

29 July 2015

## **CAPITAL & COUNTIES PROPERTIES PLC (“Capco”)**

### **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

Ian Hawksworth, Chief Executive of Capco, commented:

*“Our two London estates have had a positive and active start to the year. Covent Garden is established as a leading destination for global brands wishing to come to London and demand for the estate across all uses is strong. We are on course to deliver circa 10 per cent underlying annualised rental growth to achieve an ERV target of £100 million by December 2017.*

*Our plans at Earls Court continue to advance. We have completed the investment vehicle with TfL and demolition is progressing well. At Lillie Square, construction of Phase 1 is on track and we are finalising plans to begin sales of Phase 2.*

*We enter the second half of the year with a strong balance sheet and a clear strategy to drive long term value creation for our shareholders.”*

#### **Highlights**

##### **Driving value creation through a clear and focused strategy**

- 10 per cent increase in EPRA adjusted, diluted NAV to 342 pence per share (Dec 2014: 311 pence)
- 9 per cent (like-for-like) increase in total property value to £3.4 billion (Dec 2014: £3.0 billion)
- 10 per cent total return for the period
- Proposed interim 2015 dividend of 0.5 pence per share

##### **Creative asset management and strong leasing market driving positive demand across all uses at Covent Garden**

- Total property value of £1.8 billion up 9 per cent (like-for-like) (Dec 2014: £1.6 billion)
- ERV up 8 per cent (like-for-like) at £83 million
- On plan to achieve the ERV target of £100 million by December 2017 representing annualised underlying rental growth of circa 10 per cent
- New leases and renewals 11 per cent above December 2014 ERV
- New Zone A rental level of £1,400 per square foot achieved on James Street
- New rental levels achieved for residential and office space
- Development of Kings Court on track
- £50 million of acquisitions consolidating ownership on Henrietta Street and Bedford Street

##### **Plans on track at Earls Court**

- Earls Court interests valued at £1.3 billion, up 6 per cent (like-for-like) (Dec 2014: £1.2 billion)
- Earls Court Partnership Limited, the investment vehicle with TfL completed
  - Capco share 63 per cent and leading the venture
- Demolition of former exhibition centres underway and progressing well
- Construction of Phase 1 of Lillie Square progressing well with first completions expected in 2016
  - £258 million of sales in Phase 1, crystallising value in this part of the scheme
- Formal sales of Phase 2 of Lillie Square expected to start in September 2015

##### **Venues business reinvigorated and performing ahead of expectations**

- EBITDA of £9 million, up 16 per cent compared to the first half of 2014 (full year 2014: £11 million)
- Property valuation of £265 million, up 25 per cent (Dec 2014: £211 million)

##### **Robust and flexible financial position**

- Group loan-to-value ratio 13 per cent (Dec 2014: 12 per cent)
- Cash and available facilities of £570 million
- Predominantly unsecured debt model

## FINANCIAL HIGHLIGHTS

	30 June 2015	31 December 2014
<b>10.4% Total return for six months ended 30 June 2015 (full year 2014: 25%)</b>		
EPRA adjusted net asset value	<b>£2,901m</b>	£2,630m
EPRA adjusted, diluted net asset value per share	<b>342p</b>	311p
Dividend per share	<b>1.0p</b>	1.5p
<b>9.0% Total property return for six months ended 30 June 2015 (full year 2014: 22%)</b>		
Property market value (Group share) <sup>1</sup>	<b>£3,399m</b>	£3,025m
Net rental income <sup>2</sup>	<b>£38.5m</b>	£70.1m
<b>Underlying earnings per share</b>	<b>0.5p</b>	1.6p

1. Refer to Property Data on page 47 for the Group's percentage ownership of property.

2. On a proportionate consolidation basis. Refer to the Financial Review.

### Outlook

Capco has had a positive and active start to the year. At Covent Garden, our granular and creative asset management strategy, where every street has a plan, is delivering and demand for space across all uses is strong. The estate is on track to achieve its ERV target of £100 million by December 2017, which represents circa 10 per cent annualised underlying rental growth.

Our plans at Earls Court are moving forward. Earls Court Partnership Limited ("ECPL"), the investment vehicle with Transport for London ("TfL"), has completed with Capco leading the venture. Demolition of the former exhibition centres is underway as we continue to de-risk the scheme. Construction of Phase 1 of Lillie Square is progressing well and plans are being finalised to launch sales of the first units in Phase 2.

London continues to cement its status as a major global city. The outlook for retail and consumer confidence remains positive and with Capco's distinct approach to managing Covent Garden, the estate is well-positioned to continue its prominence as one of the best global retail destinations. The Earls Court Masterplan is a significant opportunity for urban regeneration and will deliver new homes, jobs and investment. Against a positive economic backdrop, London's population is expected to grow significantly and is in need of more housing. 'Opportunity Areas' such as Earls Court are vital to London's housing supply. With its central location and strong transport connections, we are advancing our plans to maximise returns from our land holdings at Earls Court.

The balance sheet remains robust and flexible and we have continued to significantly invest in our London estates. Following the placing last year, we have successfully deployed the proceeds, acquiring over 30 properties and successfully commencing our development and demolition plans. We are clear and focused on our delivery strategy and with two unique assets are well-positioned to drive long-term value for our shareholders.

## ENQUIRIES

### Capital & Counties Properties PLC:

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

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

# OPERATING REVIEW

## Overview

London continues to cement its status as a major global city, attracting people to live, work, invest in and enjoy the capital. Its economic outlook is positive and its population growing significantly. Having added over one million people over the last decade, it is estimated that London will add another one million people to its population over the next 10 years. With this growth comes challenges and for London to continue to thrive it will need to provide over 40,000 homes per annum, around twice the amount achieved per annum over the last 20 years<sup>1</sup>.

Capco's strategy is focused on driving value creation at its two major central London estates. At Covent Garden, granular and creative asset management, strategic investment and Capco's creative placemaking skills continue to underpin strong rental growth. This is set against a vision to create one of the best retail destinations for both domestic and international retailers and visitors.

Earls Court is an opportunity to create the next great estate of London. Capco continues to create value through planning, land assembly, land enablement and selective development to maximise the potential of a unique and prime land holding in the capital. Opportunity Areas such as Earls Court are vital to London's housing supply and plans are on-going to maximise the potential of this centrally located scheme.

In addition, Capco regularly considers opportunities where its core skills of placemaking and masterplanning can be utilised and has recently acquired a 50 per cent interest in the Solum Regeneration joint venture with Network Rail. Solum will allow Capco to explore opportunities for future redevelopments at significant railway station sites in London.

1. Mayor of London –The London Housing Strategy

## Valuations

The valuations of Capco's property portfolio have performed strongly in the first six months of 2015, rising 8.9 per cent (like-for-like) to £3.4 billion (Group share).

	Market Value 30 June 2015 £m	Market Value 31 December 2014 £m	Valuation Change Like-for-like <sup>1</sup>
<b>Covent Garden</b>	<b>1,847</b>	1,636	9.3%
<b>Earls Court Properties</b>			
Earls Court Partnership Limited ("ECPL")	741 <sup>2</sup>	657 <sup>2</sup>	8.5%
Lillie Square	202 <sup>3</sup>	182 <sup>3</sup>	4.1%
Empress State	282	278	0.9%
Other	58	57	1.1%
<b>Earls Court Properties (Group share)</b>	<b>1,283</b>	1,174	5.7%
<b>Venues</b>	<b>265</b>	211	24.6%
<b>Other</b>	<b>4</b>	4	
<b>Total property (Group share)</b>	<b>3,399</b>	3,025	8.9%
<b>Non-controlling interest in Earls Court Properties</b>	<b>435</b>	–	
<b>Total property<sup>4</sup></b>	<b>3,834</b>	3,025	8.9%

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

2. Market value at 30 June 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 consolidation basis.

4. A reconciliation of the carrying value of investment, development and trading property to the market value is shown in note 12 'Property Portfolio' within the condensed consolidated financial statements.

The Group has a 63 per cent controlling interest in ECPL, the investment vehicle with TfL which owns the land formerly occupied by the Earls Court exhibition centres. As a result, it is fully consolidated in the condensed consolidated financial statements and TfL's interest is represented as a non-controlling interest. See page 7 of the Financial Review for further information.

## COVENT GARDEN

### *Supporting rental growth through granular and creative asset management, strategic investment and placemaking*

Covent Garden has established itself as a leading global retail and dining destination. Leasing momentum is strong as retailers are attracted to the estate's prime location and its distinct granular asset management, where every street has a plan; while visitors continue to be drawn to the estate's vibrancy, energy and unique retail and dining experience. Occupancy on the estate is high at 97 per cent and footfall remains strong with 42 million customer visits annually.

In the six months to 30 June 2015, the valuation of Covent Garden has shown continued positive performance, increasing 9.3 per cent like-for-like to £1.8 billion. This reflects the success of the estate's granular asset management strategy, growing Zone A rental levels and a positive central London retail market. The ERV for the estate has grown 8.2 per cent like-for-like to £82.6 million and the estate is on track to achieve the ERV target of £100 million by December 2017. This represents an underlying annualised growth rate of circa 10 per cent and would imply an ERV of £125 million by December 2019.

During the period to 30 June 2015, 34 leasing transactions including new leases and renewals representing £5.3 million of rental income per annum were transacted at 10.8 per cent above 31 December 2014 ERV. Annual gross income as at 30 June 2015 was £44.3 million.

## **Retail**

James Street's profile as a global street for retailers has further strengthened and the rapid progression of value has continued which reflects the depth of demand for the street. Premium cosmetics brand, Charlotte Tilbury, 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. This compares to the Zone A rental level of £1,000 per square foot for the street as at 31 December 2014 following a letting to Kiko, the premium Italian cosmetics store, which is due to open in late summer.

Following the trading success of Chanel's first stand-alone cosmetics store, the luxury brand 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.

The 'Street to Suit' strategy to reposition Henrietta Street with a menswear focus continues its successful implementation. Club Monaco's menswear line is the latest brand to take up space and is expected to open later in the year. The street now offers an array of premium menswear brands including Edwin and Oliver Sweeney as well as Nigel Cabourn, the Real McCoy's and Fred Perry which were signed last year.

The momentum in King Street's contemporary luxury offering continues with the introduction of Italian knitwear brand, Stefanel, and Parisian womenswear concept, Claudie Pierlot, both of which have recently opened their doors.

## **Dining**

The estate's reputation for destination dining continues to strengthen with three new concepts introduced in the first half of this year.

Henrietta Street's dining offering has been further enhanced following a new letting to Gregory Marchand, who will bring his successful Parisian restaurant, Frenchie, to London for the first time. Flat Iron steakhouse will also be opening their latest London restaurant later in the year.

Adding to the variety on King Street, renowned tea emporium, Mariage Frères will open its flagship London café and store, occupying over 8,000 square feet.

## **Residential and offices**

Demand for residential on the estate continues, with the rental market particularly strong. All of the units at The Southampton, a premium residential development of seven apartments for rent, have been leased at £65-£70 per square foot. Following a recent residential conversion of a number of units on the upper floors on King Street, a new rental level of circa £80 per square foot has been achieved. At The Beecham, a luxury development of nine apartments for sale or rental overlooking the Piazza, four apartments have been sold or are under offer at or around asking price.

With a shortage of modern and well-equipped office space in Covent Garden, 35 King Street, the first new office development on the estate, has been leased to a digital agency establishing a new benchmark for prime space of £77 per square foot, a new high for the estate.

## **Developments and acquisitions**

Kings Court and Carriage Hall is Capco's largest development to date at Covent Garden. The scheme unlocks the opportunity to extend our placemaking approach through Floral Street and transform pedestrian flows. Works on the 100,000 square foot scheme, which will add over 20,000 square feet of new space, started last year and are progressing well. The scheme is expected to complete in 2017 and the total development cost is expected to be £85-£90 million.

Continuing Capco's expansion onto Bedford Street, a key access point on to the estate, 31-33 Bedford Street was acquired for £32 million and offers prime retail frontage as well as potential conversion of the upper parts. Since the half year, 30-33 Henrietta Street has recently been acquired for £16 million. The building offers the opportunity to reposition the retail, potential conversion of the upper parts and further consolidates Capco ownership on Henrietta Street.

## **EARLS COURT PROPERTIES**

### ***Driving value creation through planning, land assembly, land enablement and selective development***

The Earls Court Masterplan is the largest regeneration opportunity in central London, covering over 70 acres of prime strategic land in Chelsea and Fulham. The Masterplan is consented to provide 7,500 new homes (including Lillie Square), creating 10,000 new jobs and will deliver over £450 million of community benefits. The scheme is an opportunity to create the next great estate of London, underpinned by Capco's distinct approach to placemaking.

Earls Court is a Greater London Authority ("GLA") 'Opportunity Area', making it a key strategic scheme for the capital. Maximising Opportunity Areas is seen as vital in order to meet London's housing demands, both private and affordable, against a backdrop of a fast growing population.

Earls Court Properties represents Capco's interest in Earls Court, which principally comprises:

- 63 per cent interest in Earls Court Partnership Limited ("ECPL"): the investment vehicle with TfL in respect of the former exhibition centres ("EC1 & EC2"), and including certain 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.

For the period to 30 June 2015, the valuation of Earls Court Properties was £1.3 billion (Group share), a like-for-like increase of 5.7 per cent, reflecting the momentum achieved through demolition and construction. Earls Court is moving forward as the business prepares to begin formal sales of the second phase of Lillie Square and is advancing its plans to maximise the potential of the Earls Court Masterplan.

### **Planning**

Detailed planning consent was granted by the Royal Borough of Kensington and Chelsea for West Brompton Village. Covering 1.2 acres, the consent will deliver a public square, a residential apartment building, townhouses and three retail units. Following detailed planning achieved for Earls Court Village last year, this brings the total area for which detailed consent has been achieved to over 17 acres.

### **Land Assembly and Land Enablement**

ECPL was established last year and completion occurred in April 2015. The entity now owns new 999 year leases over EC1 & EC2 land and has acquired certain other adjacent property interests from Capco, primarily located on and around Lillie Road. ECPL is a UK limited company in which Capco owns 63 per cent and TfL owns 37 per cent of the shares respectively. Capco is leading the investment vehicle following its appointment as exclusive business and development manager.

Demolition of the former exhibition centres began in December 2014 and is progressing well. The process is expected to take 18 months due to the complexity of the site at a cost of £50 - £60 million.

Capco continues to expand its ownership in the Masterplan area, acquiring small but important assets which will enhance the overall implementation of the scheme. £8.8 million of acquisitions were made during the first half of the year and have been transferred into ECPL.

Capco exercised its option under the CLSA in 2013 and to date has paid £30 million of the £105 million cash consideration. The remainder is payable in five annual instalments of £15 million, beginning on 31 December 2015. Plans are progressing towards the construction of Block D of Lillie Square to facilitate the first phase of replacement housing for the West Kensington and Gibbs Green estates' residents.

### **Lillie Square**

The Lillie Square development is a one million square foot (GEA) residential scheme located adjacent to the Earls Court Masterplan. One of the most centrally-located, well-connected schemes in London and delivering modern garden-square living, the scheme will provide 608 private and 200 affordable homes across three phases.

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 £202 million as at 30 June 2015, a like-for like increase of 4.1 per cent.

Following the successful launch of Phase 1, over 97 per cent of the first phase has been reserved or exchanged totalling £258 million of sales, crystallising value in this part of the scheme. All of the standard units have been sold and the premium units, which will be sold throughout delivery of the scheme, continue to attract positive demand with 18 out of 25 sold in the first phase, ahead of expectations. The average pricing across Phase 1 is approximately £1,500 per square foot. Construction of Phase 1 is progressing well with first completions on track for delivery in 2016.

Plans for formal sales of the first units of Phase 2 are being finalised and are expected to begin in September 2015.

As previously stated, construction of the private element of Lillie Square is expected to cost £400 million.

### **VENUES**

Olympia London has been reinvigorated and is performing ahead of expectations. Its central location, capacity and historic architecture have established it as the preferred central London venue for premium shows.

The business has had a strong start to the year with EBITDA at £8.9 million, up 15.6 per cent compared to the first half of 2014 and a valuation increase of 24.6 per cent to £265 million.

Transitioned shows, including the Ideal Home show and International Book Fair, have successfully been held. Olympia London is also attracting new shows, resulting in a 32 per cent increase in the number of events held at the venue compared to the same period last year.

## FINANCIAL REVIEW

EPRA adjusted, diluted net assets per share rose 10.0 per cent during the first half of 2015, increasing from 311 pence at 31 December 2014 to 342 pence. This 31 pence increase together with the 1 pence dividend paid in June represents a total return of 10.4 per cent for the period.

At Covent Garden continued growth in rental values was the main driver of the increase in the value of the estate by 9.1 per cent (9.3 per cent like-for-like).

The market value of Earls Court Properties, which comprises the Group's interests at Earls Court, has increased by 4.7 per cent (5.7 per cent like-for-like), primarily the result of further de-risking of the development scheme through the completion of property transfers to Earls Court Partnership Limited ("ECPL") (the investment vehicle with TfL) and progress with demolition of the Earls Court exhibition centres. An increase in assumed construction costs has been offset by lower prevailing interest rates.

### 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 condensed 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 consolidated balance sheet below.

### FINANCIAL POSITION

At 30 June 2015 the Group's EPRA adjusted net assets were £2.9 billion (31 December 2014: £2.6 billion) representing 342 pence per share, an increase of 31 pence per share since 31 December 2014.

### SUMMARY CONSOLIDATED BALANCE SHEET

	As at 30 June 2015				
	IFRS £m	Joint ventures <sup>1</sup> £m	Proportionate consolidation £m	Non-controlling interest £m	Group share £m
Investment, development and trading property	3,592.1	111.1	3,703.2	(435.3)	3,267.9
Net debt	(430.8)	5.2	(425.6)	(5.0)	(430.6)
Other assets and liabilities <sup>2</sup>	43.6	(116.3)	(72.7)	5.4	(67.3)
Non-controlling interest	(434.9)	–	(434.9)	434.9	–
<b>Net assets attributable to the Parent</b>	<b>2,770.0</b>	<b>–</b>	<b>2,770.0</b>	<b>–</b>	<b>2,770.0</b>
Fair value of derivative financial instruments			0.4		
Unrecognised surplus on trading property			103.9		
Deferred tax adjustments			29.9		
Non-controlling interest in respect of the above			(3.5)		
<b>EPRA adjusted net assets</b>			<b>2,900.7</b>		
<b>EPRA adjusted, diluted net assets per share (pence)<sup>3</sup></b>			<b>342</b>		

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 30 June 2015 was 848.3 million.

## SUMMARY CONSOLIDATED BALANCE SHEET CONTINUED

	As at 31 December 2014				
	IFRS £m	Joint ventures <sup>1</sup> £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 <sup>2</sup>	54.7	(108.5)	(53.8)	7.1	(46.7)
Net assets	2,506.3	–	2,506.3	–	2,506.3
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) <sup>3</sup>			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 £279.5 million during the period, an 8.9 per cent gain on a like-for-like basis compared with the IPD Capital Return for the equivalent period of 3.9 per cent.

Total property return for the period was 9.0 per cent, outperforming the IPD Total Return index which recorded a 6.8 per cent return for the corresponding period.

Valuation surpluses on trading property are not recorded as trading property is carried on the balance sheet at the lower of cost and market value. Any unrecognised surplus is however reflected within the EPRA adjusted net asset measure. At 30 June 2015, the unrecognised surplus on trading property was £103.9 million, up from £96.3 million at 31 December 2014. This primarily arises on trading property at Lillie Square.

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 period were £42.8 million, £34.0 million at Covent Garden and £8.8 million around the Earls Court Masterplan area.

Consistent with 2014 Annual Report & Accounts, the Conditional Land Sale Agreement ("CLSA") remains unrecognised in the condensed consolidated financial statements of the Group as its main underlying asset (the land relating to the West Kensington and Gibbs Green housing estates) does not currently meet the recognition criteria required for investment and development property. Of the £30 million paid to date, £15 million relates to the acquisition of two properties and £15 million remains held as a prepayment against a future draw down of land. The future payments, totalling £75 million are disclosed as a capital commitment. Annual payments of £15 million start in December 2015. Where amounts are paid prior to the transfer of property, they will be carried on the Group's balance sheet as prepayments against future land draw down. A transfer from prepayment to investment and development property will occur once the risks and rewards of ownership have passed to the Group. Once this occurs, in line with the Group's accounting policy, the land will become subject to bi-annual valuation with any uplift reflected in the Group's reported net asset measure.

### Debt and gearing

The Group share of net debt increased by £78.8 million to £430.6 million, principally as a result of 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 13.2 per cent remains comfortably within the Group's limit of no more than 40 per cent.

	As at 30 June 2015	As at 31 December 2014
Loan to value	13.2%	12.1%
Interest cover	158%	188%
Weighted average debt maturity	4.6 years	5.1 years
Weighted average cost of debt	3.3%	3.4%
Proportion of Group share gross debt with interest rate protection	92%	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 30 June 2015 the proportion of Group's share of gross debt with interest rate protection was 92 per cent (31 December 2014: 94 per cent).

The Group remains compliant with all of its debt covenants.



At 30 June 2015 the Group had capital commitments of £234.1 million (£228.5 million Group share) compared to £171.4 million at 31 December 2014. The increase is mainly attributable to the Kings Court construction contract.

## CASH FLOW

A summary of the Group's cash flow for the period ended 30 June 2015 is presented below on a proportionate consolidation basis:

	Six months ended 30 June 2015 £m	Represented <sup>1</sup> Six months ended 30 June 2014 £m
<b>Operating cash flows after interest and tax</b>	<b>(3.3)</b>	4.1
Purchase and development of property	<b>(158.2)</b>	(122.6)
Acquisition of interest in joint venture	<b>(12.1)</b>	–
Sales proceeds from property and investments	<b>6.5</b>	3.2
Deferred consideration on purchase of subsidiary	<b>(7.1)</b>	–
VAT received on internal restructure	<b>42.3</b>	–
Pension funding	–	(0.8)
<b>Net cash flow before financing</b>	<b>(131.9)</b>	(116.1)
Issue of shares	<b>0.1</b>	252.5
Financing	<b>85.7</b>	(103.3)
Dividends paid	<b>(4.1)</b>	(7.5)
<b>Net cash flow</b>	<b>(50.2)</b>	25.6

1. The 30 June 2014 summary cash flow has been prepared on a proportionate consolidation basis. In the 'Interim Results for the six months ended 30 June 2014' the summary cash flow was presented on an equity basis.

Operating cash outflows were £3.3 million compared with cash inflows of £4.1 million for the equivalent period of 2014, as a result of an increase in net working capital requirements.

During the period £62.8 million was invested at Covent Garden for the purchase of two properties, completion of a property that had exchanged in the prior year and subsequent expenditure. At Earls Court £13.3 million was invested in land assembly and £80.7 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 Regeneration, a joint venture arrangement with Network Rail Infrastructure Limited. The joint venture will explore opportunities for future redevelopments on and around significant railway stations in London.

An internal transfer of property during the period was deemed to be a VAT supply. The input VAT of £42.3 million was received in June 2015 whereas the corresponding output VAT of the same amount was settled in July 2015. As a result, the cashflow for the six months to June 2015 includes the input but not the output VAT amount.

Net borrowings drawn during the period were £38.3 million. Financing from non-controlling interest of £47.4 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 £4.1 million reflect the final dividend payment made in respect of the 2014 financial year. This was lower than the comparative six month period due to a higher take up of the scrip dividend alternative, 51 per cent versus 11 per cent in June 2014.

The Group's cash and undrawn committed facilities at 30 June 2015 were £575.1 million (£570.1 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.

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m
Net rental income	38.5	37.4
(Loss)/profit on sale of trading property and other income	(0.2)	0.5
Gain on revaluation and sale of investment and development property	271.7	134.5
Administration expenses	(25.0)	(19.4)
Net finance costs	(9.1)	(8.0)
Non-recurring finance costs	–	(5.2)
Change in fair value of derivative financial instruments	1.4	(0.4)
Other	–	0.4
Taxation	(8.2)	(2.3)
Profit for the period attributable to non-controlling interest	(5.2)	–
<b>Profit for the period attributable to owners of the Parent</b>	<b>263.9</b>	<b>137.5</b>
Adjustments:		
Loss/(profit) on sale of trading property and non-underlying other income	1.1	(0.5)
Gain on revaluation and sale of investment and development property	(271.7)	(134.5)
Non-recurring finance costs	–	5.2
Change in fair value of derivative financial instruments	(1.4)	0.4
Other	–	(0.4)
Taxation on non-underlying items	7.1	0.1
Non-controlling interest in respect of the above	5.2	–
<b>Underlying earnings</b>	<b>4.2</b>	<b>7.8</b>
<b>Underlying earnings per share (pence)</b>	<b>0.5</b>	<b>1.0</b>
<b>Weighted average number of shares</b>	<b>839.4m</b>	<b>776.2m</b>

### Income

Net rental income increased by £1.1 million (4.0 per cent like-for-like) during the period when compared to the equivalent six month period of 2014. Olympia London performed strongly in the period 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 £271.7 million, £151.5 million arising from the Covent Garden estate, £68.6 million from Earls Court Properties and £52.2 million from Olympia London.

### Administration expenses

Administration expenses have increased by 28.9 per cent relative to the first half of 2014, 5.0 per cent when compared to the second half of 2014. 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 13.8 per cent to £9.1 million when compared to the equivalent six month period of 2014 as a result of the increased net debt.

### Taxation

The total tax charge for the period was £8.2 million which is made up of both underlying tax and non-underlying tax.

Tax on underlying profits of the Group was £1.1 million which reflects a rate of 20 per cent, in line with the current rate of UK corporation tax. Following the Chancellor's announcement in the July 2015 Budget, the UK corporation tax rate is expected to 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 £2.6 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 £20.8 million (20.0 per cent of £103.9 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 an interim dividend of 0.5 pence per share to be paid on 25 September 2015 to shareholders on the register at 4 September 2015. Subject to SARB approval a scrip dividend alternative will be offered.

#### **Soumen Das**

Managing Director & Chief Financial Officer  
29 July 2015

## PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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 period. These principal risks are not exhaustive and remain unchanged from 31 December 2014. The Group monitors a number of additional risks and adjusts those considered 'principal' as the risk profile of the business changes.

### CORPORATE RISKS

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

Risk	Impact potential	Mitigation factors
Responding to regulatory and legislative challenges and changes.	Reduced flexibility and increased cost base.	Sound governance and internal policies with appropriately skilled resource and support from external advisers as appropriate.
Responding to reputational, communication and governance challenges.	Reputational damage and increased costs.	Appointment of experienced individuals with clear responsibility and accountability. Clear statements of corporate and social responsibility, skilled Executive and Non-executive Directors, with support from external advisers as appropriate. Continuous stakeholder communication and consultation.
Inability to implement strategy or correctly allocate capital.	Constraints on growth and reduced profitability.	Regular strategic reviews and monitoring of performance indicators. Corporate level oversight of capital allocation. Detailed capital planning and financial modelling. Maintain adequate cash and available facilities together with conservative leverage.
Adequacy of partner evaluation and management of agents and key suppliers.	Reduced profitability, delay or reputational damage.	Appropriate due diligence, procurement and consultation.
Ineffective operation of shared investment vehicles.	Inability to execute business plan.	Appropriate governance structure and documentation. Regular dialogue and reporting.
Risk associated with attracting and retaining staff.	Inability to execute business plan.	Succession planning, performance evaluations, training and development, long-term incentive rewards. Sound systems and processes to effectively capture and manage employee information.
Failure to comply with health and safety legislation or other statutory regulations or notices.	Loss or injury to employees, tenants or contractors and resultant reputational damage or criminal prosecutions.	Comprehensive health and safety procedures in place across the Group and monitored regularly. External consultants undertake annual audits in all locations. Safe working practices well established, including staff communication and training. Adequate insurance is held to cover the risks inherent in construction projects.

## CORPORATE RISKS CONTINUED

Risk	Impact potential	Mitigation factors
Group structure brings heightened tax exposure. Non-REIT status has a potential competitive advantage when bidding for new assets.	Competitive disadvantage. Lower returns.	Group tax policy. Open and transparent engagement with HM Revenue & Customs.
Failure of IT systems / loss of data. Cyber crime compromises data security, websites and applications.	Lack of access to data restricting ability to operate effectively. Loss of data and accessing of commercially sensitive data by unauthorised persons.	Disaster recovery plan in place including frequent replication of data. Extensive testing of security. Staff security training.

## ECONOMIC RISKS

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

Risk	Impact potential	Mitigation factors
Increased competition, changes in social behaviour or deteriorating profitability and confidence during a period of economic uncertainty.	Declining profitability. ERV targets not achieved. Reduced rental income and/or capital values.	Focus on prime assets and quality tenants with initial assessment of credit risk and active credit control. Diversity of tenant mix with limited exposure to any single tenant. Strategic focus on creating retail destinations and residential districts with unique attributes.
Decline in UK commercial or residential real estate market heightened by global macro-economic conditions, currency fluctuations or the political landscape.	Declining valuations.	Focus on prime assets. Regular assessment of investment market conditions including bi-annual external valuations.
Restricted availability of credit, higher tax rates and macro-economic factors may lead to reduced consumer spending and higher levels of business failure.	Decline in demand for the Group's properties, declining valuations, and reduced profitability.	Regular monitoring of covenants with headroom maintained. Ability to monitor tenants on turnover leases.

## FINANCING RISKS

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

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

## DEVELOPMENT RISKS

Impact: Inability to deliver against development plans

Risk	Impact potential	Mitigation factors
<p>Unable to secure or implement planning consent due to political, legislative or other risks inherent in the planning and development environment.</p> <p>Failure to demonstrate or implement viable sustainable development due to legal, contractual, environmental, transportation, affordable housing or other technical factors (including rights of light).</p> <p>Risk of change or delay due to Mayor of London or Secretary of State intervention or judicial reviews. Inability to gain the support of influential stakeholders.</p> <p>Complexity of legal agreements including potential disputes relating to planning and land assembly for Earls Court Properties.</p> <p>Adverse adjacent development schemes hinder execution of business plan.</p>	<p>Delayed implementation or reduced development opportunity with corresponding impact on valuation.</p>	<p>Pre-application and continued consultation and involvement with key stakeholders and landowners.</p> <p>Engagement with relevant authorities at a local and national level to ensure development proposals are in accordance with current and emerging policy.</p> <p>Project team of internal staff and external consultants with capabilities across all relevant areas.</p> <p>Technical studies with regular review.</p> <p>Responsive consultation with evidence based information.</p> <p>Close monitoring and control over key dates and triggering of obligations.</p>
<p>Inability to acquire land, renegotiation of use or vacant possession. Failure to reach agreement on land deals or implement land deals with adjacent landowners on acceptable terms (including risk of Section 34A of the Housing Act 1985 in relation to land subject to CLSA).</p>	<p>Inability to execute business plan.</p> <p>Likely negative impact on valuations and Group's returns or delay to works.</p> <p>Restricted optionality in delivery of development.</p>	<p>Informed market valuation and open dialogue with adjacent landowners.</p> <p>Earls Court Masterplan designed to allow phased implementation.</p>
<p>Delay in construction or increase in costs e.g. due to market pricing, unforeseen site issues or works around public transport infrastructure. Punitive cost, design or other implications.</p> <p>An inability to match supply to demand in terms of product or price could result in missed sales targets and/or high levels of completed stock which in turn could impact on the Group's ability to execute the business plan.</p> <p>Volatility in sales price.</p>	<p>Reduced profitability of development with corresponding impact on valuation.</p>	<p>Extensive consultation, design and technical work undertaken.</p> <p>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.</p> <p>Commercially astute project team to ensure management of costs and delivery of programme.</p> <p>Market demand assessments. Pre-sales and marketing.</p>

## CONCENTRATION OF INVESTMENTS

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

Risk	Impact potential	Mitigation factors
<p>Events which damage or diminish London's status as a global financial, business and tourist centre could affect the Group's ability to let vacant space, reduce the value of the Group's properties and potentially disrupt access or operations at the Group's head office. Such events include threats to security or public safety due to terrorism, health concerns including a pandemic or changes to or failure of infrastructure. Concentration of higher profile events in central London.</p>	<p>Loss or injury, business disruption or damage to property.</p> <p>Reduced rental income and/or capital values.</p>	<p>Terrorist insurance in place.</p> <p>On site security presence.</p> <p>Health and safety policies and procedures in offices.</p> <p>Close liaison with police, National Counter Terrorism Security Office (NaCTSO) and local authorities to maximise safety of visitors to central London.</p>

## DIRECTORS' RESPONSIBILITIES

### Statement of Directors' responsibilities

The Directors are responsible for preparing the condensed consolidated financial statements, in accordance with applicable law and regulations. The Directors confirm that, to the best of their knowledge:

- the condensed consolidated financial statements on pages 18 to 46 has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union; and
- the condensed consolidated financial statements on pages 18 to 46 includes a true and fair view of the information required by Sections DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The operating and financial review on pages 4 to 11 refers to important events which have taken place during the period.

The principal risks and uncertainties facing the business are referred to on pages 12 to 14.

Related party transactions are set out in note 27 of the condensed consolidated financial statements.

A list of current Directors is maintained on the Capital & Counties Properties PLC website: [www.capitalandcounties.com](http://www.capitalandcounties.com).

By order of the Board

**Ian Hawksworth**

Chief Executive

**Soumen Das**

Managing Director & Chief Financial Officer

29 July 2015

# INDEPENDENT REVIEW REPORT TO CAPITAL & COUNTIES PROPERTIES PLC

## Report on the condensed consolidated financial statements

### Our conclusion

We have reviewed the condensed consolidated financial statements, defined below, in the Interim Report of Capital & Counties Properties PLC for the six months ended 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

### What we have reviewed

The condensed consolidated financial statements, which are prepared by Capital & Counties Properties PLC, comprise:

- the Consolidated Balance Sheet as at 30 June 2015;
- the Consolidated Income Statement and Statement of Comprehensive Income for the period then ended;
- the Consolidated Statement of Cash Flows for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the condensed consolidated financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated financial statements included in the Interim Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### What a review of condensed consolidated financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated financial statements.



# **INDEPENDENT REVIEW REPORT TO CAPITAL & COUNTIES PROPERTIES PLC CONTINUED**

## **Responsibilities for the condensed consolidated financial statements and the review**

### **Our responsibilities and those of the Directors**

The Interim Report, including the condensed consolidated financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the Company a conclusion on the condensed consolidated financial statements in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP  
Chartered Accountants  
29 July 2015  
London

### Notes:

- (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 (UNAUDITED)

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>Continuing operations</b>				
<b>Revenue</b>	2	<b>52.0</b>	54.2	110.6
Rental income		<b>50.2</b>	51.4	100.3
Rental expenses		<b>(11.8)</b>	(14.1)	(30.3)
<b>Net rental income</b>	2	<b>38.4</b>	37.3	70.0
(Loss)/profit on sale of trading property	3	<b>(0.2)</b>	1.2	2.6
Other income		<b>1.8</b>	–	3.0
Gain on revaluation and sale of investment and development property	4	<b>271.7</b>	134.4	454.2
Write back of impairment of trading property		<b>–</b>	0.5	0.5
Loss on sale of loan notes		<b>(0.2)</b>	–	–
Impairment of other receivables	5	<b>(5.9)</b>	(5.2)	(12.7)
Other costs		<b>–</b>	(0.1)	(0.2)
		<b>305.6</b>	168.1	517.4
Administration expenses		<b>(25.0)</b>	(18.7)	(43.2)
<b>Operating profit</b>		<b>280.6</b>	149.4	474.2
Finance income	6	<b>0.6</b>	0.3	0.8
Finance costs	7	<b>(9.7)</b>	(8.3)	(15.9)
Other finance income	6	<b>4.4</b>	4.0	8.4
Other finance costs	7	<b>–</b>	(5.2)	(5.2)
Change in fair value of derivative financial instruments		<b>1.4</b>	(0.4)	(12.1)
Net finance costs		<b>(3.3)</b>	(9.6)	(24.0)
		<b>277.3</b>	139.8	450.2
Share of post-tax result from joint ventures	13	<b>–</b>	–	–
<b>Profit before tax</b>		<b>277.3</b>	139.8	450.2
Current tax		<b>(2.8)</b>	(2.0)	2.1
Deferred tax		<b>(5.4)</b>	–	(3.4)
Taxation	9	<b>(8.2)</b>	(2.0)	(1.3)
<b>Profit for the period from continuing operations</b>		<b>269.1</b>	137.8	448.9
<b>Discontinued operation</b>				
Post-tax result/(loss) for the period from discontinued operation	8	<b>–</b>	(0.3)	(0.3)
<b>Profit for the period</b>		<b>269.1</b>	137.5	448.6
<b>Profit attributable to:</b>				
Owners of the Parent		<b>263.9</b>	137.5	448.6
Non-controlling interest	23	<b>5.2</b>	–	–
<b>Earnings per share from continuing operations attributable to owners of the Parent</b>				
<b>Basic earnings per share</b>	11	<b>31.4p</b>	17.8p	55.6p
<b>Diluted earnings per share</b>	11	<b>31.2p</b>	17.5p	55.0p
<b>Weighted average number of shares</b>	11	<b>839.4m</b>	776.2m	806.4m

Earnings per share from discontinued operation and adjusted earnings per share from continuing and discontinued operations are shown in note 11 'Earnings Per Share and Net Assets Per Share'.

Notes on pages 24 to 46 form part of these condensed consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>Profit for the period</b>		<b>269.1</b>	137.5	448.6
<b>Other comprehensive income/(expense)</b>				
<b>Items that may or will be reclassified subsequently to the income statement</b>				
Gain on cash flow hedge		–	–	0.3
<b>Items that will not be reclassified subsequently to the income statement</b>				
Actuarial loss on defined benefit pension scheme		–	–	(1.8)
Tax relating to items that will not be reclassified		–	(0.1)	0.4
<b>Total other comprehensive expense for the period</b>		<b>–</b>	(0.1)	(1.1)
<b>Total comprehensive income for the period</b>		<b>269.1</b>	137.4	447.5
<b>Total comprehensive income attributable to:</b>				
Owners of the Parent		<b>263.9</b>	137.4	447.5
Non-controlling interest	23	<b>5.2</b>	–	–
<b>Total comprehensive income arising from:</b>				
Continuing operations		<b>269.1</b>	137.7	447.8
Discontinued operation	8	<b>–</b>	(0.3)	(0.3)

Notes on pages 24 to 46 form part of these condensed consolidated financial statements.

# CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2015

	Notes	As at 30 June 2015 £m	As at 31 December 2014 £m
<b>Non-current assets</b>			
Investment and development property	12	3,569.9	2,784.4
Plant and equipment		1.0	1.0
Investment in joint ventures	13	14.6	0.1
Available-for-sale investments		0.4	0.4
Derivative financial instruments	18	2.5	2.1
Trade and other receivables	14	132.2	129.5
		<b>3,720.6</b>	<b>2,917.5</b>
<b>Current assets</b>			
Trading property	12	22.2	22.1
Trade and other receivables	14	37.1	42.8
Cash and cash equivalents	15	49.9	94.8
		<b>109.2</b>	<b>159.7</b>
<b>Total assets</b>		<b>3,829.8</b>	<b>3,077.2</b>
<b>Non-current liabilities</b>			
Borrowings, including finance leases	17	(463.2)	(432.2)
Derivative financial instruments	18	(2.9)	(3.9)
Pension liability		(0.2)	(0.2)
Deferred tax	19	(17.5)	(12.9)
Trade and other payables	16	(0.1)	(0.2)
		<b>(483.9)</b>	<b>(449.4)</b>
<b>Current liabilities</b>			
Borrowings, including finance leases	17	(17.5)	(17.5)
Other provisions	20	(2.0)	–
Tax liabilities		(3.6)	(1.6)
Trade and other payables	16	(117.9)	(102.4)
		<b>(141.0)</b>	<b>(121.5)</b>
<b>Total liabilities</b>		<b>(624.9)</b>	<b>(570.9)</b>
<b>Net assets</b>		<b>3,204.9</b>	<b>2,506.3</b>
<b>Equity</b>			
Share capital	21	210.5	209.1
Other components of equity		2,559.5	2,297.2
<b>Equity attributable to owners of the Parent</b>		<b>2,770.0</b>	<b>2,506.3</b>
Non-controlling interest	23	434.9	–
<b>Total equity</b>		<b>3,204.9</b>	<b>2,506.3</b>

Notes on pages 24 to 46 form part of these condensed consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2015

	Notes	Equity attributable to owners of the Parent							Non-controlling interest £m	Total equity £m
		Share capital £m	Share premium £m	Merger reserve <sup>1</sup> £m	Share-based payment reserve £m	Other reserves <sup>2</sup> £m	Retained earnings £m	Total £m		
<b>Balance at 1 January 2015</b>		<b>209.1</b>	<b>206.9</b>	<b>425.8</b>	<b>11.4</b>	<b>0.4</b>	<b>1,652.7</b>	<b>2,506.3</b>	<b>–</b>	<b>2,506.3</b>
<b>Profit for the period</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>263.9</b>	<b>263.9</b>	<b>5.2</b>	<b>269.1</b>
<b>Total comprehensive income for the period</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>263.9</b>	<b>263.9</b>	<b>5.2</b>	<b>269.1</b>
Transactions with owners										
Ordinary shares issued	21	1.4	4.2	–	–	–	–	5.6	–	5.6
Dividend expense	10	–	–	–	–	–	(8.4)	(8.4)	–	(8.4)
Realisation of share-based payment reserve on issue of shares		–	–	–	(5.7)	–	5.0	(0.7)	–	(0.7)
Fair value of share-based payment		–	–	–	2.5	–	–	2.5	–	2.5
Tax relating to share-based payment	19	–	–	–	–	–	0.8	0.8	–	0.8
Non-controlling interest		–	–	–	–	–	–	–	429.7	429.7
Total transactions with owners		1.4	4.2	–	(3.2)	–	(2.6)	(0.2)	429.7	429.5
<b>Balance at 30 June 2015</b>		<b>210.5</b>	<b>211.1</b>	<b>425.8</b>	<b>8.2</b>	<b>0.4</b>	<b>1,914.0</b>	<b>2,770.0</b>	<b>434.9</b>	<b>3,204.9</b>

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 22 'Other Reserves'.

3. Refer to note 23 'Non-Controlling Interest'.

Notes on pages 24 to 46 form part of these condensed consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2015

	Equity attributable to owners of the Parent							
	Note	Share capital £m	Share premium £m	Merger reserve <sup>1</sup> £m	Share-based payment reserve £m	Other reserves <sup>2</sup> £m	Retained earnings £m	Total equity £m
Balance at 1 January 2014		189.5	121.0	277.8	7.4	0.1	1,216.3	1,812.1
Profit for the period		–	–	–	–	–	137.5	137.5
Other comprehensive expense:								
Tax relating to items that will not be reclassified		–	–	–	–	–	(0.1)	(0.1)
Total comprehensive income for the period		–	–	–	–	–	137.4	137.4
Transactions with owners								
Ordinary shares issued		19.4	85.8	148.0	–	–	–	253.2
Dividend expense	10	–	–	–	–	–	(8.4)	(8.4)
Realisation of share-based payment reserve on issue of shares		–	–	–	(0.6)	–	0.6	–
Fair value of share-based payment		–	–	–	2.4	–	–	2.4
Tax relating to share-based payment		–	–	–	–	–	(0.7)	(0.7)
Total transactions with owners		19.4	85.8	148.0	1.8	–	(8.5)	246.5
Balance at 30 June 2014		208.9	206.8	425.8	9.2	0.1	1,345.2	2,196.0

	Equity attributable to owners of the Parent							
	Notes	Share capital £m	Share premium £m	Merger reserve <sup>1</sup> £m	Share-based payment reserve £m	Other reserves <sup>2</sup> £m	Retained earnings £m	Total equity £m
Balance at 1 January 2014		189.5	121.0	277.8	7.4	0.1	1,216.3	1,812.1
Profit for the year		–	–	–	–	–	448.6	448.6
Other comprehensive income/(expense):								
Gain on cash flow hedge		–	–	–	–	0.3	–	0.3
Actuarial loss on defined benefit pension scheme		–	–	–	–	–	(1.8)	(1.8)
Tax relating to items that will not be reclassified	19	–	–	–	–	–	0.4	0.4
Total comprehensive income for the year		–	–	–	–	0.3	447.2	447.5
Transactions with owners								
Ordinary shares issued		19.6	85.9	148.0	–	–	–	253.5
Dividend expense	10	–	–	–	–	–	(12.5)	(12.5)
Adjustment for bonus issue	10	–	–	–	–	–	0.6	0.6
Realisation of share-based payment reserve on issue of shares		–	–	–	(0.8)	–	0.8	–
Fair value of share-based payment		–	–	–	4.8	–	–	4.8
Tax relating to share-based payment	19	–	–	–	–	–	0.3	0.3
Total transactions with owners		19.6	85.9	148.0	4.0	–	(10.8)	246.7
Balance at 31 December 2014		209.1	206.9	425.8	11.4	0.4	1,652.7	2,506.3

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

2. Refer to note 22 'Other Reserves'.

Notes on pages 24 to 46 form part of these condensed consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>Continuing operations</b>				
<b>Cash flows from operating activities</b>				
Cash generated from operations	26	7.9	9.9	26.2
Interest paid		(9.6)	(8.9)	(15.5)
Interest received		0.6	0.3	0.8
Tax (paid)/received		(0.7)	(0.6)	3.5
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(1.8)</b>	0.7	15.0
<b>Cash flows from investing activities</b>				
Purchase and development of property		(146.0)	(120.5)	(251.2)
Sale of property		–	2.8	7.3
Pension funding		–	(0.8)	(0.8)
Acquisition of interest in joint venture		(12.1)	–	–
Deferred consideration on purchase of subsidiary		(7.1)	–	–
Sale of loan notes		6.0	–	–
Sale of subsidiaries <sup>1</sup>		0.5	0.4	0.8
Amounts received from/(paid to) joint ventures		0.3	(10.4)	(13.5)
VAT received on internal restructure <sup>2</sup>		42.3	–	–
<b>Net cash outflow from investing activities</b>		<b>(116.1)</b>	(128.5)	(257.4)
<b>Cash flows from financing activities</b>				
Issue of shares		0.1	252.5	252.1
Borrowings drawn		70.0	430.0	730.0
Borrowings repaid		(40.0)	(510.2)	(650.2)
Purchase of derivative financial instruments		–	(1.8)	(8.7)
Other finance costs		(0.4)	(25.5)	(25.2)
Cash dividends paid	10	(4.1)	(7.5)	(11.0)
Contribution from non-controlling interest		47.4	4.6	7.1
<b>Net cash inflow from financing activities</b>		<b>73.0</b>	142.1	294.1
<b>Net (decrease)/increase in unrestricted cash and cash equivalents from continuing operations</b>		<b>(44.9)</b>	14.3	51.7
<b>Cash flows from discontinued operation</b>				
Net cash inflow from investing activities		–	0.1	0.1
<b>Net increase in unrestricted cash and cash equivalents from discontinued operation</b>		<b>–</b>	0.1	0.1
Net (decrease)/increase in unrestricted cash and cash equivalents		(44.9)	14.4	51.8
Unrestricted cash and cash equivalents at 1 January		88.8	37.0	37.0
<b>Unrestricted cash and cash equivalents at period end</b>	15	<b>43.9</b>	51.4	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.

2. VAT received on an internal property transfer was deemed to be a VAT supply. Input VAT was received prior to the balance sheet date whilst the output VAT was settled in July 2015. The VAT payable balance is included within Other taxes and social security in note 16 'Trade and Other Payables'.

Notes on pages 24 to 46 form part of these condensed consolidated financial statements.

# NOTES TO THE ACCOUNTS (UNAUDITED)

## 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 centres at Olympia London.

### Basis of preparation

The Group's condensed consolidated financial statements are prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated financial statements should be read in conjunction with the Annual Report & Accounts for the year ended 31 December 2014, which have been prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated financial statements are prepared in British pounds sterling.

The condensed consolidated financial statements for the six months ended 30 June 2015 are reviewed, not audited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014 were approved by the Board of Directors on 26 February 2015 and delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement made under Section 498 of the Companies Act 2006.

The condensed 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.

Having reassessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

There is no material seasonal impact on the Group's financial performance.

These condensed consolidated financial statements were approved by the Board of Directors on 29 July 2015.

Except as described below, the condensed consolidated financial statements have been prepared using the accounting policies, significant judgements, key assumptions and estimates set out on pages 100 to 105 of the Group's Annual Report & Accounts for 2014.

### Income taxes

Taxes on income in the interim periods are accrued using tax rates expected to be applicable to total annual earnings.

### 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.

### 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.



## 1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

During the six months to 30 June 2015, the following accounting standards and guidance 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 did not have a material impact on the condensed consolidated financial statements.

There were no standards and guidelines relevant to the Group that were in issue and endorsed at the date of approval of the condensed consolidated financial statements but not effective at the balance sheet date.

## 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.
- Other comprises new business opportunities, the discontinued activity of The Great Capital Partnership, the Group's residual China investments and other head office companies.

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

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

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

## 2 SEGMENTAL REPORTING CONTINUED

### Reportable segments

	Six months ended 30 June 2015						
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
<b>Continuing operations</b>							
<b>Revenue</b>	<b>24.4</b>	<b>9.5</b>	<b>16.6</b>	<b>0.9</b>	<b>51.4</b>	<b>0.6</b>	<b>52.0</b>
Rent receivable and exhibition income	22.6	9.4	16.6	–	48.6	(0.2)	48.4
Service charge income	1.8	–	–	–	1.8	–	1.8
Rental income	24.4	9.4	16.6	–	50.4	(0.2)	50.2
Rental expenses <sup>1</sup>	(5.3)	(0.5)	(5.9)	(0.2)	(11.9)	0.1	(11.8)
<b>Net rental income</b>	<b>19.1</b>	<b>8.9</b>	<b>10.7</b>	<b>(0.2)</b>	<b>38.5</b>	<b>(0.1)</b>	<b>38.4</b>
Loss on sale of trading property	(0.2)	(1.0)	–	–	(1.2)	1.0	(0.2)
Other income	–	0.1	–	0.9	1.0	0.8	1.8
Gain/(loss) on revaluation of investment and development property	151.5	68.6	52.2	(0.6)	271.7	–	271.7
Write back of trading property	–	0.2	–	–	0.2	(0.2)	–
Loss on sale of loan notes	–	–	–	(0.2)	(0.2)	–	(0.2)
Impairment of amounts receivable from joint ventures	–	–	–	–	–	(5.9)	(5.9)
<b>Segment result</b>	<b>170.4</b>	<b>76.8</b>	<b>62.9</b>	<b>(0.1)</b>	<b>310.0</b>	<b>(4.4)</b>	<b>305.6</b>
Unallocated costs:							
Administration expenses					(25.0)	–	(25.0)
<b>Operating profit</b>					<b>285.0</b>	<b>(4.4)</b>	<b>280.6</b>
Net finance costs <sup>2</sup>					(7.7)	4.4	(3.3)
<b>Profit before tax</b>					<b>277.3</b>	<b>–</b>	<b>277.3</b>
Taxation					(8.2)	–	(8.2)
<b>Profit for the period from continuing operations</b>					<b>269.1</b>	<b>–</b>	<b>269.1</b>
<b>Profit attributable to:</b>							
Owners of the Parent					263.9	–	263.9
Non-controlling interest					5.2	–	5.2
<b>Summary balance sheet</b>							
Total segment assets <sup>3</sup>	1,850.3	1,695.7	275.4	36.4	3,857.8	(54.6)	3,803.2
Total segment liabilities <sup>3</sup>	(404.6)	(185.5)	(77.0)	(12.4)	(679.5)	54.6	(624.9)
Segmental net assets	1,445.7	1,510.2	198.4	24.0	3,178.3	–	3,178.3
Unallocated assets <sup>2</sup>					26.6	–	26.6
<b>Net assets</b>					<b>3,204.9</b>	<b>–</b>	<b>3,204.9</b>
<b>Other segment items:</b>							
Depreciation	0.1	–	0.1	–	0.2	–	0.2
Capital expenditure	56.3	468.0	2.0	0.3	526.6	(12.7)	513.9

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.

## 2 SEGMENTAL REPORTING CONTINUED

### Reportable segments

	Six months ended 30 June 2014						
	Covent Garden £m	Earls Court Properties <sup>1</sup> £m	Venues <sup>1</sup> £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Continuing operations							
Revenue	25.1	9.9	19.3	–	54.3	(0.1)	54.2
Rent receivable and exhibition income	20.9	9.9	19.3	–	50.1	(0.1)	50.0
Service charge income	1.4	–	–	–	1.4	–	1.4
Rental income	22.3	9.9	19.3	–	51.5	(0.1)	51.4
Rental expenses <sup>2</sup>	(3.4)	(0.3)	(10.4)	–	(14.1)	–	(14.1)
Net rental income	18.9	9.6	8.9	–	37.4	(0.1)	37.3
Profit/(loss) on sale of trading property	1.2	(0.7)	–	–	0.5	0.7	1.2
Gain on revaluation and sale of investment and development property	51.7	79.4	3.4	–	134.5	(0.1)	134.4
Write back of trading property	0.5	–	–	–	0.5	–	0.5
Impairment of amounts receivable from joint ventures	–	–	–	–	–	(5.2)	(5.2)
Other costs	–	(0.1)	–	–	(0.1)	–	(0.1)
Segment result	72.3	88.2	12.3	–	172.8	(4.7)	168.1
Unallocated costs:							
Administration expenses					(19.4)	0.7	(18.7)
Operating profit					153.4	(4.0)	149.4
Net finance costs <sup>3</sup>					(13.6)	4.0	(9.6)
Profit before tax					139.8	–	139.8
Taxation					(2.0)	–	(2.0)
Profit for the period from continuing operations					137.8	–	137.8
Discontinued operation							
Loss for the period from discontinued operation	–	–	–	(0.3)	(0.3)	–	(0.3)
Profit for the period					137.5	–	137.5
Profit attributable to:							
Owners of the Parent					137.5	–	137.5
Summary balance sheet							
Total segment assets <sup>4</sup>	1,325.8	1,029.8	182.0	27.3	2,564.9	(10.3)	2,554.6
Total segment liabilities <sup>4</sup>	(212.3)	(149.2)	(36.3)	(7.4)	(405.2)	10.3	(394.9)
Segmental net assets	1,113.5	880.6	145.7	19.9	2,159.7	–	2,159.7
Unallocated assets <sup>3</sup>					36.3	–	36.3
Net assets					2,196.0	–	2,196.0
Other segment items:							
Depreciation	–	–	0.1	–	0.1	–	0.1
Capital expenditure	112.5	29.1	2.7	4.5	148.8	(3.7)	145.1

1. Rental income and rental expenses include amounts charged by Earls Court Properties to Venues for use of EC1 & EC2 of £0.8 million up to 30 June 2014.

2. Comprises service charge and other non-recoverable costs.

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

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

## 2 SEGMENTAL REPORTING CONTINUED

### Reportable segments

	Year ended 31 December 2014						
	Covent Garden £m	Earls Court Properties <sup>1</sup> £m	Venues <sup>1</sup> £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 <sup>2</sup>	(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/(loss) on revaluation and sale of investment and development property	270.2	139.0	45.6	(0.4)	454.4	(0.2)	454.2
Write back of trading property	0.5	1.2	–	–	1.7	(1.2)	0.5
Write back of impairment/ (impairment) of other receivables	–	–	–	0.2	0.2	(12.9)	(12.7)
Other costs	–	–	(0.2)	–	(0.2)	–	(0.2)
Segment result	310.1	153.7	60.7	1.3	525.8	(8.4)	517.4
Unallocated costs:							
Administration expenses					(43.2)	–	(43.2)
Operating profit					482.6	(8.4)	474.2
Net finance costs <sup>3</sup>					(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 <sup>4</sup>	1,640.4	1,161.2	222.9	29.5	3,054.0	(42.8)	3,011.2
Total segment liabilities <sup>4</sup>	(380.0)	(173.8)	(43.0)	(16.9)	(613.7)	42.8	(570.9)
Segmental net assets	1,260.4	987.4	179.9	12.6	2,440.3	–	2,440.3
Unallocated assets <sup>3</sup>					66.0	–	66.0
Net assets					2,506.3	–	2,506.3
Other segment items:							
Depreciation	0.1	–	0.2	–	0.3	–	0.3
Capital expenditure	206.2	85.4	3.9	4.9	300.4	(11.9)	288.5

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

2. Comprises service charge and other non-recoverable costs.

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

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

### 3 (LOSS)/PROFIT ON SALE OF TRADING PROPERTY

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>Continuing operations</b>			
Proceeds from the sale of trading property	–	2.8	7.3
Cost of sale of trading property	–	(1.6)	(4.6)
Agent, selling and marketing fees	(0.2)	–	(0.1)
<b>(Loss)/profit on sale of trading property</b>	<b>(0.2)</b>	<b>1.2</b>	<b>2.6</b>

### 4 GAIN ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>Continuing operations</b>			
Gain on revaluation of investment and development property	271.7	134.5	446.6
Revaluation gain on transfer from trading property	–	–	7.7
Loss on sale of investment and development property	–	(0.1)	(0.1)
<b>Gain on revaluation and sale of investment and development property</b>	<b>271.7</b>	<b>134.4</b>	<b>454.2</b>

### 5 IMPAIRMENT OF OTHER RECEIVABLES

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>Continuing operations</b>			
Impairment of amounts receivable from joint ventures	5.9	5.2	12.9
Write back of impairment of loan notes receivable	–	–	(0.2)
<b>Impairment of other receivables</b>	<b>5.9</b>	<b>5.2</b>	<b>12.7</b>

Following an impairment review of amounts receivable from joint ventures by the Group, an impairment of £5.9 million has been recognised (30 June 2014: £5.2 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 (31 December 2014: £nil) in accordance with IAS 28 'Investment in Associates and Joint Ventures' ("IAS 28"). Refer to note 13 'Investment in Joint Ventures'.

Following an impairment review of loan notes receivable held 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.

### 6 FINANCE INCOME

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>Continuing operations</b>			
Finance income:			
On loan notes	0.2	0.3	0.6
On deposits and other	0.4	–	0.2
<b>Finance income</b>	<b>0.6</b>	<b>0.3</b>	<b>0.8</b>
Other finance income:			
On deep discount bonds	4.4	4.0	8.4
<b>Other finance income<sup>1</sup></b>	<b>4.4</b>	<b>4.0</b>	<b>8.4</b>

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

## 7 FINANCE COSTS

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>Continuing operations</b>			
Finance costs:			
On bank overdrafts, loans and other	10.0	8.4	16.5
On obligations under finance leases	0.2	0.2	0.5
Gross finance costs	10.2	8.6	17.0
Interest capitalised on property under development	(0.5)	(0.3)	(1.1)
<b>Finance costs</b>	<b>9.7</b>	<b>8.3</b>	<b>15.9</b>
Other finance costs:			
Loss on termination of derivative financial instruments	–	1.3	1.3
Costs of termination of bank loans and other	–	3.9	3.9
<b>Other finance costs<sup>1</sup></b>	<b>–</b>	<b>5.2</b>	<b>5.2</b>

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 (31 December 2014: 3.4 per cent) applied to the cost of property under development during the period.

## 8 DISCONTINUED OPERATION

On 29 April 2013, the Group exchanged contracts for the disposal of the final property, Park Crescent West, held by 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 which have been presented separately in the consolidated income statement is set out below:

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>Summarised income statement</b>			
Profit before tax	–	–	–
Taxation <sup>1</sup>	–	(0.3)	(0.3)
<b>Post-tax result/(loss) for the period from discontinued operation</b>	<b>–</b>	<b>(0.3)</b>	<b>(0.3)</b>

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

## 9 TAXATION

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>Continuing operations</b>			
Current income tax:			
Current income tax charge excluding non-underlying items	2.7	2.3	3.5
Current income tax on profits	2.7	2.3	3.5
Deferred income tax:			
On accelerated capital allowances	2.7	–	0.3
On fair value of investment and development property	2.0	0.6	9.0
On fair value of derivative financial instruments	0.1	(0.2)	(0.7)
On Group losses	(4.2)	0.5	(3.3)
On other temporary differences	(0.1)	(1.0)	(1.9)
On non-underlying Group losses	4.9	0.1	–
Deferred income tax on profits	5.4	–	3.4
Current income tax charge/(credit) on non-underlying items	0.1	(0.2)	(1.8)
Adjustments in respect of previous periods – current income tax	–	(0.1)	(3.8)
<b>Total income tax charge reported in the consolidated income statement</b>	<b>8.2</b>	<b>2.0</b>	<b>1.3</b>

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 from 1 April 2015. Following the Chancellor's announcement in the July 2015 Budget, the UK Corporation tax rate is expected to fall to 19 per cent from April 2017 and 18 per cent from April 2020.

## 10 DIVIDENDS

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>Ordinary shares</b>			
Prior period final dividend of 1.0p per share	8.4	8.4	8.4
Interim dividend of 0.5p per share	–	–	4.1
<b>Dividend expense</b>	<b>8.4</b>	<b>8.4</b>	<b>12.5</b>
Shares issued in lieu of cash <sup>1</sup>	(4.3)	(0.9)	(0.9)
Adjustment for bonus issue <sup>2</sup>	–	–	(0.6)
<b>Cash dividends paid</b>	<b>4.1</b>	<b>7.5</b>	<b>11.0</b>
Proposed interim dividend of 0.5p per share	4.2	4.2	–
Proposed final dividend of 1.0p per share	–	–	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.

## 11 EARNINGS PER SHARE AND NET ASSETS PER SHARE

	Six months ended 30 June 2015 million	Six months ended 30 June 2014 million	Year ended 31 December 2014 million
<b>(a) Earnings per share</b>			
<b>Weighted average ordinary shares in issue for calculation of basic earnings per share</b>	<b>839.4</b>	<b>776.2</b>	<b>806.4</b>
Dilutive effect of contingently issuable share option awards	2.4	5.4	4.2
Dilutive effect of contingently issuable deferred share awards	1.1	1.9	1.0
Dilutive effect of contingently issuable matching nil cost option awards	1.6	3.4	2.7
Dilutive effect of deferred bonus share option awards	1.3	1.6	1.2
<b>Weighted average ordinary shares in issue for calculation of diluted earnings per share</b>	<b>845.8</b>	<b>788.5</b>	<b>815.5</b>
<b>Continuing and discontinued operations attributable to owners of the Parent</b>			
	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Profit used for calculation of basic and diluted earnings per share	263.9	137.5	448.6
Basic earnings per share (pence)	31.4	17.7	55.6
Diluted earnings per share (pence)	31.2	17.4	55.0
<b>Continuing operations attributable to owners of the Parent</b>			
Profit used for calculation of basic and diluted earnings per share	263.9	137.8	448.9
Basic earnings per share (pence)	31.4	17.8	55.6
Diluted earnings per share (pence)	31.2	17.5	55.0
<b>Discontinued operation attributable to owners of the Parent</b>			
Result/(loss) used for the calculation of basic and diluted earnings per share	–	(0.3)	(0.3)
Basic earnings per share (pence)	–	–	–
Diluted earnings per share (pence)	–	–	–
<b>Continuing operations attributable to owners of the Parent</b>			
Basic earnings	263.9	137.8	448.9
Group adjustments:			
Loss/(profit) on sale of trading property	0.2	(1.2)	(2.6)
Gain on revaluation and sale of investment and development property	(271.7)	(134.4)	(454.2)
Loss on sale of investments	0.2	–	–
Write back of trading property	–	(0.5)	(0.5)
Other costs	–	0.1	–
Loss on termination of derivative financial instruments	–	1.3	1.3
Change in fair value of derivative financial instruments	(1.4)	0.4	12.1
Current tax adjustments	0.1	–	–
Deferred tax adjustments	4.8	0.4	8.6
Non-controlling interest in respect of the above	5.2	–	–
Joint venture adjustments:			
Loss on sale of trading property	1.0	–	4.5
Gain on revaluation of investment and development property	–	(0.1)	(0.2)
Write back of trading property	(0.2)	–	(1.2)
<b>EPRA adjusted earnings on continuing operations</b>	<b>2.1</b>	<b>3.8</b>	<b>16.7</b>
Other finance costs and income	–	3.9	3.9
Write back of impairment of other receivables	–	–	(0.2)
Other costs	–	0.6	0.2
Current tax adjustments	–	(0.3)	(3.1)
Deferred tax adjustments	2.2	0.1	(4.1)
Discontinued operation	–	(0.3)	(0.3)
Joint venture adjustment:			
Other income	(0.1)	–	–
<b>Underlying earnings</b>	<b>4.2</b>	<b>7.8</b>	<b>13.1</b>
<b>Underlying earnings per share (pence)</b>	<b>0.5</b>	<b>1.0</b>	<b>1.6</b>
<b>EPRA adjusted earnings per share (pence)</b>	<b>0.2</b>	<b>0.5</b>	<b>2.1</b>



## 11 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

Headline earnings per share is calculated in accordance with Circular 2/2013 issued by the South African Institute of Chartered Accountants (SAICA), a requirement of the Group's JSE listing. This measure is not a requirement of IFRS.

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>(a) Earnings per share continued</b>			
<b>Continuing and discontinued operations attributable to owners of the Parent</b>			
Basic earnings	263.9	137.5	448.6
Group adjustments:			
Gain on revaluation and sale of investment and development property	(271.7)	(134.4)	(446.5)
Loss on sale of investments	0.2	–	–
Write back of impairment of other receivables	–	–	(0.2)
Deferred tax adjustments	2.0	0.6	8.7
Non-controlling interest in respect of the above	5.2	–	–
Joint venture adjustment:			
Gain on revaluation of investment and development property	–	(0.1)	(0.2)
<b>Headline (loss)/earnings</b>	<b>(0.4)</b>	<b>3.6</b>	<b>10.4</b>
Headline earnings per share (pence)	–	0.5	1.3
Diluted headline earnings per share (pence)	–	0.5	1.3
<b>(b) Net assets per share</b>			
<b>Number of ordinary shares in issue</b>	<b>841.9</b>	<b>836.2</b>	
Adjustments:			
Effect of dilution on exercise of contingently issuable share option awards	2.4	5.1	
Effect of dilution on vesting of contingently issuable deferred share awards	1.1	1.0	
Effect of dilution on exercise of contingently issuable matching nil cost option awards	1.6	2.8	
Effect of dilution on exercise of deferred bonus share option awards	1.3	1.2	
<b>Adjusted, diluted number of ordinary shares in issue</b>	<b>848.3</b>	<b>846.3</b>	
<b>Net assets attributable to owners of the Parent</b>			
Fair value of derivative financial instruments	0.4	1.8	
Unrecognised surplus on trading property – Group	12.7	12.9	
Unrecognised surplus on trading property – Joint venture	91.2	83.4	
Deferred tax adjustments	29.9	25.1	
Non-controlling interests in respect of the above	(3.5)	–	
<b>EPRA adjusted, diluted NAV</b>	<b>2,900.7</b>	<b>2,629.5</b>	
Fair value of derivative financial instruments	(0.4)	(1.8)	
Excess fair value of debt over carrying value	(9.2)	(15.8)	
Deferred tax adjustments	(29.9)	(13.3)	
<b>EPRA adjusted, diluted NNAV</b>	<b>2,861.2</b>	<b>2,598.6</b>	
Basic net assets per share (pence)	329.0	299.7	
Diluted net assets per share (pence)	326.5	296.1	
EPRA adjusted, diluted NAV per share (pence)	341.9	310.7	
EPRA adjusted, diluted NNAV per share (pence)	337.3	307.1	

## 12 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
At 1 January 2014	1,108.4	780.3	161.1	–	2,049.8	1,049.3	1,000.5
Reclassification	–	–	–	–	–	5.9	(5.9)
Additions from acquisitions	166.7	50.0	–	4.5	221.2	214.7	6.5
Additions from subsequent expenditure	28.7	23.5	3.9	0.4	56.5	26.6	29.9
Disposals	(13.0)	–	–	–	(13.0)	(13.0)	–
Transfers from trading property <sup>1</sup>	23.3	–	–	–	23.3	23.3	–
Gain/(loss) on valuation <sup>2</sup>	262.6	138.8	45.6	(0.4)	446.6	162.6	284.0
<b>At 31 December 2014</b>	<b>1,576.7</b>	<b>992.6</b>	<b>210.6</b>	<b>4.5</b>	<b>2,784.4</b>	<b>1,469.4</b>	<b>1,315.0</b>
Reclassification	–	–	–	–	–	(32.0)	32.0
Additions from acquisitions	34.0	427.9	–	–	461.9	51.2	410.7
Additions from subsequent expenditure	22.2	27.4	2.0	0.3	51.9	23.4	28.5
Gain/(loss) on valuation <sup>2</sup>	151.5	68.6	52.2	(0.6)	271.7	153.4	118.3
<b>At 30 June 2015</b>	<b>1,784.4</b>	<b>1,516.5</b>	<b>264.8</b>	<b>4.2</b>	<b>3,569.9</b>	<b>1,665.4</b>	<b>1,904.5</b>

### b) Trading property

	Property portfolio					Tenure	
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m	Freehold £m	Leasehold £m
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	(15.6)	–	–	–	(15.6)	(15.6)	–
Write back/(write down) of trading property and other	0.5	(0.6)	–	–	(0.1)	–	(0.1)
<b>At 31 December 2014<sup>3</sup></b>	<b>22.1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>22.1</b>	<b>22.1</b>	<b>–</b>
Additions from subsequent expenditure	0.1	–	–	–	0.1	0.1	–
<b>At 30 June 2015<sup>3</sup></b>	<b>22.2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>22.2</b>	<b>22.2</b>	<b>–</b>

1. 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 was unrealised and relates to assets held at the end of the period.

2. Gain on valuation of £271.7 million (31 December 2014: £446.6 million) is recognised in the consolidated income statement within gain on revaluation and sale of investment and development property. This gain was unrealised and relates to assets held at the end of the period.

3. The value of trading property carried at net realisable value was £nil (31 December 2014: £nil).

## 12 PROPERTY PORTFOLIO CONTINUED

### c) Market value reconciliation of total property

	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m
Carrying value of investment and development property at 30 June 2015 <sup>1</sup>	1,784.4	1,516.5	264.8	4.2	3,569.9
Carrying value of trading property at 30 June 2015	22.2	–	–	–	22.2
<b>Carrying value of investment, development and trading property at 30 June 2015</b>	<b>1,806.6</b>	<b>1,516.5</b>	<b>264.8</b>	<b>4.2</b>	<b>3,592.1</b>
Adjustment in respect of fixed head leases	(3.7)	–	–	–	(3.7)
Adjustment in respect of tenant lease incentives	31.0	–	–	–	31.0
Unrecognised surplus on trading property <sup>2</sup>	12.7	–	–	–	12.7
<b>Market value of investment, development and trading property at 30 June 2015</b>	<b>1,846.6</b>	<b>1,516.5</b>	<b>264.8</b>	<b>4.2</b>	<b>3,632.1</b>
<b>Joint ventures:</b>					
Carrying value of joint venture investment, development and trading property at 30 June 2015	–	111.1	–	–	111.1
Unrecognised surplus on joint venture trading property <sup>2</sup>	–	91.2	–	–	91.2
<b>Market value of investment, development and trading property on a proportionate consolidation basis at 30 June 2015</b>	<b>1,846.6</b>	<b>1,718.8</b>	<b>264.8</b>	<b>4.2</b>	<b>3,834.4</b>

	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m
Carrying value of investment and development property at 31 December 2014 <sup>1</sup>	1,576.7	992.6	210.6	4.5	2,784.4
Carrying value of trading property at 31 December 2014	22.1	–	–	–	22.1
Carrying value of investment, development and trading property at 31 December 2014	1,598.8	992.6	210.6	4.5	2,806.5
Adjustment in respect of fixed head leases	(3.7)	–	–	–	(3.7)
Adjustment in respect of tenant lease incentives	27.6	–	–	–	27.6
Unrecognised surplus on trading property <sup>2</sup>	12.9	–	–	–	12.9
Market value of investment, development and trading property at 31 December 2014	1,635.6	992.6	210.6	4.5	2,843.3
<b>Joint ventures:</b>					
Carrying value of joint venture investment, development and trading property at 31 December 2014	–	98.3	–	–	98.3
Unrecognised surplus on joint venture trading property <sup>2</sup>	–	83.4	–	–	83.4
<b>Market value of investment, development and trading property on a proportionate consolidation basis at 31 December 2014</b>	<b>1,635.6</b>	<b>1,174.3</b>	<b>210.6</b>	<b>4.5</b>	<b>3,025.0</b>

1. Included within investment and development property is £0.5 million (31 December 2014: £1.1 million) of interest capitalised during the period on property under development.

2. The unrecognised surplus on trading property is shown for information 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 condensed consolidated financial statements.

## 12 PROPERTY PORTFOLIO CONTINUED

At 30 June 2015, the Group was contractually committed to £175.4 million (31 December 2014: £100.9 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 24 'Capital Commitments' for further information on capital commitments.

The fair value of the Group's investment, development and trading property at 30 June 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 Director & Chief Investment Officer, 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 Director & Chief Investment Officer 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 on assumptions regarding the 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 development risks on page 14.

## 13 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 30 June 2015, joint ventures comprise the Lillie Square joint venture ("LSJV"), Solum Regeneration joint venture ("Solum") and The Great Capital Partnership ("GCP") which is accounted for as a discontinued operation. Refer to note 8 'Discontinued Operation' for further information regarding GCP.

### 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.

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>LSJV</b>			
<b>Summarised income statement</b>			
Revenue	0.2	0.2	0.4
Net rental income	0.1	0.1	0.1
Gain on revaluation of investment and development property	–	0.2	0.4
Agent, selling and marketing fees	(2.0)	(1.4)	(9.0)
Other income	0.2	–	–
Write back of trading property	0.3	–	2.4
Administration expenses	(1.6)	(1.4)	(3.1)
Finance costs <sup>1</sup>	(8.8)	(7.9)	(16.7)
Taxation	–	–	0.1
<b>Loss for the period</b>	<b>(11.8)</b>	<b>(10.4)</b>	<b>(25.8)</b>

1. Finance costs relate 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 an effective interest rate. Finance income receivable to the Group of £4.4 million (30 June 2014: £4.0 million) is recognised in the consolidated income statement within other finance income.

	As at 30 June 2015 £m	As at 31 December 2014 £m
<b>LSJV</b>		
<b>Summarised balance sheet</b>		
Investment and development property	3.0	3.0
Other non-current assets	1.8	1.4
Trading property	219.2	193.5
Cash and cash equivalents <sup>1</sup>	42.2	33.9
Other current assets	–	0.2
Borrowings	(32.0)	(13.8)
Non-current liabilities <sup>2</sup>	(164.6)	(155.8)
Amounts payable to joint venture partners <sup>3</sup>	(71.6)	(72.0)
Other current liabilities	(48.2)	(28.8)
<b>Net liabilities</b>	<b>(50.2)</b>	<b>(38.4)</b>
<b>Capital commitments</b>	<b>117.4</b>	<b>141.0</b>
Carrying value of investment, development and trading property	222.2	196.5
Unrecognised surplus on trading property <sup>4</sup>	182.4	166.9
<b>Market value of investment, development and trading property<sup>4</sup></b>	<b>404.6</b>	<b>363.4</b>

1. Includes restricted cash and cash equivalents of £41.6 million (31 December 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 £41.6 million (31 December 2014: £22.6 million) within other current liabilities.

2. Non-current liabilities relate to deep discount bonds. Amounts receivable by the Group of £82.3 million (31 December 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 £12.8 million (31 December 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 information purposes only and are not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value.

## 13 INVESTMENT IN JOINT VENTURES CONTINUED

### GCP

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 period.

GCP	As at 30 June 2015 £m	As at 31 December 2014 £m
<b>Summarised balance sheet</b>		
Cash and cash equivalents	0.2	0.2
<b>Net assets</b>	<b>0.2</b>	<b>0.2</b>

### 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 20 '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 Regeneration Limited Partnership and Solum Regeneration (GP) Limited, acting as general partner to the partnership. All major decisions regarding Solum are taken by the Board of Solum Regeneration (GP) Limited, through which the Group shares strategic control.

A summarised balance sheet and income statement have not been presented as the assets and liabilities were less than £0.1 million and there were no income or expenses attributable to the joint venture on acquisition or at the reporting date.

### 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.

	LSJV £m	GCP £m	Solum £m	Total £m
Net assets/(liabilities) of joint ventures at 31 December 2014	(38.4)	0.2	–	(38.2)
Elimination of joint venture partners' interest	19.2	(0.1)	–	19.1
Cumulative losses restricted <sup>1</sup>	19.2	–	–	19.2
Carrying value at 31 December 2014	–	0.1	–	0.1
<b>Net assets/(liabilities) of joint ventures at 30 June 2015</b>	<b>(50.2)</b>	<b>0.2</b>	<b>–</b>	<b>(50.0)</b>
Elimination of joint venture partners' interest	25.1	(0.1)	–	25.0
Cumulative losses restricted <sup>1</sup>	25.1	–	–	25.1
Goodwill on acquisition of joint venture <sup>2</sup>	–	–	14.5	14.5
<b>Carrying value at 30 June 2015</b>	<b>–</b>	<b>0.1</b>	<b>14.5</b>	<b>14.6</b>

1. Cumulative losses restricted represent the Group's share of losses in LSJV which exceed the Group's investment in the joint venture. As a result the carrying value of the investment in LSJV is £nil (31 December 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 presented on the consolidated balance sheet.

	LSJV £m	GCP £m	Solum £m	Total £m
<b>Investment in joint ventures</b>				
At 1 January 2014	–	93.3	–	93.3
Distributions	–	(93.2)	–	(93.2)
Loss for the year <sup>1</sup>	(12.9)	–	–	(12.9)
Loss restricted <sup>1</sup>	12.9	–	–	12.9
At 31 December 2014	–	0.1	–	0.1
Loss for the period <sup>1</sup>	(5.9)	–	–	(5.9)
Loss restricted <sup>1</sup>	5.9	–	–	5.9
Goodwill on acquisition of joint venture	–	–	14.5	14.5
<b>At 30 June 2015</b>	<b>–</b>	<b>0.1</b>	<b>14.5</b>	<b>14.6</b>

1. Share of post-tax profit from joint ventures in the consolidated income statement of £nil (31 December 2014: £nil) comprise loss for the period of £5.9 million (31 December 2014: £12.9 million) and loss restricted totalling £5.9 million (31 December 2014: £12.9 million).

## 14 TRADE AND OTHER RECEIVABLES

	As at 30 June 2015 £m	As at 31 December 2014 £m
<b>Non-current</b>		
Loan notes receivable <sup>1</sup>	–	6.2
Other receivables <sup>2</sup>	20.1	18.7
Prepayments and accrued income <sup>3</sup>	29.8	26.7
Amounts receivable from joint ventures <sup>4</sup>	82.3	77.9
<b>Trade and other receivables</b>	<b>132.2</b>	<b>129.5</b>
<b>Current</b>		
Rent receivable <sup>5</sup>	4.6	8.1
Other receivables	8.1	6.5
Prepayments and accrued income <sup>3</sup>	11.6	9.1
Amounts receivable from joint ventures <sup>6</sup>	12.8	19.1
<b>Trade and other receivables</b>	<b>37.1</b>	<b>42.8</b>

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 £15.0 million exclusivity payment to LBHF which forms part of the CLSA.

3. Included within prepayments and accrued income are tenant lease incentives of £31.0 million (31 December 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 £25.1 million (31 December 2014: £19.2 million).

## 15 CASH AND CASH EQUIVALENTS

	As at 30 June 2015 £m	As at 31 December 2014 £m
Cash at hand	11.7	29.8
Cash on short-term deposit	32.2	59.0
<b>Unrestricted cash and cash equivalents</b>	<b>43.9</b>	<b>88.8</b>
Restricted cash and cash equivalents <sup>1</sup>	6.0	6.0
<b>Cash and cash equivalents</b>	<b>49.9</b>	<b>94.8</b>

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

## 16 TRADE AND OTHER PAYABLES

	As at 30 June 2015 £m	As at 31 December 2014 £m
<b>Non-current</b>		
Other payables	0.1	0.2
<b>Trade and other payables</b>	<b>0.1</b>	<b>0.2</b>
<b>Current</b>		
Rent received in advance	21.9	20.6
Accruals and deferred income	40.7	61.3
Trade payables	2.7	4.4
Other payables	8.1	8.3
Other taxes and social security <sup>1</sup>	44.5	0.7
Amount payable to non-controlling interest	–	7.1
<b>Trade and other payables</b>	<b>117.9</b>	<b>102.4</b>

1. Includes VAT payable of £42.3 million as result of an internal property transfer.

## 17 BORROWINGS, INCLUDING FINANCE LEASES

	As at 30 June 2015						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
<b>Current</b>							
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
<b>Borrowings, including finance leases</b>	<b>17.5</b>	<b>17.5</b>	<b>–</b>	<b>0.5</b>	<b>17.0</b>	<b>17.5</b>	<b>17.5</b>
<b>Non-current</b>							
Bank loan 2018	96.6	96.6	–	–	96.6	97.5	97.5
Bank loan 2019	214.0	–	214.0	–	214.0	220.0	220.0
Loan notes 2024	74.7	–	74.7	74.7	–	76.3	75.0
Loan notes 2026	74.7	–	74.7	74.7	–	75.4	75.0
Borrowings	460.0	96.6	363.4	149.4	310.6	469.2	467.5
Finance lease obligations	3.2	3.2	–	3.2	–	3.2	3.2
<b>Borrowings, including finance leases</b>	<b>463.2</b>	<b>99.8</b>	<b>363.4</b>	<b>152.6</b>	<b>310.6</b>	<b>472.4</b>	<b>470.7</b>
<b>Total borrowings, including finance leases</b>	<b>480.7</b>	<b>117.3</b>	<b>363.4</b>	<b>153.1</b>	<b>327.6</b>	<b>489.9</b>	<b>488.2</b>
Cash and cash equivalents	(49.9)						
<b>Net debt</b>	<b>430.8</b>						

	As at 31 December 2014						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
<b>Current</b>							
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
<b>Borrowings, including finance leases</b>	<b>17.5</b>	<b>17.5</b>	<b>–</b>	<b>0.5</b>	<b>17.0</b>	<b>17.5</b>	<b>17.5</b>
<b>Non-current</b>							
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
<b>Borrowings, including finance leases</b>	<b>432.2</b>	<b>99.7</b>	<b>332.5</b>	<b>152.6</b>	<b>279.6</b>	<b>448.0</b>	<b>440.7</b>
<b>Total borrowings, including finance leases</b>	<b>449.7</b>	<b>117.2</b>	<b>332.5</b>	<b>153.1</b>	<b>296.6</b>	<b>465.5</b>	<b>458.2</b>
Cash and cash equivalents	(94.8)						
<b>Net debt</b>	<b>354.9</b>						



## 18 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The tables below set out each class of financial asset, financial liability and their fair values at 30 June 2015 and 31 December 2014.

	As at 30 June 2015			
	Carrying value £m	Fair value £m	Gain to income statement £m	Gain to other comprehensive income £m
Available-for-sale investments	0.4	0.4	–	–
Total available-for-sale investments	0.4	0.4	–	–
Derivative financial assets	2.5	2.5	0.4	–
Total held for trading assets	2.5	2.5	0.4	–
Cash and cash equivalents	49.9	49.9	–	–
Other financial assets	169.3	169.3	–	–
Total cash and other financial assets	219.2	219.2	–	–
Derivative financial liabilities	(2.9)	(2.9)	1.0	–
Total held for trading liabilities	(2.9)	(2.9)	1.0	–
Borrowings, including finance leases	(480.7)	(489.9)	–	–
Other financial liabilities	(123.6)	(123.6)	–	–
Total borrowings and other financial liabilities	(604.3)	(613.5)	–	–

	As at 31 December 2014			
	Carrying value £m	Fair value £m	Gain/(loss) to income statement £m	Gain to other comprehensive income £m
Available-for-sale investments	0.4	0.4	–	–
Total available-for-sale investments	0.4	0.4	–	–
Derivative financial assets	2.1	2.1	(8.4)	–
Total held for trading assets	2.1	2.1	(8.4)	–
Cash and cash equivalents	94.8	94.8	–	–
Other financial assets	172.3	172.3	0.2	–
Total cash and other financial assets	267.1	267.1	0.2	–
Derivative financial liabilities	(3.9)	(3.9)	(3.7)	–
Total held for trading liabilities	(3.9)	(3.9)	(3.7)	–
Borrowings, including finance leases	(449.7)	(465.5)	–	–
Other financial liabilities	(104.2)	(104.2)	–	–
Total borrowings and other financial liabilities	(553.9)	(569.7)	–	–

## 18 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES CONTINUED

### 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 'Fair Value Measurement'.

The different levels are defined as follows:

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

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

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

The tables below present the Group's financial assets and liabilities carried at fair value at 30 June 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 each reporting date by discounting the future contractual cash flows to the net present values.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>30 June 2015</b>				
<b>Derivative financial assets</b>	–	<b>2.5</b>	–	<b>2.5</b>
Held for trading	–	<b>2.5</b>	–	<b>2.5</b>
<b>Investments</b>				
Total available-for-sale investments	–	–	<b>0.4</b>	<b>0.4</b>
Total assets	–	–	<b>0.4</b>	<b>0.4</b>
<b>Derivative financial liabilities</b>				
Held for trading	–	<b>(2.9)</b>	–	<b>(2.9)</b>
Total liabilities	–	<b>(2.9)</b>	–	<b>(2.9)</b>
<b>31 December 2014</b>				
<b>Derivative financial assets</b>	–	<b>2.1</b>	–	<b>2.1</b>
Held for trading	–	<b>2.1</b>	–	<b>2.1</b>
<b>Investments</b>				
Total available-for-sale investments	–	–	<b>0.4</b>	<b>0.4</b>
Total assets	–	–	<b>0.4</b>	<b>0.4</b>
<b>Derivative financial liabilities</b>				
Held for trading	–	<b>(3.9)</b>	–	<b>(3.9)</b>
Total liabilities	–	<b>(3.9)</b>	–	<b>(3.9)</b>

The table below presents a reconciliation of Level 3 fair value measurements for the period.

	As at 30 June 2015 £m	As at 31 December 2014 £m
Opening balance and closing balance	<b>0.4</b>	0.4
<b>Total available-for-sale investments</b>	<b>0.4</b>	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.

## 19 DEFERRED TAX

The decrease in corporation tax to 20 per cent referred to in note 9 'Taxation' has been substantively enacted for the purposes of IAS 12 'Income Taxes' ("IAS 12") and therefore has been reflected in these condensed 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 was £13.8 million at 30 June 2015 (31 December 2014: £11.8 million).

A disposal of the Group's trading property including Lillie Square at their market value as per note 12 'Property Portfolio' would result in a corporation tax charge to the Group of £20.8 million (20.0 per cent of £103.9 million).

The Group's contingent tax liability was £2.6 million (31 December 2014: £nil).

	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 periods	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)
<b>At 31 December 2014</b>	<b>13.6</b>	<b>11.8</b>	<b>(0.3)</b>	<b>(6.6)</b>	<b>(5.6)</b>	<b>12.9</b>
Recognised in income	2.7	2.0	0.1	(0.1)	0.7	5.4
Recognised directly in equity	–	–	–	(0.8)	–	(0.8)
<b>At 30 June 2015</b>	<b>16.3</b>	<b>13.8</b>	<b>(0.2)</b>	<b>(7.5)</b>	<b>(4.9)</b>	<b>17.5</b>
Unprovided deferred tax (assets):						
At 31 December 2014	–	–	–	–	(18.3)	(18.3)
Movement during the period	–	–	–	–	3.7	3.7
<b>At 30 June 2015</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(14.6)</b>	<b>(14.6)</b>

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.

## 20 OTHER PROVISIONS

	As at 30 June 2015 £m
<b>Current</b>	
At 1 January 2015	–
Contingent consideration on acquisition of joint venture	2.0
<b>At 30 June 2015</b>	<b>2.0</b>

As detailed in note 13 '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.

## 21 SHARE CAPITAL AND SHARE PREMIUM

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 <sup>1</sup>	–	–	2,004,491	0.6	0.4
At 31 December 2014			<b>836,236,407</b>	<b>209.1</b>	<b>206.9</b>
Scrip dividend – 2014 final	June	416	1,028,609	0.3	4.0
Share-based payment <sup>2</sup>	–	–	4,600,536	1.1	0.2
<b>At 30 June 2015</b>			<b>841,865,552</b>	<b>210.5</b>	<b>211.1</b>

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

2. During the period to 30 June 2015 a total of 4,600,536 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 £261,247,800.

Full details of the rights and obligations attached to the ordinary shares are contained in the Company's Articles of Association. These rights include an entitlement to receive the Company's Annual Report & Accounts, to attend and speak at General Meetings of the Company, to appoint proxies and to exercise voting rights. Holders of ordinary shares may also receive dividends and may receive a share of the Company's residual assets on liquidation. There are no restrictions on the transfer of ordinary shares.

## 22 OTHER RESERVES

	As at 30 June 2015 £m	As at 31 December 2014 £m
Revaluation reserve	0.1	0.1
Cash flow hedge reserve	0.3	0.3
<b>Total other reserves</b>	<b>0.4</b>	<b>0.4</b>

## 23 NON-CONTROLLING INTEREST

	As at 30 June 2015 £m	As at 31 December 2014 £m
Opening non-controlling interest	–	–
Profit for the period attributable to non-controlling interest	5.2	–
Capital contribution from non-controlling interest	44.4	–
Unsecured loan notes issued to non-controlling interest	385.3	–
<b>Closing non-controlling interest</b>	<b>434.9</b>	<b>–</b>

During the period, 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 £385.3 million has been classified as equity.

## 24 CAPITAL COMMITMENTS

At 30 June 2015, the Group was contractually committed to £175.4 million (31 December 2014: £100.9 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Of the £175.4 million committed, £60.2 million is committed 2015 expenditure.

In November 2013 the Group exercised its option under the CLSA which it entered into with LBHF in January 2013 in relation to LBHF's land interest within the Earls Court Masterplan. Under the terms of the CLSA, the Group can draw down land in phases but no land can be transferred unless replacement homes for the residents of the relevant phase have been provided and vacant possession is given. To date the Group has paid £30 million of the £105 million cash consideration payable under the CLSA. Independent of the land draw down process, exercising the option commits the Group to the payment of the residual £75 million which is yet to be paid. This is expected to be settled in five annual instalments of £15 million starting on 31 December 2015.

The Group's share of joint venture capital commitments arising on LSJV amounts to £58.7 million (31 December 2014: £70.5 million).

## 25 CONTINGENT LIABILITIES

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

Under the terms of the CLSA the Group has certain compensation obligations relating to achieving vacant possession, which are subject to an overall cap of £55 million. Should any payments be made in respect of these obligations, they will be deducted from the total consideration payable to LBHF (refer to note 24 'Capital Commitments').

In March 2013, an agreement with Network Rail was signed to acquire a 999 year leasehold interest in the air rights above the West London Line where it runs within the ECOA. Within the terms of the agreement, the Group can exercise options during the next 50 years for further 999 year leases over the remainder of the West London Line to allow for development within the Earls Court Masterplan. Network Rail is entitled to further payments of 5.55 per cent of the residual land value which would be payable at the time of development or disposal of each phase of the Earls Court Masterplan.

The acquisition of the Northern Access Road land took place in 2007. Under the terms of the agreement the vendor's successor in title would be entitled to further payments until 2027 if certain conditions are met. Further payments would 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 would be 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 would be calculated as 50 per cent of the difference between the sale value against the land value without the relevant permission.

## 26 CASH GENERATED FROM OPERATIONS

Continuing operations	Notes	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>Profit before tax</b>		<b>277.3</b>	139.8	450.2
Adjustments:				
Loss/(profit) on sale of trading property	3	0.2	(1.2)	(2.6)
Gain on revaluation and sale of investment and development property	4	(271.7)	(134.4)	(454.2)
Other costs		–	0.1	0.2
Write back of trading property		–	(0.5)	(0.5)
Loss on sale of loan notes		0.2	–	–
Impairment of other receivables		5.9	5.2	12.7
Depreciation		0.2	0.1	0.3
Amortisation of tenant lease incentives and other direct costs		(0.5)	(0.8)	5.3
Share-based payment <sup>1</sup>		2.9	2.7	5.2
Finance income	6	(0.6)	(0.3)	(0.8)
Finance costs	7	9.7	8.3	15.9
Other finance income	6	(4.4)	(4.0)	(8.4)
Other finance costs	7	–	5.2	5.2
Change in fair value of derivative financial instruments		(1.4)	0.4	12.1
Change in working capital:				
Change in trade and other receivables		(12.1)	(4.9)	(17.5)
Change in trade and other payables		2.2	(5.8)	3.1
<b>Cash generated from operations</b>		<b>7.9</b>	9.9	26.2

1. Includes £2.5 million (30 June 2014: £2.3 million) relating to the IFRS 2 'Share-Based Payment' charge.

## 27 RELATED PARTY TRANSACTIONS

### Transactions with Directors

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Key management compensation <sup>1</sup>			
Salaries and short-term employee benefits	1.8	1.2	3.3
Share-based payment	1.2	1.5	3.6
	3.0	2.7	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, with £1,732,500 and £2,452,500 not yet due for payment. In December 2015 a further £192,500 and £272,500 will become due with the balance due upon legal completion.

In December 2014 Blue Lillie Limited, an entity connected to Graeme Gordon, exchanged contracts to acquire two apartments for £1,975,000 and £2,825,000. At 31 December 2014, initial deposits of £197,500 and £282,500 had been received, with £1,777,500 and £2,542,500 not yet due for payment. In December 2015 a further £197,500 and £282,500 will become due with the balance due upon legal completion.

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

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

### Transactions with equity holders

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

## 28 EVENTS AFTER THE REPORTING PERIOD

On 3 July 2015, the Group acquired the freehold interest of 30-33 Henrietta Street, Covent Garden for £15.8 million inclusive of acquisition costs.

# ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

## 1. PROPERTY DATA AS AT 30 JUNE 2015

	Market Value £m	Ownership
<b>Covent Garden</b>	<b>1,846.6</b>	<b>100%</b>
<b>Earls Court Properties</b>		
ECPL	741.1	63%
Lillie Square	202.3	50%
Empress State	282.0	100%
Other	58.1	100%
<b>Earls Court Properties (Group share)</b>	<b>1,283.5</b>	
<b>Venues</b>	<b>264.8</b>	<b>100%</b>
<b>Other</b>	<b>4.2</b>	<b>100%</b>
<b>Total property (Group share)</b>	<b>3,399.1</b>	
<b>Non-controlling interest in Earls Court Properties</b>	<b>435.3</b>	
<b>Total property</b>	<b>3,834.4</b>	
<i>Investment and development property</i>	<b>3,598.7</b>	
<i>Trading property</i>	<b>235.7</b>	

## 2. ANALYSIS OF CAPITAL RETURN FOR THE PERIOD

	Market Value 30 June 2015 £m	Market Value 31 December 2014 £m	Revaluation surplus/ (deficit) <sup>1</sup> 30 June 2015 £m	Increase
<b>Like-for-like capital</b>				
Covent Garden	1,815.6	1,635.6	152.0	9.3%
Earls Court Properties	1,282.8	1,174.3	68.9	5.7%
Venues	264.8	210.6	52.2	24.6%
Other	4.2	4.5	(0.6)	
<b>Total like-for-like capital</b>	<b>3,367.4</b>	<b>3,025.0</b>	<b>272.5</b>	<b>8.9%</b>
<i>Investment and development property</i>	<b>3,131.7</b>	<b>2,809.8</b>	<b>264.7</b>	<b>9.3%</b>
<i>Trading property</i>	<b>235.7</b>	<b>215.2</b>	<b>7.8</b>	<b>3.4%</b>
<b>Non like-for-like capital</b>				
Additions due to transactions with non-controlling interest	434.8	–	7.8	
Acquisitions	32.2	–	(0.8)	
<b>Total property</b>	<b>3,834.4</b>	<b>3,025.0</b>	<b>279.5</b>	<b>7.9%</b>
<i>Investment and development property</i>	<b>3,598.7</b>	<b>2,809.8</b>	<b>271.7</b>	<b>8.2%</b>
<i>Trading property</i>	<b>235.7</b>	<b>215.2</b>	<b>7.8<sup>2</sup></b>	<b>3.4%</b>
<b>All property</b>				
Covent Garden	1,846.6	1,635.6	151.3	9.1%
Earls Court Properties	1,718.8	1,174.3	76.6	4.7%
Venues	264.8	210.6	52.2	24.6%
Other	4.2	4.5	(0.6)	
<b>Total property</b>	<b>3,834.4</b>	<b>3,025.0</b>	<b>279.5</b>	<b>7.9%</b>

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.

## ANALYSIS OF PROPERTY PORTFOLIO CONTINUED (UNAUDITED)

### 3. ANALYSIS OF NET RENTAL INCOME FOR THE PERIOD

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Change
<b>Like-for-like net rental income</b>			
Covent Garden	17.5	17.2	1.6%
Earls Court Properties	8.9	9.5	(7.0)%
Venues	10.7	8.9	20.9%
<b>Total like-for-like net rental income</b>	<b>37.1</b>	35.6	4.0%
<i>Like-for-like investment and development property</i>	<b>37.1</b>	35.6	4.0%
<i>Like-for-like trading property</i>	–	–	
<b>Non like-for-like net rental income</b>			
Developments	0.1	1.4	
Disposals	–	0.2	
Prior period acquisitions (like-for-like capital)	1.3	0.2	
<b>Total net rental income</b>	<b>38.5</b>	37.4	3.1%
<i>Investment and development property income</i>	<b>38.5</b>	37.3	3.1%
<i>Trading property income</i>	–	0.1	

#### All property

Covent Garden	19.1	18.9	1.0%
Earls Court Properties	8.9	9.6	(7.8)%
Venues	10.7	8.9	20.9%
Other	(0.2)	–	
<b>Total net rental income</b>	<b>38.5</b>	37.4	3.1%

### 4. ANALYSIS OF COVENT GARDEN BY USE

#### 30 June 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						1,317.2	55.4	0.5
Office						221.6	12.5	0.2
Residential						121.3	3.5	0.2
Other <sup>1</sup>						186.5	11.2	0.1
<b>Total</b>	<b>2.16%</b>	<b>3.59%</b>	<b>42.8</b>	<b>96.5%</b>	<b>7.6</b>	<b>1,846.6</b>	<b>82.6</b>	<b>1.0</b>

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



# CONSOLIDATED UNDERLYING PROFIT STATEMENT (UNAUDITED)

For the six months ended 30 June 2015

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Net rental income	38.5	37.4	70.1
Other income	0.9	–	1.5
Administration expenses	(25.0)	(19.4)	(43.2)
<b>Operating profit</b>	<b>14.4</b>	<b>18.0</b>	<b>28.4</b>
Finance costs	(9.7)	(8.3)	(15.9)
Finance income	0.6	0.3	0.8
<b>Net finance costs</b>	<b>(9.1)</b>	<b>(8.0)</b>	<b>(15.1)</b>
<b>Profit before tax</b>	<b>5.3</b>	<b>10.0</b>	<b>13.3</b>
Taxation	(1.1)	(2.2)	(0.2)
<b>Underlying earnings<sup>1</sup></b>	<b>4.2</b>	<b>7.8</b>	<b>13.1</b>
<b>Underlying earnings per share (pence)</b>	<b>0.5</b>	<b>1.0</b>	<b>1.6</b>
<b>Weighted average number of shares</b>	<b>839.4m</b>	<b>776.2m</b>	<b>806.4m</b>

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

## DIVIDENDS

The Directors of Capital & Counties Properties PLC have proposed an interim dividend per ordinary share (ISIN GB00B62G9D36) of 0.5 pence payable on 25 September 2015.

### Dates

The following are the salient dates for payment of the proposed interim dividend:

Sterling/Rand exchange rate struck:	20 August 2015
Sterling/Rand exchange rate and dividend amount in Rand announced:	21 August 2015
Ordinary shares listed ex-dividend on the JSE, Johannesburg:	31 August 2015
Ordinary shares listed ex-dividend on the LSE, London:	3 September 2015
Record date for interim dividend in UK and South Africa:	4 September 2015
<b>Dividend payment date for shareholders</b>	<b>25 September 2015</b>

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 28 August 2015 and that no dematerialisation of shares will be possible from 31 August 2015 to 4 September 2015 inclusive. No transfers between the UK and South Africa registers may take place from 21 August 2015 to 4 September 2015.

Subject to SARB approval, the Board intends to offer an optional scrip dividend alternative in respect of the 2015 interim dividend.

The above dates are proposed and subject to change and any changes will be published accordingly.

### 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

## **Capco**

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

## **CLSA**

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

## **Diluted figures**

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

## **Earls Court**

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

## **Earls Court Masterplan**

The Earls Court Masterplan, created by Sir Terry Farrell and Partners is the consented scheme for the transformation of ECOA. The London Borough of Hammersmith & Fulham and The Royal Borough of Kensington and Chelsea formerly granted outline planning permission for the Earls Court Masterplan on 14 November 2013.

## **Earls Court Properties**

The Group's interests in the Earls Court area, comprising 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 period 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 period end.

## **EPRA adjusted, diluted NNAV**

EPRA diluted NAV adjusted to reflect the fair value of derivative financial instruments and to include deferred tax on revaluations.

## **EPRA adjusted earnings per share**

Profit for the period 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 period.

## **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.

## **GEA**

Gross External Area.

## **Gross income**

The Group's share of passing rent plus sundry non-leased income.

## **Initial yield (EPRA)**

Annualised net rent (after deduction of revenue costs such as head rent, running void, service charge after shortfalls and empty rates) on investment and development property expressed as a percentage of the gross market value before deduction of theoretical acquisition costs, consistent with EPRA's net initial yield.

**IPD**

Investment Property Databank Ltd, producer of an independent benchmark of property returns.

**JSE**

Johannesburg Stock Exchange.

**Kwok Family Interests (KFI)**

Joint venture partner in the Lillie Square development.

**LBHF**

The London Borough of Hammersmith & Fulham.

**Like-for-like property**

Property which has been owned throughout both periods without significant capital expenditure in either period, so income can be compared on a like-for-like basis. For the purposes of comparison of capital values, this will also include assets owned at the previous balance sheet date but not necessarily throughout the prior period.

**Loan-to-value (LTV)**

LTV is 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.

**LSE**

London Stock Exchange.

**NAV**

Net Asset Value.

**Net Debt**

Total borrowings less cash and cash equivalents.

**Net rental income (NRI)**

The Group's share of gross rental income less ground rents, payable service charge expenses and other non-recoverable charges, having taken due account of bad debt provisions and adjustments to comply with International Financial Reporting Standards regarding tenant lease incentives.

**Nominal equivalent yield**

Effective annual yield to a purchaser on the gross market value, assuming rent is receivable annually in arrears, and that the property becomes fully occupied and that all rents revert to the current market level (ERV) at the next review date or lease expiry.

**Occupancy rate (EPRA)**

The ERV of let and under offer units expressed as a percentage of the ERV of let and under offer units plus ERV of un-let units, excluding units under development.

**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.

**RBKC**

The Royal Borough of Kensington & Chelsea.

**SARB**

South African Reserve Bank.

**Section 34A Housing Act 1985**

An amendment to the 1985 Act enabling an organised group of tenants to require a local authority to transfer their homes to a private registered provider of social housing, where a transfer proves to be the favoured and viable option. The Housing (Right to Transfer from a Local Authority Landlord) (England) Regulations 2013 which brought Section 34A into effect came into force on 5 December 2013.

**Section 106**

Section 106 of the Town and Country Planning Act 1990, pursuant to which the relevant planning authority can impose planning obligations on a developer to secure contributions to services, infrastructure and amenities in order to support and facilitate a proposed development.

**Tenant lease incentives**

Any incentives offered to tenants to enter into a lease. Typically incentives are in the form of an initial rent-free period and/or a cash contribution to fit-out the premises. Under International Financial Reporting Standards the value of incentives granted to tenants is amortised through the income statement on a straight-line basis over the lease term.

**TfL**

Transport for London and any subsidiary of Transport for London including TTL Earls Court Properties Limited, Transport Trading Limited and London Underground Limited.

**Total property return**

Capital growth including gains and losses on disposals plus rent received less associated costs, including ground rent.

**Total return**

The growth in EPRA adjusted, diluted NAV per share plus dividends per share paid during the period.

**Total shareholder return**

The increase in the price of an ordinary share plus dividends paid during the period assuming re-investment in ordinary shares.

**Underlying earnings**

Profit for the period 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 proportionate consolidation basis.

**Weighted average unexpired lease term**

The unexpired lease term to lease expiry weighted by ERV for each lease.

**Zone A**

A means of analysing and comparing the rental value of retail space by dividing it into zones parallel with the main frontage. The most valuable zone, Zone A, falls within a 6m depth of the shop frontage. Each successive zone is valued at half the rate of the zone in front of it. The blend is referred to as being 'ITZA' ('In Terms of Zone A').

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