The fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus on this area.

Taxation

Refer to pages 62 to 64 (Audit Committee Report), pages 102 to 106 (Principal Accounting Policies) and pages 102 to 142 (Notes to the accounts)

Tax is a specific risk for the Group due to the degree of judgement involved in some of the ongoing activities of the Group and the wider Group restructuring. This gives rise to material tax considerations on the calculation, recognition, and classification of current and deferred tax balances from both a tax compliance and accounting perspective.

Judgements are made by management to arrive at the current and deferred tax position. These judgements include the impact of the transfer of investment properties and the Group holding structure.

How our audit addressed the area of focus

Experience of Valuers and relevance of their work

We read the Valuers' reports from CB Richard Ellis and Jones Lang LaSalle, who between them, value the entire property portfolio. We confirmed that the approaches used were consistent with RICS and the requirements of IFRS. We assessed the Valuers' competence and capabilities and read their terms of engagement with the Group, determining that there were no matters that affected their independence and objectivity or imposed scope limitations upon them.

Data provided to the Valuers

For investment and development properties we sample tested data provided to the Valuers by management and found that it was accurate and reliable. This data included tenancy schedules, capital expenditure details, cost schedules and square footage details which we agreed back to appropriate supporting documentation. For development properties we agreed that the planned schemes being valued were consistent with the actual planned developments and, where appropriate, had achieved planning consents.

Assumptions and estimates used by the Valuers

We met with the Valuers independently of management and challenged the valuation methods and assumptions used. The nature of assumptions used varied across the portfolio depending on the nature of each property but they included estimated capital values, investment yields, construction costs and developers' margins. In each of these areas, and on a sample basis, we compared the estimates and assumptions used by the Valuers against our own expectations, using evidence of comparable market transactions. Where we identified estimates and assumptions that were outside the typical ranges used, we discussed these with the Valuers to understand the rationale and then assessed, based on all the available evidence and our experience in this sector, whether the use of the estimate or assumption was justified.

Our testing which involved the use of our internal real estate valuation specialists, qualified chartered surveyors with deep market knowledge, indicated that the estimates and assumptions used were appropriate in the context of the Group's property portfolios.

We assessed the principal assumptions and judgements made in arriving at the current and deferred tax position by using our experience of similar matters in the industry.

We used our tax specialists to evaluate tax provisions and potential exposures as at 31 December 2015, challenging the Group's assumptions and judgements through our knowledge of the tax circumstances and by reading relevant correspondence between the Group and Her Majesty's Revenue & Customs and the Group's external tax advisors.

Our testing did not identify any matters that the Directors had not adequately reflected in their calculation of the necessary current and deferred tax provisions.

How we tailored the audit scope

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

The Group is structured along four business lines, Covent Garden, Earls Court Properties (including the Lillie Square development joint venture), Venues and Other.

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

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£42 million (2014: £31 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	The key area of focus in the audit is the valuation of investment and development properties and the balance sheet as a whole. Given this, consistent with the prior year, we set an overall Group materiality level based on total assets.

In addition, a number of key performance indicators of the Group are driven by income statement items and we, therefore, applied a lower specific materiality of £16 million (2014: £13 million) based on a three year average profit before tax for testing net rental income, finance costs and administrative expenses. We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2 million (2014: £1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' Statement, set out on page 89, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.

OTHER REQUIRED REPORTING

Consistency of other information

Companies Act 2006 opinions

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 56 to 61 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- | | |
|--|----------------------------------|
| – information in the Annual Report is: | We have no exceptions to report. |
| – materially inconsistent with the information in the audited financial statements; or | |
| – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or | |
| – otherwise misleading. | |
| – the statement given by the Directors on page 90, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company acquired in the course of performing our audit. | We have no exceptions to report. |
| – the section of the Annual Report on page 63, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. | We have no exceptions to report. |

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- | | |
|---|--|
| – the Directors' confirmation on page 14 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. | We have nothing material to add or to draw attention to. |
| – the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. | We have nothing material to add or to draw attention to. |
| – the Directors' explanation on page 17 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. | We have nothing material to add or to draw attention to. |

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Corporate governance statement

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

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 90, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

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

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



Craig Gentle (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24 February 2016

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

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

Consolidated income statement

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Continuing operations			
Revenue	2	114.9	110.6
Rental income		99.7	100.3
Rental expenses		(24.4)	(30.3)
Net rental income	2	75.3	70.0
Profit on sale of trading property	3	3.5	2.6
Other income		4.0	3.0
Gain on revaluation and sale of investment and development property	4	453.9	454.2
Write back of trading property		-	0.5
Loss on sale of available-for-sale investments	5	(0.2)	-
Loss on sale of loan notes		(0.2)	-
Impairment of other receivables	6	(12.2)	(12.7)
Other costs		-	(0.2)
		524.1	517.4
Administration expenses		(52.1)	(43.2)
Operating profit		472.0	474.2
Finance income	9	0.7	0.8
Finance costs	10	(20.8)	(15.9)
Other finance income	9	9.3	8.4
Other finance costs	10	-	(5.2)
Change in fair value of derivative financial instruments	28	(0.6)	(12.1)
Net finance costs		(11.4)	(24.0)
		460.6	450.2
Share of post-tax loss from joint ventures	19	(0.7)	-
Profit before tax		459.9	450.2
Current tax		2.2	2.1
Deferred tax		(4.9)	(3.4)
Taxation	12	(2.7)	(1.3)
Profit for the year from continuing operations		457.2	448.9
Discontinued operation			
Post-tax loss for the year from discontinued operation	11	-	(0.3)
Profit for the year		457.2	448.6
Profit attributable to:			
Owners of the Parent		431.1	448.6
Non-controlling interest	33	26.1	-
Earnings per share from continuing operations attributable to owners of the Parent¹			
Basic earnings per share	15	51.3p	55.6p
Diluted earnings per share	15	50.9p	55.0p
Weighted average number of shares	15	840.8m	806.5m

¹ Earnings per share from discontinued operations and adjusted earnings per share from continuing and discontinued operations are shown in note 15 'Earnings Per Share and Net Assets Per Share'.

Notes on pages 102 to 142 form part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Profit for the year		457.2	448.6
Other comprehensive income/(expense)			
Items that may or will be reclassified subsequently to the income statement			
Gain on cash flow hedge	28	–	0.3
Items that will not be reclassified subsequently to the income statement			
Actuarial gain/(loss) on defined benefit pension scheme	41	0.8	(1.8)
Tax relating to items that will not be reclassified	29	(0.2)	0.4
Total other comprehensive income/(expense) for the year		0.6	(1.1)
Total comprehensive income for the year		457.8	447.5
Attributable to:			
Owners of the Parent		431.7	447.5
Non-controlling interest	33	26.1	–
Arising from:			
Continuing operations		457.8	447.8
Discontinued operation	11	–	(0.3)

Notes on pages 102 to 142 form part of these consolidated financial statements.

Balance sheets

As at 31 December 2015

	Notes	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Non-current assets					
Investment and development property	16	3,855.3	2,784.4	-	-
Plant and equipment	17	6.9	1.0	-	-
Investment in Group companies	18	-	-	516.4	676.4
Investment in joint ventures	19	14.8	0.1	-	-
Available-for-sale investments	20	0.2	0.4	-	-
Derivative financial instruments	21	0.8	2.1	-	-
Pension asset	41	0.7	-	-	-
Trade and other receivables	22	158.9	129.5	-	-
		4,037.6	2,917.5	516.4	676.4
Current assets					
Trading property	16	15.5	22.1	-	-
Trade and other receivables	22	32.3	42.8	707.4	539.6
Cash and cash equivalents	23	66.9	94.8	-	-
		114.7	159.7	707.4	539.6
Total assets		4,152.3	3,077.2	1,223.8	1,216.0
Non-current liabilities					
Borrowings, including finance leases	25	(607.6)	(432.2)	-	-
Derivative financial instruments	21	(3.2)	(3.9)	-	-
Pension liability	41	-	(0.2)	-	-
Deferred tax	29	(19.5)	(12.9)	-	-
Trade and other payables	24	-	(0.2)	-	-
		(630.3)	(449.4)	-	-
Current liabilities					
Borrowings, including finance leases	25	(18.5)	(17.5)	-	-
Other provisions	30	(2.0)	-	-	-
Tax liabilities		(2.8)	(1.6)	-	-
Trade and other payables	24	(95.9)	(102.4)	(0.6)	(0.4)
		(119.2)	(121.5)	(0.6)	(0.4)
Total liabilities		(749.5)	(570.9)	(0.6)	(0.4)
Net assets		3,402.8	2,506.3	1,223.2	1,215.6
Equity					
Share capital	31	210.5	209.1	210.5	209.1
Other components of equity		2,723.5	2,297.2	1,012.7	1,006.5
Equity attributable to owners of the Parent		2,934.0	2,506.3	1,223.2	1,215.6
Non-controlling interest	33	468.8	-	-	-
Total equity		3,402.8	2,506.3	1,223.2	1,215.6

Notes on pages 102 to 142 form part of these consolidated financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 24 February 2016 and signed on its behalf by.



Ian Hawksworth
Chief Executive



Soumen Das
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2015

Group	Notes	Equity attributable to owners of the Parent							Non-controlling interest £m	Total equity £m
		Share capital £m	Share premium £m	Merger reserve ¹ £m	Share-based payment reserve £m	Other reserves ² £m	Retained earnings £m	Total £m		
Balance at 1 January 2014		189.5	121.0	277.8	7.4	0.1	1,216.3	1,812.1	–	1,812.1
Profit for the year		–	–	–	–	–	448.6	448.6	–	448.6
Other comprehensive income/(expense)										
Gain on cash flow hedge	28	–	–	–	–	0.3	–	0.3	–	0.3
Actuarial loss on defined benefit pension scheme	41	–	–	–	–	–	(1.8)	(1.8)	–	(1.8)
Tax relating to items that will not be reclassified	29	–	–	–	–	–	0.4	0.4	–	0.4
Total comprehensive income for the year ended 31 December 2014		–	–	–	–	0.3	447.2	447.5	–	447.5
Transactions with owners										
Ordinary shares issued		19.6	85.9	148.0	–	–	–	253.5	–	253.5
Dividend expense	14	–	–	–	–	–	(12.5)	(12.5)	–	(12.5)
Adjustment for bonus issue	14	–	–	–	–	–	0.6	0.6	–	0.6
Realisation of share-based payment reserve on issue of shares		–	–	–	(0.8)	–	0.8	–	–	–
Fair value of share-based payment	40	–	–	–	4.8	–	–	4.8	–	4.8
Tax relating to share-based payment	29	–	–	–	–	–	0.3	0.3	–	0.3
Total transactions with owners		19.6	85.9	148.0	4.0	–	(10.8)	246.7	–	246.7
Balance at 31 December 2014		209.1	206.9	425.8	11.4	0.4	1,652.7	2,506.3	–	2,506.3
Profit for the year		–	–	–	–	–	431.1	431.1	26.1	457.2
Other comprehensive income/(expense)										
Actuarial gain on defined benefit pension scheme	41	–	–	–	–	–	0.8	0.8	–	0.8
Tax relating to items that will not be reclassified	29	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Total comprehensive income for the year ended 31 December 2015		–	–	–	–	–	431.7	431.7	26.1	457.8
Transactions with owners										
Ordinary shares issued	31	1.4	4.2	–	–	–	–	5.6	–	5.6
Dividend expense	14	–	–	–	–	–	(12.6)	(12.6)	–	(12.6)
Adjustment for bonus issue	14	–	–	–	–	–	0.6	0.6	–	0.6
Realisation of share-based payment reserve on issue of shares		–	–	–	(5.7)	–	5.0	(0.7)	–	(0.7)
Fair value of share-based payment	40	–	–	–	4.6	–	–	4.6	–	4.6
Tax relating to share-based payment	29	–	–	–	–	–	(1.5)	(1.5)	–	(1.5)
Contribution from non-controlling interest		–	–	–	–	–	–	–	442.7	442.7
Total transactions with owners		1.4	4.2	–	(1.1)	–	(8.5)	(4.0)	442.7	438.7
Balance at 31 December 2015		210.5	211.1	425.8	10.3	0.4	2,075.9	2,934.0	468.8	3,402.8

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

2 Refer to note 32 'Other Reserves'.

Notes on pages 102 to 142 form part of these consolidated financial statements.

Statement of changes in equity

For the year ended 31 December 2015

Company	Notes	Share capital £m	Share premium £m	Merger reserve ¹ £m	Share-based payment reserve £m	Other reserves ² £m	Retained earnings £m	Total equity £m
Balance at 1 January 2014		189.5	121.0	277.8	7.4	–	366.4	962.1
Profit for the year	13	–	–	–	–	–	7.1	7.1
Total comprehensive income for the year ended 31 December 2014		–	–	–	–	–	7.1	7.1
Transactions with owners								
Ordinary shares issued		19.6	85.9	148.0	–	–	–	253.5
Dividend expense	14	–	–	–	–	–	(12.5)	(12.5)
Adjustment for bonus issue	14	–	–	–	–	–	0.6	0.6
Realisation of share-based payment reserve on issue of shares		–	–	–	(0.8)	–	0.8	–
Fair value of share-based payment	40	–	–	–	4.8	–	–	4.8
Total transactions with owners		19.6	85.9	148.0	4.0	–	(11.1)	246.4
Balance at 31 December 2014		209.1	206.9	425.8	11.4	–	362.4	1,215.6
Profit for the year	13	–	–	–	–	–	10.1	10.1
Total comprehensive income for the year ended 31 December 2015		–	–	–	–	–	10.1	10.1
Transactions with owners								
Ordinary shares issued	31	1.4	4.2	–	–	–	–	5.6
Dividend expense	14	–	–	–	–	–	(12.6)	(12.6)
Adjustment for bonus issue	14	–	–	–	–	–	0.6	0.6
Realisation of share-based payment reserve on issue of shares		–	–	–	(5.7)	–	5.0	(0.7)
Fair value of share-based payment	40	–	–	–	4.6	–	–	4.6
Total transactions with owners		1.4	4.2	–	(1.1)	–	(7.0)	(2.5)
Balance at 31 December 2015		210.5	211.1	425.8	10.3	–	365.5	1,223.2

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

² Refer to note 32 'Other Reserves'.

Notes on pages 102 to 142 form part of these consolidated financial statements.

Statements of cash flows

For the year ended 31 December 2015

	Notes	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Continuing operations					
Cash flows from operating activities					
Cash generated from operations	36	13.1	26.2	7.6	(82.1)
Interest paid		(19.6)	(15.5)	-	-
Interest received		0.7	0.8	-	-
Tax refund received		3.5	3.5	-	-
Net cash (outflow)/inflow from operating activities		(2.3)	15.0	7.6	(82.1)
Cash flows from investing activities					
Purchase and development of property		(250.2)	(251.2)	-	-
Sale of property		11.2	7.3	-	-
Acquisition of interest in joint venture		(13.5)	-	-	-
Pension funding		-	(0.8)	-	-
Sale of loan notes		6.0	-	-	-
Sale of subsidiaries ¹		0.5	0.8	-	-
Loan advances to joint ventures		(3.2)	(13.5)	-	-
Deferred consideration on purchase of subsidiary		(7.1)	-	-	-
Net cash outflow from investing activities		(256.3)	(257.4)	-	-
Cash flows from financing activities					
Issue of shares		0.1	252.1	0.1	92.6
Borrowings drawn	25	225.0	730.0	-	-
Borrowings repaid	25	(51.0)	(650.2)	-	-
Purchase of derivative financial instruments		-	(8.7)	-	-
Other finance costs		(0.4)	(25.2)	-	-
Cash dividends paid	14	(7.7)	(11.0)	(7.7)	(11.0)
Contribution from non-controlling interest		64.7	7.1	-	-
Net cash inflow/(outflow) from financing activities		230.7	294.1	(7.6)	81.6
Net (decrease)/increase in unrestricted cash and cash equivalents from continuing operations		(27.9)	51.7	-	(0.5)
Cash inflow from discontinued operation					
Net cash inflow from investing activities		-	0.1	-	-
Net increase in unrestricted cash and cash equivalents from discontinued operation		-	0.1	-	-
Net (decrease)/increase in unrestricted cash and cash equivalents		(27.9)	51.8	-	(0.5)
Unrestricted cash and cash equivalents at 1 January		88.8	37.0	-	0.5
Unrestricted cash and cash equivalents at 31 December	23	60.9	88.8	-	-

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 102 to 142 form part of these consolidated financial statements.

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.

During 2015, the following accounting standards were adopted by the Group:

IFRS 2 ‘Share Based Payment’ (amendment)
IFRS 3 ‘Business Combinations’ (amendment)
IFRS 8 ‘Operating Segments’ (amendment)
IFRS 13 ‘Fair Value Measurement’ (amendment)
IAS 19 ‘Employee Benefits’ (amendment)
IAS 24 ‘Related Party Disclosures’ (amendment)
IAS 40 ‘Investment Property’ (amendment)

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

Standards and guidelines relevant to the Group that were in issue and endorsed at the date of approval of the consolidated financial statements but not effective at the balance sheet date and have not been adopted early are:

IFRS 5 ‘Non-current assets held for sale and discontinued operations’ (amendment)
IFRS 7 ‘Financial instruments: Disclosures’ (amendment)
IAS 1 ‘Presentation of financial statements’ (amendment)
IAS 16 ‘Property, plant and equipment’ (amendment)
IAS 19 ‘Employee benefits’ (amendment)
IAS 27 ‘Separate Financial Statements’ (amendment)
IAS 34 ‘Interim financial reporting’ (amendment)

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

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 2012 LP, EC Properties LP, Solum Group Holdings LP and The Empress State Limited Partnership. The members of these qualifying partnerships have taken advantage of exemptions available in Statutory Instrument 2008/569 and therefore will not produce consolidated accounts at the partnership level.

The consolidated financial statements are prepared in British pounds sterling, which is also determined to be the functional currency of the Parent.

Subsidiaries

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

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

Estimation and uncertainty

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, equity, income and expenses. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The most significant area of estimation and uncertainty in the consolidated financial statements is in respect of the valuation of the property portfolio and investments, where external valuations are obtained. The valuation of the Group’s property portfolio is inherently subjective due to the assumptions as outlined within the property portfolio note. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate and could therefore have a material effect on the Group’s financial performance and position.

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

Revenue recognition
Share-based payment
Provisions
Pensions
Contingent liabilities and capital commitments
Income taxes
Trade and other receivables

Operating segments

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

Revenue recognition

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

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Revenue recognition continued

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.

Dividend income is recognised when the Company's right to receive payment has been established.

Exceptional items

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

Foreign currencies

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

Income taxes

Current tax is the amount payable on the taxable income for the year and any adjustment in respect of prior years. It is calculated using rates that have been enacted or substantially enacted by the balance sheet date.

In accordance with IAS 12 'Income Taxes', deferred tax is provided for using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of those assets and liabilities. However, temporary differences are not recognised to the extent that they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss; or are associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary difference can be controlled by the parent, venture or investor, respectively,

and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that management believes it is probable that future taxable profit will be available against which the deferred tax assets can be recovered. Deferred tax assets and liabilities are only offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable group or different taxable entities where there is an intention to settle balances on a net basis.

Tax is included in the income statement except when it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is also recognised in other comprehensive income or directly in equity respectively.

For tax purposes, an investment property accounted for at fair value will normally be recovered through sale rather than use.

Discontinued operation

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

Share-based payment

The cost of granting share options and other share-based remuneration to employees and Directors is recognised through the income statement with reference to the fair value of the instrument at the date of grant.

The income statement is charged over the vesting period of the options with a corresponding increase in equity. An option pricing model is used applying assumptions around expected yields, forfeiture rates, exercise price and volatility.

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

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

Investment and development property

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

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.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Investment and development property continued

The valuation is based upon assumptions as outlined within the property portfolio note. These assumptions conform with the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards. The cost of development properties includes capitalised interest and other directly attributable outgoings, with the exception of properties and land where no development is imminent in which case no interest is included. Interest is capitalised (before tax relief) on the basis of the weighted average cost of debt outstanding until the date of practical completion.

When the Group redevelops a property for continued future use, that property is classified as 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 and development 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 and development properties cease to be recognised as investment and development 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.

Disposals are recognised on completion. Gains or losses arising are recognised in the income statement. The gain on disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

A property ceases to be recognised as investment and development 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 and development property, the property is transferred at fair value with any resulting gain recognised in the income statement.

Trading property

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

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

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

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

Leases

Leases are classified according to the substance of the transaction.

A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are normally classified as operating leases.

Group as a lessee:

In accordance with IAS 40 'Investment Property', property held under finance and operating leases may be accounted for as investment property. Finance leases are recognised as both an asset and an obligation to pay future minimum lease payments. The investment property asset is included in the balance sheet at the lower of fair value and the present value of minimum lease payments, gross of the recognised finance lease liability. Lease payments are allocated between the liability and finance charges so as to achieve a constant financing rate.

Other finance leased assets are capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments and depreciated over the shorter of the lease term and the useful life of the asset.

Rental expenses under operating leases are charged to the income statement on a straight-line basis over the lease term.

Plant and equipment

Plant and equipment consist of fixtures, fittings and other office equipment. Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset plus any attributable cost in bringing the asset to its working condition for its intended use. Depreciation is charged to the income statement on a straight-line basis over an asset's estimated useful life to a maximum of five years.

Investment in Group companies

Investment in Group companies, which eliminate on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. Impairment losses are determined with reference to the investment's fair value less estimated selling costs. Fair value is derived from the subsidiary's, and their subsidiaries, net assets at the balance sheet date. On disposal, the difference between the net disposal proceeds and its carrying amount is included in the income statement.

Investment in joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Investments in joint ventures are accounted for using the equity method. On initial recognition the investment is recognised at cost, and the carrying amount is subsequently increased or decreased to recognise the Group's share of the profit or loss of the joint venture after the date of acquisition. Goodwill, if any, on acquisition is included in the carrying amount of the investment.

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 period is also presented separately in the income statement.

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

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

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Available-for-sale investments

Available-for-sale investments, being investments intended to be held for an indefinite period, are initially recognised and subsequently measured at fair value.

Gains or losses arising from changes in the fair value of available-for-sale investments are included in other comprehensive income, except to the extent that losses are determined to be attributable to impairment, in which case they are recognised in the income statement and may not be reversed in subsequent periods.

Disposals are recorded upon distribution, at which time accumulated fair value adjustments are recycled from reserves to the income statement.

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 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.

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 ordinarily recognised initially at their net proceeds as an approximation of fair value.

If the transaction price is not an approximation of fair value at initial recognition, the Group determines the fair value as evidenced by a quoted price in an active market for an identical instrument or based on a valuation technique that uses data from observable markets. Where equity holders of the Group are party to the transaction the difference between the net proceeds and fair value is recognised within equity.

Borrowings are 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 represents the Group's interests in the Earls Court area, comprising properties held in ECPL, Lillie Square, the Empress State Building and a number of smaller properties in the Earls Court area;
- Venues comprises the exhibitions business including the Olympia London property assets and Maclise Road¹; and
- Other comprises the discontinued activity of The Great Capital Partnership, the Group's residual China investments, other head office companies and investments.

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.

¹ The comparative period has been re-presented to reflect the transfer of Maclise Road from the Earls Court Properties segment to the Venues segment.

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	2015						IFRS total £m
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Group total £m	Consolidation adjustments £m	
Continuing operations							
Revenue	61.3	18.8	31.3	2.1	113.5	1.4	114.9
Rent receivable and exhibition income	46.4	18.8	31.3	–	96.5	(0.5)	96.0
Service charge income	3.7	–	–	–	3.7	–	3.7
Rental income	50.1	18.8	31.3	–	100.2	(0.5)	99.7
Rental expenses ¹	(11.3)	(1.0)	(12.0)	(0.5)	(24.8)	0.4	(24.4)
Net rental income	38.8	17.8	19.3	(0.5)	75.4	(0.1)	75.3
Profit/(loss) on sale of trading property	3.5	(1.5)	–	–	2.0	1.5	3.5
Other income	–	–	–	2.1	2.1	1.9	4.0
Gain on revaluation and sale of investment and development property	262.9	133.1	58.4	(0.4)	454.0	(0.1)	453.9
Write back of trading property	–	0.2	–	–	0.2	(0.2)	–
Loss on sale of loan notes	–	–	–	(0.2)	(0.2)	–	(0.2)
Loss on sale of available-for-sale investments	–	–	–	(0.2)	(0.2)	–	(0.2)
Impairment of other receivables	–	–	–	–	–	(12.2)	(12.2)
Segment result	305.2	149.6	77.7	0.8	533.3	(9.2)	524.1
Unallocated costs							
Administration expenses					(52.8)	0.7	(52.1)
Operating profit					480.5	(8.5)	472.0
Net finance costs ²					(20.6)	9.2	(11.4)
Share of post-tax loss from joint ventures					–	(0.7)	(0.7)
Profit before tax					459.9	–	459.9
Taxation					(2.7)	–	(2.7)
Profit for the year from continuing operations					457.2	–	457.2
Profit attributable to:							
Owners of the Parent							431.1
Non-controlling interest							26.1
Summary balance sheet							
Total segment assets ³	2,010.4	1,838.4	314.7	39.2	4,202.7	(82.0)	4,120.7
Total segment liabilities ³	(569.6)	(201.1)	(36.6)	(24.2)	(831.5)	82.0	(749.5)
Segmental net assets	1,440.8	1,637.3	278.1	15.0	3,371.2	–	3,371.2
Unallocated assets ²					31.6	–	31.6
Net assets					3,402.8	–	3,402.8
Other segment items:							
Depreciation	(0.2)	–	(0.2)	(0.1)	(0.5)	–	(0.5)
Capital expenditure	(110.8)	(535.2)	(4.0)	(0.3)	(650.3)	32.4	(617.9)

1 Comprises service charge and other non-recoverable costs.

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

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

Notes to the accounts continued

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	Re-presented 2014 ¹						
	Covent Garden £m	Earls Court Properties ² £m	Venues ² £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Continuing operations							
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 ³	(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	134.2	50.4	(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	148.9	65.5	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 ⁴					(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 ⁵	1,640.4	1,139.2	244.9	29.5	3,054.0	(42.8)	3,011.2
Total segment liabilities ⁵	(380.0)	(173.8)	(43.0)	(16.9)	(613.7)	42.8	(570.9)
Segmental net assets	1,260.4	965.4	201.9	12.6	2,440.3	–	2,440.3
Unallocated assets ⁴					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 The comparative period has been re-presented to reflect the transfer of Maclise Road from the Earls Court Properties segment to the Venues segment.

2 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.

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

	2015 £m	2014 £m
Continuing operations		
Proceeds from the sale of trading property	11.2	7.3
Cost of sale of trading property	(7.5)	(4.6)
Agent, selling and marketing fees	(0.2)	(0.1)
Profit on sale of trading property	3.5	2.6

4 GAIN ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

	2015 £m	2014 £m
Continuing operations		
Gain on revaluation of investment and development property	453.9	446.6
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	453.9	454.2

5 LOSS ON SALE OF AVAILABLE-FOR-SALE INVESTMENTS

	2015 £m	2014 £m
Continuing operations		
Loss on sale of available-for-sale investments	0.2	–

Loss on sale of available-for-sale investments represents part divestment from China Harvest Fund I.

6 IMPAIRMENT OF OTHER RECEIVABLES

	2015 £m	2014 £m
Continuing operations		
Impairment of amounts receivable from joint ventures	12.2	12.9
Write back of impairment of loan notes receivable	–	(0.2)
Impairment of other receivables	12.2	12.7

Following an impairment review of amounts receivable from joint ventures by the Group, an impairment of £12.2 million has been recognised (2014: £12.9 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 (2014: £nil) in accordance with IAS 28 'Investment in Associates and Joint Ventures' ('IAS 28'). Refer to note 19 'Investment in Joint Ventures'.

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

7 EMPLOYEE INFORMATION

(a) Employee costs

	Group 2015 £m	Group 2014 £m
Wages and salaries	28.2	26.3
Social security costs	6.0	4.6
Other pension costs	1.4	1.2
Share-based payment	4.6	4.8
Total employee costs	40.2	36.9

(b) Employee numbers

Total number of people (including Executive Directors) employed	Group 2015	Group 2014
Venues	160	218
Capco head office (including Earls Court Properties) & Covent Garden	143	122
Total headcount at 31 December	303	340

Average monthly number of people (including Executive Directors) employed	Group 2015	Group 2014
Venues	170	223
Capco head office (including Earls Court Properties) & Covent Garden	131	109
Total average headcount	301	332

Notes to the accounts continued

8 AUDITORS' REMUNERATION

	2015 £m	2014 £m
Remuneration to the principal auditor in respect of audit fees:		
Parent Company and Group consolidated financial statements	0.2	0.1
Statutory audit of subsidiaries	0.3	0.2
Fees related to the audit of the Company and its subsidiaries	0.5	0.3
Audit related assurance services	–	0.1
Total fees for audit and audit related services	0.5	0.4

The Group's auditors, PricewaterhouseCoopers LLP are engaged on assignments additional to their statutory duties where their expertise and experience of the Group are important. Should fees on an assignment be expected to exceed the lower of £50,000 or 15 per cent of the annual auditor's fee, they are pre-approved by the Chairman of the Audit Committee. 2015 non-audit fees represented 3.1 per cent of the total fee.

9 FINANCE INCOME

	2015 £m	2014 £m
Continuing operations		
Finance income:		
On loan notes	0.2	0.6
On deposits and other	0.5	0.2
Finance income	0.7	0.8
Other finance income:		
On deep discount bonds	9.3	8.4
Other finance income¹	9.3	8.4

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

10 FINANCE COSTS

	2015 £m	2014 £m
Continuing operations		
Finance costs:		
On bank overdrafts, loans and other	21.0	16.5
On obligations under finance leases	0.5	0.5
Gross finance costs	21.5	17.0
Interest capitalised on property under development	(0.7)	(1.1)
Finance costs	20.8	15.9
Other finance costs:		
Loss on termination of derivative financial instruments	–	1.3
Costs of termination of bank loans and other	–	3.9
Other finance costs¹	–	5.2

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 3.3 per cent (2014: 3.4 per cent) applied to the cost of property under development during the year.

11 DISCONTINUED OPERATION

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

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

	2015 £m	2014 £m
Summarised income statement		
Revenue	–	–
Administration expenses	–	–
Profit before tax	–	–
Taxation ¹	–	(0.3)
Post-tax loss for the year from discontinued operation	–	(0.3)

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

12 TAXATION

	2015 £m	2014 £m
Continuing operations		
Current income tax:		
Current income tax charge excluding non-underlying items	1.6	3.5
Current income tax on profits	1.6	3.5
Deferred income tax:		
On accelerated capital allowances	0.1	0.3
On fair value of investment and development property	3.8	9.0
On fair value of derivative financial instruments	(0.1)	(0.7)
On Group losses	0.5	(3.3)
On other temporary differences	(0.8)	(1.9)
Deferred income tax on profits	3.5	3.4
Current income tax credit on non-underlying items	–	(1.8)
Adjustments in respect of previous years – current income tax	(3.8)	(3.8)
Adjustments in respect of previous years – deferred income tax	1.4	–
Total income tax charge reported in the consolidated income statement	2.7	1.3

Factors affecting the tax charge for the year

The tax assessed for the year is £2.7 million which reflects a rate lower than the standard rate of corporation tax in the United Kingdom (“UK”). The differences are explained below:

	2015 £m	2014 £m
Continuing operations		
Profit before tax	459.9	450.2
Profit on ordinary activities multiplied by the standard rate in the UK of 20.25% (2014: 21.50%)	93.1	96.8
Unrecognised deferred income tax on revaluation gains	(74.3)	(85.5)
Adjustments in respect of previous years	(2.4)	(3.8)
Expenses disallowed	1.7	0.4
Other temporary differences	(12.9)	(5.3)
Reduction in deferred income tax following change in corporation tax rate	(2.5)	(1.3)
Total income tax charge reported in the consolidated income statement	2.7	1.3

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 21 per cent to 20 per cent on 1 April 2015. Following the Chancellor’s announcement in the July 2015 Budget, the main rate of corporation tax will fall to 19 per cent from April 2017 and 18 per cent from April 2020.

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

Profit after tax of £10.1 million was attributable to the shareholders of the Parent Company for 2015 (2014: £7.1 million). No income statement or statement of comprehensive income is presented for the Company as permitted by Section 408 Companies Act 2006.

14 DIVIDENDS

Group and Company	2015 £m	2014 £m
Ordinary shares		
Prior year final dividend of 1.0p per share (2014: 1.0p)	8.4	8.4
Interim dividend of 0.5p per share (2014: 0.5p)	4.2	4.1
Dividend expense	12.6	12.5
Shares issued in lieu of cash ¹	(4.3)	(0.9)
Adjustment for bonus issue ²	(0.6)	(0.6)
Cash dividends paid	7.7	11.0
Proposed final dividend of 1.0p per share (2014: 1.0p)	8.4	8.4

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.

Notes to the accounts continued

15 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(a) Earnings per share

	2015			2014		
	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	431.1	840.8	51.3	448.6	806.5	55.6
Dilutive effect of contingently issuable share option awards ²	–	2.1		–	4.2	
Dilutive effect of contingently issuable deferred share awards ²	–	0.8		–	1.0	
Dilutive effect of contingently issuable matching nil cost options awards ²	–	1.3		–	2.7	
Dilutive effect of deferred bonus share option awards ²	–	1.3		–	1.2	
Diluted earnings	431.1	846.3	50.9	448.6	815.6	55.0
Continuing operations attributable to owners of the Parent						
Basic earnings	431.1	840.8	51.3	448.9	806.5	55.6
Diluted earnings	431.1	846.3	50.9	448.9	815.6	55.0
Discontinued operation attributable to owners of the Parent						
Basic earnings	–	840.8	–	(0.3)	806.5	–
Diluted earnings	–	846.3	–	(0.3)	815.6	–
Continuing operations attributable to owners of the Parent						
Basic earnings	431.1			448.9		
Group adjustments:						
Profit on sale of trading property	(3.5)			(2.6)		
Gain on revaluation and sale of investment and development property	(453.9)			(454.2)		
Loss on sale of loan notes	0.2			–		
Write back of trading property	–			(0.5)		
Loss on termination of derivative financial instruments	–			1.3		
Change in fair value of derivative financial instruments	0.6			12.1		
Deferred tax adjustments	3.8			8.6		
Non-controlling interest in respect of the adjustments	26.4			–		
Joint venture adjustments:						
Loss on sale of trading property	1.6			4.5		
Gain on revaluation of investment and development property	(0.1)			(0.2)		
Write back of trading property	(0.2)			(1.2)		
EPRA adjusted earnings on continuing operations³	6.0	840.8	0.7	16.7	806.5	2.1
Other finance costs and income	–			3.9		
Write back of impairment of other receivables	–			(0.2)		
Other costs	–			0.2		
Loss on sale of available-for-sale investments	0.2			–		
Current tax adjustments	–			(3.1)		
Deferred tax adjustments	1.7			(4.1)		
Discontinued operation	–			(0.3)		
Joint venture adjustment:						
Other income	(0.1)			–		
Underlying earnings³	7.8	840.8	0.9	13.1	806.5	1.6

¹ Weighted average number of shares in issue has been adjusted by 0.1 million (2014: 0.1 million) for the issue of bonus shares in connection with the scrip dividend scheme.

² Further information on these potential ordinary shares can be found in note 40 'Share-Based Payments'.

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

15 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

Headline earnings per share is calculated in accordance with Circular 2/2015 issued by the South African Institute of Chartered Accountants (“SAICA”), a requirement of the Group’s Johannesburg Stock Exchange (“JSE”) listing. This measure is not a requirement of IFRS.

(a) Earnings per share continued

	2015			2014		
	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	431.1	840.8	51.3	448.6	806.5	55.6
Group adjustments:						
Gain on revaluation and sale of investment and development property	(453.9)			(446.5)		
Loss on sale of available-for-sale investments	0.2			–		
Loss on sale of loan notes	0.2			–		
Write back of impairment of other receivables	–			(0.2)		
Deferred tax adjustments	3.8			8.7		
Non-controlling interest in respect of the adjustments	26.4			–		
Joint venture adjustment:						
Gain on revaluation of investment and development property	(0.1)			(0.2)		
Headline earnings	7.7	840.8	0.9	10.4	806.5	1.3
Dilutive effect of contingently issuable share option awards ²	–	2.1		–	4.2	
Dilutive effect of contingently issuable deferred share awards ²	–	0.8		–	1.0	
Dilutive effect of contingently issuable matching nil cost options awards ²	–	1.3		–	2.7	
Dilutive effect of deferred bonus share option awards ²	–	1.3		–	1.2	
Diluted headline earnings	7.7	846.3	0.9	10.4	815.6	1.3

1 Weighted average number of shares in issue has been adjusted by 0.1 million (2014: 0.1 million) for the issue of bonus shares in connection with the scrip dividend scheme.

2 Further information on these potential ordinary shares can be found in note 40 ‘Share-Based Payments’.

(b) Net assets per share

	2015			2014		
	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	2,934.0	842.0	348.5	2,506.3	836.2	299.7
Effect of dilution on exercise of contingently issuable share option awards ¹	–	2.3		–	5.1	
Effect of dilution on vesting of contingently issuable deferred share awards ¹	–	0.8		–	1.0	
Effect of dilution on exercise of contingently issuable matching nil cost option awards ¹	–	1.3		–	2.8	
Effect of dilution on exercise of deferred bonus share option awards ¹	–	1.3		–	1.2	
Diluted NAV	2,934.0	847.7	346.1	2,506.3	846.3	296.1
Group adjustments:						
Fair value of derivative financial instruments	2.4			1.8		
Unrecognised surplus on trading property – Group	8.3			12.9		
Unrecognised surplus on trading property – Joint venture	91.6			83.4		
Deferred tax adjustments	28.9			25.1		
Non-controlling interests in respect of the adjustments	(5.8)			–		
EPRA adjusted, diluted NAV	3,059.4	847.7	360.9	2,629.5	846.3	310.7
Fair value of derivative financial instruments	(2.4)			(1.8)		
Excess fair value of debt over carrying value	(12.1)			(15.8)		
Deferred tax adjustments	(28.9)			(13.3)		
EPRA adjusted, diluted NNNNAV	3,016.0	847.7	355.8	2,598.6	846.3	307.1

1 Further information on these potential ordinary shares can be found in note 40 ‘Share-Based Payments’.

Notes to the accounts continued

16 PROPERTY PORTFOLIO

(a) Investment and development property

	Property portfolio					Tenure	
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m	Freehold £m	Leasehold £m
Re-presented Group¹							
At 1 January 2014	1,108.4	763.1	178.3	–	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 ²	23.3	–	–	–	23.3	23.3	–
Gain/(loss) on valuation ³	262.6	134.0	50.4	(0.4)	446.6	162.6	284.0
At 31 December 2014	1,576.7	970.6	232.6	4.5	2,784.4	1,469.4	1,315.0
Reclassification	–	–	–	–	–	(32.0)	32.0
Additions from acquisitions	50.0	449.2	–	–	499.2	85.6	413.6
Additions from subsequent expenditure	59.9	53.6	4.0	0.3	117.8	48.5	69.3
Gain/(loss) on valuation ³	262.9	133.0	58.4	(0.4)	453.9	225.4	228.5
At 31 December 2015	1,949.5	1,606.4	295.0	4.4	3,855.3	1,796.9	2,058.4

(b) Trading property

	Property portfolio					Tenure	
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m	Freehold £m	Leasehold £m
Group							
At 1 January 2014	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 ²	(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 2014⁴	22.1	–	–	–	22.1	22.1	–
Additions from subsequent expenditure	0.9	–	–	–	0.9	0.9	–
Disposals	(7.5)	–	–	–	(7.5)	(7.5)	–
At 31 December 2015⁴	15.5	–	–	–	15.5	15.5	–

1 The comparative period has been re-presented to reflect the transfer of Maclise Road from the Earls Court Properties segment to the Venues segment.

2 Within the transfer from trading property of £23.3 million is a revaluation gain of £7.7 million 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 2014.

3 Gain on valuation of £453.9 million (2014: £446.6 million) is recognised in the consolidated income statement within gain on revaluation and sale of investment and development property. This gain is unrealised and relates to assets held at the end of the year.

4 The value of trading property carried at net realisable value was £nil (2014: £nil).

16 PROPERTY PORTFOLIO CONTINUED

(c) Market value reconciliation of total property

Group	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m
Carrying value of investment and development property at 31 December 2015	1,949.5	1,606.4	295.0	4.4	3,855.3
Carrying value of trading property at 31 December 2015	15.5	–	–	–	15.5
Carrying value of investment, development and trading property at 31 December 2015¹	1,965.0	1,606.4	295.0	4.4	3,870.8
Adjustment in respect of fixed head leases	(4.1)	–	–	–	(4.1)
Adjustment in respect of tenant lease incentives	36.0	–	–	–	36.0
Unrecognised surplus on trading property ²	8.3	–	–	–	8.3
Market value of investment, development and trading property at 31 December 2015	2,005.2	1,606.4	295.0	4.4	3,911.0
Joint ventures					
Carrying value of joint venture investment, development and trading property at 31 December 2015	–	130.8	–	–	130.8
Unrecognised surplus on joint venture trading property ²	–	91.6	–	–	91.6
Market value of investment, development and trading property on a proportionate basis at 31 December 2015	2,005.2	1,828.8	295.0	4.4	4,133.4

Represented Group ³	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m
Carrying value of investment and development property at 31 December 2014	1,576.7	970.6	232.6	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	970.6	232.6	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	970.6	232.6	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	1,152.3	232.6	4.5	3,025.0

1 Included within investment and development property is £0.7 million (2014: £1.1 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 comparative period has been re-presented to reflect the transfer of Maclise Road from the Earls Court Properties segment to the Venues segment.

16 PROPERTY PORTFOLIO CONTINUED

At 31 December 2015, the Group was contractually committed to £162.5 million (2014: £100.9 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 34 'Capital Commitments' for further information on capital commitments.

The fair value of the Group's investment, development and trading property at 31 December 2015 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 Managing Directors, 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 Managing Directors 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 Empress State Building has been valued on the basis of its development potential as a residential led scheme. The property is currently used as an office space, 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 also been valued on the basis of their development potential, principally for the conversion 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 is required 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 property risks on page 17.

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

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

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

Level 3: where one or more inputs to valuation are not based on observable market data. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models. Such testing has not indicated that any material difference would arise due to a change in input variables.

When the degree of subjectivity or nature of the measurement inputs changes, consideration is given as to whether a transfer between fair value levels is deemed to have occurred. Unobservable data becoming observable market data would determine a transfer from Level 3 to Level 2. All investment and development property held by the Group are classified as Level 3.

16 PROPERTY PORTFOLIO CONTINUED

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

Property portfolio	Market value 2015 £m	Re-presented ¹ Market value 2014 £m	Valuation technique	Key unobservable inputs	Range (weighted average) 2015	Re-presented ¹ Range (weighted average) 2014
Covent Garden	1,717.8	1,412.7	Income capitalisation	Estimated Rental Value per sq ft per annum ("p.a.")	£10 – £291 (£82)	£10 – £248 (£71)
				Equivalent Yield	2.3% – 6.0% (3.8%)	2.6% – 6.0% (4.0%)
Earls Court Properties ¹	18.7	11.5	Income capitalisation	Estimated Rental Value per sq ft p.a.	£21 – £47 (£32)	£25 – £40 (£33)
				Equivalent Yield	2.8% – 7.0% (5.1%)	2.3% – 6.7% (4.5%)
Venues ¹	249.1	182.8	Discounted cash flow approach	Pre-tax discount rate	10.0%	–
			Residual development method	Construction costs including site specific costs per sq ft	£170 – £579 (£528)	£209 – £565 (£465)
Other	4.4	4.5	Income capitalisation	Estimated Rental Value per sq ft p.a.	£10	£8
				Equivalent Yield	5.5%	4.3%
At 31 December	3,887.2	2,808.3				

¹ The comparative period has been re-presented to reflect the transfer of Maclise Road from the Earls Court Properties segment to the Venues segment.

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

Sensitivity analysis – income capitalisation method

	2015		2014	
	Estimated Rental Value	Equivalent Yield	Estimated Rental Value	Equivalent Yield
Income capitalisation	10% increase or decrease £m	25 basis point contraction or expansion £m	10% increase or decrease £m	25 basis point contraction or expansion £m
Covent Garden	204.6/(199.5)	171.6/(148.3)	134.2/(129.7)	104.0/(91.3)
Earls Court Properties	1.9/(1.9)	1.2/(1.0)	1.2/(1.2)	0.8/(0.7)
Other	0.4/(0.4)	0.2/(0.2)	0.5/(0.5)	0.3/(0.3)

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

Sensitivity analysis – residual development method

	2015	Re-presented 2014 ¹
	Construction costs including site specific costs per sq ft	Construction costs including site specific costs per sq ft
Residual development method	10% increase or decrease £m	10% increase or decrease £m
Covent Garden	(10.6)/12.6	(10.4)/10.1
Earls Court Properties ¹	(220.7)/222.1	(138.2)/134.5
Venues ¹	(4.6)/4.7	(5.1)/5.8

¹ The comparative period has been re-presented to reflect the transfer of Maclise Road from the Earls Court Properties segment to the Venues segment.

Sensitivity analysis – discounted cash flow approach

	2015	2014
	Pre-tax discount rate	Pre-tax discount rate
Discounted cash flow approach	10% increase or decrease £m	10% increase or decrease £m
Earls Court Properties	(0.2)/0.2	–
Venues	(28.5)/35.5	(21.3)/26.4

17 PLANT AND EQUIPMENT

Group	2015			2014		
	Cost £m	Accumulated depreciation £m	Carrying value £m	Cost £m	Accumulated depreciation £m	Carrying value £m
At 1 January	1.6	(0.6)	1.0	1.3	(0.4)	0.9
Additions	6.4	–	6.4	0.7	–	0.7
Disposals	–	–	–	(0.4)	0.1	(0.3)
Charge for the year	–	(0.5)	(0.5)	–	(0.3)	(0.3)
At 31 December	8.0	(1.1)	6.9	1.6	(0.6)	1.0

Plant and equipment includes fixtures, fittings and other office equipment. There are no restrictions on the title of any plant and equipment, or any contractual commitments for the acquisition of further plant and equipment.

18 INVESTMENT IN GROUP COMPANIES

Company	2015 £m	2014 £m
At 1 January	676.4	446.5
Additions	–	229.9
Disposals	(160.0)	–
At 31 December	516.4	676.4

Investments in Group companies are carried at cost less impairment losses, if any. An impairment test is performed on an annual basis. An impairment charge of £nil was recorded in the current year (2014: £nil).

In May 2014, the Company acquired preference shares in a subsidiary following the share placing. Following a redemption during 2015, the Company disposed of the preference shares held in that subsidiary.

19 INVESTMENT IN JOINT VENTURES

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

At 31 December 2015, joint ventures comprise the Lillie Square joint venture (“LSJV”), the Solum Developments joint venture (“Solum”) and The Great Capital Partnership (“GCP”) which is accounted for as a discontinued operation.

LSJV

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	2015 £m	2014 £m
Summarised income statement		
Revenue	0.6	0.4
Net rental income	0.5	0.1
Gain on revaluation of investment and development property	0.2	0.4
Agent, selling and marketing fees	(3.1)	(9.0)
Write back of trading property	0.5	2.4
Administration expenses	(3.8)	(3.1)
Finance costs ¹	(18.7)	(16.7)
Taxation	–	0.1
Loss for the year	(24.4)	(25.8)

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 £9.3 million (2014: £8.4 million) is recognised in the consolidated income statement within other finance income.

19 INVESTMENT IN JOINT VENTURES CONTINUED

LSJV	2015 £m	2014 £m
Summarised balance sheet		
Investment and development property	3.2	3.0
Other non-current assets	3.0	1.4
Trading property	258.5	193.5
Cash and cash equivalents ¹	67.2	33.9
Other current assets	0.2	0.2
Borrowings	(87.7)	(13.8)
Other non-current liabilities ²	(174.5)	(155.8)
Amounts payable to joint venture partners ³	(75.2)	(72.0)
Other current liabilities ¹	(57.7)	(28.8)
Net liabilities	(63.0)	(38.4)
Capital commitments	97.2	141.0
Carrying value of investment, development and trading property	261.7	196.5
Unrecognised surplus on trading property⁴	183.2	166.9
Market value of investment, development and trading property⁴	444.9	363.4

1 Includes restricted cash and cash equivalents of £52.3 million (2014: £22.6 million) relating to amounts received as property deposits that will not be available for use by LSJV until completion of building work. There is a corresponding liability of £52.3 million (2014: £22.6 million) within other current liabilities.

2 Other non-current liabilities relate to deep discount bonds. Amounts receivable by the Group of £87.2 million (2014: £77.9 million) are recognised on the consolidated balance sheet within non-current trade and other receivables.

3 Amounts payable to joint venture partners relate to working capital funding advanced by the Group and KFI. Recoverable amounts receivable of £10.0 million (2014: £19.1 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.

Solum

On 29 June 2015, the Group acquired a 50 per cent interest in Solum, a joint venture arrangement with Network Rail Infrastructure Limited ("NRIL"). Total acquisition costs were £14.5 million, £2.0 million of which is contingent. Refer to note 30 'Other Provisions' for further information regarding the contingent consideration. The joint venture will explore opportunities for future redevelopments on and around significant railway station sites in London.

Solum comprises Solum Developments Limited Partnership and Solum Developments (GP) Limited, acting as general partner to the partnership. All major decisions regarding Solum are taken by the Board of Solum Developments (GP) Limited, through which the Group shares strategic control.

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

Solum	2015 £m
Summarised income statement	
Administration expenses	(1.4)
Loss for the year	(1.4)

Solum	2015 £m
Summarised balance sheet	
Cash and cash equivalents	1.6
Other current liabilities	(1.1)
Net assets	0.5

GCP

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. The summarised balance sheet of GCP is presented below. A summarised income statement is not presented as there were no income, expenses, gains or losses attributable to the joint venture in the current or comparative year.

GCP	2015 £m	2014 £m
Summarised balance sheet		
Cash and cash equivalents	0.1	0.2
Net assets	0.1	0.2

Notes to the accounts continued

19 INVESTMENT IN JOINT VENTURES CONTINUED

Reconciliation of summarised financial information:

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

	GCP £m	LSJV £m	Solum £m	Total £m
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
Net assets/(liabilities) of joint ventures at 31 December 2015	0.1	(63.0)	0.5	(62.4)
Elimination of joint venture partners' interest	–	31.5	(0.3)	31.2
Cumulative losses restricted ¹	–	31.5	–	31.5
Goodwill on acquisition of joint venture ²	–	–	14.5	14.5
Carrying value at 31 December 2015	0.1	–	14.7	14.8

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 (2014: £nil) in accordance with the requirements of IAS 28.

2 In accordance with the initial recognition exemption provisions under IAS 12 'Income Taxes', no deferred tax is recognised on goodwill.

Reconciliation of investment in joint ventures:

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

Investment in joint ventures	GCP £m	LSJV £m	Solum £m	Total £m
At 1 January 2014	93.3	–	–	93.3
Distributions	(93.2)	–	–	(93.2)
Loss for the year ¹	–	(12.9)	–	(12.9)
Loss restricted ¹	–	12.9	–	12.9
At 31 December 2014	0.1	–	–	0.1
Loss for the year ¹	–	(12.2)	(0.7)	(12.9)
Loss restricted ¹	–	12.2	–	12.2
Issue of equity loan notes	–	–	0.9	0.9
Goodwill on acquisition of joint venture	–	–	14.5	14.5
At 31 December 2015	0.1	–	14.7	14.8

1 Share of post-tax loss from joint ventures in the consolidated income statement of £0.7 million (2014: profit £nil) comprise loss for the year of £12.9 million (2014: £12.9 million) and loss restricted totalling £12.2 million (2014: £12.9 million).

20 AVAILABLE-FOR-SALE INVESTMENTS

	Group 2015 £m	Group 2014 £m
Harvest China Real Estate Fund I	0.2	0.4
Available-for-sale investments	0.2	0.4

The Group has a 20 per cent limited partnership interest in Harvest China Real Estate Fund I, which previously held interests in a number of real estate projects in China and from which it has subsequently divested.

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

The total cost of the investment at 31 December 2015 was £0.2 million (2014: £0.2 million).

21 DERIVATIVE FINANCIAL INSTRUMENTS

	Group 2015 £m	Group 2014 £m
Derivative assets held for trading		
Non-current		
Interest rate caps	0.2	0.9
Interest rate collars	0.6	1.2
Derivative financial instruments	0.8	2.1
Derivative liabilities held for trading		
Non-current		
Interest rate collars	(0.1)	–
Interest rate swaps	(3.1)	(3.9)
Derivative financial instruments	(3.2)	(3.9)

22 TRADE AND OTHER RECEIVABLES

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Non-current				
Loan notes receivable ¹	–	6.2	–	–
Other receivables ²	38.5	18.7	–	–
Prepayments and accrued income ³	33.2	26.7	–	–
Amounts receivable from joint ventures ⁴	87.2	77.9	–	–
Trade and other receivables	158.9	129.5	–	–
Current				
Amounts owed by subsidiaries	–	–	707.3	539.5
Rent receivable ⁵	6.6	8.1	–	–
Other receivables	3.4	6.5	–	–
Prepayments and accrued income ³	12.3	9.1	0.1	0.1
Amounts receivable from joint ventures ⁶	10.0	19.1	–	–
Trade and other receivables	32.3	42.8	707.4	539.6

1 Loan notes receivable were settled on 19 June 2015. A loss of £0.2 million was incurred as a result of the transaction.

2 Includes £30.0 million (2014: £15.0 million) payment to LBHF which forms part of the CLSA.

3 Includes tenant lease incentives of £36.0 million (2014: £27.6 million).

4 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.

5 Includes exhibition trade receivables.

6 Current amounts receivable from joint ventures comprise working capital funding advanced by the Group to LSJV. The balance has been impaired by £31.5 million (2014: £19.2 million).

23 CASH AND CASH EQUIVALENTS

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Cash at hand	11.6	29.8	–	–
Cash on short-term deposit	49.3	59.0	–	–
Unrestricted cash and cash equivalents	60.9	88.8	–	–
Restricted cash and cash equivalents ¹	6.0	6.0	–	–
Cash and cash equivalents	66.9	94.8	–	–

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

24 TRADE AND OTHER PAYABLES

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Non-current				
Other payables	–	0.2	–	–
Trade and other payables	–	0.2	–	–
Current				
Rent received in advance	21.3	20.6	–	–
Accruals and deferred income	58.5	61.3	0.6	0.4
Trade payables	2.7	4.4	–	–
Other payables	6.9	8.3	–	–
Other taxes and social security	2.1	0.7	–	–
Amounts payable to non-controlling interest	4.4	7.1	–	–
Trade and other payables	95.9	102.4	0.6	0.4

Notes to the accounts continued

25 BORROWINGS, INCLUDING FINANCE LEASES

Group	2015						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Current							
Bank loans and overdrafts	12.0	12.0	–	–	12.0	12.0	12.0
Loan notes	6.0	6.0	–	–	6.0	6.0	6.0
Borrowings	18.0	18.0	–	–	18.0	18.0	18.0
Finance lease obligations	0.5	0.5	–	0.5	–	0.5	0.5
Borrowings, including finance leases	18.5	18.5	–	0.5	18.0	18.5	18.5
Non-current							
Bank loan 2018	84.8	84.8	–	–	84.8	85.5	85.5
Bank loan 2019	369.8	–	369.8	–	369.8	375.0	375.0
Loan notes 2024	74.7	–	74.7	74.7	–	77.7	75.0
Loan notes 2026	74.7	–	74.7	74.7	–	77.9	75.0
Borrowings	604.0	84.8	519.2	149.4	454.6	616.1	610.5
Finance lease obligations	3.6	3.6	–	3.6	–	3.6	3.6
Borrowings, including finance leases	607.6	88.4	519.2	153.0	454.6	619.7	614.1
Total borrowings, including finance leases	626.1	106.9	519.2	153.5	472.6	638.2	632.6
Cash and cash equivalents	(66.9)						
Net debt	559.2						

Group	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						

On 21 February 2014, the Group entered into a £665 million unsecured five year revolving credit facility to replace existing secured debt facilities that were due to mature in 2016 and 2017 and to improve operational and financial flexibility. The Group incurred charges of £12.9 million as a result of the refinancing. Transaction costs of £8.1 million were capitalised and will be amortised over the contractual life of the facility. £375 million of the facility was drawn at year-end (2014: £190 million).

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

The market value of investment and development property secured as collateral against borrowings at 31 December 2015 was £286.0 million (2014: £278.0 million).

Cash and undrawn committed facilities attributable to the Group at 31 December 2015 were £366.9 million (2014: £579.8 million).

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

Refer to note 42 'Events after the Reporting Period' for further information on the new Covent Garden £705 million revolving credit facility which was completed in January 2016.

25 BORROWINGS, INCLUDING FINANCE LEASES CONTINUED

Analysis of movement in net debt	2015			
	Current borrowings £m	Non-current borrowings £m	Cash and cash equivalents £m	Net debt £m
Balance at 1 January	17.5	432.2	(94.8)	354.9
Borrowings drawn	–	225.0	(225.0)	–
Borrowings repaid	(11.0)	(40.0)	51.0	–
Other net cash movements	–	(0.4)	201.9	201.5
Other non-cash movements	12.0	(9.2)	–	2.8
Balance at 31 December	18.5	607.6	(66.9)	559.2

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

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

	Group 2015 £m	Group 2014 £m
Wholly repayable within one year	18.0	17.0
Wholly repayable in more than one year but not more than two years	12.0	12.0
Wholly repayable in more than two years but not more than five years	448.5	275.5
Wholly repayable in more than five years	150.0	150.0
	628.5	454.5

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

26 FINANCE LEASE OBLIGATIONS

(a) Minimum lease payments under finance leases obligations

	Group 2015 £m	Group 2014 £m
Not later than one year	0.5	0.5
Later than one year and not later than five years	2.1	1.9
Later than five years	13.0	12.0
	15.6	14.4
Future finance charges on finance leases	(11.5)	(10.7)
Present value of finance lease obligations	4.1	3.7

(b) Present value of minimum finance lease obligations

	Group 2015 £m	Group 2014 £m
Not later than one year	0.5	0.5
Later than one year and not later than five years	1.7	1.5
Later than five years	1.9	1.7
	4.1	3.7

Finance lease liabilities are in respect of leasehold interests in investment and development property. Certain leases provide for payment of contingent rent, usually a proportion of net rental income, in addition to the minimum lease payments above.

Finance lease liabilities are effectively secured obligations, as the rights to the leased asset revert to the lessor in the event of default.

Notes to the accounts continued

27 OPERATING LEASES

The Group earns rental income by leasing its investment property to tenants under operating leases.

In the United Kingdom standard commercial leases vary considerably between markets and locations but typically are for a term of five to 15 years at market rent with provisions to review every five years.

The future minimum lease amounts receivable under non-cancellable operating leases are as follows:

	Group 2015 £m	Group 2014 £m
Not later than one year	65.1	59.5
Later than one year and not later than five years	187.6	189.7
Later than five years	195.0	152.4
	447.7	401.6

The consolidated income statement includes £0.2 million (2014: £0.3 million) recognised in respect of expected increased rent resulting from outstanding reviews where the actual rent will only be determined on settlement of the rent review.

The future minimum lease amounts payable under non-cancellable operating leases are as follows:

	Group 2015 £m	Group 2014 £m
Not later than one year	0.9	0.2
Later than one year and not later than five years	3.7	–
Later than five years	3.9	–
	8.5	0.2

28 FINANCIAL RISK MANAGEMENT

The Group's financial risk management strategy seeks to set financial limits for treasury activity to ensure they are in line with the risk appetite of the Group. The Group is exposed to a variety of risks arising from the Group's operations: market risk (principally interest rate risk), liquidity risk and credit risk.

The following tables set out each class of financial assets, financial liabilities, and their fair values at 31 December 2015 and 31 December 2014.

Classification of financial assets and liabilities

Group	Notes	2015			
		Carrying value £m	Fair value £m	(Loss)/gain to income statement £m	Gain to other comprehensive income £m
Derivative financial assets	21	0.8	0.8	(1.3)	–
Total held for trading assets		0.8	0.8	(1.3)	–
Cash and cash equivalents	23	66.9	66.9	–	–
Other financial assets		191.2	191.2	(0.2)	–
Total cash and other financial assets		258.1	258.1	(0.2)	–
Available-for-sale investments	20	0.2	0.2	(0.2)	–
Total available-for-sale investments		0.2	0.2	(0.2)	–
Derivative financial liabilities	21	(3.2)	(3.2)	0.7	–
Total held for trading liabilities		(3.2)	(3.2)	0.7	–
Borrowings, including finance leases	25	(626.1)	(638.2)	–	–
Other financial liabilities		(98.7)	(98.7)	–	–
Total borrowings and other financial liabilities		(724.8)	(736.9)	–	–

28 FINANCIAL RISK MANAGEMENT CONTINUED

Group	Notes	2014			
		Carrying value £m	Fair value £m	(loss)/gain to income statement £m	Gain to other comprehensive income £m
Derivative financial assets	21	2.1	2.1	(8.4)	–
Total held for trading assets		2.1	2.1	(8.4)	–
Cash and cash equivalents	23	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	20	0.4	0.4	–	–
Total available-for-sale investments		0.4	0.4	–	–
Derivative financial liabilities	21	(3.9)	(3.9)	(3.7)	–
Total held for trading liabilities		(3.9)	(3.9)	(3.7)	–
Borrowings, including finance leases	25	(449.7)	(465.5)	–	–
Other financial liabilities		(104.2)	(104.2)	–	–
Total borrowings and other financial liabilities		(553.9)	(569.7)	–	–

The majority of the Group's financial risk management is carried out by Group Treasury under policies approved by the Board of Directors. The policies for managing each of these risks and the principal effects of these policies on the results for the year are summarised below.

Market risk

Interest rate risk

Interest rate risk comprises both cash flow and fair value risks. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market interest rates.

The Group's interest rate risk arises from borrowings issued at variable rates that expose the Group to cash flow interest rate risk, whereas borrowings issued at fixed interest rates expose the Group to fair value interest rate risk.

It is Group policy, and often a requirement of our lenders, to eliminate substantially all short and medium-term exposure to interest rate fluctuations in order to establish certainty over medium-term cash flows by using fixed interest rate derivatives. Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. Interest rate collars protect the Group by capping the maximum interest rate payable at the collar's ceiling but sacrifices the profitability of interest rate falls below a certain floor.

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

	Fixed/Capped 2015 £m	Floating 2015 £m	Fixed/Capped 2014 £m	Floating 2014 £m
Nominal value of Group borrowings excluding finance leases ¹	150.0	472.5	150.0	298.5
Nominal value of joint venture borrowings excluding finance leases	–	43.8	–	6.9
	150.0	516.3	150.0	305.4
Derivative impact (nominal value of derivative contracts)	453.0	(453.0)	276.8	(276.8)
Borrowings profile net of derivative impact	603.0	63.3	426.8	28.6
Interest rate protection		91%		94%

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

Group policy is to ensure that interest rate protection on Group external debt is greater than 25 per cent.

The weighted average rate of interest rate swaps currently effective at 31 December 2015 was 2.2 per cent (2014: 2.2 per cent).

Cash flow hedge:

In 2014, the Group entered into a forward starting interest rate swap to hedge the variability in specified hedged interest cash flows arising on £50 million of outstanding debt from 2014 to 2024. The gain recognised in other comprehensive income in the year was £nil (2014: £0.3 million). This gain will be reclassified from other comprehensive income to the consolidated income statement over the term of the designated debt. The fair value of the designated hedging instrument at 31 December 2015 was £nil (2014: £nil). The hedge was 100 per cent effective; therefore no charge for an ineffective portion has been taken to the consolidated income statement during the year.

28 FINANCIAL RISK MANAGEMENT CONTINUED

The sensitivity analysis below illustrates the impact of a 50 basis point (“bp”) shift, upwards and downwards, in the level of interest rates on the movement in fair value of derivative financial instruments.

	Increase in interest rates by 50 bp 2015 £m	Decrease in interest rates by 50 bp 2015 £m	Increase in interest rates by 50 bp 2014 £m	Decrease in interest rates by 50 bp 2014 £m
Effect on profit before tax:				
(Decrease)/Increase	(5.1)	5.1	(6.9)	6.9

The sensitivity analysis above is a reasonable illustration of the possible effect from the changes in slope and shifts in the yield curve that may actually occur and represents management’s assessment of possible changes in interest rates. The fixed rate derivative financial instruments are matched by floating rate debt, therefore such a movement would have a very limited effect on Group cash flow overall.

Liquidity risk

Liquidity risk is managed to ensure that the Group is able to meet future payment obligations when financial liabilities fall due.

The Group’s policy is to seek to minimise its exposure to liquidity risk by managing its exposure to interest rate risk and to refinancing risk. The Group seeks to borrow for as long as possible at the lowest cost.

Liquidity analysis is intended to provide sufficient headroom to meet the Group’s operational requirements and investment commitments.

The Group’s policy also includes maintaining adequate cash, as well as maintaining adequate committed and undrawn facilities.

A key factor in ensuring existing facilities remain available to the Group is the borrowing entity’s ability to meet the relevant facility’s financial covenants. The Group has a process to monitor regularly both current and projected compliance with the financial covenants.

The Group regularly reviews the maturity profile of its financial liabilities and will seek to avoid concentrations of maturities through the regular replacement of facilities and by staggering maturity dates. Refinancing risk may be reduced by reborrowing prior to the contracted maturity date, effectively switching liquidity risk for market risk. This is subject to credit facilities being available at the time of the desired refinancing. This was the strategy employed in the refinancing of existing borrowings in 2014.

The tables below set out the maturity analysis of the Group’s financial liabilities based on the undiscounted contractual obligations to make payments of interest and to repay principal. Where interest payment obligations are based on a floating rate, the rates used are those implied by the par yield curve.

2015											
Group	Carrying Value	1 yr		Between 1-2 yrs		Between 2-5 yrs		Over 5 yrs		Total	
	£m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m
Asset-specific secured borrowings	96.8	2.8	12.0	2.8	12.0	2.1	73.5	-	-	7.7	97.5
Other secured borrowings	6.0	-	6.0	-	-	-	-	-	-	-	6.0
Unsecured borrowings	519.2	14.0	-	16.0	-	30.2	375.0	27.5	150.0	87.7	525.0
Finance lease obligations	4.1	-	0.5	0.1	0.5	0.3	1.2	11.1	1.9	11.5	4.1
Other payables	14.0	-	14.0	-	-	-	-	-	-	-	14.0
Interest rate derivatives payable	3.2	2.2	-	2.2	-	2.5	-	-	-	6.9	-
Interest rate derivatives receivable	(0.8)	(0.7)	-	(1.2)	-	(1.9)	-	-	-	(3.8)	-
	642.5	18.3	32.5	19.9	12.5	33.2	449.7	38.6	151.9	110.0	646.6

2014											
Group	Carrying Value	1 yr		Between 1-2 yrs		Between 2-5 yrs		Over 5 yrs		Total	
	£m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m
Asset-specific secured borrowings	107.5	3.1	11.0	3.1	12.0	5.2	85.5	-	-	11.4	108.5
Other secured borrowings	6.0	-	6.0	-	-	-	-	-	-	-	6.0
Unsecured borrowings	332.5	9.7	-	10.4	-	29.6	190.0	32.9	150.0	82.6	340.0
Finance lease obligations	3.7	-	0.5	0.1	0.4	0.3	1.1	10.3	1.7	10.7	3.7
Other payables	20.0	-	19.8	-	0.2	-	-	-	-	-	20.0
Interest rate derivatives payable	3.9	2.2	-	2.2	-	4.7	-	-	-	9.1	-
Interest rate derivatives receivable	(2.1)	(0.6)	-	(1.0)	-	(3.5)	-	-	-	(5.1)	-
	471.5	14.4	37.3	14.8	12.6	36.3	276.6	43.2	151.7	108.7	478.2

Contractual maturities reflect the expected maturities of financial instruments.

Credit risk

The Group’s principal financial assets are trade and other receivables, amounts receivable from joint ventures, loan notes and cash and cash equivalents. Credit risk is the risk of financial loss if a tenant or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables relating to tenants but also from the Group’s undrawn commitments and holdings of assets such as cash deposits and loans with financial counterparties. The carrying value of financial assets recorded in the financial statements represents the Group’s maximum exposure to credit risk without taking into account the value of any deposits or guarantees obtained.

28 FINANCIAL RISK MANAGEMENT CONTINUED

Trade and other receivables:

Credit risk associated with trade receivables is actively managed; tenants are managed individually by asset managers, who continuously monitor and work with tenants, anticipating and wherever possible identifying and addressing risks prior to default. Trade receivables are less than 1 per cent of total assets at 31 December 2015 (2014: Less than 1 per cent) and no one tenant accounts for more than 10 per cent of rental income.

Prospective tenants are assessed through an internally conducted review process, by obtaining credit ratings and reviewing financial information. As a result, deposits or guarantees may be obtained. The amount of deposits held as collateral at 31 December 2015 was £7.3 million (2014: £5.9 million).

Due to the nature of tenants being managed individually by asset managers, it is Group policy to calculate any impairment specifically on each contract.

In relation to the Group's exhibition income, receivables greater than 90 days are provided for in full. Additionally, specific provisions are made for trade receivables less than 90 days where active credit control highlights recoverability concerns. The amounts of trade receivables presented in the balance sheet are net of allowances for doubtful receivables.

The ageing analysis of these trade receivables, past due but not impaired, is as follows:

	Group 2015 £m	Group 2014 £m
Up to 90 days	6.6	7.9
Over 90 days	–	0.2
Trade receivables	6.6	8.1

In 2015 there was an impairment write down on trade receivables of £0.1 million (2014: write back of £0.4 million).

As the Group operates predominantly in central London, it is subject to some geographical risk. However, this is mitigated by the extensive range of tenants from varying business sectors and the credit review process as noted above.

Amounts receivable from joint ventures:

Included within receivables is £10.0 million (2014: £19.1 million) of amounts advanced to LSJV. The carrying value of the investment in LSJV is £nil (2014: £nil) as the Group's share of losses exceeds the cost of its investment. Total funding advanced to LSJV of £41.5 million (2014: £38.3 million) has been impaired by the cumulative losses attributable to the joint venture, £31.5 million (2014: £19.2 million).

LSJV is in a net liability position due to carrying trading property at the lower of cost and market value. However based on a market valuation undertaken by the Group's valuers Jones Lang LaSalle, there is an unrecognised surplus of £91.6 million (Group share) as at 31 December 2015. This surplus will only be evidenced on sale of trading property when building work is physically complete. Therefore, while Lillie Square demonstrates positive pricing evidence commercially and funding provided is not deemed to be at risk of default, for reporting purposes the Group is required to impair amounts advanced to LSJV until the unrecognised surplus on trading property is realised through sale.

Loan notes:

At 31 December 2015, included within receivables were £nil (2014: £6.2 million) of loan notes that related to the disposal of a subsidiary in 2008. The loan notes were settled on 19 June 2015 for £6.3 million. After selling costs a loss of £0.2 million was incurred as a result of the transaction.

Cash, deposits and derivative financial instruments:

The credit risk relating to cash, deposits and derivative financial instruments is actively managed by Group Treasury. Relationships are maintained with a number of Tier 1 institutional counterparties, ensuring compliance with Group cash investment policy relating to limits on the credit ratings of counterparties (between A- and A+). Excessive credit risk concentration is avoided through adhering to authorised limits for all counterparties.

Counterparty	2015			2014		
	Credit rating	Authorised limit £m	Group 2015 £m	Credit rating	Authorised limit £m	Group 2014 £m
Bank #1	A	75.0	64.6	A+	75.0	61.5
Bank #2	A+	40.0	0.2	A+	40.0	30.0
Bank #3	A-	50.0	0.2	A-	50.0	0.2
Bank #4	A	20.0	0.1	BBB+ ¹	50.0	3.1
Bank #5	BBB-¹	50.0	2.6	BBB+ ²	50.0	2.1
Sum of five largest exposures			67.7			96.9
Sum of cash, cash equivalents and derivative financial assets			67.7			96.9
Five largest exposures as a percentage of total amount at risk			100%			100%

¹ Cash held by operating businesses.

² Only derivative financial instruments are held with this counterparty.

Capital structure

The Group seeks to enhance shareholder value both by investing in the business so as to improve the return on investment and by managing the capital structure. The Group uses a mix of equity, debt and other financial instruments and aims to access both debt and equity capital markets with maximum efficiency and flexibility.

28 FINANCIAL RISK MANAGEMENT CONTINUED

The key ratios used to monitor the capital structure of the Group are the debt to assets ratio and the interest cover ratio. The Group aims not to exceed an underlying debt to asset ratio of more than 40 per cent and to maintain interest cover above 125 per cent. These ratios are disclosed on a proportionally consolidated basis excluding the non-controlling interest share of net debt and property in line with the reporting of this information internally to management. These metrics are discussed in the Financial Review on pages 40 to 45.

	Group 2015 £m	Group 2014 £m
Debt to assets ratio		
Investment and development property	3,856.8	2,785.9
Trading property	144.8	118.9
Non-controlling interest adjustment	(471.6)	–
	3,530.0	2,904.8
Net external debt	(568.6)	(344.7)
Non-controlling interest adjustment	(10.3)	(7.1)
	16.4%	12.1%

The maximum debt to assets ratio for the year was 16.4 per cent and occurred on 31 December 2015.

	Group 2015 £m	Group 2014 £m
Interest cover		
Finance costs	(20.8)	(15.9)
Finance income	0.7	0.8
	(20.1)	(15.1)
Underlying operating profit	24.6	28.4
	123%	188%

The minimum interest coverage ratio for the year was 123 per cent and occurred on 31 December 2015.

Fair value estimation

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

The tables below present the Group's financial assets and liabilities recognised at fair value at 31 December 2015 and 31 December 2014. The fair values of derivative financial instruments are determined from observable market prices or estimated using appropriate yield curves at 31 December each year by discounting the future contractual cash flows to the net present values.

Group	2015			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Derivative financial assets				
Held for trading	–	0.8	–	0.8
Investments				
Available-for-sale investments	–	–	0.2	0.2
Total assets	–	0.8	0.2	1.0
Derivative financial liabilities				
Held for trading	–	(3.2)	–	(3.2)
Total liabilities	–	(3.2)	–	(3.2)

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

28 FINANCIAL RISK MANAGEMENT CONTINUED

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

	Group 2015 £m	Group 2014 £m
Available-for-sale investments		
At 1 January	0.4	0.4
Loss on sale	(0.2)	–
At 31 December	0.2	0.4

All of the Group's Level 3 financial instruments are unlisted equity investments. The valuation of the available-for-sale investment is based on expected cash distributions to be received from China Harvest Fund 1 with reference to the market value of the underlying assets held.

29 DEFERRED TAX

The decrease in corporation tax rate referred to in note 12 'Taxation' has been substantively enacted for the purposes of IAS 12 'Income Taxes' ("IAS 12") and therefore has been reflected in these consolidated financial statements based on the expected timing of the realisation of deferred tax.

Deferred tax on investment and development property is calculated under IAS 12 provisions on a disposals basis by reference to the properties' original tax base cost. Elements factored into the calculation include indexation relief and the Group's holding structure. The Group's recognised deferred tax liability on investment and development property as calculated under IAS 12 is £15.6 million at 31 December 2015 (2014: £11.8 million). The Group's contingent tax liability on investment properties, calculated on the same tax base cost as above but based on a deemed market value disposal at year-end, is £17.6 million (2014: £nil). The variance between the two methods of calculation arise from the differing tax rates applicable at the time of each deemed disposal.

A disposal of the Group's trading properties including Lillie Square at their market value as per note 16 'Property Portfolio' would result in a corporation tax charge to the Group of £20.2 million (20.25 per cent of £99.9 million).

Group	Accelerated capital allowances £m	Fair value of investment & development property £m	Fair value of derivative financial instruments £m	Other temporary differences £m	Group losses £m	Total £m
Provided deferred tax liabilities/(assets):						
At 1 January 2014	12.9	3.1	0.2	(4.0)	(2.3)	9.9
Adjustment 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
Adjustments in respect of previous years	–	–	–	–	1.4	1.4
Recognised in income	0.8	5.6	(0.1)	(0.9)	0.5	5.9
Recognised in other comprehensive income	–	–	–	0.2	–	0.2
Recognised directly in equity	–	–	–	1.5	–	1.5
Reduction due to rate change	(0.7)	(1.8)	–	0.1	–	(2.4)
At 31 December 2015	13.7	15.6	(0.4)	(5.7)	(3.7)	19.5
Unprovided deferred tax (assets):						
At 1 January 2015	–	–	–	–	(18.3)	(18.3)
Movement during the year	–	–	–	–	10.5	10.5
At 31 December 2015	–	–	–	–	(7.8)	(7.8)

In accordance with the requirements of IAS 12, deferred tax assets are only recognised to the extent that the Group believes it is probable that future taxable profit will be available against which the deferred tax assets can be recovered.

Notes to the accounts continued

30 OTHER PROVISIONS

Group	2015 £m
Current	
At 1 January	–
Contingent consideration on acquisition of joint venture	2.0
At 31 December	2.0

As detailed in note 19 'Investment in Joint Ventures', the Group acquired a joint venture interest in Solum on 29 June 2015. Consideration comprised of an immediate cash payment of £12.0 million in addition to contingent consideration that is dependent on the Group achieving consent to develop specific railway sites with NRIL. On initial recognition, £2.0 million was considered the best estimate of the amount that the Group would have to pay to settle this obligation.

31 SHARE CAPITAL AND SHARE PREMIUM

Group and Company

Issue type	Transaction date	Issue price (pence)	Number of shares	Share capital £m	Share premium £m
At 1 January 2014			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 ¹			2,004,491	0.6	0.4
At 31 December 2014			836,236,407	209.1	206.9
Scrip dividend – 2014 final	June	416	1,028,609	0.3	4.0
Scrip dividend – 2015 interim	September	467	122,277	–	–
Share-based payment ²			4,601,652	1.1	0.2
At 31 December 2015			841,988,945	210.5	211.1

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

2 In 2015 a total of 4,601,652 new shares were issued to satisfy employee share scheme awards.

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

Full details of the rights and obligations attached to the ordinary shares are contained in the Company's Articles of Association. These rights include an entitlement to receive the Company's Annual Report & Accounts, to attend and speak at General Meetings of the Company, to appoint proxies and to exercise voting rights. Holders of ordinary shares may also receive dividends and may receive a share of the Company's residual assets on liquidation. There are no restrictions on the transfer of ordinary shares.

At 24 February 2016, the Company had an unexpired authority to repurchase shares up to a maximum of 84,081,014 shares with a nominal value of £21.0 million, and the Directors had an unexpired authority to allot up to a maximum of 558,828,671 shares with a nominal value of £140.0 million of which 279,989,778 with a nominal value of £70.0 million can only be allotted pursuant to a fully pre-emptive rights issue.

32 OTHER RESERVES

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Revaluation reserve	0.1	0.1	–	–
Cash flow hedge reserve	0.3	0.3	–	–
Total other reserves	0.4	0.4	–	–

33 NON-CONTROLLING INTEREST

	Group 2015 £m	Group 2014 £m
At 1 January	–	–
Profit and total comprehensive income for the year attributable to non-controlling interest	26.1	–
Capital contribution from non-controlling interest	44.4	–
Unsecured loan notes issued to non-controlling interest	398.3	–
At 31 December	468.8	–

During the year, unsecured, non-interest bearing loan notes, redeemable in 2064 were issued by ECPL, a subsidiary of the Group, to TTL Earls Court Properties Limited, a subsidiary of TFL, which is the non-controlling interest of the Group. As the transaction price of the loan notes was not an approximation of their fair value, the Group determined the fair value by using data from observable inputs. As a result, the initial fair value of the loan notes was valued at less than £0.1 million and therefore £398.3 million has been classified as equity.

34 CAPITAL COMMITMENTS

At 31 December 2015, the Group was contractually committed to £162.5 million (2014: £100.9 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Of the £162.5 million committed, £91.1 million is committed 2016 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 £45 million of the £105 million cash consideration payable under the CLSA. The residual £60 million will be settled in four annual instalments of £15 million with the next payment due on 31 December 2016.

The Group's share of joint venture capital commitments arising on LSJV amounts to £48.6 million (2014: £70.5 million).

35 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 34 '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 Earls Court and West Kensington Opportunity Area ("ECO"). Within the terms of the agreement, the Group can exercise options during the next 50 years for further 999 year leases over the remainder of the West London Line to allow for development within the Earls Court Masterplan. Network Rail is entitled to further payments of 5.55 per cent of the residual land value which will be payable at the time of development or disposal of each phase of the Earls Court Masterplan.

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

36 CASH GENERATED FROM OPERATIONS

Continuing operations	Notes	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Profit before tax		459.9	450.2	10.1	6.9
Adjustments:					
Profit on sale of trading property	3	(3.5)	(2.6)	-	-
Gain on revaluation and sale of investment and development property	4	(453.9)	(454.2)	-	-
Other costs		-	0.2	-	-
Write back of trading property		-	(0.5)	-	-
Loss on sale of loan notes		0.2	-	-	-
Impairment of other receivables	6	12.2	12.7	-	-
Depreciation	17	0.5	0.3	-	-
Amortisation of tenant lease incentives and other direct costs		-	5.3	-	-
Share-based payment ¹		5.1	5.2	-	-
Finance income	9	(0.7)	(0.8)	-	-
Finance costs	10	20.8	15.9	-	-
Other finance income	9	(9.3)	(8.4)	(8.1)	(8.0)
Other finance costs	10	-	5.2	-	-
Change in fair value of derivative financial instruments	28	0.6	12.1	-	-
Change in working capital:					
Change in trade and other receivables		(40.5)	(17.5)	5.6	(81.0)
Change in trade and other payables		21.7	3.1	-	-
Cash generated from operations		13.1	26.2	7.6	(82.1)

¹ Includes £4.6 million (2014: £4.8 million) relating to the IFRS 2 'Share-based payment' charge. Refer to note 40 'Share-Based Payments' for further details.

Notes to the accounts continued

37 PRINCIPAL SUBSIDIARIES

Details of subsidiaries, all of which are included in the consolidated financial statements, are shown below in accordance with Section 409 of the Companies Act 2006.

Subsidiary and principal activity	Class of share capital	% held
Capital & Counties Limited (holding company) and its subsidiaries:	Ordinary shares of 25p each	100
	Non-voting deferred shares of 25p each	100
EC Properties GP Limited acting as General Partner of EC Properties LP (property)	Ordinary shares of £1 each	100
Empress State GP Limited acting as General Partner of The Empress State Limited Partnership (property)	"A" Ordinary shares of £1 each	100
	"B" Ordinary shares of £1 each	100
EC Properties Management Limited (services)	Ordinary shares of £1 each	100
Capco Covent Garden Limited (holding company and financing) and its subsidiaries:	Ordinary shares of £1 each	100
Capital & Counties CG Limited acting as General Partner of Capital & Counties CGP (property) and its principal subsidiaries:	Ordinary shares of £1 each	100
20 The Piazza Limited (property)	Ordinary shares of £1 each	100
34 Henrietta Street Limited (property)	Ordinary shares of £1 each	100
22 Southampton Street Limited (property)	Ordinary shares of £1 each	100
Covent Garden LP Limited (holding company) (Jersey)	Ordinary shares of £1 each	100
Capco Covent Garden Residential Limited (letting)	Ordinary shares of £1 each	100
Capvestco Limited (holding company and financing) (Jersey) and its principal subsidiaries:	Ordinary shares of £1 each	100
Olympia Exhibitions Holdings Limited ¹ (holding company) and its principal subsidiary:	"A" Ordinary shares of £0.01 each	100
	"B" Ordinary shares of £0.01 each	100
Olympia Group Limited ¹ (financing) and its principal subsidiary:	Ordinary shares of £1 each	100
Olympia Management Services Limited (venues) and its principal subsidiaries:	Ordinary shares of £1 each	100
Exhibition Venues Limited (venues)	Ordinary shares of £1 each	100
Olympia Limited (venues)	Ordinary shares of £1 each	100
Capvestco China Limited (investments) (Jersey)	Ordinary shares of nil par value	100
Earls Court Partnership Limited ¹ (venture with Tfl)	Ordinary shares of £1 each	63
Capital & Counties Asset Management Limited (investment management)	Ordinary shares of £1 each	100
C&C Management Services Limited (services)	Ordinary shares of £1 each	100
Capco Group Treasury Limited (treasury management)	Ordinary shares of £1 each	100
C&C Properties UK Limited (holding company and financing) and its subsidiaries:	Ordinary shares of £1 each	100
Solum Group Holdings GP Limited acting as General Partner of Solum Group Holdings LP (property)	Ordinary shares of £1 each	100

¹ Shareholdings held by intermediate subsidiaries.

The companies listed above are those subsidiaries whose results or financial position, in the opinion of the Directors, principally affected the figures in the Group's consolidated financial statements. The companies are incorporated and registered in England and Wales unless otherwise stated.

A full list of related undertakings has been included in Appendix 1 on pages 140 to 142.

38 RELATED PARTY TRANSACTIONS

1. Transactions between the Parent Company and its subsidiaries

Transactions between the Parent Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group.

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

Subsidiary	Nature of transaction	2015 £m	2014 £m
Investing activities			
Capital & Counties Properties (Jersey) 2 Limited	Acquisition of preference shares	–	159.9
Capital & Counties Properties (Jersey) 2 Limited	Redemption of preference shares	163.6	–
C&C Properties UK Limited	Additional investment in subsidiary	–	70.0
Funding activities			
Capco Group Treasury Limited	Intercompany loan following share placing	–	91.7
Capco Group Treasury Limited	Intercompany loan following additional investment in subsidiary	–	(70.0)
Capco Group Treasury Limited	Interest on intercompany loan	8.1	8.1

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

Subsidiary	Amounts owed by subsidiaries	
	2015 £m	2014 £m
Capco Group Treasury Limited	707.2	539.5

The amount due from Capco Group Treasury Limited is unsecured, interest bearing at the Bank of England base rate plus one per cent and repayable on demand.

2. Transactions with Directors

Key management compensation ¹	2015 £m	2014 £m
Salaries and short-term employee benefits	3.5	3.3
Share-based payment	3.2	3.6
	6.7	6.9

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

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 had been received. In April 2015 a further £72,500 was received with the balance of £580,000 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 had been received. In April 2015 a further £85,500 was received with the balance of £684,000 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 had been received. In April 2015 a further £199,900 was received with the balance of £1,599,200 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. At 31 December 2014, initial deposits of £192,500 and £272,500 had been received. In December 2015 a further £192,500 and £272,500 had been received, 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. At 31 December 2014, initial deposits of £197,500 and £282,500 had been received. In December 2015 a further £197,500 and £282,500 had been received with the balance due on legal completion.

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

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

3. Transactions with equity holders

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

39 DIRECTORS' EMOLUMENTS

The details of individual Directors' remuneration and pension benefits as set out in the tables contained in the Directors' remuneration report on pages 68 to 87 form part of these consolidated financial statements.

40 SHARE-BASED PAYMENTS

The Group operates a number of share-based payment schemes relating to employee benefits and incentives. All schemes are equity settled with the increase in equity measured by reference to the fair value of the Group's equity instruments at the grant date of the share awards. The corresponding expense is recognised on a straight-line basis over the vesting period based on Group estimates of the number of shares that are expected to vest. The total expense recognised in the consolidated income statement in respect of share-based payments for 2015 was £4.6 million (2014: £4.8 million).

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

1. Performance share plan

Market value and nil cost options to subscribe for ordinary shares and conditional awards of free shares may be awarded under the Group Performance Share Plan ("PSP").

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

All awards are subject to performance conditions relating to:

- the Group's Total Return ("TR") over three consecutive financial years ("the TR Performance Period") relative to the median of the TRs over the equivalent period of the Group, Intu Properties plc, Land Securities Group PLC, British Land Company plc, Hammerson plc, Segro plc, Derwent London plc, Great Portland Estates plc and Shaftesbury plc ("the Comparator Group"); and
- the Company's Total Shareholder Return ("TSR") over a period of three years ("the TSR Performance Period") relative to the median of the TSRs over the same period of the Comparator Group.

One half of each award will be subject to the TR performance condition and the other half to the TSR performance condition.

TR is the growth in the adjusted, diluted net asset value per ordinary share plus dividends per ordinary share paid during the TR performance period. In calculating TR for a company which is not a Real Estate Investment Trust ("REIT"), any provision for contingent capital gains tax will be added back.

TSR is the increase in the price of an ordinary share plus the value of any dividends paid during the TSR performance period re-invested in ordinary shares.

Full details of the performance criteria and vesting outcomes are set out on pages 71, 80 and 81.

In order for any awards to vest, the Committee must satisfy itself that TR and TSR performance figures are a genuine reflection of underlying financial performance and may exercise discretion when determining the proportion of an award that will vest.

During any performance period, the Committee may, at its discretion, remove from the Comparator Group a company which has ceased to be quoted or to exist or the relevance of which as a comparator has, in the opinion of the Committee, significantly diminished. The Committee may also, at its discretion, add to the Comparator Group (whether to replace a removed member or otherwise) if it believes that such addition will enhance the relevance of the Comparator Group.

The options have a vesting period of three years and a maximum contractual life of ten years. In general, options are forfeited if the employee leaves the Group before the options vest.

In 2011 a schedule to the PSP was approved by Her Majesty's Revenue and Customs ("HMRC") as a Company Share Option Plan ("CSOP") scheme; therefore the Company may make a proportion of awards as approved options.

Share options outstanding at 31 December 2015 were exercisable between nil pence and 402.9 pence and have a weighted average remaining contractual life of eight years and are exercisable between 2016 and 2025.

(a) Market value option awards

	2015		2014	
	Number of market value options	Weighted average exercise price (pence)	Number of market value options	Weighted average exercise price (pence)
Outstanding at 1 January	2,380,640	122.1	5,239,909	124.6
Awarded during the year	776,447	402.9	–	–
Forfeited during the year	(102,202)	402.9	(56,944)	176.3
Exercised during the year ¹	(1,680,137)	112.1	(2,802,325)	125.7
Outstanding at 31 December	1,374,748	272.1	2,380,640	122.1
Exercisable at 31 December	689,907		2,369,451	

¹ The weighted average share price at the date of exercise was 399.8 pence (2014: 338.5 pence).

40 SHARE-BASED PAYMENTS CONTINUED

1. Performance share plan (continued)

(b) Nil cost option awards

	Number of nil cost options	
	2015	2014
Outstanding at 1 January	3,514,073	2,935,726
Awarded during the year	546,495	578,347
Forfeited during the year	(62,417)	–
Exercised during the year	(1,065,109)	–
Outstanding at 31 December	2,933,042	3,514,073
Exercisable at 31 December	842,144	1,065,109

(c) Deferred share awards

	Number of deferred share awards	
	2015	2014
Outstanding at 1 January	2,160,859	1,037,622
Awarded during the year	987,378	1,259,144
Forfeited during the year	(224,523)	(100,466)
Vested during the year	(421,663)	(35,441)
Outstanding at 31 December	2,502,051	2,160,859

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

The total expense recognised in the consolidated income statement in respect of shares and share options awarded under the PSP was £2.7 million (2014: £2.7 million).

2. Matching share plan

Under the Group Matching Share Plan (“MSP”), deferred shares may be awarded as part of any bonus. These awards may also be made as nil cost options.

The release of deferred share awards is not dependent on the achievement of any further performance conditions other than that participants remain employed by the Group for a specified time, typically three years, from the date of the award. Awards of nil cost options were made in both the current and comparative periods. The fair value of share awards is determined by the market price of the shares at the grant date.

(a) Deferred share awards – nil cost options

	Number of nil cost options	
	2015	2014
Outstanding at 1 January	1,557,936	1,296,678
Awarded during the year	244,210	261,258
Forfeited during the year	–	–
Exercised during the year	(525,256)	–
Outstanding at 31 December	1,276,890	1,557,936
Exercisable at 31 December	452,280	525,256

Under the MSP, awards, which may be awarded as nil cost options, may also be made in respect of certain shares purchased by Directors or in respect of awards of the deferred shares or nil cost options described above made under the Company’s annual bonus scheme. The matching share award comprises the same number of shares as are purchased or deferred. In exceptional circumstances the matching awards may comprise or be increased to 200 per cent of the number of shares purchased or deferred.

Vesting of matching shares and matching nil cost options is subject to appropriately challenging performance conditions. Vesting of matching shares will occur on the later of the third anniversary of grant and the date on which the performance outcome is finally determined. The matching nil cost options have a vesting period of three years and a maximum contractual life of ten years. Full details of the performance criteria and vesting outcomes are set out on pages 71, 80 and 81.

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

The total expense recognised in the consolidated income statement in respect of shares and share options awarded under the MSP was £1.9 million (2014: £2.1 million).

Notes to the accounts continued

40 SHARE-BASED PAYMENTS CONTINUED

2. Matching share plan (continued)

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

	Number of matched nil cost options	
	2015	2014
Outstanding at 1 January	3,578,984	2,964,358
Awarded during the year	396,998	614,626
Forfeited during the year	(31,209)	–
Exercised during the year	(1,352,468)	–
Outstanding at 31 December	2,592,305	3,578,984
Exercisable at 31 December	621,319	1,352,468

3. Fair value of share-based payment

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

Year of share award	2015	2014	2013	2012
Closing share price at grant date	404p	320 – 350p	271p	196p
Exercise price	403p	–	0 – 268p	–
Expected option life	3 years	3 years	3 years	5 years
Risk-free rate	0.5 to 1.2%	1.1 – 1.2%	0.24%	0.37%
Expected volatility	19.0 to 22.0%	20.6 – 22.2%	21.7%	27%
Expected dividend yield ¹	0.4%	0.4 – 0.5%	0.5%	0.8%
Average share price	421p	344p	308p	208p
Value per option	36 – 167p	82 – 126p	23 – 134p	85p

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

41 PENSIONS

1. Current pension arrangements

The Venues business has a hybrid pension scheme comprising a money purchase section that was closed on 28 February 2014 and a final salary section which closed to new members in 2006, and closed to future benefit accrual on 31 December 2011. The final salary section is a funded defined benefit scheme ("the Scheme") which is contracted out of State Second Pension. On closure of the money purchase section of the Venues' pension scheme, a defined contribution group personal pension plan was offered to eligible Venues employees.

The Group's current policy is largely to provide future retirement benefits through defined contribution arrangements.

The Scheme exposes the Group to a number of risks:

- Investment risk – the Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide positive real returns over the long-term, the short-term volatility can cause additional funding to be required if deficit emerges.
- Interest rate risk – the Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk – a significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long-term, movements over the short-term could lead to deficits emerging.
- Mortality risk – in the event that members live longer than assumed a deficit will emerge in the Scheme.

2. Pension costs

(i) Defined benefit scheme

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

Amounts recognised in respect of the Scheme	Included in consolidated income statement within:	2015 £m	2014 £m
Interest cost on pension obligation	Administration expenses	0.7	0.8
Interest income on the Scheme assets	Administration expenses	(0.7)	(0.8)
Net interest expense		–	–

Amounts recognised in the consolidated statement of comprehensive income	2015 £m	2014 £m
Actuarial (gain)/loss on defined benefit scheme	(0.8)	1.8
Cumulative actuarial loss on defined benefit scheme	5.0	5.8

Whilst the actuarial gains or losses in respect of the Scheme are recognised in the consolidated statement of comprehensive income, the net interest income or expense on the Scheme's opening plan assets and scheme obligation is included in the Group's administration expenses. For the year ended 31 December 2015 this amounts to a charge of £nil to the consolidated income statement (2014: charge £nil).

Amounts recognised in the consolidated balance sheet	2015 £m	2014 £m
Fair value of Scheme assets	21.0	21.1
Present value of Scheme liabilities	(20.3)	(21.3)
Net pension asset/(liability)	0.7	(0.2)

Movements in the fair value of the Scheme's assets	2015 £m	2014 £m
At 1 January	21.1	19.0
Interest income on Scheme assets	0.7	0.8
Contributions paid	–	0.8
Actuarial (loss)/gains	(0.4)	0.8
	21.4	21.4
Benefits paid	(0.4)	(0.3)
Scheme assets at 31 December	21.0	21.1

Notes to the accounts continued

41 PENSIONS CONTINUED

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

Asset category:	2015 %	2014 %
Equities	78	75
Index-linked gilts	9	10
Corporate bonds	13	15
Total	100	100

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

	2015 £m	2014 £m
Actual return on Scheme assets in the year	0.3	1.6

Equity and property returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the Scheme's holdings of these instruments. The assets do not include any investment in shares of the Group.

Movements in the fair value of the Scheme's obligation	2015 £m	2014 £m
At 1 January	(21.3)	(18.2)
Interest cost on pension obligation	(0.7)	(0.8)
Actuarial gain/(loss)	1.3	(2.6)
	(20.7)	(21.6)
Benefits paid	0.4	0.3
Scheme liabilities at 31 December	(20.3)	(21.3)

The significant actuarial assumptions were as follows:

	2015 % (per annum)	2014 % (per annum)
Discount rate	3.7	3.4
Rate of inflation (based on the Retail Prices Index)	3.0	3.0
Increases to pensions in payment (Limited Prices Index 5%)	3.0	3.0
Increases to deferred pensions before payment	2.2	2.2
Post retirement mortality assumption (S1 PXA CMI)	1.5	1.5

The discount rate is determined on the yield available on a high quality long dated corporate bond of appropriate term and currency. As a result, a discount rate of 3.7 per cent has been applied as at 31 December 2015 (2014: 3.4 per cent). This is higher than the rate used in the prior year given the changes to the yields on bonds over the current year.

Mortality assumptions are based on standard tables provided by the Institute of Actuaries using insurance company data updated from time to time to reflect current trends. The standard table used by the Scheme in both the current and comparative periods is S1 PXA, CMI (150%), and Year of Birth. The table below makes allowance for future improvements in longevity based on the year of birth of each member.

		2015	2014
The mortality assumptions used in this valuation were:			
Life expectancy at age 65 (current age 45):	Male	90.1	90.1
	Female	92.6	92.6
Life expectancy at age 65 (current age 65):	Male	87.8	87.8
	Female	90.2	90.2

The following table shows a quantitative sensitivity analysis of the significant assumptions used in determining the defined benefit obligation as at 31 December 2015:

	2015 Assumptions %	Adjustments to 2015 assumptions %	Financial impact of adjustments on the year-end obligation £m
Discount rate	3.7	(0.1)	0.4
Rate of inflation	3.0	0.1	0.4
Post retirement mortality assumption	1.5	(0.3)	(0.3)

41 PENSIONS CONTINUED

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

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Present value of Scheme's liabilities	(20.3)	(21.3)	(18.2)	(17.1)	(14.1)
Fair value of Scheme's assets	21.0	21.1	19.0	16.7	15.1
Net pension asset/(liability)	0.7	(0.2)	0.8	(0.4)	1.0
Experience adjustment on Scheme liabilities	–	–	0.4	(0.3)	0.1
Changes in assumptions used to value Scheme liabilities	1.3	(2.6)	(1.1)	(2.2)	(0.6)
Experience adjustment on Scheme assets	(0.4)	0.8	1.8	0.8	(0.8)

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

The estimated contribution expected to be paid to the Scheme during 2016 is £nil (2015: £nil).

(ii) Defined contribution arrangements

The pension charge in respect of other schemes is the actual contributions paid. These amounted to £1.4 million (2014: £1.2million).

42 EVENTS AFTER THE REPORTING PERIOD

On 8 January 2016, the £665 million Covent Garden revolving credit facility was replaced by a new £705 million revolving credit facility. This new facility is repayable in December 2020 which on a pro-forma basis has extended the weighted average debt maturity to 5.3 years, has reduced the weighted average cost of debt to 2.8 per cent and has increased available facilities by £40 million. The Group has incurred a charge of approximately £2.7 million relating to fees on the new facility and has written off £5.2 million relating to unamortised fees on the existing facility.

43 DIRECTORS' INTERESTS

(a) In shares in Capital & Counties Properties PLC

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

	2015	2014
Chairman:		
I. C. Durant	568,632	568,632
Executive:		
I. D. Hawksworth	770,604	770,604
S. Das	252,018	252,018
G. J. Yardley	442,972	442,972
Non-executive:		
I. J. Henderson	37,601	37,601
G. J. Gordon	30,450,061	30,450,061
J. G. Murphy	–	N/A
D. Pinsent	–	–
H. E. Staunton	250,000	250,000
A. D. Strang	–	–
Former Director¹:		
A. J. M. Huntley	75,000	75,000

¹ Director's Interest as at 1 May 2015, being the date that A.J.M. Huntley retired from the Board.

(b) Share dealings

No Director had any dealings in the shares of any Group company between 31 December 2015 and 23 February 2016, being a date less than one month prior to the date of the notice convening the Annual General Meeting.

Other than as disclosed in these accounts, no Director of the Company had a material interest in any contract (other than service contracts), transaction or arrangement with any Group company during the year ended 31 December 2015.

Appendix 1

Related undertaking	Class of share capital	% held
1 and 3 Eardley Crescent Limited	Ordinary shares of £1 each	9
20 The Piazza Limited	Ordinary shares of £1 each	100
20 The Piazza Management Limited	Ordinary shares of £1 each	100
22 Southampton Street Limited	Ordinary shares of £1 each	100
22 Southampton Street Management Limited	Ordinary shares of £1 each	100
34 Henrietta Street Limited	Ordinary shares of £1 each	100
34 Henrietta Street Management Company Limited	Ordinary shares of £1 each	100
A & P Bolding Limited (in liquidation)	Ordinary shares of £1 each	50
C&C Management Services Limited ¹	Ordinary shares of £1 each	100
C&C Properties (Jersey) Limited (Jersey)	Ordinary shares of £1 each	100
C&C Properties UK Limited ¹	Ordinary shares of £1 each	100
Capco CG 2010 Limited (in liquidation)	Ordinary shares of £1 each	100
Capco CG 2010 Nominee Limited (in liquidation)	Ordinary shares of £1 each	100
Capco CG 2012 Limited acting as General Partner of Capco CGP 2012 LP	Ordinary shares of £1 each	100
Capco CG 2012 Nominee Limited	Ordinary shares of £1 each	100
Capco Covent Garden Limited ¹	Ordinary shares of £1 each	100
Capco Covent Garden Residential Limited	Ordinary shares of £1 each	100
Capco Empress State LP Limited (in liquidation)	Ordinary shares of £1 each	100
Capco Group Treasury Limited ¹	Ordinary shares of £1 each	100
Capco London Limited	Ordinary shares of £1 each	100
Capital & Counties Asset Management Limited ¹	Ordinary shares of £1 each	100
Capital & Counties CG (No. 1) Limited (Jersey)	Ordinary shares of £1 each	100
Capital & Counties CG (No. 2) Limited (Jersey)	Ordinary shares of £1 each	100
Capital & Counties CG Limited acting as General Partner of Capital & Counties CGP	Ordinary shares of £1 each	100
Capital & Counties CG Nominee Limited	Ordinary shares of £1 each	100
Capital & Counties Limited ¹	Ordinary shares of 25p each	100
	Non-voting deferred shares of 25p each	100
Capital & Counties Properties (Jersey) 2 Limited ¹	Ordinary shares of £1 each	100
Capvestco 2 Limited (Jersey) ¹	Ordinary shares of £1 each	100
Capvestco China Limited (Jersey)	Ordinary shares of nil par value	100
Capvestco Earls Court Limited (Jersey) ¹	Ordinary shares of £1 each	100
Capvestco Lillie Square Limited (Jersey) ¹	Ordinary shares of £1 each	100
Capvestco Limited (Jersey) ¹	Ordinary shares of £1 each	100
Changeopen Residents Management Limited (in liquidation)	Ordinary shares of £1 each	100
Covent Garden (43 Management) Limited	Ordinary shares of £1 each	100
Covent Garden (49 Wellington Street) Limited	Ordinary shares of £1 each	100
Covent Garden Group Holdings Limited	Ordinary shares of £1 each	100
Covent Garden Limited (Jersey)	Ordinary shares of £1 each	100
Covent Garden LP Limited (Jersey)	Ordinary shares of £1 each	100

Related undertaking	Class of share capital	% held
Earls Court & Olympia Group Pension Trustees Limited	Ordinary shares of £1 each	100
Earls Court Limited	Ordinary shares of £1 each	100
Earls Court Partnership Limited	Ordinary shares of £1 each	63
EC Group Holdings Limited (Jersey)	Ordinary shares of £1 each	100
EC Holdings Limited (Jersey)	Ordinary shares of £1 each	100
EC Properties GP Limited acting as General Partner of EC Properties LP	Ordinary shares of £1 each	100
EC Properties LP Limited (Jersey)	Ordinary shares of £1 each	100
EC Properties Management Limited	Ordinary shares of £1 each	100
EC Properties Nominee Limited	Ordinary shares of £1 each	100
EC&O Limited	Ordinary shares of £1 each	100
Empress Holdings Limited (Jersey)	Ordinary shares of £1 each	100
Empress Place, Apartments Management Company Limited	Limited by guarantee	63
Empress State (Jersey) Limited (Jersey)	Ordinary shares of £1 each	100
Empress State GP Limited acting as General Partner of The Empress State Limited Partnership	"A" Ordinary shares of £1 each	100
	"B" Ordinary shares of £1 each	100
Empress State Nominee No 1 Limited	Ordinary shares of £1 each	100
Empress State Nominee No 2 Limited	Ordinary shares of £1 each	100
Exhibition Venues Limited	Ordinary shares of £1 each	100
Falcon House Management Limited	Limited by guarantee	32
Great Capital Partnership (G.P.) Limited acting as General Partner of The Great Capital Partnership	"A" Ordinary shares of £1 each	100
	"B" Ordinary shares of £1 each	100
	"C" Ordinary shares of £1 each	0
	"D" Ordinary shares of £1 each	0
Great Capital Property Limited	Ordinary shares of £1 each	50
Lillie Square Clubhouse Limited	Ordinary shares of £1 each	50
Lillie Square Developments Limited	Ordinary shares of £1 each	50
Lillie Square GP Limited acting as General Partner of Lillie Square LP	"A" Ordinary shares of £1 each	100
	"B" Ordinary shares of £1 each	0
Lillie Square Holdings Limited (Jersey)	Ordinary shares of £1 each	100
Lillie Square LP Limited (Jersey)	Ordinary shares of £1 each	100
Lillie Square Management Limited	Ordinary shares of £1 each	50
Lillie Square Nominee Limited	Ordinary shares of £1 each	50
Mallenhill Limited	Ordinary shares of £1 each	32
Martineau Properties Limited (in liquidation)	Ordinary shares of £1 each	100
Marview Limited	Ordinary shares of £1 each	63
Olympia Car Park Limited	Ordinary shares of £1 each	100
Olympia Exhibitions Group Limited	Ordinary shares of £1 each	100

Appendix 1 continued

Related undertaking	Class of share capital	% held
Olympia Exhibitions Holdings Limited	"A" Ordinary shares of £0.01 each	100
	"B" Ordinary shares of £0.01 each	100
Olympia Group Limited	Ordinary shares of £1 each	100
Olympia Holdings Limited	"A" Ordinary shares of £0.75 each	100
	"B" Ordinary shares of £0.75 each	100
Olympia Licensing Limited	Ordinary shares of £1 each	100
Olympia Limited	Ordinary shares of £1 each	100
Olympia Management Services Limited	Ordinary shares of £1 each	100
Sanderling Enterprises Limited (in liquidation)	Ordinary shares of £1 each	100
	Deferred shares of £0.0001 each	100
Solum Developments GP Limited acting as General Partner of Solum Developments Limited Partnership	"A" Ordinary shares of £1 each	0
	"B" Ordinary shares of £1 each	100
Solum Group Holdings GP Limited acting as General Partner of Solum Group Holdings LP	Ordinary shares of £1 each	100
Solum Group Holdings LP Limited (Jersey)	Ordinary shares of £1 each	100
Solum Group Holdings Nominee Limited	Ordinary shares of £1 each	100
Solum Holdings Limited (Jersey)	Ordinary shares of £1 each	100
Solum Management Limited	Ordinary shares of £1 each	100
St James Capital Seagrave Road Limited	Ordinary shares of £1 each	100
The Earls Court & Olympia Charitable Trust	Limited by guarantee	100

¹ Direct undertakings of the Parent.

Analysis of property portfolio (unaudited)

1. PROPERTY DATA AS AT 31 DECEMBER 2015

	Market Value £m	Ownership
Covent Garden	2,005.2	100%
Earls Court Properties		
ECPL	803.0	63%
Lillie Square	222.5	50%
Empress State	286.0	100%
Other	45.7	100%
Earls Court Properties (Group share)	1,357.2	
Venues	295.0	100%
Other	4.4	100%
Total property (Group share)	3,661.8	
Non-controlling interest in Earls Court Properties	471.6	
Total property	4,133.4	
Investment and development property	3,888.7	
Trading property	244.7	

2. ANALYSIS OF CAPITAL RETURN FOR THE YEAR

	Market Value 31 December 2015 £m	Market Value 31 December 2014 £m	Revaluation surplus/ (deficit) ¹ 31 December 2015 £m	Increase
Like-for-like capital				
Covent Garden	1,958.1	1,624.5	263.8	15.9%
Earls Court Properties	1,343.6	1,152.3	113.5	9.2%
Venues	295.0	232.6	58.4	24.7%
Other	4.4	4.5	(0.4)	
Total like-for-like capital	3,601.1	3,013.9	435.3	13.9%
Investment and development property	3,356.4	2,809.8	427.7	14.8%
Trading property	244.7	204.1	7.6	3.2%
Non like-for-like capital				
Additions due to transactions with non-controlling interest	468.2	–	32.4	
Acquisitions	64.1	–	(6.1)	
Disposals	–	11.1	–	
Total property	4,133.4	3,025.0	461.6	12.7%
Investment and development property	3,888.7	2,809.8	454.0	13.3%
Trading property	244.7	215.2	7.6 ²	3.2%
All property				
Covent Garden	2,005.2	1,635.6	262.1	15.3%
Earls Court Properties ^{3,4}	1,828.8	1,152.3	141.5	8.4%
Venues ³	295.0	232.6	58.4	24.7%
Other	4.4	4.5	(0.4)	
Total property	4,133.4	3,025.0	461.6	12.7%

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

2 Represents unrecognised surplus and write down or write back to market value of trading property. Presented for information purposes only.

3 The comparative period has been re-presented to reflect the transfer of Maclise Road from the Earls Court Properties segment to the Venues segment.

4 The increase in the market value of Earls Court Properties includes £468.2 million additions due to transactions with non-controlling interests.

Analysis of property portfolio (unaudited) continued

3. ANALYSIS OF NET RENTAL INCOME FOR THE YEAR

	2015 £m	2014 £m	Increase/ (decrease)
Like-for-like net rental income			
Covent Garden	34.8	33.3	4.4%
Earls Court Properties	17.6	17.3	2.1%
Venues	19.3	15.3	26.0%
Other	(0.5)	–	
Total like-for-like net rental income	71.2	65.9	8.0%
<i>Like-for-like investment and development property</i>	71.2	65.9	8.0%
<i>Like-for-like trading property</i>	–	–	
Non like-for-like net rental income			
Acquisitions	0.3	–	
Developments	0.3	2.6	
Disposals	–	0.3	
Prior year acquisitions (like-for-like capital)	3.6	1.3	
Total net rental income	75.4	70.1	7.6%
<i>Investment and development property</i>	75.3	70.1	7.6%
<i>Trading property</i>	0.1	–	

All property

Covent Garden	38.8	36.8	5.6%
Earls Court Properties ¹	17.8	18.0	(0.9)%
Venues	19.3	15.3	26.0%
Other	(0.5)	–	
Total net rental income	75.4	70.1	7.6%

¹ ERV of the Empress State Building is £15.9 million.

4. ANALYSIS OF COVENT GARDEN BY USE

31 December 2015

	Initial yield (EPRA)	Nominal equivalent yield	Passing rent £m	Occupancy rate (EPRA)	Weighted average unexpired lease years	Market value £m	ERV £m	Gross area million Sq ft
Retail						1,444.5	57.5	0.5
Office						234.7	13.0	0.2
Residential						121.4	3.5	0.2
Other ¹						204.6	12.2	0.1
Total	2.12%	3.48%	46.2	97.8%	6.9	2,005.2	86.2	1.0

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

Consolidated underlying profit statement (unaudited)

For the year ended 31 December 2015

	2015 £m	2014 £m
Net rental income	75.4	70.1
Other income	2.0	1.5
Administration expenses	(52.8)	(43.2)
Operating profit	24.6	28.4
Finance costs	(20.8)	(15.9)
Finance income	0.7	0.8
Net finance costs	(20.1)	(15.1)
Profit before tax	4.5	13.3
Taxation	3.0	(0.2)
Non-controlling interest	0.3	–
Underlying earnings¹	7.8	13.1
Underlying earnings per share (pence)	0.9	1.6
Weighted average number of shares	840.8m	806.5m

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

Historical record

CONTINUING AND DISCONTINUED OPERATIONS

	2015 £m	2014 £m	2013 £m	2012 £m	Restated 2011 £m
Consolidated income statement					
Net rental income	75.4	70.1	64.8	65.3	69.0
Profit/(loss) on sale of trading property	2.0	(1.9)	10.4	6.1	–
Other income	2.1	1.5	0.2	–	0.8
Gain on revaluation and sale of investment and development property	454.0	454.4	313.4	213.9	123.3
Non-recurring (costs)/income	(0.2)	1.7	0.7	10.4	26.2
Administration expenses	(52.8)	(43.2)	(33.8)	(26.1)	(22.2)
Operating profit	480.5	482.6	355.7	269.6	197.1
Net finance costs	(20.6)	(32.4)	(4.7)	(24.1)	(35.2)
Profit before tax	459.9	450.2	351.0	245.5	161.9
Taxation	(2.7)	(1.6)	(12.6)	(5.5)	(3.4)
Non-controlling interest	(26.1)	–	(1.0)	–	–
Profit for the year attributable to Parent	431.1	448.6	337.4	240.0	158.5
Consolidated balance sheet					
Investment and development property	3,856.8	2,785.9	2,051.1	1,586.2	1,616.8
Other non-current assets	96.3	55.8	50.9	44.5	56.3
Cash and cash equivalents	101.3	111.9	45.0	184.5	89.6
Other current assets	173.8	144.9	135.5	110.3	27.5
Total assets	4,228.2	3,098.5	2,282.5	1,925.5	1,790.2
Non-current borrowings, including finance leases	(651.4)	(439.1)	(357.7)	(269.6)	(534.6)
Other non-current liabilities	(22.6)	(17.2)	(27.5)	(29.7)	(36.9)
Current borrowings, including finance leases	(18.5)	(17.5)	(16.5)	(78.4)	(18.7)
Other current liabilities	(132.9)	(118.4)	(68.7)	(70.0)	(92.1)
Total liabilities	(825.4)	(592.2)	(470.4)	(447.7)	(682.3)
Net assets	3,402.8	2,506.3	1,812.1	1,477.8	1,107.9
Per share information					
	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	51.3	55.6	44.7	34.1	23.9
Underlying earnings per share	0.9	1.6	1.0	1.8	1.4
Basic net assets per share	348.5	299.7	239.1	196.3	162.0
EPRA adjusted, diluted NAV	360.9	310.7	248.5	203.1	166.9
Dividend per share	1.5	1.5	1.5	1.5	1.5

Prepared on a proportionate consolidation basis.

Board and advisers

Chairman

Ian Durant

Executive Directors

Ian Hawsworth, Chief Executive
Soumen Das, Managing Director & Chief Financial Officer
Gary Yardley, Managing Director & Chief Investment Officer

Non-executive Directors

Ian Henderson, Deputy Chairman & Senior Independent Director
Graeme Gordon
Gerry Murphy
Demetra Pinsent
Henry Staunton
Andrew Strang

Company Secretary

Ruth Pavey

Registered Office

15 Grosvenor Street
London
W1K 4QZ
Telephone: 020 3214 9150
Fax: 020 3214 9151

Registered Number

7145051

Websites

www.capitalandcounties.com
www.myearlscourt.com
www.olympia.london
www.coventgarden.london

Independent auditors

PricewaterhouseCoopers LLP

Solicitors

Linklaters LLP
Webber Wentzel (South Africa)

Brokers and Financial Advisers

Bank of America Merrill Lynch
Rothschild
UBS Limited

SA Sponsor

Merrill Lynch South Africa (Pty) Limited

Dividends

The Directors of Capital & Counties Properties PLC have proposed a final dividend per ordinary share (ISIN GB00B62G9D36) of 1.0 pence payable on 21 June 2016.

Dates

The following are the salient dates for payment of the proposed final dividend:

Annual General Meeting	6 May 2016
Sterling/Rand exchange rate struck	12 May 2016
Sterling/Rand exchange rate and dividend amount in Rand announced	13 May 2016
Ordinary shares listed ex-dividend on the JSE, Johannesburg	23 May 2016
Ordinary shares listed ex-dividend on the London Stock Exchange	26 May 2016
Record date for final dividend in UK and South Africa	27 May 2016

Dividend payment date for shareholders 21 June 2016

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 20 May 2016 and that no dematerialisation of shares will be possible from 23 May 2016 to 27 May 2016 inclusive. No transfers between the UK and South Africa registers may take place from 12 May 2016 to 27 May 2016.

Subject to SARB approval, the Board intends to offer an optional scrip dividend alternative in respect of the 2015 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

BPS

Basis point is a unit equal to one hundredth of a percentage point.

BREEAM

Building Research Establishment Environmental Assessment Method assesses the sustainability of buildings against a range of criteria.

Capco

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

CDM

Construction (Design and Management) Regulations.

CGAT

Covent Garden Area Trust.

CLSA

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

CRC

Carbon Reduction Commitment.

CSOP

Company Share Option Plan.

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 properties held in ECPL, Lillie Square (a 50:50 joint venture partnership with the Kwok Family Interests), the Empress State Building and a number of smaller properties in the Earls Court area.

ECPL

Earls Court Partnership Limited is the investment vehicle with Tfl. The Group holds 63 per cent controlling interest and Tfl holds 37 per cent. ECPL holds interests in EC1 & EC2 and other adjacent property primarily located on and around Lillie Road.

EBITDA

Earnings before interest, tax, depreciation and amortisation.

EC1 & EC2

The site formerly the location of the Earls Court 1 and Earls Court 2 Exhibition Centres.

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 NNNNAV

EPRA diluted NAV adjusted to reflect the fair value of derivative financial instruments, excess fair value of debt over carrying value and deferred tax on derivative financial instruments, revaluations and capital allowances.

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.

ESOS

Energy Savings Opportunity Scheme.

GEA

Gross External Area.

GLA

Greater London Authority.

Gross income

The Group’s share of passing rent plus sundry non-leased income.

FBS

Fulham Boys School.

FTSE 350 Real Estate Index

London Stock Exchange index derived from real estate companies in the FTSE 100 and FTSE 250 indices.

Headline earnings

Headline earnings per share is calculated in accordance with Circular 2/2015 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.

HMRC

Her Majesty’s Revenue and Customs.

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.

JSE

Johannesburg Stock Exchange.

Kwok Family Interests (KFI)

Joint venture partner in the Lillie Square development.

LBHF

The London Borough of Hammersmith & Fulham.

LIBOR

London Interbank Offered 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.

NaCTSO

National Counter Terrorism Security Office.

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.

NRIL

Network Rail Infrastructure Limited.

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.

Opportunity Area

In September 2011 the GLA published the 'Opportunity Area Planning Frameworks Report'. Opportunity Areas are London's major reservoirs of brownfield land with significant capacity to accommodate new housing, commercial and other developments linked to existing or potential improvements to public transport accessibility. Typically, they can accommodate at least 5,000 jobs or 2,500 new homes or a combination of the two, along with other supporting facilities and infrastructure.

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.

P.A.

Per annum.

RBKC

The Royal Borough of Kensington & Chelsea.

REIT

Real Estate Investment Trust.

RICS

Royal Institution of Chartered Surveyors.

RIDDOR

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

SARB

South African Reserve Bank.

SAICA

South African Institute of Chartered Accountants.

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 (TPR)

Capital growth including gains and losses on disposals plus rent received less associated costs, including ground rent.

Total return (TR)

The growth in EPRA adjusted, diluted NAV per share plus dividends per share paid during the year.

Total shareholder return (TSR)

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.

Underlying earnings per share (EPS)

Underlying earnings divided by the weighted average number of shares in issue during the year.

Weighted average unexpired lease term

The unexpired lease term to lease expiry weighted by ERV for each lease.

WCC

Westminster City Council.

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').

Shareholder Information

Registrars

All enquiries concerning shares or shareholdings, including notification of change of address, queries regarding loss of a share certificate and dividend payments should be addressed to:

For shareholders registered in the UK:

Capita Asset Services

The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Telephone: 0871 664 0300 (calls cost 12p per minute plus your phone company's access charge; lines are open 9.00 am – 5.30 pm Monday – Friday)

Telephone outside UK: +44 (0)208 639 3399

Email: ssd@capitaregistrars.com

www.capitaassetservices.com

For shareholders registered in South Africa:

Computershare Investor Services Proprietary Limited

70 Marshall Street, Johannesburg 2001

South Africa

Postal address:

PO Box 61051

Marshalltown 2107, South Africa

Telephone: +27 (0) 11 370 5000

www.computershare.com

Payment of dividends

If you are a shareholder and wish to have your dividends paid directly into a bank or building society, please complete a mandate form which is available from the appropriate registrar.

Share price information

The latest information on the Capital & Counties Properties PLC share price is available on the Company's website www.capitalandcounties.com.

The shares are traded on the LSE with LSE code CAPC, ISIN GBOOB62G9D36. The shares are traded on the JSE under the abbreviated name CAPCO and JSE code CCO.

Web-based enquiry service for shareholders

Shareholders registered in the UK can register at www.capitashareportal.com to access a range of online services including:

- Online proxy voting
- Electing to receive shareholder communications electronically
- Viewing your holding balance, indicative share price and valuation
- Viewing transactions on your holding including any dividend payments you have received
- Updating your address details or registering a mandate to have your dividends paid directly to your bank account
- Accessing a wide range of shareholder information, including downloadable forms

To register to use this service, you will need your investor code (IVC), which can be found on your share certificate(s).

Share dealing services

The Company's shares can be traded through most banks, building societies and stockbrokers. Additionally, UK shareholders may trade their shares using the online and telephone dealing service that Capita Asset Services provide. To use this service, shareholders should contact Capita: within the UK 0371 664 0445 (calls are charged at the standard geographic rate and will vary by provider; lines are open 8.00 am – 4.30 pm Monday to Friday); from Ireland: 1 890 946 375; or from outside UK: +44(0) 371 664 0445 (calls outside the United Kingdom are charged at the applicable international rate) or you can log on to www.capitadeal.com.

Electronic communication

Capco has adopted electronic communications. This means that shareholders will receive documents from the Company electronically unless they elect to receive hard copies.

All of the Group's annual results, interim results and interim management statements will be published on the Company's website www.capitalandcounties.com. If you are a shareholder who receives hard copies of documents and you wish to elect to receive electronic communications, please contact the appropriate Registrar.

Shareholders may revoke an election to receive electronic communications at any time.

ShareGift

ShareGift is a charity share donation scheme for shareholders who may wish to dispose of a small quantity of shares where the market value makes it uneconomical to sell on a commission basis. Further information can be found on its website www.sharegift.org or by calling them on 020 7930 3737.

Strate Charity Shares (SCS)

SCS is a charity share donation scheme for shareholders who may wish to dispose of small holdings of shares that are too costly to sell via a stock broker on a commission basis. Further information can be found at <http://www.strate.co.za/>, by emailing charityshares@computershare.co.za or by calling 0800 202 363 or +27(0) 11 870 8207 if you are phoning from outside South Africa.

Investment scams

Shareholders are advised to be wary of any unsolicited calls, mail or email that offer free advice, the opportunity to buy shares at a discount or to provide free company reports. Such approaches are often investment scams. Information on how to protect yourself from investment scams can be found at www.fca.org.uk/scams or by calling the FCA's consumer helpline on 0800 111 6768.



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