PRESS RELEASE

24 FEBRUARY 2016

CAPITAL & COUNTIES PROPERTIES PLC ("CAPCO")

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

Ian Durant, Chairman of Capco, commented:

"Capco has delivered strong results in 2015. Covent Garden and Earls Court have experienced a very active year and milestones have been reached at both of these unique estates.

We remain confident in the strength of our assets and are well-positioned to continue to deliver long-term value creation for our shareholders."

Ian Hawksworth, Chief Executive of Capco, commented:

"These results demonstrate another strong year of performance at Capco, particularly at Covent Garden. Retailer demand for prime locations in London is positive and brands are attracted to the retail and customer experience we have created at Covent Garden. It has been our most active year of leasing, signing our 100th brand, a milestone which reflects the transformation of the estate and Covent Garden's increasing importance in global 'street retail'. We achieved new rental levels in 2015 and remain on course to achieve our ERV target of £100 million by December 2017.

Our plans at Earls Court continue to advance as we de-risk our land holdings and progress with the implementation and opportunities of this strategic London scheme. The demolition of EC1 & EC2 is progressing well while construction of Phase 1 of Lillie Square is on track.

Whilst we expect increasing uncertainty reflecting global and political challenges, our strategy at Capco remains clear and focused. London's economic prospects remain strong and its population continues to grow. Backed by a robust capital structure, with a conservative LTV of 16 per cent, our prime assets are well positioned for long-term performance. We enter a new year with clear objectives to drive value creation for our shareholders from our two exceptional estates."

Highlights

Positive valuation performance

- 16 per cent increase in EPRA adjusted, diluted NAV to 361 pence per share (2014: 311 pence)
- 14 per cent (like-for-like) increase in total property value to £3.7 billion (2014: £3.0 billion)
- 17 per cent total return in the year
- Proposed final 2015 dividend of 1.0 pence per share providing a full-year dividend of 1.5 pence per share

Strong leasing activity and rental growth at Covent Garden

- Total property value of £2.0 billion up 16 per cent (like-for-like) (2014: £1.6 billion)
- Strong growth in ERV, up 12 per cent (like-for-like) to £86 million
- On track to achieve ERV guidance of £100 million by December 2017
- New leases and renewals 11 per cent above December 2014 ERV
- Positive leasing momentum on James Street establishing new Zone A rental levels
- Development of Kings Court progressing well
- £50 million invested in acquisitions enhancing ownership of the estate

Positive progress at Earls Court Properties

- Earls Court interests valued at £1.4 billion, up 9 per cent (like-for-like) (2014: £1.2 billion)
- Earls Court Partnership Limited, the investment vehicle with TfL in relation to EC1 & EC2, completed and Capco is leading the venture (Capco share 63 per cent)
- Demolition of EC1 & EC2 underway and progressing well
- Construction of Phase 1 of Lillie Square on track with first completions expected in 2016
- Commenced sales of Phase 2 of Lillie Square
- Acquisitions totalling £30 million consolidating ownership around Masterplan area

Operational excellence at Venues

- EBITDA of £15 million, up 33 per cent (2014: £11 million)
- Property valuation of £295 million, up 25 per cent (like-for-like) (2014: £233 million)

Robust capital structure

- Group loan-to-value 16 per cent (2014: 12 per cent)
- New Covent Garden unsecured revolving credit facility of £705 million signed
- Cash and available facilities of £452 million

FINANCIAL HIGHLIGHTS

	2015	2014
17% Total return in 2015 (2014: 25%)		
EPRA adjusted net asset value	**£3,059m**	£2,630m
EPRA adjusted, diluted net asset value per share	**361p**	311p
Dividend per share	**1.5p**	1.5p
16% Total property return in 2015 (2014: 22%)		
Property market value (Group share)[1]	**£3,662m**	£3,025m
Net rental income[2]	**£75.4m**	£70.1m
Underlying earnings per share	**0.9p**	1.6p

1. Refer to Property Data on page 53 for the Group's percentage ownership of property.
2. On a proportionate consolidation basis. Refer to the Financial Review.

ENQUIRIES

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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.

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

CHAIRMAN'S STATEMENT

Overview

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

Performance

In 2015, Capco delivered positive performance with a total return of 17 per cent which represents the growth in net assets plus the dividends paid during the year. The valuation of the Group's property assets increased by 14 per cent on a like-for-like basis and total shareholder return, which reflects the share price change and dividends paid, was 20 per cent.

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

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

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

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

Financial position and dividends

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

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

The Board and its priorities

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

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

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

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

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

A responsible culture

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

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

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

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

Looking ahead

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

Ian Durant

Chairman

24 February 2016

CHIEF EXECUTIVE'S REVIEW

A year of performance and progress

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

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

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

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

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

Valuations

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

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

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

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

3 Represents the Group's 50 per cent share on a proportionate basis.

4 A reconciliation of carrying value of investment, development and trading property to the market value is shown in note 13 'Property Portfolio' within the consolidated financial statements.

The Group has a 63 per cent controlling interest in Earls Court Partnership Limited ("ECPL"), the investment vehicle with Transport for London ("TfL") which owns the land formerly occupied by the Earls Court Exhibition Centres. As a result, it is fully consolidated in the consolidated financial statements and TfL's interest is represented as a non-controlling interest. See page 12 of the Financial Review for further information.

Covent Garden – a leading global destination for brands and visitors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Venues – operational excellence

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

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

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

Outlook

Since our demerger in 2010, we have positioned Capco with two significant prime estates in central London. Covent Garden now comprises over one million square feet of retail-led space in the West End. In line with our ambitious vision to establish the estate as the leading world-class destination for retailers and visitors, we will continue to reposition the estate whilst maintaining our creative approach. We remain on track to achieve our ERV target of £100 million by December 2017. We will invest selectively in acquisitions and developments which enhance the estate and meet our return expectations.

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

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

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

Ian Hawksworth

Chief Executive

24 February 2016

STRATEGIC REPORT

COVENT GARDEN

A global destination in London's West End

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

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

Overview

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

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

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

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

Retail

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

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

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

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

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

Dining

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

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

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

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

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

Acquisitions

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

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

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

Residential and offices

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

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

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

Developments

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

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

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

Future Priorities

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

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

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

EARLS COURT PROPERTIES

Over 70 acres of consented strategic land in central London

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

The scheme is located in an established premium neighbourhood with history and heritage and is well-connected, offering existing strong public transport connectivity. Underpinned by Capco's distinct approach to creating places, the Earls Court Masterplan represents an opportunity to create the next great estate for London.

Earls Court is one of the Greater London Authority's ("GLA") 45 designated 'opportunity areas' making it a strategic scheme for the Capital. According to the London Plan, London's population is expected to grow by 2 million to 10 million by 2031 and the provision of housing is a key priority, with the Capital needing over 40,000 new homes per annum. Against this backdrop of London's housing need, the GLA increased the housing designation for Earls Court to at least 7,500 new homes in its latest revision of the London Plan in January 2014.

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

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

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

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

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

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

Continued planning momentum

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

Significant progress in land assembly and land enablement

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

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

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

In November 2013, Capco exercised its option under the CLSA relating to West Kensington and Gibbs Green Estates. Capco to date has paid £45 million of the £105 million cash consideration including the first of five annual instalments of £15 million which was paid in December 2015. Plans are progressing towards the construction of Block D of Lillie Square which will facilitate the first phase of replacement homes for the residents of the estates.

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

Phase 1 construction on track at Lillie Square

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

The valuation of Capco's 50 per cent interest in Lillie Square, which is held in a joint venture with the Kwok Family Interests ("KFI"), increased to £222 million, a like-for-like increase of 4.0 per cent over the year.

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

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

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

Future priorities

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

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

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

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

VENUES

Operational excellence

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

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

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

FINANCIAL REVIEW

Capco continues to maintain a robust and disciplined financial position with low leverage of 16 per cent and available liquidity of £452 million[1]. Our capital structure provides the platform to continue to deliver market-leading returns for our shareholders and continue to drive value creation across our assets.

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

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

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

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

Basis of preparation

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

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

Completion of property transfers to Earls Court Partnership Limited

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

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

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

Conditional Land Sale Agreement ("CLSA")

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

The CLSA remains unrecognised in the consolidated financial statements of the Group as its main underlying asset (the land relating to the Estates) does not currently meet the recognition criteria under IFRS required for investment and development property. Annual payments of £15 million commenced in December 2015. Where amounts are paid prior to the transfer of property, they will be carried on the Group's consolidated balance sheet as prepayments against future land draw down. Of the £45 million paid to date, £15 million relates to the acquisition of two properties and £30 million is held as a prepayment. The remaining future payments totalling £60 million are disclosed as a capital commitment. A transfer from prepayment to investment and development property will occur once the risks and rewards of ownership have passed to the Group. Once this occurs, in line with the Group's accounting policy, the land will become subject to bi-annual valuation with any uplift reflected in the Group's reported net asset measure.

FINANCIAL POSITION

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

SUMMARY ADJUSTED BALANCE SHEET

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

1 Primarily Lillie Square.

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

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

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

1 Primarily Lillie Square.

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

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

Investment, development and trading property

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

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

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

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

Debt and gearing

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

The gearing measure most widely used in the industry is loan-to-value ("LTV"). LTV is calculated on the basis of net debt divided by the carrying value of the Group's property portfolio. The Group focuses most on an LTV measure that includes the notional share of joint venture interests but excludes the share of the non-controlling interest. The LTV of 16.4 per cent remains comfortably within the Group's limit of no more than 40 per cent.

In January 2016 the £665 million Covent Garden facility was replaced by a new £705 million Covent Garden debt facility which has increased available facilities by £40 million. The table below includes the pro forma impact of the facility.

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

The Group's policy is to substantially eliminate the medium and long-term risk arising from interest rate volatility. The Group's banking facilities are arranged on a floating rate basis but swapped to fixed rate or capped using derivative contracts. At 31 December 2015 the proportion of Group's share of gross debt with interest rate protection was 91 per cent (2014: 94 per cent). In January 2016 additional derivative contracts have been entered into taking advantage of the historically low market rates.

The Group remains compliant with all of its debt covenants.

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

CASH FLOW

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

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

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

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

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

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

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

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

FINANCIAL PERFORMANCE

The Group presents underlying earnings and underlying earnings per share in addition to the amounts reported on a proportionate consolidation basis. The Group considers this presentation to provide useful information as it removes unrealised and other one-off items and therefore represents the recurring, underlying performance of the business.

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

Income

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

Gain on revaluation of investment and development property

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

Administration expenses

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

Net finance costs

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

Taxation

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

Tax on underlying profits for 2015 reflects a rate of 20 per cent, in line with the current rate of UK corporation tax. This is offset by an adjustment in respect of previous years leading to an underlying tax credit of £3.0 million. Following the Chancellor's announcement in the July 2015 Budget, the main rate of corporation tax will fall to 19 per cent from April 2017 and 18 per cent from April 2020.

Contingent tax, the amount of tax that would become payable on a theoretical disposal of all investment property held by the Group, was £17.6 million. This relates to the properties held by ECPL which is a UK limited company. A disposal of the Group's trading property at market value would result in a corporation tax charge to the Group of £20.2 million (20.25 per cent of £99.9 million).

The Group's tax policy, which has been approved by the Board and has been disclosed to HM Revenue & Customs, is aligned with the business strategy. The Group seeks to protect shareholder value by structuring operations in a tax efficient manner, with external advice as appropriate, which complies with all relevant tax law and regulations and does not adversely impact our reputation as a responsible taxpayer. As a Group, we are committed to acting in an open and transparent manner.

Consistent with the Group's policy of complying with relevant tax obligations and its goal in respect of its stakeholders, the Group maintains a constructive and open working relationship with HM Revenue & Customs which regularly includes obtaining advance clearance on key transactions where the tax treatment may be uncertain.

Dividends

The Board has proposed a final dividend of 1.0 pence per share to be paid on 21 June 2016 to shareholders on the register at 27 May 2016. Subject to SARB approval a scrip dividend alternative will be offered.

Going concern

At 31 December 2015 the Group's cash and undrawn committed facilities were £422.4 million and its capital commitments were £211.1 million. With weighted average debt maturity exceeding four years, LTV of 16.4 per cent and sufficient headroom against all financial covenants, there continues to be a reasonable expectation that the Company and Group will have adequate resources to meet both on-going and future commitments for the foreseeable future. Accordingly, the Directors have prepared the 2015 Annual Report & Accounts on a going concern basis.

Soumen Das
Chief Financial Officer

24 February 2016

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT:

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

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

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

Senior management from every division and corporate function of the business identify and manage the risks for their division or function and complete and maintain a risk register. The severity of each risk is assessed through a combination of each risk's likelihood of an adverse outcome and its impact. In assessing impact, consideration is given to financial, reputational and regulatory factors and risk mitigation plans established. A full risk review is undertaken annually where the risk registers are aggregated and reviewed by the Executive Risk Committee. The Executive Risk Committee carries out a robust assessment of the principal risks faced by the business and escalates these for the Board's consideration.

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

CORPORATE

Risk	Impact on strategy	Mitigation
Health, safety & the environment		
Accidents causing loss of life or very serious injury to employees, contractors, occupiers and visitors to the Group's properties Activities at the Group's properties causing detrimental impact on the environment	Prosecution for non-compliance with legislation Reputational damage Litigation or fines Distraction of management	Health and safety procedures across the Group Appointment of Group Head of Health & Safety Appointment of reputable contractors External consultants undertake annual audits in all locations Adequate insurance held to cover the risks inherent in construction projects
Funding		
Lack of availability or increased cost of debt or equity funding	Reduced financial and operational flexibility Increased cost of borrowing Delay to development works Constrained growth, lost opportunities	Maintain appropriate liquidity to cover commitments Target longer and staggered debt maturities Consideration of early refinancing Derivative contracts to provide interest rate protection Development phasing to enable flexibility and reduce financial exposure Covenant headroom monitored and stress tested

Risk	Impact on strategy	Mitigation
Economic conditions		
Decline in real estate valuations due to: - global macro-economic conditions - adverse movement in interest rates or currency Relative attractiveness of other asset classes or locations Inability of the Company to adopt the appropriate strategy or to react to changing market conditions	Reduced return on investment and development property Higher finance costs Reduced profitability	Focus on prime assets Regular assessment of investment market conditions including bi-annual external valuations Regular strategic reviews Strategic focus on creating retail destinations and residential districts with unique attributes
Political climate and public opinion		
Unfavourable policy or changes in legislation (in particular, as a result of political change) e.g. London mayoral elections The Group's business (or aspects of it) is opposed or challenged by public interest or activist groups	Reputational damage Litigation Distraction of management Prosecution for non-compliance	Monitoring proposals and emerging policy and legislation Engagement with key stakeholders and politicians Monitoring intelligence on activist groups
People		
Inability to retain the right people and develop leadership skills within the business	Inability to execute strategy and business plan Constrained growth, lost opportunities	Succession planning, performance evaluations, training and development Long-term and competitive incentive rewards
Catastrophic External Event		
Such as a terrorist attack, health pandemic or cyber crime	Diminishing London's status Heightened by concentration of investments Reduced rental income and/or capital values Business disruption or damage to property Reputational damage	Terrorist insurance On-site security Health and safety policies and procedures Close liaison with police, National Counter Terrorism Security Office (NaCTSO) and local authorities
Compliance with law, regulations and contracts		
Breach of legislation, regulation or contract Inability to monitor or anticipate legal or regulatory changes	Prosecution for non-compliance with legislation Reputational damage Litigation or fines Distraction of management	Appointment of external advisers to monitor changes in law or regulation Members of staff attend external briefings to remain cognisant of legislative and regulatory changes

PROPERTY

Risk	Impact on strategy	Mitigation
Leasing		
Inability to achieve target rents or to attract target tenants due to market conditions Competition from other locations	Decline in tenant demand for the Group's properties Reduced income Expansion of yield	Quality tenant mix Strategic focus on creating retail destinations with unique attributes
Residential Sales		
Inability to achieve sales targets or prices due to market conditions or competition from other residential districts	Reduced cash flow and development return Decline in valuations Viability of projects	Strategic focus on creating residential districts with unique attributes Market demand assessments and review of product mix Pre-sales marketing
Planning		
Unfavourable changes to planning policy or legislation (in particular, as a result of political change) Secretary of State intervention or judicial review Existing buildings within proposed development scheme becoming listed	Inability to secure future planning approvals or consents Delay in development programme	Outline planning permission already granted for the Earls Court Masterplan Engagement with local and national authorities Pre-application and consultation with key stakeholders and landowners Engagement with local community bodies
Development		
Inability to deliver anticipated returns due to: - Market conditions - Increased construction costs or delays	Reduced development returns Decline in valuations	Focus on prime assets Regular assessment of market conditions Business strategy based on long-term returns
Construction		
Increased construction costs or delay due to: - site or planning conditions - contractor / sub-contractor default - complexity of developing adjacent to and above public transport infrastructure	Reduced cash flow and development return Reduced underlying income Decline in valuations Reputational damage	Extensive consultation, design and technical work undertaken Properly tendered and negotiated processes to select reputable contractors with relevant experience in projects of equivalent scale and complexity, with skilled resources and appropriate insurance Under building contracts the risk of sub-contractor failure resides primarily with the principal contractor Commercially astute development and project management teams to ensure management of costs and delivery of programme
Land assembly		
Failure to reach agreement on strategic land deals or implement strategic land deals with adjacent landowners on acceptable terms	Inability to fully execute strategy and business plan Increased costs and delays resulting in reduced development return	Pro-active investment team Dialogue with adjacent landowners Earls Court Masterplan designed to allow phased implementation

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities

The statement of Directors' responsibilities has been prepared in relation to the Group's full Annual Report & Accounts for the year ended 31 December 2015. Certain parts of the Annual Report & Accounts are not included within this announcement.

We confirm to the best of our knowledge:

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

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

Signed on behalf of the Board on 24 February 2016.

Ian Hawksworth
Chief Executive

Soumen Das
Chief Financial Officer

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Continuing operations			
Revenue	2	**114.9**	110.6
Rental income		**99.7**	100.3
Rental expenses		**(24.4)**	(30.3)
Net rental income	2	**75.3**	70.0
Profit on sale of trading property	3	**3.5**	2.6
Other income		**4.0**	3.0
Gain on revaluation and sale of investment and development property	4	**453.9**	454.2
Write back of trading property		**–**	0.5
Loss on sale of available-for-sale investments	5	**(0.2)**	–
Loss on sale of loan notes		**(0.2)**	–
Impairment of other receivables	6	**(12.2)**	(12.7)
Other costs		**–**	(0.2)
		524.1	517.4
Administration expenses		**(52.1)**	(43.2)
Operating profit		**472.0**	474.2
Finance income	7	**0.7**	0.8
Finance costs	8	**(20.8)**	(15.9)
Other finance income	7	**9.3**	8.4
Other finance costs	8	**–**	(5.2)
Change in fair value of derivative financial instruments	19	**(0.6)**	(12.1)
Net finance costs		**(11.4)**	(24.0)
		460.6	450.2
Share of post-tax loss from joint ventures	14	**(0.7)**	–
Profit before tax		**459.9**	450.2
Current tax		**2.2**	2.1
Deferred tax		**(4.9)**	(3.4)
Taxation	10	**(2.7)**	(1.3)
Profit for the year from continuing operations		**457.2**	448.9
Discontinued operation			
Post-tax loss for the year from discontinued operation	9	**–**	(0.3)
Profit for the year		**457.2**	448.6
Profit attributable to:			
Owners of the Parent		**431.1**	448.6
Non-controlling interest	24	**26.1**	–
Earnings per share from continuing operations attributable to owners of the Parent[1]			
Basic earnings per share	12	**51.3p**	55.6p
Diluted earnings per share	12	**50.9p**	55.0p
Weighted average number of shares	12	**840.8m**	806.5m

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

Notes on pages 26 to 52 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015 £m**	2014 £m
Profit for the year		**457.2**	448.6
Other comprehensive income/(expense)			
Items that may or will be reclassified subsequently to the income statement			
Gain on cash flow hedge		**–**	0.3
Items that will not be reclassified subsequently to the income statement			
Actuarial gain/(loss) on defined benefit pension scheme		**0.8**	(1.8)
Tax relating to items that will not be reclassified	20	**(0.2)**	0.4
Total other comprehensive income/(expense) for the year		**0.6**	(1.1)
Total comprehensive income for the year		**457.8**	447.5
Attributable to:			
Owners of the Parent		**431.7**	447.5
Non-controlling interest	24	**26.1**	–
Arising from:			
Continuing operations		**457.8**	447.8
Discontinued operation	9	**–**	(0.3)

Notes on pages 26 to 52 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Notes	2015 £m	2014 £m
Non-current assets			
Investment and development property	13	**3,855.3**	2,784.4
Plant and equipment		**6.9**	1.0
Investment in joint ventures	14	**14.8**	0.1
Available-for-sale investments		**0.2**	0.4
Derivative financial instruments	19	**0.8**	2.1
Pension asset		**0.7**	–
Trade and other receivables	15	**158.9**	129.5
		4,037.6	2,917.5
Current assets			
Trading property	13	**15.5**	22.1
Trade and other receivables	15	**32.3**	42.8
Cash and cash equivalents	16	**66.9**	94.8
		114.7	159.7
Total assets		**4,152.3**	3,077.2
Non-current liabilities			
Borrowings, including finance leases	18	**(607.6)**	(432.2)
Derivative financial instruments	19	**(3.2)**	(3.9)
Pension liability		**–**	(0.2)
Deferred tax	20	**(19.5)**	(12.9)
Trade and other payables	17	**–**	(0.2)
		(630.3)	(449.4)
Current liabilities			
Borrowings, including finance leases	18	**(18.5)**	(17.5)
Other provisions	21	**(2.0)**	–
Tax liabilities		**(2.8)**	(1.6)
Trade and other payables	17	**(95.9)**	(102.4)
		(119.2)	(121.5)
Total liabilities		**(749.5)**	(570.9)
Net assets		**3,402.8**	2,506.3
Equity			
Share capital	22	**210.5**	209.1
Other components of equity		**2,723.5**	2,297.2
Equity attributable to owners of the Parent		**2,934.0**	2,506.3
Non-controlling interest	24	**468.8**	–
Total equity		**3,402.8**	2,506.3

Notes on pages 26 to 52 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Notes	Equity attributable to owners of the Parent								
		Share capital £m	Share premium £m	Merger reserve[1] £m	Share-based payment reserve £m	Other reserves[2] £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2014		189.5	121.0	277.8	7.4	0.1	1,216.3	1,812.1	–	1,812.1
Profit for the year		–	–	–	–	–	448.6	448.6	–	448.6
Other comprehensive income/(expense)										
Gain on cash flow hedge		–	–	–	–	0.3	–	0.3	–	0.3
Actuarial loss on defined benefit pension scheme		–	–	–	–	–	(1.8)	(1.8)	–	(1.8)
Tax relating to items that will not be reclassified	20	–	–	–	–	–	0.4	0.4	–	0.4
Total comprehensive income for the year ended 31 December 2014		–	–	–	–	0.3	447.2	447.5	–	447.5
Transactions with owners										
Ordinary shares issued		19.6	85.9	148.0	–	–	–	253.5	–	253.5
Dividend expense	11	–	–	–	–	–	(12.5)	(12.5)	–	(12.5)
Adjustment for bonus issue	11	–	–	–	–	–	0.6	0.6	–	0.6
Realisation of share-based payment reserve on issue of shares		–	–	–	(0.8)	–	0.8	–	–	–
Fair value of share-based payment		–	–	–	4.8	–	–	4.8	–	4.8
Tax relating to share-based payment	20	–	–	–	–	–	0.3	0.3	–	0.3
Total transactions with owners		19.6	85.9	148.0	4.0	–	(10.8)	246.7	–	246.7
Balance at 31 December 2014		**209.1**	**206.9**	**425.8**	**11.4**	**0.4**	**1,652.7**	**2,506.3**	**–**	**2,506.3**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**431.1**	**431.1**	**26.1**	**457.2**
Other comprehensive income/(expense)										
Actuarial gain on defined benefit pension scheme		**–**	**–**	**–**	**–**	**–**	**0.8**	**0.8**	**–**	**0.8**
Tax relating to items that will not be reclassified	20	**–**	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**	**–**	**(0.2)**
Total comprehensive income for the year ended 31 December 2015		**–**	**–**	**–**	**–**	**–**	**431.7**	**431.7**	**26.1**	**457.8**
Transactions with owners										
Ordinary shares issued	22	**1.4**	**4.2**	**–**	**–**	**–**	**–**	**5.6**	**–**	**5.6**
Dividend expense	11	**–**	**–**	**–**	**–**	**–**	**(12.6)**	**(12.6)**	**–**	**(12.6)**
Adjustment for bonus issue	11	**–**	**–**	**–**	**–**	**–**	**0.6**	**0.6**	**–**	**0.6**
Realisation of share-based payment reserve on issue of shares		**–**	**–**	**–**	**(5.7)**	**–**	**5.0**	**(0.7)**	**–**	**(0.7)**
Fair value of share-based payment		**–**	**–**	**–**	**4.6**	**–**	**–**	**4.6**	**–**	**4.6**
Tax relating to share-based payment	20	**–**	**–**	**–**	**–**	**–**	**(1.5)**	**(1.5)**	**–**	**(1.5)**
Contribution from non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**442.7**	**442.7**
Total transactions with owners		**1.4**	**4.2**	**–**	**(1.1)**	**–**	**(8.5)**	**(4.0)**	**442.7**	**438.7**
Balance at 31 December 2015		**210.5**	**211.1**	**425.8**	**10.3**	**0.4**	**2,075.9**	**2,934.0**	**468.8**	**3,402.8**

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

2 Refer to note 23 'Other Reserves'.

Notes on pages 26 to 52 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Continuing operations			
Cash flows from operating activities			
Cash generated from operations	27	**13.1**	26.2
Interest paid		**(19.6)**	(15.5)
Interest received		**0.7**	0.8
Tax refund received		**3.5**	3.5
Net cash (outflow)/inflow from operating activities		**(2.3)**	15.0
Cash flows from investing activities			
Purchase and development of property		**(250.2)**	(251.2)
Sale of property		**11.2**	7.3
Acquisition of interest in joint venture		**(13.5)**	–
Pension funding		**–**	(0.8)
Sale of loan notes		**6.0**	–
Sale of subsidiaries[1]		**0.5**	0.8
Loan advances to joint ventures		**(3.2)**	(13.5)
Deferred consideration on purchase of subsidiary		**(7.1)**	–
Net cash outflow from investing activities		**(256.3)**	(257.4)
Cash flows from financing activities			
Issue of shares		**0.1**	252.1
Borrowings drawn		**225.0**	730.0
Borrowings repaid		**(51.0)**	(650.2)
Purchase of derivative financial instruments		**–**	(8.7)
Other finance costs		**(0.4)**	(25.2)
Cash dividends paid	11	**(7.7)**	(11.0)
Contribution from non-controlling interest		**64.7**	7.1
Net cash inflow from financing activities		**230.7**	294.1
Net (decrease)/increase in unrestricted cash and cash equivalents from continuing operations		**(27.9)**	51.7
Net increase in unrestricted cash and cash equivalents from discontinued operation		**–**	0.1
Net (decrease)/increase in unrestricted cash and cash equivalents		**(27.9)**	51.8
Unrestricted cash and cash equivalents at 1 January		**88.8**	37.0
Unrestricted cash and cash equivalents at 31 December	16	**60.9**	88.8

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

Notes on pages 26 to 52 form part of these consolidated financial statements.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

General information

Capital & Counties Properties PLC (the "Company") was incorporated and registered in England and Wales on 3 February 2010 under the Companies Act as a public company limited by shares, registration number 7145051. The registered office of the Company is 15 Grosvenor Street, London, W1K 4QZ, United Kingdom. The principal activity of the Company is to act as the ultimate parent company of Capital & Counties Properties PLC Group (the "Group"), whose principal activity is the development and management of property.

The Group's assets principally comprise investment and development property at Covent Garden, Earls Court and the exhibition halls at Olympia.

Basis of preparation

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of property, available-for-sale investments and derivative financial instruments.

During 2015, the following accounting standards were adopted by the Group:

IFRS 2 'Share Based Payment' (amendment)
IFRS 3 'Business Combinations' (amendment)
IFRS 8 'Operating Segments' (amendment)
IFRS 13 'Fair Value Measurement' (amendment)
IAS 19 'Employee Benefits' (amendment)
IAS 24 'Related Party Disclosures' (amendment)
IAS 40 'Investment Property' (amendment)

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

Standards and guidelines relevant to the Group that were in issue and endorsed at the date of approval of the consolidated financial statements but not effective at the balance sheet date and have not been adopted early are:

IFRS 5 'Non-current assets held for sale and discontinued operations' (amendment)
IFRS 7 'Financial instruments: Disclosures' (amendment)
IAS 1 'Presentation of financial statements' (amendment)
IAS 16 'Property, plant and equipment' (amendment)
IAS 19 'Employee benefits' (amendment)
IAS 27 'Separate Financial Statements' (amendment)
IAS 34 'Interim financial reporting' (amendment)

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

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

Going Concern

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

Basis of consolidation

These consolidated financial statements include the consolidation of the following limited partnerships: Capital & Counties CGP, Capital & Counties CGP 9, Capco CGP 2012 LP, EC Properties LP, Solum Group Holdings LP and The Empress State Limited Partnership. The members of these qualifying partnerships have taken advantage of exemptions available in Statutory Instrument 2008/569 and therefore will not produce consolidated accounts at the partnership level.

The consolidated financial statements are prepared in British pounds sterling, which is also determined to be the functional currency of the Parent.

Subsidiaries

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

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Subsidiaries continued

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

Estimation and uncertainty

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, equity, income and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The most significant area of estimation and uncertainty in the consolidated financial statements is in respect of the valuation of the property portfolio and investments, where external valuations are obtained. The valuation of the Group's property portfolio is inherently subjective due to the assumptions as outlined within the property portfolio note. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate and could therefore have a material effect on the Group's financial performance and position.

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

Revenue recognition
Share-based payment
Provisions
Pensions
Contingent liabilities and capital commitments
Income taxes
Trade and other receivables

Operating segments

Management has determined the operating segments with reference to reports on divisional financial performance and position that are regularly reviewed by the Chief Executive, who is deemed to be the chief operating decision maker.

Revenue recognition

Property rental income and exhibition income consist of gross income calculated on an accruals basis, together with services where the Group acts as principal in the ordinary course of business, excluding sales of property. Rental income is spread evenly over the period from lease commencement to lease expiry.

Tenant lease incentive payments, including surrender premiums paid which can be directly linked to enhanced rental income, are amortised on a straight-line basis over the lease term. Upon receipt of a surrender premium for the early termination of a lease, the profit and non-recoverable outgoings relating to the lease concerned are immediately reflected in net rental income.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, for example increases arising on rent reviews, are recorded as income in the periods in which they are earned.

Rent reviews are recognised as income, based on management estimates, when it is reasonable to assume they will be received. Estimates are derived from knowledge of market rents for comparable properties determined on an individual property basis and updated for progress of negotiations.

Where revenue is obtained by the sale of property, it is recognised when the significant risks and rewards have been transferred to the buyer. This will normally take place on exchange of contracts unless there are conditions that suggest insufficient probability of future economic benefits flowing to the Group. For conditional exchanges, sales are recognised when these conditions are satisfied. Revenue arising from the sale of property under construction is recognised when both contracts have been exchanged and the building work is physically complete.

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

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

Exceptional items

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

Foreign currencies

Transactions in currencies other than the Company's functional currency are recorded at the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from settlement of these transactions and from retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except for differences arising on the retranslation of available-for-sale investments which are recognised in other comprehensive income.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Income taxes

Current tax is the amount payable on the taxable income for the year and any adjustment in respect of prior years. It is calculated using rates that have been enacted or substantially enacted by the balance sheet date.

In accordance with IAS 12 'Income Taxes', deferred tax is provided for using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of those assets and liabilities. However, temporary differences are not recognised to the extent that they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss; or are associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary difference can be controlled by the parent, venture or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that management believes it is probable that future taxable profit will be available against which the deferred tax assets can be recovered. Deferred tax assets and liabilities are only offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable group or different taxable entities where there is an intention to settle balances on a net basis.

Tax is included in the income statement except when it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is also recognised in other comprehensive income or directly in equity respectively.

For tax purposes, an investment property accounted for at fair value will normally be recovered through sale rather than use.

Discontinued operation

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

Share-based payment

The cost of granting share options and other share-based remuneration to employees and Directors is recognised through the income statement with reference to the fair value of the instrument at the date of grant.

The income statement is charged over the vesting period of the options with a corresponding increase in equity. An option pricing model is used applying assumptions around expected yields, forfeiture rates, exercise price and volatility.

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

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

Investment and development property

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

The Group has chosen to use the fair value model. Property and any related obligations are initially recognised when the significant risks and rewards attached to the property have transferred to the Group. Payments made in respect of the future acquisition of investment and development property, as is the case for the CLSA, are initially recognised as prepayments until the recognition criteria outlined above have been met. Investment and development property are recorded at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value after allowing for future transaction costs.

The fair value of property is arrived at by adjusting the market value as above for directly attributable tenant lease incentives and fixed head leases.

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

The valuation is based upon assumptions as outlined within the property portfolio note. These assumptions conform with the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards. The cost of development properties includes capitalised interest and other directly attributable outgoings, with the exception of properties and land where no development is imminent in which case no interest is included. Interest is capitalised (before tax relief) on the basis of the weighted average cost of debt outstanding until the date of practical completion.

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

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Investment and development property continued

Gains or losses arising from changes in the fair value of investment and development property are recognised in the income statement in the period in which they arise. Depreciation is not provided in respect of investment property including plant and equipment integral to such investment property. Investment and development properties cease to be recognised as investment and development property when they have been disposed of or when they cease to be held for the purpose of generating rental income or for capital appreciation.

Disposals are recognised on completion. Gains or losses arising are recognised in the income statement. The gain on disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

A property ceases to be recognised as investment and development property and is transferred at its fair value to trading property when, in the Directors' judgement, development commences with the intention of sale. Criteria considered in this assessment include, the Board's stated intention, contractual commitments and physical, legal and financial viability.

When the use of a property changes from trading property to investment and development property, the property is transferred at fair value with any resulting gain recognised in the income statement.

Trading property

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

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

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

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

Leases

Leases are classified according to the substance of the transaction.

A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are normally classified as operating leases.

Group as a lessee:

In accordance with IAS 40 'Investment Property', property held under finance and operating leases may be accounted for as investment property. Finance leases are recognised as both an asset and an obligation to pay future minimum lease payments. The investment property asset is included in the balance sheet at the lower of fair value and the present value of minimum lease payments, gross of the recognised finance lease liability. Lease payments are allocated between the liability and finance charges so as to achieve a constant financing rate.

Other finance leased assets are capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments and depreciated over the shorter of the lease term and the useful life of the asset.

Rental expenses under operating leases are charged to the income statement on a straight-line basis over the lease term.

Plant and equipment

Plant and equipment consist of fixtures, fittings and other office equipment. Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset plus any attributable cost in bringing the asset to its working condition for its intended use. Depreciation is charged to the income statement on a straight-line basis over an asset's estimated useful life to a maximum of five years.

Investment in 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.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Investment in joint ventures continued

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.

Available-for-sale investments

Available-for-sale investments, being investments intended to be held for an indefinite period, are initially recognised and subsequently measured at fair value.

Gains or losses arising from changes in the fair value of available-for-sale investments are included in other comprehensive income, except to the extent that losses are determined to be attributable to impairment, in which case they are recognised in the income statement and may not be reversed in subsequent periods.

Disposals are recorded upon distribution, at which time accumulated fair value adjustments are recycled from reserves to the income statement.

Derivative financial instruments

The Group uses non-trading derivative financial instruments to manage exposure to interest rate risk. They are initially recognised on the trade date at fair value and subsequently remeasured at fair value based on market price.

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

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

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

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

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

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. The Directors exercise judgement as to the collectability of the Group's trade and other receivables and determine when it is appropriate to impair these assets.

Impairment of financial assets

An annual review is conducted for financial assets to determine whether there is any evidence of a loss event as described by IAS 39 'Financial Instruments: Recognition and Measurement'. Factors such as days past due, credit status of the counterparty, historical evidence of collection and probability of deriving future economic benefit are considered to assess whether there is objective evidence of impairment. The amount of any potential loss is calculated by estimating future cash flows or by using fair value where this is available through observable market prices. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the original impairment was recognised, the impairment reversal is recognised in the income statement on a basis consistent with the original charge.

Cash and cash equivalents

Cash and cash equivalents are recognised at fair value. Cash and cash equivalents comprise cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Trade and other payables

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

Deposits

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

Dividend distribution

Dividend distributions to shareholders are recognised as a liability once approved by shareholders.

Provisions

Provisions are recognised when the Group has a current obligation arising from a past event and it is probable that the Group will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Borrowings

Borrowings are ordinarily recognised initially at their net proceeds as an approximation of fair value.

If the transaction price is not an approximation of fair value at initial recognition, the Group determines the fair value as evidenced by a quoted price in an active market for an identical instrument or based on a valuation technique that uses data from observable markets. Where equity holders of the Group are party to the transaction the difference between the net proceeds and fair value is recognised within equity.

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

In the event of early repayment, transaction costs, premiums or discounts paid or unamortised costs are recognised immediately in the income statement.

Pensions

The costs of the defined contribution scheme and the Group's personal pension plans are charged against profits in the year in which they fall due.

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

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method and applying assumptions which are agreed between the Group and its actuaries.

Contingent liabilities and capital commitments

Contingent liabilities are disclosed where there are present or possible obligations arising from past events, but the economic impact is uncertain in timing, occurrence or amount. A description of the nature and, where possible, an estimate of the financial effect of contingent liabilities are disclosed.

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Where the Group's own shares are re-purchased, the consideration paid is classified as treasury shares and deducted from equity. Where such shares are subsequently sold or re-issued, any consideration received is included in equity.

2 SEGMENTAL REPORTING

Management has determined the operating segments based on reports reviewed by the Chief Executive, who is deemed to be the chief operating decision maker. The principal performance measures have been identified as net rental income and net asset value. For management and reporting purposes the Group is organised into four divisions:

- Covent Garden;
- Earls Court Properties represents the Group's interests in the Earls Court area, comprising properties held in ECPL, Lillie Square, the Empress State Building and a number of smaller properties in the Earls Court area;
- Venues comprises the exhibitions business including the Olympia London property assets and Maclise Road[1]; and
- Other comprises the discontinued activity of The Great Capital Partnership, the Group's residual China investments, other head office companies and investments.

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

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

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

1 The comparative period has been re-presented to reflect the transfer of Maclise Road from the Earls Court Properties segment to the Venues segment.

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	2015						
Continuing operations	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Revenue	**61.3**	**18.8**	**31.3**	**2.1**	**113.5**	**1.4**	**114.9**
Rent receivable and exhibition income	46.4	18.8	31.3	–	96.5	(0.5)	96.0
Service charge income	3.7	–	–	–	3.7	–	3.7
Rental income	50.1	18.8	31.3	–	100.2	(0.5)	99.7
Rental expenses[1]	(11.3)	(1.0)	(12.0)	(0.5)	(24.8)	0.4	(24.4)
Net rental income	38.8	17.8	19.3	(0.5)	75.4	(0.1)	75.3
Profit/(loss) on sale of trading property	3.5	(1.5)	–	–	2.0	1.5	3.5
Other income	–	–	–	2.1	2.1	1.9	4.0
Gain on revaluation and sale of investment and development property	262.9	133.1	58.4	(0.4)	454.0	(0.1)	453.9
Write back of trading property	–	0.2	–	–	0.2	(0.2)	–
Loss on sale of loan notes	–	–	–	(0.2)	(0.2)	–	(0.2)
Loss on sale of available-for-sale investments	–	–	–	(0.2)	(0.2)	–	(0.2)
Impairment of other receivables	–	–	–	–	–	(12.2)	(12.2)
Segment result	305.2	149.6	77.7	0.8	533.3	(9.2)	524.1
Unallocated costs							
Administration expenses					(52.8)	0.7	(52.1)
Operating profit					480.5	(8.5)	472.0
Net finance costs[2]					(20.6)	9.2	(11.4)
Share of post-tax loss from joint ventures					–	(0.7)	(0.7)
Profit before tax					459.9	–	459.9
Taxation					(2.7)	–	(2.7)
Profit for the year from continuing operations					457.2	–	457.2
Profit attributable to:							
Owners of the Parent							431.1
Non-controlling interest							26.1
Summary balance sheet							
Total segment assets[3]	2,010.4	1,838.4	314.7	39.2	4,202.7	(82.0)	4,120.7
Total segment liabilities[3]	(569.6)	(201.1)	(36.6)	(24.2)	(831.5)	82.0	(749.5)
Segmental net assets	1,440.8	1,637.3	278.1	15.0	3,371.2	–	3,371.2
Unallocated assets[2]					31.6	–	31.6
Net assets					3,402.8	–	3,402.8
Other segment items:							
Depreciation	(0.2)	–	(0.2)	(0.1)	(0.5)	–	(0.5)
Capital expenditure	(110.8)	(535.2)	(4.0)	(0.3)	(650.3)	32.4	(617.9)

1 Comprises service charge and other non-recoverable costs.

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

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

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	Re-presented 2014[1]						
Continuing operations	Covent Garden £m	Earls Court Properties[2] £m	Venues[2] £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Revenue	53.0	19.0	36.5	1.6	110.1	0.5	110.6
Rent receivable and exhibition income	42.7	19.0	36.5	0.1	98.3	(1.0)	97.3
Service charge income	3.0	–	–	–	3.0	–	3.0
Rental income	45.7	19.0	36.5	0.1	101.3	(1.0)	100.3
Rental expenses[3]	(8.9)	(1.0)	(21.2)	(0.1)	(31.2)	0.9	(30.3)
Net rental income	36.8	18.0	15.3	–	70.1	(0.1)	70.0
Profit/(loss) on sale of trading property	2.6	(4.5)	–	–	(1.9)	4.5	2.6
Other income	–	–	–	1.5	1.5	1.5	3.0
Gain on revaluation and sale of investment and development property	270.2	134.2	50.4	(0.4)	454.4	(0.2)	454.2
Write back of trading property	0.5	1.2	–	–	1.7	(1.2)	0.5
Write back of impairment/(impairment) of other receivables	–	–	–	0.2	0.2	(12.9)	(12.7)
Other costs	–	–	(0.2)	–	(0.2)	–	(0.2)
Segment result	310.1	148.9	65.5	1.3	525.8	(8.4)	517.4
Unallocated costs							
Administration expenses					(43.2)	–	(43.2)
Operating profit					482.6	(8.4)	474.2
Net finance costs[4]					(32.4)	8.4	(24.0)
Profit before tax					450.2	–	450.2
Taxation					(1.3)	–	(1.3)
Profit for the year from continuing operations					448.9	–	448.9
Discontinued operation							
Loss for the year from discontinued operation	–	–	–	(0.3)	(0.3)	–	(0.3)
Profit for the year					448.6	–	448.6
Profit attributable to:							
Owners of the Parent					448.6	–	448.6
Summary balance sheet							
Total segment assets[5]	1,640.4	1,139.2	244.9	29.5	3,054.0	(42.8)	3,011.2
Total segment liabilities[5]	(380.0)	(173.8)	(43.0)	(16.9)	(613.7)	42.8	(570.9)
Segmental net assets	1,260.4	965.4	201.9	12.6	2,440.3	–	2,440.3
Unallocated assets[4]					66.0	–	66.0
Net assets					2,506.3	–	2,506.3
Other segment items:							
Depreciation	(0.1)	–	(0.2)	–	(0.3)	–	(0.3)
Capital expenditure	(206.2)	(85.4)	(3.9)	(4.9)	(300.4)	11.9	(288.5)

1 The comparative period has been re-presented to reflect the transfer of Maclise Road from the Earls Court Properties segment to the Venues segment.

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

3 Comprises service charge and other non-recoverable costs.

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

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

3 PROFIT ON SALE OF TRADING PROPERTY

Continuing operations	2015 £m	2014 £m
Proceeds from the sale of trading property	**11.2**	7.3
Cost of sale of trading property	**(7.5)**	(4.6)
Agent, selling and marketing fees	**(0.2)**	(0.1)
Profit on sale of trading property	**3.5**	2.6

4 GAIN ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

Continuing operations	2015 £m	2014 £m
Gain on revaluation of investment and development property	**453.9**	446.6
Revaluation gain on transfer from trading property	**–**	7.7
Loss on sale of investment and development property	**–**	(0.1)
Gain on revaluation and sale of investment and development property	**453.9**	454.2

5 LOSS ON SALE OF AVAILABLE-FOR-SALE INVESTMENTS

Continuing operations	2015 £m	2014 £m
Loss on sale of available-for-sale investments	**0.2**	–

Loss on sale of available-for-sale investments represents part divestment from China Harvest Fund I.

6 IMPAIRMENT OF OTHER RECEIVABLES

Continuing operations	2015 £m	2014 £m
Impairment of amounts receivable from joint ventures	**12.2**	12.9
Write back of impairment of loan notes receivable	**–**	(0.2)
Impairment of other receivables	**12.2**	12.7

Following an impairment review of amounts receivable from joint ventures by the Group, an impairment of £12.2 million has been recognised (2014: £12.9 million). The impairment was calculated with reference to the Group's share of the cumulative losses in the Lillie Square joint venture.

The carrying value of the investment is £nil (2014: £nil) in accordance with IAS 28 'Investment in Associates and Joint Ventures' ("IAS 28"). Refer to note 14 'Investment in Joint Ventures'.

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

7 FINANCE INCOME

Continuing operations	2015 £m	2014 £m
Finance income:		
On loan notes	**0.2**	0.6
On deposits and other	**0.5**	0.2
Finance income	**0.7**	0.8

Other finance income:		
On deep discount bonds	**9.3**	8.4
Other finance income[1]	**9.3**	8.4

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

8 FINANCE COSTS

Continuing operations	2015 £m	2014 £m
Finance costs:		
On bank overdrafts, loans and other	**21.0**	16.5
On obligations under finance leases	**0.5**	0.5
Gross finance costs	**21.5**	17.0
Interest capitalised on property under development	**(0.7)**	(1.1)
Finance costs	**20.8**	15.9
Other finance costs:		
Loss on termination of derivative financial instruments	**–**	1.3
Costs of termination of bank loans and other	**–**	3.9
Other finance costs[1]	**–**	5.2

1 Non-recurring finance costs and therefore excluded from the calculation of underlying earnings.

Interest is capitalised, before tax relief, on the basis of the weighted average cost of debt of 3.3 per cent (2014: 3.4 per cent) applied to the cost of property under development during the year.

9 DISCONTINUED OPERATION

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

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

Summarised income statement	2015 £m	2014 £m
Revenue	**–**	–
Administration expenses	**–**	–
Profit before tax	**–**	–
Taxation[1]	**–**	(0.3)
Post-tax loss for the year from discontinued operation	**–**	(0.3)

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

10 TAXATION

Continuing operations	2015 £m	2014 £m
Current income tax:		
Current income tax charge excluding non-underlying items	**1.6**	3.5
Current income tax on profits	**1.6**	3.5
Deferred income tax:		
On accelerated capital allowances	**0.1**	0.3
On fair value of investment and development property	**3.8**	9.0
On fair value of derivative financial instruments	**(0.1)**	(0.7)
On Group losses	**0.5**	(3.3)
On other temporary differences	**(0.8)**	(1.9)
Deferred income tax on profits	**3.5**	3.4
Current income tax credit on non-underlying items	**–**	(1.8)
Adjustments in respect of previous years – current income tax	**(3.8)**	(3.8)
Adjustments in respect of previous years – deferred income tax	**1.4**	–
Total income tax charge reported in the consolidated income statement	**2.7**	1.3

Factors affecting the tax charge for the year

The tax assessed for the year is £2.7 million which reflects a rate lower than the standard rate of corporation tax in the United Kingdom ("UK"). The differences are explained below:

Continuing operations	2015 £m	2014 £m
Profit before tax	**459.9**	450.2
Profit on ordinary activities multiplied by the standard rate in the UK of 20.25% (2014: 21.50%)	**93.1**	96.8
Unrecognised deferred income tax on revaluation gains	**(74.3)**	(85.5)
Adjustments in respect of previous years	**(2.4)**	(3.8)
Expenses disallowed	**1.7**	0.4
Other temporary differences	**(12.9)**	(5.3)
Reduction in deferred income tax following change in corporation tax rate	**(2.5)**	(1.3)
Total income tax charge reported in the consolidated income statement	**2.7**	1.3

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

The main rate of corporation tax decreased from 21 per cent to 20 per cent on 1 April 2015. Following the Chancellor's announcement in the July 2015 Budget, the main rate of corporation tax will fall to 19 per cent from April 2017 and 18 per cent from April 2020.

11 DIVIDENDS

	2015 £m	2014 £m
Ordinary shares		
Prior year final dividend of 1.0p per share (2014: 1.0p)	**8.4**	8.4
Interim dividend of 0.5p per share (2014: 0.5p)	**4.2**	4.1
Dividend expense	**12.6**	12.5
Shares issued in lieu of cash[1]	**(4.3)**	(0.9)
Adjustment for bonus issue[2]	**(0.6)**	(0.6)
Cash dividends paid	**7.7**	11.0
Proposed final dividend of 1.0p per share (2014: 1.0p)	**8.4**	8.4

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

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

12 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(a) Earnings per share

	2015			2014		
	Earnings £m	**Shares[1] million**	**Earnings per share (pence)**	Earnings £m	Shares[1] million	Earnings per share (pence)
Continuing and discontinued operations attributable to owners of the Parent						
Basic earnings	**431.1**	**840.8**	**51.3**	448.6	806.5	55.6
Dilutive effect of contingently issuable share option awards	**–**	**2.1**		–	4.2	
Dilutive effect of contingently issuable deferred share awards	**–**	**0.8**		–	1.0	
Dilutive effect of contingently issuable matching nil cost options awards	**–**	**1.3**		–	2.7	
Dilutive effect of deferred bonus share option awards	**–**	**1.3**		–	1.2	
Diluted earnings	**431.1**	**846.3**	**50.9**	448.6	815.6	55.0
Continuing operations attributable to owners of the Parent						
Basic earnings	**431.1**	**840.8**	**51.3**	448.9	806.5	55.6
Diluted earnings	**431.1**	**846.3**	**50.9**	448.9	815.6	55.0
Discontinued operation attributable to owners of the Parent						
Basic earnings	**–**	**840.8**	**–**	(0.3)	806.5	–
Diluted earnings	**–**	**846.3**	**–**	(0.3)	815.6	–
Continuing operations attributable to owners of the Parent						
Basic earnings	**431.1**			448.9		
Group adjustments:						
Profit on sale of trading property	**(3.5)**			(2.6)		
Gain on revaluation and sale of investment and development property	**(453.9)**			(454.2)		
Loss on sale of loan notes	**0.2**			–		
Write back of trading property	**–**			(0.5)		
Loss on termination of derivative financial instruments	**–**			1.3		
Change in fair value of derivative financial instruments	**0.6**			12.1		
Deferred tax adjustments	**3.8**			8.6		
Non-controlling interest in respect of the adjustments	**26.4**			–		
Joint venture adjustments:						
Loss on sale of trading property	**1.6**			4.5		
Gain on revaluation of investment and development property	**(0.1)**			(0.2)		
Write back of trading property	**(0.2)**			(1.2)		
EPRA adjusted earnings on continuing operations[2]	**6.0**	**840.8**	**0.7**	16.7	806.5	2.1
Other finance costs and income	**–**			3.9		
Write back of impairment of other receivables	**–**			(0.2)		
Other costs	**–**			0.2		
Loss on sale of available-for-sale investments	**0.2**			–		
Current tax adjustments	**–**			(3.1)		
Deferred tax adjustments	**1.7**			(4.1)		
Discontinued operation	**–**			(0.3)		
Joint venture adjustment:						
Other income	**(0.1)**			–		
Underlying earnings[2]	**7.8**	**840.8**	**0.9**	13.1	806.5	1.6

1 Weighted average number of shares in issue has been adjusted by 0.1 million (2014: 0.1 million) for the issue of bonus shares in connection with the scrip dividend scheme.

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

12 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

Headline earnings per share is calculated in accordance with Circular 2/2015 issued by the South African Institute of Chartered Accountants ("SAICA"), a requirement of the Group's Johannesburg Stock Exchange ("JSE") listing. This measure is not a requirement of IFRS.

(a) Earnings per share continued

	2015			2014		
	Earnings £m	**Shares[1] million**	**Earnings per share (pence)**	Earnings £m	Shares[1] million	Earnings per share (pence)
Continuing and discontinued operations attributable to owners of the Parent						
Basic earnings	**431.1**	**840.8**	**51.3**	448.6	806.5	55.6
Group adjustments:						
Gain on revaluation and sale of investment and development property	**(453.9)**			(446.5)		
Loss on sale of available-for-sale investments	**0.2**			–		
Loss on sale of loan notes	**0.2**			–		
Write back of impairment of other receivables	**–**			(0.2)		
Deferred tax adjustments	**3.8**			8.7		
Non-controlling interest in respect of the adjustments	**26.4**			–		
Joint venture adjustment:						
Gain on revaluation of investment and development property	**(0.1)**			(0.2)		
Headline earnings	**7.7**	**840.8**	**0.9**	10.4	806.5	1.3
Dilutive effect of contingently issuable share option awards	**–**	**2.1**		–	4.2	
Dilutive effect of contingently issuable deferred share awards	**–**	**0.8**		–	1.0	
Dilutive effect of contingently issuable matching nil cost options awards	**–**	**1.3**		–	2.7	
Dilutive effect of deferred bonus share option awards	**–**	**1.3**		–	1.2	
Diluted headline earnings	**7.7**	**846.3**	**0.9**	10.4	815.6	1.3

1 Weighted average number of shares in issue has been adjusted by 0.1 million (2014: 0.1 million) for the issue of bonus shares in connection with the scrip dividend scheme.

(b) Net assets per share

	2015			2014		
	Net assets £m	**Shares million**	**NAV per share (pence)**	Net assets £m	Shares million	NAV per share (pence)
Net assets attributable to owners of the Parent	**2,934.0**	**842.0**	**348.5**	2,506.3	836.2	299.7
Effect of dilution on exercise of contingently issuable share option awards	**–**	**2.3**		–	5.1	
Effect of dilution on vesting of contingently issuable deferred share awards	**–**	**0.8**		–	1.0	
Effect of dilution on exercise of contingently issuable matching nil cost option awards	**–**	**1.3**		–	2.8	
Effect of dilution on exercise of deferred bonus share option awards	**–**	**1.3**		–	1.2	
Diluted NAV	**2,934.0**	**847.7**	**346.1**	2,506.3	846.3	296.1
Group adjustments:						
Fair value of derivative financial instruments	**2.4**			1.8		
Unrecognised surplus on trading property – Group	**8.3**			12.9		
Unrecognised surplus on trading property – Joint venture	**91.6**			83.4		
Deferred tax adjustments	**28.9**			25.1		
Non-controlling interests in respect of the adjustments	**(5.8)**			–		
EPRA adjusted, diluted NAV	**3,059.4**	**847.7**	**360.9**	2,629.5	846.3	310.7
Fair value of derivative financial instruments	**(2.4)**			(1.8)		
Excess fair value of debt over carrying value	**(12.1)**			(15.8)		
Deferred tax adjustments	**(28.9)**			(13.3)		
EPRA adjusted, diluted NNNAV	**3,016.0**	**847.7**	**355.8**	2,598.6	846.3	307.1

13 PROPERTY PORTFOLIO

(a) Investment and development property

Re-presented[1]	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m	Freehold £m	Leasehold £m
	Property portfolio					Tenure	
At 1 January 2014	1,108.4	763.1	178.3	–	2,049.8	1,049.3	1,000.5
Reclassification	–	–	–	–	–	5.9	(5.9)
Additions from acquisitions	166.7	50.0	–	4.5	221.2	214.7	6.5
Additions from subsequent expenditure	28.7	23.5	3.9	0.4	56.5	26.6	29.9
Disposals	(13.0)	–	–	–	(13.0)	(13.0)	–
Transfers from trading property[2]	23.3	–	–	–	23.3	23.3	–
Gain/(loss) on valuation[2]	262.6	134.0	50.4	(0.4)	446.6	162.6	284.0
At 31 December 2014	**1,576.7**	**970.6**	**232.6**	**4.5**	**2,784.4**	**1,469.4**	**1,315.0**
Reclassification	**–**	**–**	**–**	**–**	**–**	**(32.0)**	**32.0**
Additions from acquisitions	**50.0**	**449.2**	**–**	**–**	**499.2**	**85.6**	**413.6**
Additions from subsequent expenditure	**59.9**	**53.6**	**4.0**	**0.3**	**117.8**	**48.5**	**69.3**
Gain/(loss) on valuation[3]	**262.9**	**133.0**	**58.4**	**(0.4)**	**453.9**	**225.4**	**228.5**
At 31 December 2015	**1,949.5**	**1,606.4**	**295.0**	**4.4**	**3,855.3**	**1,796.9**	**2,058.4**

(b) Trading property

	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m	Freehold £m	Leasehold £m
	Property portfolio					Tenure	
At 1 January 2014	31.0	0.6	–	–	31.6	30.1	1.5
Additions from subsequent expenditure	10.8	–	–	–	10.8	10.6	0.2
Disposals	(4.6)	–	–	–	(4.6)	(3.0)	(1.6)
Transfers to investment and development property[2]	(15.6)	–	–	–	(15.6)	(15.6)	–
Write back/(write down) of trading property and other	0.5	(0.6)	–	–	(0.1)	–	(0.1)
At 31 December 2014[4]	**22.1**	**–**	**–**	**–**	**22.1**	**22.1**	**–**
Additions from subsequent expenditure	**0.9**	**–**	**–**	**–**	**0.9**	**0.9**	**–**
Disposals	**(7.5)**	**–**	**–**	**–**	**(7.5)**	**(7.5)**	**–**
At 31 December 2015[4]	**15.5**	**–**	**–**	**–**	**15.5**	**15.5**	**–**

1 The comparative period has been re-presented to reflect the transfer of Maclise Road from the Earls Court Properties segment to the Venues segment.

2 Within the transfer from trading property of £23.3 million is a revaluation gain of £7.7 million that is recognised in the consolidated income statement within gain on revaluation and sale of investment and development property. This gain is unrealised and relates to assets held at the end of 2014.

3 Gain on valuation of £453.9 million (2014: £446.6 million) is recognised in the consolidated income statement within gain on revaluation and sale of investment and development property. This gain is unrealised and relates to assets held at the end of the year.

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

13 PROPERTY PORTFOLIO CONTINUED

(c) Market value reconciliation of total property

	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m
Carrying value of investment and development property at 31 December 2015	**1,949.5**	**1,606.4**	**295.0**	**4.4**	**3,855.3**
Carrying value of trading property at 31 December 2015	**15.5**	**–**	**–**	**–**	**15.5**
Carrying value of investment, development and trading property at 31 December 2015[1]	**1,965.0**	**1,606.4**	**295.0**	**4.4**	**3,870.8**
Adjustment in respect of fixed head leases	**(4.1)**	**–**	**–**	**–**	**(4.1)**
Adjustment in respect of tenant lease incentives	**36.0**	**–**	**–**	**–**	**36.0**
Unrecognised surplus on trading property[2]	**8.3**	**–**	**–**	**–**	**8.3**
Market value of investment, development and trading property at 31 December 2015	**2,005.2**	**1,606.4**	**295.0**	**4.4**	**3,911.0**
Joint ventures					
Carrying value of joint venture investment, development and trading property at 31 December 2015	**–**	**130.8**	**–**	**–**	**130.8**
Unrecognised surplus on joint venture trading property[2]	**–**	**91.6**	**–**	**–**	**91.6**
Market value of investment, development and trading property on a proportionate basis at 31 December 2015	**2,005.2**	**1,828.8**	**295.0**	**4.4**	**4,133.4**

Re-presented[3]	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m
Carrying value of investment and development property at 31 December 2014	1,576.7	970.6	232.6	4.5	2,784.4
Carrying value of trading property at 31 December 2014	22.1	–	–	–	22.1
Carrying value of investment, development and trading property at 31 December 2014[1]	1,598.8	970.6	232.6	4.5	2,806.5
Adjustment in respect of fixed head leases	(3.7)	–	–	–	(3.7)
Adjustment in respect of tenant lease incentives	27.6	–	–	–	27.6
Unrecognised surplus on trading property[2]	12.9	–	–	–	12.9
Market value of investment, development and trading property at 31 December 2014	1,635.6	970.6	232.6	4.5	2,843.3
Joint ventures					
Carrying value of joint venture investment, development and trading property at 31 December 2014	–	98.3	–	–	98.3
Unrecognised surplus of joint venture trading property[2]	–	83.4	–	–	83.4
Market value of investment, development and trading property on a proportionate basis at 31 December 2014	1,635.6	1,152.3	232.6	4.5	3,025.0

1 Included within investment and development property is £0.7 million (2014: £1.1 million) of interest capitalised during the year on developments in progress.

2 The unrecognised surplus on trading property is shown for informational purposes only and is not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value in the consolidated financial statements.

3 The comparative period has been re-presented to reflect the transfer of Maclise Road from the Earls Court Properties segment to the Venues segment.

13 PROPERTY PORTFOLIO CONTINUED

At 31 December 2015, the Group was contractually committed to £162.5 million (2014: £100.9 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 25 'Capital Commitments' for further information on capital commitments.

The fair value of the Group's investment, development and trading property at 31 December 2015 was determined by independent, appropriately qualified external valuers Jones Lang LaSalle for Earls Court Properties (excluding the Empress State Building) and Venues; and CB Richard Ellis for the remainder of the Group's property portfolio. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards. Fees paid to valuers are based on fixed price contracts.

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

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

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

Valuations are based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider, on a property by property basis, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and the likelihood of achieving and implementing this change in arriving at its valuation.

A number of the Group's properties have been valued on the basis of their development potential which differs from their existing use. In respect of development valuations, the valuer ordinarily considers the gross development value of the completed scheme based upon assumptions of capital values, rental values and yields of the properties which would be created through the implementation of the development. Deductions are then made for anticipated costs, including an allowance for developer's profit before arriving at a valuation.

Most notably, within Earls Court Properties, the Empress State Building has been valued on the basis of its development potential as a residential led scheme. The property is currently used as an office space, generating an income stream for the Group, while the process to achieve the change in use is being implemented. Within the Covent Garden segment, where appropriate, a number of properties have also been valued on the basis of their development potential, principally for the conversion to residential use or for improving the configuration of retail units.

There are often restrictions on both freehold and leasehold property which could have a material impact on the realisation of these assets. The most significant of these occur when planning permission is required or when a credit facility is in place. These restrictions are factored into the property's valuation by the external valuer. Refer to disclosures surrounding property risks on page 19.

14 INVESTMENT IN JOINT VENTURES

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

At 31 December 2015, joint ventures comprise the Lillie Square joint venture ("LSJV"), the Solum Developments joint venture ("Solum") and The Great Capital Partnership ("GCP") which is accounted for as a discontinued operation.

LSJV

LSJV was established as a joint venture arrangement with the Kwok Family Interests ("KFI"), in August 2012. The joint venture was established to own, manage and develop land interests at Lillie Square. LSJV comprises Lillie Square LP, Lillie Square GP Limited, acting as general partner to the partnership, and its subsidiaries. All major decisions regarding LSJV are taken by the Board of Lillie Square GP Limited, through which the Group shares strategic control.

14 INVESTMENT IN JOINT VENTURES CONTINUED

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

LSJV	2015 £m	2014 £m
Summarised income statement		
Revenue	**0.6**	0.4
Net rental income	**0.5**	0.1
Gain on revaluation of investment and development property	**0.2**	0.4
Agent, selling and marketing fees	**(3.1)**	(9.0)
Write back of trading property	**0.5**	2.4
Administration expenses	**(3.8)**	(3.1)
Finance costs[1]	**(18.7)**	(16.7)
Taxation	**–**	0.1
Loss for the year	**(24.4)**	(25.8)

1 Finance costs relates to the amortisation of deep discount bonds that were issued by LSJV to the Group and KFI. The bonds are redeemable at their nominal value of £263.4 million on 24 August 2019. The discount applied is unwound over the period to maturity using the effective interest rate. Finance income receivable to the Group of £9.3 million (2014: £8.4 million) is recognised in the consolidated income statement within other finance income.

LSJV	2015 £m	2014 £m
Summarised balance sheet		
Investment and development property	**3.2**	3.0
Other non-current assets	**3.0**	1.4
Trading property	**258.5**	193.5
Cash and cash equivalents[1]	**67.2**	33.9
Other current assets	**0.2**	0.2
Borrowings	**(87.7)**	(13.8)
Other non-current liabilities[2]	**(174.5)**	(155.8)
Amounts payable to joint venture partners[3]	**(75.2)**	(72.0)
Other current liabilities[1]	**(57.7)**	(28.8)
Net liabilities	**(63.0)**	(38.4)
Capital commitments	**97.2**	141.0
Carrying value of investment, development and trading property	**261.7**	196.5
Unrecognised surplus on trading property[4]	**183.2**	166.9
Market value of investment, development and trading property[4]	**444.9**	363.4

1 Includes restricted cash and cash equivalents of £52.3 million (2014: £22.6 million) relating to amounts received as property deposits that will not be available for use by LSJV until completion of building work. There is a corresponding liability of £52.3 million (2014: £22.6 million) within other current liabilities.

2 Other non-current liabilities relate to deep discount bonds. Amounts receivable by the Group of £87.2 million (2014: £77.9 million) are recognised on the consolidated balance sheet within non-current trade and other receivables.

3 Amounts payable to joint venture partners relate to working capital funding advanced by the Group and KFI. Recoverable amounts receivable of £10.0 million (2014: £19.1 million) by the Group are recognised on the consolidated balance sheet within current trade and other receivables.

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

Solum

On 29 June 2015, the Group acquired a 50 per cent interest in Solum, a joint venture arrangement with Network Rail Infrastructure Limited ("NRIL"). Total acquisition costs were £14.5 million, £2.0 million of which is contingent. Refer to note 21 'Other Provisions' for further information regarding the contingent consideration. The joint venture will explore opportunities for future redevelopments on and around significant railway station sites in London.

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

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

Solum	2015 £m
Summarised income statement	
Administration expenses	**(1.4)**
Loss for the year	**(1.4)**

14 INVESTMENT IN JOINT VENTURES CONTINUED

Solum	2015 £m
Summarised balance sheet	
Cash and cash equivalents	**1.6**
Other current liabilities	**(1.1)**
Net assets	**0.5**

GCP

GCP was established as a joint venture in 2007 with Great Portland Estates plc ("GPE"), to own, manage and develop a number of central London properties. The summarised balance sheet of GCP is presented below. A summarised income statement is not presented as there were no income, expenses, gains or losses attributable to the joint venture in the current or comparative year.

GCP	2015 £m	2014 £m
Summarised balance sheet		
Cash and cash equivalents	**0.1**	0.2
Net assets	**0.1**	0.2

Reconciliation of summarised financial information:

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

	GCP £m	LSJV £m	Solum £m	Total £m
Net assets/(liabilities) of joint ventures at 31 December 2014	0.2	(38.4)	–	(38.2)
Elimination of joint venture partners' interest	(0.1)	19.2	–	19.1
Cumulative losses restricted[1]	–	19.2	–	19.2
Carrying value at 31 December 2014	0.1	–	–	0.1
Net assets/(liabilities) of joint ventures at 31 December 2015	**0.1**	**(63.0)**	**0.5**	**(62.4)**
Elimination of joint venture partners' interest	**–**	**31.5**	**(0.3)**	**31.2**
Cumulative losses restricted[1]	**–**	**31.5**	**–**	**31.5**
Goodwill on acquisition of joint venture[2]	**–**	**–**	**14.5**	**14.5**
Carrying value at 31 December 2015	**0.1**	**–**	**14.7**	**14.8**

1 Cumulative losses restricted represent the Group's share of losses in LSJV which exceed its investment in the joint venture. As a result the carrying value of the investment in LSJV is £nil (2014: £nil) in accordance with the requirements of IAS 28.

2 In accordance with the initial recognition exemption provisions under IAS 12 'Income Taxes', no deferred tax is recognised on goodwill.

Reconciliation of investment in joint ventures:

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

Investment in joint ventures	GCP £m	LSJV £m	Solum £m	Total £m
At 1 January 2014	93.3	–	–	93.3
Distributions	(93.2)	–	–	(93.2)
Loss for the year[1]	–	(12.9)	–	(12.9)
Loss restricted[1]	–	12.9	–	12.9
At 31 December 2014	**0.1**	**–**	**–**	**0.1**
Loss for the year[1]	**–**	**(12.2)**	**(0.7)**	**(12.9)**
Loss restricted[1]	**–**	**12.2**	**–**	**12.2**
Issue of equity loan notes	**–**	**–**	**0.9**	**0.9**
Goodwill on acquisition of joint venture	**–**	**–**	**14.5**	**14.5**
At 31 December 2015	**0.1**	**–**	**14.7**	**14.8**

1 Share of post-tax loss from joint ventures in the consolidated income statement of £0.7 million (2014: profit £nil) comprise loss for the year of £12.9 million (2014: £12.9 million) and loss restricted totalling £12.2 million (2014: £12.9 million).

15 TRADE AND OTHER RECEIVABLES

	2015 £m	2014 £m
Non-current		
Loan notes receivable[1]	**–**	6.2
Other receivables[2]	**38.5**	18.7
Prepayments and accrued income[3]	**33.2**	26.7
Amounts receivable from joint ventures[4]	**87.2**	77.9
Trade and other receivables	**158.9**	129.5
Current		
Rent receivable[5]	**6.6**	8.1
Other receivables	**3.4**	6.5
Prepayments and accrued income[3]	**12.3**	9.1
Amounts receivable from joint ventures[6]	**10.0**	19.1
Trade and other receivables	**32.3**	42.8

1 Loan notes receivable were settled on 19 June 2015. A loss of £0.2 million was incurred as a result of the transaction.

2 Includes £30.0 million (2014: £15.0 million) payment to LBHF which forms part of the CLSA.

3 Includes tenant lease incentives of £36.0 million (2014: £27.6 million).

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

5 Includes exhibition trade receivables.

6 Current amounts receivable from joint ventures comprise working capital funding advanced by the Group to LSJV. The balance has been impaired by £31.5 million (2014: £19.2 million).

16 CASH AND CASH EQUIVALENTS

	2015 £m	2014 £m
Cash at hand	**11.6**	29.8
Cash on short-term deposit	**49.3**	59.0
Unrestricted cash and cash equivalents	**60.9**	88.8
Restricted cash and cash equivalents[1]	**6.0**	6.0
Cash and cash equivalents	**66.9**	94.8

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

17 TRADE AND OTHER PAYABLES

	2015 £m	2014 £m
Non-current		
Other payables	**–**	0.2
Trade and other payables	**–**	0.2
Current		
Rent received in advance	**21.3**	20.6
Accruals and deferred income	**58.5**	61.3
Trade payables	**2.7**	4.4
Other payables	**6.9**	8.3
Other taxes and social security	**2.1**	0.7
Amounts payable to non-controlling interest	**4.4**	7.1
Trade and other payables	**95.9**	102.4

18 BORROWINGS, INCLUDING FINANCE LEASES

	2015						
	Carrying value £m	**Secured £m**	**Unsecured £m**	**Fixed rate £m**	**Floating rate £m**	**Fair value £m**	**Nominal value £m**
Current							
Bank loans and overdrafts	**12.0**	**12.0**	**–**	**–**	**12.0**	**12.0**	**12.0**
Loan notes	**6.0**	**6.0**	**–**	**–**	**6.0**	**6.0**	**6.0**
Borrowings	**18.0**	**18.0**	**–**	**–**	**18.0**	**18.0**	**18.0**
Finance lease obligations	**0.5**	**0.5**	**–**	**0.5**	**–**	**0.5**	**0.5**
Borrowings, including finance leases	**18.5**	**18.5**	**–**	**0.5**	**18.0**	**18.5**	**18.5**
Non-current							
Bank loan 2018	**84.8**	**84.8**	**–**	**–**	**84.8**	**85.5**	**85.5**
Bank loan 2019	**369.8**	**–**	**369.8**	**–**	**369.8**	**375.0**	**375.0**
Loan notes 2024	**74.7**	**–**	**74.7**	**74.7**	**–**	**77.7**	**75.0**
Loan notes 2026	**74.7**	**–**	**74.7**	**74.7**	**–**	**77.9**	**75.0**
Borrowings	**604.0**	**84.8**	**519.2**	**149.4**	**454.6**	**616.1**	**610.5**
Finance lease obligations	**3.6**	**3.6**	**–**	**3.6**	**–**	**3.6**	**3.6**
Borrowings, including finance leases	**607.6**	**88.4**	**519.2**	**153.0**	**454.6**	**619.7**	**614.1**
Total borrowings, including finance leases	**626.1**	**106.9**	**519.2**	**153.5**	**472.6**	**638.2**	**632.6**
Cash and cash equivalents	**(66.9)**						
Net debt	**559.2**						

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

Refer to note 29 'Events after the Reporting Period' for further information on the new Covent Garden £705 million revolving credit facility which was completed in January 2016.

19 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

		2015			
	Notes	**Carrying value £m**	**Fair value £m**	**(Loss)/gain to income statement £m**	**Gain to other comprehensive income £m**
Derivative financial assets		**0.8**	**0.8**	**(1.3)**	**–**
Total held for trading assets		**0.8**	**0.8**	**(1.3)**	**–**
Cash and cash equivalents	16	**66.9**	**66.9**	**–**	**–**
Other financial assets		**191.2**	**191.2**	**(0.2)**	**–**
Total cash and other financial assets		**258.1**	**258.1**	**(0.2)**	**–**
Available-for-sale investments		**0.2**	**0.2**	**(0.2)**	**–**
Total available-for-sale investments		**0.2**	**0.2**	**(0.2)**	**–**
Derivative financial liabilities		**(3.2)**	**(3.2)**	**0.7**	**–**
Total held for trading liabilities		**(3.2)**	**(3.2)**	**0.7**	**–**
Borrowings, including finance leases	18	**(626.1)**	**(638.2)**	**–**	**–**
Other financial liabilities		**(98.7)**	**(98.7)**	**–**	**–**
Total borrowings and other financial liabilities		**(724.8)**	**(736.9)**	**–**	**–**

		2014			
	Notes	Carrying value £m	Fair value £m	(Loss)/gain to income statement £m	Gain to other comprehensive income £m
Derivative financial assets		2.1	2.1	(8.4)	–
Total held for trading assets		2.1	2.1	(8.4)	–
Cash and cash equivalents	16	94.8	94.8	–	–
Other financial assets		172.3	172.3	0.2	–
Total cash and other financial assets		267.1	267.1	0.2	–
Available-for-sale investments		0.4	0.4	–	–
Total available-for-sale investments		0.4	0.4	–	–
Derivative financial liabilities		(3.9)	(3.9)	(3.7)	–
Total held for trading liabilities		(3.9)	(3.9)	(3.7)	–
Borrowings, including finance leases	18	(449.7)	(465.5)	–	–
Other financial liabilities		(104.2)	(104.2)	–	–
Total borrowings and other financial liabilities		(553.9)	(569.7)	–	–

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 on the next page present the Group’s financial assets and liabilities recognised at fair value at 31 December 2015 and 31 December 2014.

The fair values of derivative financial instruments are determined from observable market prices or estimated using appropriate yield curves at 31 December each year by discounting the future contractual cash flows to the net present values.

19 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES CONTINUED

2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial assets				
Held for trading	**–**	**0.8**	**–**	**0.8**
Investments				
Available-for-sale investments	**–**	**–**	**0.2**	**0.2**
Total assets	**–**	**0.8**	**0.2**	**1.0**
Derivative financial liabilities				
Held for trading	–	**(3.2)**	–	**(3.2)**
Total liabilities	**–**	**(3.2)**	–	**(3.2)**

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

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

	2015 £m	2014 £m
Available-for-sale investments		
At 1 January	**0.4**	0.4
Loss on sale	**(0.2)**	–
At 31 December	**0.2**	0.4

All of the Group's Level 3 financial instruments are unlisted equity investments. The valuation of the available-for-sale investment is based on expected cash distributions to be received from China Harvest Fund 1 with reference to the market value of the underlying assets held.

20 DEFERRED TAX

The decrease in corporation tax rate referred to in note 10 'Taxation' has been substantively enacted for the purposes of IAS 12 'Income Taxes' ("IAS 12") and therefore has been reflected in these consolidated financial statements based on the expected timing of the realisation of deferred tax.

Deferred tax on investment and development property is calculated under IAS 12 provisions on a disposals basis by reference to the properties' original tax base cost. Elements factored into the calculation include indexation relief and the Group's holding structure. The Group's recognised deferred tax liability on investment and development property as calculated under IAS 12 is £15.6 million at 31 December 2015 (2014: £11.8 million). The Group's contingent tax liability on investment properties, calculated on the same tax base cost as above but based on a deemed market value disposal at year-end, is £17.6 million (2014: £nil). The variance between the two methods of calculation arise from the differing tax rates applicable at the time of each deemed disposal.

A disposal of the Group's trading properties including Lillie Square at their market value as per note 13 'Property Portfolio' would result in a corporation tax charge to the Group of £20.2 million (20.25 per cent of £99.9 million).

	Accelerated capital allowances £m	Fair value of investment & development property £m	Fair value of derivative financial instruments £m	Other temporary differences £m	Group losses £m	Total £m
Provided deferred tax liabilities/(assets):						
At 1 January 2014	12.9	3.1	0.2	(4.0)	(2.3)	9.9
Adjustment in respect of previous years	0.1	(0.3)	0.2	–	–	–
Recognised in income	1.3	9.6	(0.8)	(1.8)	(3.3)	5.0
Recognised in other comprehensive income	–	–	–	(0.4)	–	(0.4)
Recognised directly in equity	–	–	–	(0.3)	–	(0.3)
Reduction due to rate change	(0.7)	(0.6)	0.1	(0.1)	–	(1.3)
At 31 December 2014	**13.6**	**11.8**	**(0.3)**	**(6.6)**	**(5.6)**	**12.9**
Adjustments in respect of previous years	**–**	**–**	**–**	**–**	**1.4**	**1.4**
Recognised in income	**0.8**	**5.6**	**(0.1)**	**(0.9)**	**0.5**	**5.9**
Recognised in other comprehensive income	**–**	**–**	**–**	**0.2**	**–**	**0.2**
Recognised directly in equity	**–**	**–**	**–**	**1.5**	**–**	**1.5**
Reduction due to rate change	**(0.7)**	**(1.8)**	**–**	**0.1**	**–**	**(2.4)**
At 31 December 2015	**13.7**	**15.6**	**(0.4)**	**(5.7)**	**(3.7)**	**19.5**

Unprovided deferred tax (assets):						
At 1 January 2015	**–**	**–**	**–**	**–**	**(18.3)**	**(18.3)**
Movement during the year	**–**	**–**	**–**	**–**	**10.5**	**10.5**
At 31 December 2015	**–**	**–**	**–**	**–**	**(7.8)**	**(7.8)**

In accordance with the requirements of IAS 12, deferred tax assets are only recognised to the extent that the Group believes it is probable that future taxable profit will be available against which the deferred tax assets can be recovered.

21 OTHER PROVISIONS

	2015 £m
Current	
At 1 January	**–**
Contingent consideration on acquisition of joint venture	**2.0**
At 31 December	**2.0**

As detailed in note 14 '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.

22 SHARE CAPITAL AND SHARE PREMIUM

Issue type	Transaction date	Issue price (pence)	Number of shares	Share capital £m	Share premium £m
At 1 January 2014			757,903,158	189.5	121.0
Share placing	May	340	75,900,000	18.9	84.7
Scrip dividend – 2013 final	June	347	254,158	0.1	0.8
Scrip dividend – 2014 interim	September	338	174,600	–	–
Share-based payment[1]			2,004,491	0.6	0.4
At 31 December 2014			**836,236,407**	**209.1**	**206.9**
Scrip dividend – 2014 final	June	416	**1,028,609**	**0.3**	**4.0**
Scrip dividend – 2015 interim	September	467	**122,277**	**–**	**–**
Share-based payment[2]			**4,601,652**	**1.1**	**0.2**
At 31 December 2015			**841,988,945**	**210.5**	**211.1**

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

2 In 2015 a total of 4,601,652 new shares were issued to satisfy employee share scheme awards.

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

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

At 24 February 2016, the Company had an unexpired authority to repurchase shares up to a maximum of 84,081,014 shares with a nominal value of £21.0 million, and the Directors had an unexpired authority to allot up to a maximum of 558,828,671 shares with a nominal value of £140.0 million of which 279,989,778 with a nominal value of £70.0 million can only be allotted pursuant to a fully pre-emptive rights issue.

23 OTHER RESERVES

	2015 £m	2014 £m
Revaluation reserve	**0.1**	0.1
Cash flow hedge reserve	**0.3**	0.3
Total other reserves	**0.4**	0.4

24 NON-CONTROLLING INTEREST

	2015 £m	2014 £m
At 1 January	**–**	–
Profit and total comprehensive income for the year attributable to non-controlling interest	**26.1**	–
Capital contribution from non-controlling interest	**44.4**	–
Unsecured loan notes issued to non-controlling interest	**398.3**	–
At 31 December	**468.8**	–

During the year, unsecured, non-interest bearing loan notes, redeemable in 2064 were issued by ECPL, a subsidiary of the Group, to TTL Earls Court Properties Limited, a subsidiary of TfL, which is the non-controlling interest of the Group. As the transaction price of the loan notes was not an approximation of their fair value, the Group determined the fair value by using data from observable inputs. As a result, the initial fair value of the loan notes was valued at less than £0.1 million and therefore £398.3 million has been classified as equity.

25 CAPITAL COMMITMENTS

At 31 December 2015, the Group was contractually committed to £162.5 million (2014: £100.9 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Of the £162.5 million committed, £91.1 million is committed 2016 expenditure.

In November 2013, the Group exercised its option under the CLSA which it entered into with LBHF in January 2013 in relation to LBHF's land interest within the Earls Court Masterplan. Under the terms of the CLSA, the Group can draw down land in phases but no land can be transferred unless replacement homes for the residents of the relevant phase have been provided and vacant possession is given. The Group has already paid £45 million of the £105 million cash consideration payable under the CLSA. The residual £60 million will be settled in four annual instalments of £15 million with the next payment due on 31 December 2016.

The Group's share of joint venture capital commitments arising on LSJV amounts to £48.6 million (2014: £70.5 million).

26 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 25 'Capital Commitments').

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

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

27 CASH GENERATED FROM OPERATIONS

Continuing operations	Notes	**2015 £m**	2014 £m
Profit before tax		**459.9**	450.2
Adjustments:			
Profit on sale of trading property	3	**(3.5)**	(2.6)
Gain on revaluation and sale of investment and development property	4	**(453.9)**	(454.2)
Other costs		**–**	0.2
Write back of trading property		**–**	(0.5)
Loss on sale of loan notes		**0.2**	–
Impairment of other receivables	6	**12.2**	12.7
Depreciation		**0.5**	0.3
Amortisation of tenant lease incentives and other direct costs		**–**	5.3
Share-based payment[1]		**5.1**	5.2
Finance income	7	**(0.7)**	(0.8)
Finance costs	8	**20.8**	15.9
Other finance income	7	**(9.3)**	(8.4)
Other finance costs	8	**–**	5.2
Change in fair value of derivative financial instruments		**0.6**	12.1
Change in working capital:			
Change in trade and other receivables		**(40.5)**	(17.5)
Change in trade and other payables		**21.7**	3.1
Cash generated from operations		**13.1**	26.2

1 Includes £4.6 million (2014: £4.8 million) relating to the IFRS 2 'Share-based payment' charge.

28 RELATED PARTY TRANSACTIONS

Transactions with Directors

Key management compensation[1]	**2015 £m**	2014 £m
Salaries and short-term employee benefits	**3.5**	3.3
Share-based payment	**3.2**	3.6
	6.7	6.9

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

Property purchased by Directors of the Company
A related party of the Group, Lillie Square GP Limited, entered into the following related party transactions as defined by IAS 24 'Related Party Disclosures':

- In April 2014 Ian Durant, Chairman of Capital & Counties Properties PLC, together with his spouse exchanged contracts to acquire an apartment for a purchase price of £725,000. At 31 December 2014 an initial deposit of £72,500 had been received. In April 2015 a further £72,500 was received with the balance of £580,000 due upon legal completion.
- In April 2014 Andrew Strang, a Non-executive Director of Capital & Counties Properties PLC exchanged contracts to acquire an apartment for a purchase price of £855,000. At 31 December 2014 an initial deposit of £85,500 had been received. In April 2015 a further £85,500 was received with the balance of £684,000 due upon legal completion.
- In April 2014 Henry Staunton, a Non-executive Director of Capital & Counties Properties PLC, together with his spouse exchanged contracts to acquire an apartment for a purchase price of £1,999,000. At 31 December 2014 an initial deposit of £199,900 had been received. In April 2015 a further £199,900 was received with the balance of £1,599,200 due upon legal completion.
- In December 2014 Graeme Gordon, a Non-executive Director of Capital & Counties Properties PLC, exchanged contracts to acquire two apartments for £1,925,000 and £2,725,000. At 31 December 2014, initial deposits of £192,500 and £272,500 had been received. In December 2015 a further £192,500 and £272,500 had been received, with the balance due upon legal completion.
- In December 2014 Blue Lillie Limited, an entity connected to Graeme Gordon, exchanged contracts to acquire two apartments for £1,975,000 and £2,825,000. At 31 December 2014, initial deposits of £197,500 and £282,500 had been received. In December 2015 a further £197,500 and £282,500 had been received with the balance due on legal completion.

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

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

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.

29 EVENTS AFTER THE REPORTING PERIOD

On 8 January 2016, the £665 million Covent Garden revolving credit facility was replaced by a new £705 million revolving credit facility. This new facility is repayable in December 2020 which on a pro-forma basis has extended the weighted average debt maturity to 5.3 years, has reduced the weighted average cost of debt to 2.8 per cent and has increased available facilities by £40 million. The Group has incurred a charge of approximately £2.7 million relating to fees on the new facility and has written off £5.2 million relating to unamortised fees on the existing facility.

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

1. PROPERTY DATA AS AT 31 DECEMBER 2015

	Market Value £m	Ownership
Covent Garden	**2,005.2**	**100%**
Earls Court Properties		
ECPL	**803.0**	**63%**
Lillie Square	**222.5**	**50%**
Empress State	**286.0**	**100%**
Other	**45.7**	**100%**
Earls Court Properties (Group share)	**1,357.2**	
Venues	**295.0**	**100%**
Other	**4.4**	**100%**
Total property (Group share)	**3,661.8**	
Non-controlling interest in Earls Court Properties	**471.6**	
Total property	**4,133.4**	
Investment and development property	***3,888.7***	
Trading property	***244.7***	

2. ANALYSIS OF CAPITAL RETURN FOR THE YEAR

Like-for-like capital	**Market Value 31 December 2015 £m**	Market Value 31 December 2014 £m	**Revaluation surplus/ (deficit)[1] 31 December 2015 £m**	Increase
Covent Garden	**1,958.1**	1,624.5	**263.8**	15.9%
Earls Court Properties	**1,343.6**	1,152.3	**113.5**	9.2%
Venues	**295.0**	232.6	**58.4**	24.7%
Other	**4.4**	4.5	**(0.4)**	
Total like-for-like capital	**3,601.1**	3,013.9	**435.3**	13.9%
Investment and development property	***3,356.4***	*2,809.8*	***427.7***	*14.8%*
Trading property	***244.7***	*204.1*	***7.6***	*3.2%*
Non like-for-like capital				
Additions due to transactions with non-controlling interest	**468.2**	–	**32.4**	
Acquisitions	**64.1**	–	**(6.1)**	
Disposals	**–**	11.1	**–**	
Total property	**4,133.4**	3,025.0	**461.6**	12.7%
Investment and development property	***3,888.7***	*2,809.8*	***454.0***	*13.3%*
Trading property	***244.7***	*215.2*	***7.6[2]***	*3.2%*
All property				
Covent Garden	**2,005.2**	1,635.6	**262.1**	15.3%
Earls Court Properties[3]	**1,828.8**	1,152.3	**141.5**	8.4%
Venues[3]	**295.0**	232.6	**58.4**	24.7%
Other	**4.4**	4.5	**(0.4)**	
Total property	**4,133.4**	3,025.0	**461.6**	12.7%

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

2 Represents unrecognised surplus and write down or write back to market value of trading property. Presented for information purposes only.

3 The comparative period has been re-presented to reflect the transfer of Maclise Road from the Earls Court Properties segment to the Venues segment.

4 The increase in the market value of Earls Court Properties includes £468.2 million additions due to transactions with non-controlling interests.

ANALYSIS OF PROPERTY PORTFOLIO CONTINUED (UNAUDITED)

3. ANALYSIS OF NET RENTAL INCOME FOR THE YEAR

Like-for-like net rental income	2015 £m	2014 £m	Increase/ (decrease)
Covent Garden	**34.8**	33.3	**4.4%**
Earls Court Properties	**17.6**	17.3	**2.1%**
Venues	**19.3**	15.3	**26.0%**
Other	**(0.5)**	–	
Total like-for-like net rental income	**71.2**	65.9	**8.0%**
Like-for-like investment and development property	***71.2***	*65.9*	***8.0%***
Like-for-like trading property	–	–	
Non like-for-like net rental income			
Acquisitions	**0.3**	–	
Developments	**0.3**	2.6	
Disposals	**–**	0.3	
Prior year acquisitions (like-for-like capital)	**3.6**	1.3	
Total net rental income	**75.4**	70.1	**7.6%**
Investment and development property	***75.3***	*70.1*	***7.6%***
Trading property	***0.1***	–	

All property	2015 £m	2014 £m	Increase/ (decrease)
Covent Garden	**38.8**	36.8	**5.6%**
Earls Court Properties[1]	**17.8**	18.0	**(0.9)%**
Venues	**19.3**	15.3	**26.0%**
Other	**(0.5)**	–	
Total net rental income	**75.4**	70.1	**7.6%**

1 ERV of the Empress State Building is £15.9 million.

4. ANALYSIS OF COVENT GARDEN BY USE

31 December 2015

	Initial yield (EPRA)	Nominal equivalent yield	Passing rent £m	Occupancy rate (EPRA)	Weighted average unexpired lease years	Market value £m	ERV £m	Gross area million Sq ft
Retail						**1,444.5**	**57.5**	**0.5**
Office						**234.7**	**13.0**	**0.2**
Residential						**121.4**	**3.5**	**0.2**
Other[1]						**204.6**	**12.2**	**0.1**
Total	**2.12%**	**3.48%**	**46.2**	**97.8%**	**6.9**	**2,005.2**	**86.2**	**1.0**

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

CONSOLIDATED UNDERLYING PROFIT STATEMENT (UNAUDITED)

For the year ended 31 December 2015

	2015 £m	2014 £m
Net rental income	**75.4**	70.1
Other income	**2.0**	1.5
Administration expenses	**(52.8)**	(43.2)
Operating profit	**24.6**	28.4
Finance costs	**(20.8)**	(15.9)
Finance income	**0.7**	0.8
Net finance costs	**(20.1)**	(15.1)
Profit before tax	**4.5**	13.3
Taxation	**3.0**	(0.2)
Non-controlling interest	**0.3**	–
Underlying earnings[1]	**7.8**	13.1
Underlying earnings per share (pence)	**0.9**	1.6
Weighted average number of shares	**840.8m**	806.5m

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

DIVIDENDS

The Directors of Capital & Counties Properties PLC have proposed a final dividend per ordinary share (ISIN GB00B62G9D36) of 1.0 pence payable on 21 June 2016.

Dates

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

Annual General Meeting	6 May 2016
Sterling/Rand exchange rate struck	12 May 2016
Sterling/Rand exchange rate and dividend amount in Rand announced	13 May 2016
Ordinary shares listed ex-dividend on the JSE, Johannesburg	23 May 2016
Ordinary shares listed ex-dividend on the London Stock Exchange	26 May 2016
Record date for final dividend in UK and South Africa	27 May 2016
Dividend payment date for shareholders	**21 June 2016**

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 20 May 2016 and that no dematerialisation of shares will be possible from 23 May 2016 to 27 May 2016 inclusive. No transfers between the UK and South Africa registers may take place from 12 May 2016 to 27 May 2016.

Subject to SARB approval, the Board intends to offer an optional scrip dividend alternative in respect of the 2015 final dividend. The above dates are proposed and subject to change.

Important Information for South African Shareholders

The final cash dividend declared by the Company will constitute a dividend for Dividends Tax purposes. Dividends Tax will therefore be withheld from the amount of the final cash dividend which is paid at a rate of 15 per cent, unless a shareholder qualifies for an exemption and the prescribed requirements for effecting the exemption, as set out in the rules of the Scrip Dividend Scheme, are in place.

It is the Company's understanding that the issue and receipt of shares pursuant to the scrip dividend alternative will not have any Dividends Tax nor income tax implications. The new shares which are acquired under the scrip dividend alternative will be treated as having been acquired for nil consideration.

This information is included only as a general guide to taxation for shareholders resident in South Africa based on Capco's understanding of the law and the practice currently in force. Any shareholder who is in any doubt as to their tax position should seek independent professional advice.

CONFIRMATION OF HOME STATE

For the purposes of DTR 6.4.2R, it is confirmed that the Home State of the Company is the United Kingdom.

GLOSSARY

Capco

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

CGAT

Covent Garden Area Trust.

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 year including the excess of the fair value of trading property over its cost and excluding the fair value of financial instruments, deferred tax on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes divided by the diluted number of shares at the year-end.

EPRA adjusted, diluted NNNAV

EPRA diluted NAV adjusted to reflect the fair value of derivative financial instruments, excess fair value of debt over carrying value and deferred tax on derivative financial instruments, revaluations and capital allowances.

EPRA adjusted earnings per share

Profit for the year excluding gains or losses on the revaluation and sale of investment and development property, write down of trading property, changes in fair value of derivative financial instruments and associated close-out costs and the related tax on these items divided by the weighted average number of shares in issue during the year.

Estimated rental value (ERV)

The external valuers' estimate of the Group's share of the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of the property.

GEA

Gross External Area.

GLA

Greater London Authority.

Gross income

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

Headline earnings

Headline earnings per share is calculated in accordance with Circular 2/2015 issued by the South African Institute of Chartered Accountants ("SAICA"), a requirement of the Group's JSE listing. This measure is not a requirement of IFRS.

Initial yield (EPRA)

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

IPD

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

JSE

Johannesburg Stock Exchange.

Kwok Family Interests (KFI)

Joint venture partner in the Lillie Square development.

LBHF

The London Borough of Hammersmith & Fulham.

LIBOR

London Interbank Offer Rate.

Like-for-like property

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

Loan-to-value (LTV)

LTV is calculated on the basis of net debt divided by the value of the Group's property portfolio. The Group focuses most on an LTV measure that includes the notional share of joint venture interests but excludes the share of cash, debt and property which is held by the Group on behalf of non-controlling interest.

NaCTSO

National Counter Terrorism Security Office.

NAV

Net Asset Value.

Net Debt

Total borrowings less cash and cash equivalents.

NIA

Net Internal Area.

Net rental income (NRI)

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

Nominal equivalent yield

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

NRIL

Network Rail Infrastructure Limited.

Occupancy rate (EPRA)

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

Opportunity Area

In September 2011 the GLA published the 'Opportunity Area Planning Frameworks Report'. Opportunity Areas are London's major reservoirs of brownfield land with significant capacity to accommodate new housing, commercial and other developments linked to existing or potential improvements to public transport accessibility. Typically, they can accommodate at least 5,000 jobs or 2,500 new homes or a combination of the two, along with other supporting facilities and infrastructure.

Passing rent

The Group's share of contracted annual rents receivable at the balance sheet date. This takes no account of accounting adjustments made in respect of rent-free periods or tenant lease incentives, the reclassification of certain lease payments as finance charges or any irrecoverable costs and expenses, and does not include excess turnover rent, additional rent in respect of unsettled rent reviews or sundry income such as from car parks etc. Contracted annual rents in respect of tenants in administration are excluded.

RBKC

The Royal Borough of Kensington & Chelsea.

RICS

Royal Institution of Chartered Surveyors.

SARB

South African Reserve Bank.

SAICA

South African Institute of Chartered Accountants.

Section 106

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

Tenant lease incentives

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

TfL

Transport for London and any subsidiary of Transport for London including Transport Trading Limited and London Underground Limited.

Total property return (TPR)

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

Total return (TR)

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

Total shareholder return (TSR)

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

Underlying earnings

Profit for the year excluding impairment charges, net valuation gains/losses (including profits/losses on disposals), net refinancing charges, costs of termination of derivative financial instruments and non-recurring costs and income. Underlying earnings is reported on a proportionally consolidated basis.

Underlying earnings per share (EPS)

Underlying earnings divided by the weighted average number of shares in issue during the year.

Weighted average unexpired lease term

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

Zone A

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