

26 JULY 2016

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

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

Ian Hawksworth, Chief Executive of Capco, commented:

*“We have two of London’s very best estates at Covent Garden and Earls Court. Covent Garden is established as a world class retail location, attracting high retailer and consumer demand and continues to deliver immediate value creation. We are delighted to have signed brands such as Mulberry and Petersham Nurseries over the period.*

*At Earls Court, we continue to make positive progress on site. Whilst the last quarter has been characterised by uncertainty in the London market as a whole, the value of this estate will increasingly be realised in the years ahead.*

*The business is in a strong financial position with a low LTV and high liquidity. Capco’s strategy remains unchanged as we aim to deliver value creation for shareholders over time from two exceptional real estate investments in the world’s greatest city.”*

#### Key financials

- Equity attributable to owners of the Parent £2.8 billion (Dec 2015: £2.9 billion)
- EPRA adjusted, diluted NAV down 5 per cent to 344 pence per share (pre-SDLT increase: 348 pence per share) (Dec 2015: 361 pence)
- Total property value £3.6 billion, down 4 per cent (like-for-like) (Dec 2015: £3.7 billion)
- Proposed interim 2016 dividend of 0.5 pence per share (Jun 2015: 0.5 pence per share)

#### Strong financial structure

- Group loan-to-value ratio 20 per cent (Dec 2015: 16 per cent)
- Cash and available facilities of £457 million (Dec 2015: £412 million)
- Capital commitments of £194 million (Dec 2015: £207 million)

#### Creative asset management driving rental growth at Covent Garden

- Covent Garden total property value of £2.1 billion up 3 per cent (like-for-like) (Dec 2015: £2.0 billion)
- ERV up 4 per cent (like-for-like) at £90 million
- ERV target of £100m by December 2017 on track
- New leases and renewals 7 per cent above December 2015 ERV
- Significant pre-let at Kings Court to Petersham Nurseries

#### Long-term plans on track at Earls Court

- Earls Court interests valued at £1.2 billion, a decrease of 14 per cent (like-for-like) (Dec 2015: £1.4 billion)
- Opportunity to maximise the Earls Court Masterplan
- Demolition of EC1 & EC2 progressing well
- Lillie Square Phase 1 construction on plan with first completions expected later this year
  - 59 per cent of first release of Phase 2 reserved at prices 4 per cent higher than comparable units in Phase 1; positive level of enquiries

#### Operational strength at Venues

- EBITDA of £11 million, up 19 per cent compared to the first half of 2015 (full year 2015: £15 million)
- Property valuation unchanged at £295 million (Dec 2015: £295 million)

## FINANCIAL HIGHLIGHTS

	30 June 2016	31 December 2015
Equity attributable to owners of the Parent	£2,822m	£2,934m
Equity attributable to owners of the Parent per share	334p	349p
<b>-4.5% Total return for six months ended 30 June 2016 (full year 2015: 17%)</b>		
EPRA adjusted net asset value	£2,914m	£3,059m
EPRA adjusted, diluted net asset value per share	344p	361p
Dividend per share	1.0p	1.5p
<b>-2.7% Total property return for six months ended 30 June 2016 (full year 2015: 16%)</b>		
Property market value <sup>1</sup>	£3,606m	£3,662m
Net rental income <sup>2</sup>	£40.5m	£74.9m
(Loss)/profit for the period attributable to owners of the Parent	£(109.0)m	£431.1m
<b>Underlying earnings per share</b>	<b>0.7p</b>	<b>0.9p</b>

1. On a Group share basis. Refer to Property Data on page 48 for the Group's percentage ownership of property.

2. On a Group share basis. Refer to the Financial Review.

### Outlook

We have two of London's very best estates at Covent Garden and Earls Court. Covent Garden is established as a world class retail location, attracting high retailer and consumer demand and continues to deliver immediate value creation. We are delighted to have signed brands such as Mulberry and Petersham Nurseries over the period.

At Earls Court, we continue to make positive progress on site. Whilst the last quarter has been characterised by uncertainty in the London market as a whole, the value of this estate will increasingly be realised in the years ahead.

Whilst it is too early to make firm predictions following the result of the EU referendum, we remain confident in our estates and current conditions on the ground remain positive. Since 23 June, at Covent Garden we have signed three leases as well as putting a further £1 million of space under offer; and at Lillie Square four new reservations have been agreed. Covent Garden is well positioned to outperform and the ERV target of £100 million remains on track as it consolidates its position as a prime retail destination. At Earls Court, we will continue to progress with land enablement and planning activities as we prepare the site for the future.

Capco's financial position is strong and with low leverage, high liquidity and modest capital commitments, the business is well placed to withstand macroeconomic uncertainty. Capco's strategy remains unchanged as we aim to deliver value creation for shareholders over time from two exceptional real estate investments in the world's greatest city.

## ENQUIRIES

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A presentation to analysts and investors will take place today at 09:45am at UBS, 1 Finsbury Avenue, London, EC2M 2PP. The presentation will also be available to international analysts and investors through a live audio call and webcast and after the event on the Group's website [www.capitalandcounties.com](http://www.capitalandcounties.com).

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

# OPERATING REVIEW

## Overview

Capco is focused on two prime assets in central London which are underpinned by a clear and focused strategy to create long-term value for shareholders. As a result of its embedded repositioning strategy, Covent Garden, which represents 59 per cent of Capco's portfolio, is now at the forefront of global destinations for brands and visitors. Capco's distinct approach to creating places, together with creative asset management and strategic investment, continues to attract target brands, visitors and residents and drive rental growth across the estate.

Representing over 70 acres of strategic land in Chelsea and Fulham, the consented Masterplan at Earls Court provides a unique long-term opportunity to create the next great estate of London. The Earls Court Masterplan is the only consented scheme capable of scale within central London due to the strong existing transport infrastructure and consolidated land ownerships. It is a key strategic scheme for the Capital, providing the opportunity to create much needed new homes, jobs and places for London.

London is a world class global city with a diverse economy and a growing population. The capital has attracted people who wish to live, work, invest in and enjoy the city and the Greater London Authority ("GLA") estimates that the Capital's population will continue to grow significantly. London's long-term economic and population growth trends are deeply embedded and we believe these trends will continue despite the result of the EU referendum. Against this backdrop of London's continued prosperity, Capco's two exceptional central London estates are well placed for long-term success.

In addition, Capco regularly considers opportunities where its core skills of placemaking and masterplanning can be utilised and in 2015 acquired a 50 per cent interest in the Solum Regeneration joint venture with Network Rail which will explore potential opportunities for future redevelopments at significant railway station sites across London.

## Valuations

The total property value of the Group declined 3.8 per cent (like-for-like) in the six months to 30 June 2016 to £3.6 billion. These June 2016 valuations incorporate the increased Stamp Duty Land Tax ("SDLT") levels announced in the March 2016 Budget which had an impact of £34 million (0.9 per cent).

Covent Garden has performed positively in the first six months of 2016. The valuation has risen 3.0 per cent (like-for-like) to £2.1 billion, driven by the rental growth achieved over the period. The equivalent yield remains unchanged at 3.5 per cent, reflecting the valuers current view of the strength of demand for central London retail investments.

At Earls Court, the downward move in property valuations reflects the valuers' assessment of the weakened sentiment in the central London residential market following the EU referendum. At ECPL, the valuer has reflected a higher risk premium post the EU referendum through a higher developers margin for consented development land as well as trimming sales values. At Lillie Square, the valuer has taken a more cautious view of costs and growth in sales values for subsequent releases although the sales value assumed is in excess of that achieved in Phase 1. The valuation of Earls Court Properties is £1.2 billion, a decrease of 14.3 per cent (like-for-like).

It should be noted that property valuers across the industry are stating within their valuation reports that their valuations carry a higher than normal level of uncertainty because there is little or no empirical evidence as at the valuation date due to the unprecedented nature of the EU referendum result, which has created considerable uncertainty in the market. The Group's valuers, CB Richard Ellis and Jones Lang Lasalle, have followed this industry wide approach in respect of the valuations this period.

	Market Value 30 June 2016 £m	Market Value 31 December 2015 £m	Valuation Change Like-for-like <sup>1</sup>
<b>Covent Garden</b>	<b>2,111</b>	2,005	3.0%
<b>Earls Court Properties</b>			
Earls Court Partnership Limited ("ECPL") <sup>2</sup>	<b>699</b>	803	(14.4)%
Lillie Square <sup>3</sup>	<b>211</b>	222	(14.2)%
Empress State	<b>240</b>	286	(16.3)%
Other	<b>45</b>	46	(1.7)%
<b>Group share of Earls Court Properties</b>	<b>1,195</b>	1,357	(14.3)%
<b>Venues</b>	<b>295</b>	295	(0.2)%
<b>Other</b>	<b>5</b>	5	
<b>Group share of total property <sup>4</sup></b>	<b>3,606</b>	3,662	(3.8)%

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

2. Market value represents the Group's 63 per cent interest in ECPL.

3. Represents the Group's 50 per cent interest in Lillie Square.

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

The Group has a 63 per cent controlling interest in 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 ("EC1 & EC2"). As a result, it is fully consolidated in the condensed consolidated financial statements and TfL's interest is represented as a non-controlling interest. See page 7 of the Financial Review for further information.

## **COVENT GARDEN**

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

Providing over one million square feet of lettable space in London's West End, Covent Garden has established itself as a leading destination for global retail and dining brands. Retailers are attracted to Capco's distinct approach to placemaking as well as the vibrancy and energy of the estate. Footfall remains consistently strong at over 44 million customers as visitors are drawn to the estate's unique retail, dining and cultural experience.

In the six months to 30 June 2016, Covent Garden performed positively with the value of the estate up 3.0 per cent like-for-like to £2.1 billion. The ERV for the estate has increased 3.7 per cent like-for-like to £89.9 million. The ERV target of £100 million by December 2017 remains in place. Covent Garden's rental growth prospects remain strong and the estate is well placed to outperform the wider central London market due to its innovative repositioning strategy, global reputation and active plan for every street.

During the period to 30 June 2016, 50 leasing transactions including new leases and renewals representing £9.2 million of rental income per annum were transacted at 7 per cent above 31 December 2015 ERV. Net rental income is £20.2 million for the first half of the year, up 6.4 per cent (like-for-like) compared to the same period of 2015. Occupancy on the estate is high at 97 per cent.

### **Retail**

In line with the strategy to reposition the Royal Opera House Arcade with a luxury accessories and gifting focus, the estate is delighted to welcome luxury British lifestyle brand, Mulberry, which has signed a new lease to open its latest store. Fine watch boutique, The Watch Gallery, has also taken space in The Royal Opera House Arcade and will offer Swiss-made luxury watches with over 50 per cent of the store dedicated to the Rolex brand. French luxury jeweller, Poiray, has also taken a unit and will open its first UK store.

On Henrietta Street, British brand Albam is the latest signing, reflecting the success of the 'Street to Suit' strategy to reposition the street with a menswear focus. Henrietta Street is now home to seven menswear stores and offers an array of premium menswear brands including Club Monaco, Nigel Cabourn, Edwin and Oliver Sweeney.

### **Dining**

The quality and variety of the dining offer at Covent Garden continues to strengthen, further enhancing the estate's reputation for destination dining.

A new letting to Experimental Group will see them open their latest concept in London on Henrietta Street. Plans from the team behind The Experimental Cocktail Club include a new restaurant and bar as well as an 18 bedroom hotel. The Experimental Group will join recent addition Frenchie which opened its first London restaurant earlier this year.

Acclaimed New York restaurant, RedFarm, has taken space alongside Balthazar on Russell Street. The new restaurant, the Group's first outside of New York, will bring RedFarm's famed menu of modern and inventive Chinese food to London's West End.

Adding to the depth of variety on the estate, Italian-style boulangerie VyTA Santa Margherita will open in the Market Building offering all-day dining on the Piazza. VyTA is renowned for its high quality ingredients and selection of wines and will be a UK first. This further builds upon the success of dining in the Market Building following recent lettings to French delicatessen Aubaine and renowned fusion dining restaurant SushiSamba which will open on the iconic Opera Terrace, providing exceptional views across the Piazza.

### **Developments**

The Kings Court and Carriage Hall developments are progressing well and are on track for completion in 2017. The schemes will create a new connecting passage between Long Acre and King Street transforming pedestrian flow and unlocking the placemaking opportunity on Floral Street. The expected total development cost of Kings Court and Carriage Hall is £100 million.

At Kings Court, a significant pre-let has been agreed with Petersham Nurseries, the world-renowned lifestyle brand which will occupy over 16,000 square feet (NIA), creating new bespoke retail and dining concepts across four units. Covering approximately 60 per cent of the commercial space at Kings Court, the pre-let significantly de-risks the scheme and begins the repositioning of Floral Street.

### **Residential**

13 new lettings have been agreed across the estate with average rents of between £70-£80 per square foot. In addition, post the period end, one of the penthouses in the Beecham has been sold in excess of £3,000 per square foot and contracts have been exchanged for the second.

## **EARLS COURT PROPERTIES**

### ***Strategic consented land in Chelsea and Fulham***

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

The site is well connected with strong transport infrastructure and is located in an established neighbourhood with history and heritage, where people want to live and enjoy London. Underpinned by Capco's distinct approach to placemaking, the Earls Court Masterplan represents an opportunity to create the next great estate of London providing much needed homes, jobs and places for people to enjoy.

Earls Court is a GLA 'Opportunity Area', making it a key strategic scheme for the Capital. The current GLA London Plan estimates that London's population will grow by two million to 10 million by 2031 with the Capital requiring over 40,000 new homes per annum. Against this backdrop of a growing population, housing is a key priority and maximising Opportunity Areas is seen as vital in order to meet London's housing demands.

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 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. To date, Capco has paid £45 million of the £105 million cash consideration payable 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 to facilitate the first phase of replacement housing for the West Kensington and Gibbs Green estates' residents.

The complex demolition of the former Exhibition Centres is well progressed. Construction of Phase 1 of Lillie Square is on track and first completions are expected later this year.

For the period to 30 June 2016, the valuation of Capco's interests at Earls Court was £1.2 billion, a like-for-like decrease of 14.3 per cent. The downward move reflects the valuers' assessment of the weakened sentiment in the central London residential market following the EU referendum. At ECPL, the valuer has reflected a higher risk premium through higher developers margins for consented development land as well as trimming sales values. At Lillie Square, the valuer has taken a more cautious view of costs and growth in sales values for subsequent releases although the sales value assumed is in excess of that achieved in Phase 1.

### **Planning**

The Earls Court Masterplan is a consented mixed-use scheme comprising 10.1 million square feet (Gross External Area ("GEA")) of residential-led space across Chelsea and Fulham. Outline planning consent for the Masterplan was granted in November 2013 and the scheme was designated an Opportunity Area by the GLA in July 2011.

As a designated GLA Opportunity Area, Earls Court is a strategic scheme for the Capital and options are being considered which enhance and maximise the potential of this important London scheme. In preparation for the next revision of the London Plan which is expected next year, representations have been submitted to the GLA outlining Earls Court's ability to deliver a minimum of 10,000 new homes, well in excess of the 7,500 currently consented.

### **Land enablement**

The complex demolition of the former Exhibition Centres began in December 2014 and is progressing well. 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 later this year at an expected cost of £60 million. Following this, demolition to basement level will further de-risk the site and enable the land for future development. This final phase of demolition (not currently committed) is expected to take 12 months at a cost of £30 - £40 million.

A £150 million (£95 million Group share) facility has been signed with a Government agency, the Homes and Communities Agency ("HCA"). This attractive and long-term government funding will finance infrastructure costs on ECPL land, such as the demolition.

### **Lillie Square**

Located in Fulham, Lillie Square is one of the most centrally located and connected schemes in London. The development will deliver modern garden-square living through 608 private and 200 affordable homes across three phases.

The Lillie Square development launched in 2014 and to date 44 per cent of the entire scheme has been pre-sold representing over £300 million of sales across the development.

Phase 1 launched in 2014 and is predominantly sold, representing over £250 million of sales. The average price per square foot for Phase 1 is circa £1,500 with the range of pricing achieved at £1,200 – £2,800 per square foot including a penthouse sold for £6.3 million in January this year. Construction of Phase 1 is underway and progressing positively with first completions on track for delivery later in the year.

In Phase 2, 70 units have been released for sale and 41 have been reserved or exchanged, representing 59 per cent of the first release (four reserved since the result of the EU referendum). Whilst the level of enquiries has been strong since the beginning of the year, the rate of sales has been slow with the uncertainty in the weeks leading up to the EU referendum impacting buyers' decision-making. Sales prices achieved in Phase 2 have remained positive with prices 4 per cent higher than comparable units in Phase 1.

## **VENUES**

### ***A leading central London venue***

Olympia London continues to cement its status as the venue of choice for premium shows in central London. The venue has had a busy start to 2016 with over 90 events hosted to date including two of the UK's largest exhibitions, London Book Fair and Ideal Home Show, reflecting its excellent prospects as a central London venue.

As previously reported, Capco has undertaken a strategic review of the Venues business. This review has concluded that, whilst the business is not a long-term core holding for Capco, ownership will be retained as it offers a reliable and growing income stream.

EBITDA for the first half is £10.6 million, up 19.1 per cent compared to the first half of 2015. The valuation of the Venues business, which includes Olympia London property assets and Maclise Road, is unchanged at £295 million.

## FINANCIAL REVIEW

Capco continues to maintain a robust and disciplined financial position with low leverage of 20 per cent, available liquidity of £457 million with modest capital commitments of £194 million. Our capital structure is well equipped to weather short-term market dislocation.

EPRA adjusted, diluted net assets per share fell by 4.7 per cent during the period, decreasing from 361 pence at 31 December 2015 to 344 pence. This 17 pence decrease together with the 1 pence dividend paid in June represents a total return of -4.5 per cent.

At Covent Garden rental growth achieved during the period was the main driver of the increase in the value of the estate by 3.0 per cent.

The market value of Earls Court Properties, which comprises the Group's interests at Earls Court, has decreased by 14.3 per cent, reflecting the valuer's assessment of the weakened sentiment in the central London residential market following the result of the EU referendum.

### Basis of preparation

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

Internally the Board, including the chief operating decision maker, focuses on and reviews information and reports prepared on a Group share basis, which includes the Group's share of joint ventures but exclude the non-controlling interest share of our subsidiaries. Therefore, to align with the way the Group is managed, this financial review presents the financial position, performance and cash flow analysis on a Group share basis. In previous periods the Board focused on and reviewed information on a proportionally consolidated basis therefore the comparative summary income statement and summary cash flow statements have been re-presented.

### FINANCIAL POSITION

At 30 June 2016 the Group's EPRA adjusted net assets were £2.9 billion (31 December 2015: £3.1 billion) representing 344 pence per share (31 December 2015: 361 pence).

The Group presents EPRA adjusted, diluted NAV in addition to the net assets attributable to owners of the Parent as the EPRA alternative performance measures are intended to make financial statements of public real estate companies in Europe clearer, more transparent and comparable.

### SUMMARY ADJUSTED BALANCE SHEET

	30 June 2016			
	IFRS £m	Joint ventures <sup>1</sup> £m	Non- controlling Interest <sup>2</sup> £m	Group share £m
Investment, development and trading property	3,761.2	153.5	(410.4)	3,504.3
Net debt	(653.0)	(33.0)	(0.1)	(686.1)
Other assets and liabilities <sup>3</sup>	123.1	(120.5)	0.8	3.4
Non-controlling interest	(409.7)	–	409.7	–
<b>Net assets attributable to owners of the Parent</b>	<b>2,821.6</b>	<b>–</b>	<b>–</b>	<b>2,821.6</b>
Adjustments:				
Fair value of derivative financial instruments				18.6
Unrecognised surplus on trading property				63.6
Deferred tax adjustments				10.4
<b>EPRA adjusted net assets</b>				<b>2,914.2</b>
<b>EPRA adjusted, diluted net assets per share (pence)<sup>4</sup></b>				<b>344</b>

1. Primarily Lillie Square.

2. Represents TfL's 37 per cent share of ECPL.

3. IFRS includes amounts receivable from joint ventures which eliminate on a Group share basis.

4. Adjusted, diluted number of shares in issue at 30 June 2016 was 847.5 million.

	31 December 2015			
	IFRS £m	Joint ventures <sup>1</sup> £m	Non- controlling Interest <sup>2</sup> £m	Group share £m
Investment, development and trading property	3,870.8	130.8	(471.6)	3,530.0
Net debt	(559.2)	(9.4)	(10.3)	(578.9)
Other assets and liabilities <sup>3</sup>	91.2	(121.4)	13.1	(17.1)
Non-controlling interest	(468.8)	–	468.8	–
Net assets attributable to owners of the Parent	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) <sup>4</sup>				361

1. Primarily Lillie Square.

2. Represents TfL's 37 per cent share of ECPL.

3. IFRS includes amounts receivable from joint ventures which eliminate on a Group share basis.

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

### Investment, development and trading property

The revaluation deficit on the Group's property portfolio was £140.8 million for the period, a 3.8 per cent decrease on a like-for-like basis compared with the IPD Capital Return for the equivalent period of a 0.3 per cent loss.

Total property return for the period was a deficit of 2.7 per cent. The IPD Total Return index recorded a 2.4 per cent gain for the corresponding period. Of the total property return deficit, 0.9 per cent is attributable to the increased SDLT rates on property.

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 30 June 2016, the unrecognised surplus on trading property was £63.6 million (31 December 2015: £99.9 million). This primarily arises on trading property at Lillie Square.

### Debt and gearing

During the period the Group increased its share of available facilities by £150 million, with three new agreements.

- In January 2016 the Group replaced the £665 million Covent Garden debt facility with a £705 million five year Covent Garden debt facility which increased available facilities by £40 million.
- In March 2016, a £150 million (£95 million Group share) ten year secured credit agreement was signed by Earls Court Partnership Limited to fund infrastructure-related costs on land interests at Earls Court.
- In June 2016 the Group entered into an agreement to extend the existing construction facility which funds the Lillie Square development by £30 million (£15 million Group share) for a one year period.

The Group's cash and undrawn committed facilities at 30 June 2016 were £456.6 million (31 December 2015: 412.1 million).

During the period additional hedging was entered into taking advantage of the low prevailing rates. This hedging provides additional interest rate risk protection for £200 million up to February 2019 and £400 million up to December 2022.

Net debt increased by £107.2 million to £686.1 million, principally as a result of further investment in the business through acquisition of property 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 19.6 per cent remains comfortably within the Group's limit of no more than 40 per cent.

	As at 30 June 2016	As at 31 December 2015
Loan to value	19.6%	16.4%
Interest cover	176%	123%
Weighted average debt maturity	5.2 years	4.1 years
Weighted average cost of debt	2.8%	3.3%
Gross debt with interest rate protection	87%	91%



The Group's policy is to substantially eliminate the medium and long-term risk arising from interest rate volatility. The Group's banking facilities are arranged on a floating rate basis but swapped to fixed rate or capped using derivative contracts. At 30 June 2016 the proportion of gross debt with interest rate protection was 87 per cent (31 December 2015: 91 per cent).

The Group remains compliant with all of its debt covenants and has substantial levels of headroom against its covenants across all its debt facilities. Details of the covenants are included on page 51.

At 30 June 2016 the Group had capital commitments of £193.6 million compared to £206.5 million at 31 December 2015, of which Covent Garden represents £84.9 million, Earls Court Properties £70.5 million (including the £60 million of CLSA instalments) and Lillie Square £38.2 million. The pipeline has been significantly de-risked, for example at Kings Court where approximately 60 per cent of the commercial space has been pre-let to Petersham Nurseries, and through over £300 million (£150 million Group share) of pre-sales at Lillie Square. On a pro forma basis, not taking into account any property valuation movements or any receipts, expenditure on capital commitments would increase the LTV from 19.6 per cent to 25.1 per cent.

## CASH FLOW

A summary of the Group's cash flow for the period ended 30 June 2016 is presented below:

### SUMMARY CASH FLOW

	Six months ended 30 June 2016 £m	Re-presented <sup>1</sup> Six months ended 30 June 2015 £m
<b>Operating cash flows after interest and tax</b>	<b>(3.8)</b>	<b>(5.7)</b>
Purchase and development of property, plant and equipment	<b>(95.6)</b>	(155.8)
Investment in joint venture	–	(12.1)
Sales proceeds from property and investments	<b>4.0</b>	6.5
Deferred consideration on purchase of subsidiary	–	(7.1)
VAT received on internal restructure	–	42.3
<b>Net cash flow before financing</b>	<b>(95.4)</b>	<b>(131.9)</b>
Issue of shares	–	0.1
Financing	<b>82.4</b>	85.7
Dividends paid	<b>(4.1)</b>	(4.1)
<b>Net cash flow</b>	<b>(17.1)</b>	<b>(50.2)</b>

1. The 30 June 2015 summary cash flow has been prepared on a Group share basis. In the 'Interim Results for the six months ended 30 June 2015' the summary cash flow was presented on a proportionate consolidation basis.

Operating cash outflows were £3.8 million compared with £5.7 million for the period to 30 June 2015, as a result of changes to net working capital requirements.

During the period, £56.7 million was invested at Covent Garden for the purchase of one property and subsequent expenditure for the development of property predominately at Kings Court. At Earls Court £37.4 million was spent on subsequent expenditure for the construction of Lillie Square Phase 1 and the demolition of the Earls Court Exhibition Centres.

Sales proceeds from property and investments primarily comprise the disposal of a residential unit at The Beecham, Covent Garden.

Net borrowings drawn during the period were £86.9 million. Refinancing activities and purchase of derivatives resulted in a cash outflow of £4.5 million.

Dividends paid of £4.1 million reflect the final dividend payment made in respect of the 2015 financial year. This was in line with the period to June 2015 due to similar take up of the scrip dividend alternative, 51 per cent (30 June 2015: 51 per cent).

## FINANCIAL PERFORMANCE

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

### SUMMARY INCOME STATEMENT

	Six months ended 30 June 2016 £m	Re-presented <sup>1</sup> Six months ended 30 June 2015 £m
Net rental income	40.5	38.4
Profit/(loss) on sale of trading property and other income	1.5	(0.1)
(Loss)/gain on revaluation and sale of investment and development property	(105.2)	263.0
Administration expenses	(25.0)	(25.0)
Net finance costs	(9.6)	(9.1)
Non-recurring finance costs	(5.2)	–
Change in fair value of derivative financial instruments	(17.8)	1.4
Other	(0.4)	–
Taxation	12.2	(4.7)
<b>(Loss)/profit for the period attributable to owners of the Parent</b>	<b>(109.0)</b>	<b>263.9</b>
Adjustments:		
(Profit)/loss on sale of trading property and non-underlying other income	(0.1)	1.1
Loss/(gain) on revaluation and sale of investment and development property	105.2	(263.0)
Non-recurring finance costs	5.2	–
Change in fair value of derivative financial instruments	17.8	(1.4)
Other	0.4	–
Taxation on non-underlying items	(13.6)	3.6
<b>Underlying earnings</b>	<b>5.9</b>	<b>4.2</b>
<b>Underlying earnings per share (pence)</b>	<b>0.7</b>	<b>0.5</b>
<b>Weighted average number of shares</b>	<b>842.6m</b>	<b>839.4m</b>

1. The 30 June 2015 summary income statement has been prepared on a Group share basis. In the 'Interim Results for the six months ended 30 June 2015' the summary income statement was presented on a proportionate consolidation basis.

#### Income

Net rental income has increased by £2.1 million (6.3 per cent like-for-like) during the period as a result of strong performances at Covent Garden and Olympia London.

#### (Loss)/gain on revaluation of investment and development property

The loss on revaluation of the Group's investment and development property was £105.2 million. Covent Garden recorded a gain on revaluation of £60.2 million as a result of rental growth. The loss on revaluation at Earls Court of £164.9 million reflects the valuer's assessment of the weakened sentiment in the central London residential following the result of the EU referendum.

#### Administration expenses

Administration expenses have remained in line with the comparative period at £25.0 million.

#### Net finance costs

Net finance costs have increased by 5.5 per cent to £9.6 million as a result of the increased net debt.

#### Taxation

The total tax credit for the period of £12.2 million is made up of both underlying tax and non-underlying tax.

Tax on underlying profits of the Group was £1.4 million which reflects a rate in line with the current rate of UK corporation tax. 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. A further reduction to the corporation tax rate to 17 per cent from April 2020 was announced in the March 2016 Budget.

Contingent tax, the amount of tax that would become payable on a theoretical disposal of all investment property held by the Group, was £nil million (31 December 2015: £11.1 million). A disposal of the Group's trading property at market value would result in a corporation tax charge to the Group of £12.7 million (20 per cent of £63.6 million).

The provisions of IAS 12 provide for the recognition of a deferred tax asset where it is probable there will be future taxable profit against which a deductible temporary difference can be utilised. As a result of the application of this provision, the Group has not recognised the deferred tax asset on investment property and losses carried forward.

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

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

#### **Dividends**

The Board has proposed an interim dividend of 0.5 pence per share to be paid on 30 September 2016 to shareholders on the register at 9 September 2016. Subject to SARB approval a scrip dividend alternative will be offered.

**Soumen Das**

Chief Financial Officer

26 July 2016

# PRINCIPAL RISKS AND UNCERTAINTIES

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 Directors confirm that they have completed a robust assessment of the principal risks faced by the business, assisted by the work performed by the Executive Risk Committee.

On the following pages are the principal risks and uncertainties from across the business and these are reflective of where the Board has invested time during the period. 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 for the year ended 31 December 2015, 'Estimation and uncertainty'.

## CORPORATE RISKS

Risk	Impact on strategy	Mitigation	Change in 2016
<b>Health, safety &amp; the environment</b>			↔
Accidents causing loss of life or very serious injury to employees, contractors, occupiers and visitors to the Group's properties	Prosecution for non-compliance with legislation Reputational damage	Health and safety procedures across the Group Appointment of Group Head of Health & Safety Appointment of reputable contractors	
Activities at the Group's properties causing detrimental impact on the environment	Litigation or fines Distraction of management	External consultants undertake annual audits in all locations Adequate insurance held to cover the risks inherent in construction projects	
<b>Funding</b>			↑
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	
<b>Economic conditions</b>			↑
Decline in real estate valuations due to:	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	
- global macro-economic conditions such as the uncertainty caused by the result of the EU referendum			
- adverse movement in interest rates or currency			
Relative attractiveness of other asset classes or locations			
Inability of the Group to adopt the appropriate strategy or to react to changing market conditions			

# PRINCIPAL RISKS AND UNCERTAINTIES

## CORPORATE RISKS (CONTINUED)

Risk	Impact on strategy	Mitigation	Change in 2016
<b>Political climate and public opinion</b>			↑
Unfavourable policy or changes in legislation (in particular, as a result of political change) e.g. following the EU referendum	Reputational damage Litigation Distraction of management	Monitoring proposals and emerging policy and legislation Engagement with key stakeholders and politicians	
The Group's business (or aspects of it) is opposed or challenged by public interest or activist groups	Prosecution for non-compliance	Review activity and communications of activist groups	
<b>People</b>			↔
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	
<b>Catastrophic External Event</b>			↔
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	
<b>Compliance with law, regulations and contracts</b>			↔
Breach of legislation, regulation or contract	Prosecution for non-compliance with legislation	Appointment of external advisers to monitor changes in law or regulation	
Inability to monitor or anticipate legal or regulatory changes	Reputational damage Litigation or fines Distraction of management	Members of staff attend external briefings to remain cognisant of legislative and regulatory changes	

# PRINCIPAL RISKS AND UNCERTAINTIES

## PROPERTY

Risk	Impact on strategy	Mitigation	Change in 2016
<b>Leasing</b>			↔
Inability to achieve target rents or to attract target tenants due to market conditions	Decline in tenant demand for the Group's properties Reduced income	Quality tenant mix Strategic focus on creating retail destinations with unique attributes	
Competition from other locations	Expansion of yield		
<b>Residential Sales</b>			↑
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 Flexible marketing strategy	
<b>Planning</b>			↔
Unfavourable changes to planning policy or legislation (in particular, as a result of political change)	Inability to secure future planning approvals or consents	Outline planning permission already granted for the Earls Court Masterplan Engagement with local and national authorities	
Secretary of State intervention or judicial review	Delay in development programme	Pre-application and consultation with key stakeholders and landowners	
Existing buildings within proposed development scheme becoming listed		Engagement with local community bodies	
<b>Development</b>			↑
Inability to deliver anticipated returns due to:	Reduced development returns Decline in valuations	Focus on prime assets Regular assessment of market conditions Business strategy based on long-term returns	
- market conditions			
- increased construction costs or delays			
<b>Construction</b>			↔
Increased construction costs or delay due to:	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	
- site or planning conditions			
- contractor/sub-contractor default			
- complexity of developing adjacent to and above public transport infrastructure			
<b>Land assembly</b>			↔
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 Directors are responsible for preparing the condensed consolidated financial statements, in accordance with applicable law and regulations. The Directors confirm that, to the best of their knowledge:

- the condensed consolidated financial statements on pages 18 to 47 has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union; and
- the condensed consolidated financial statements on pages 18 to 47 includes a true and fair view of the information required by Sections DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The operating and financial review on pages 3 to 11 refers to important events which have taken place during the period.

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

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

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

By order of the Board

**Ian Hawksworth**

Chief Executive

**Soumen Das**

Managing Director & Chief Financial Officer

26 July 2016

# INDEPENDENT REVIEW REPORT TO CAPITAL & COUNTIES PROPERTIES PLC

## Report on the condensed consolidated financial statements

### Our conclusion

We have reviewed Capital & Counties Properties PLC's condensed consolidated financial statements (the interim financial statements) in the interim results of Capital & Counties Properties PLC for the six month period ended 30 June 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### What we have reviewed

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 30 June 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Statement of Cash Flows for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

## Responsibilities for the interim financial statements and the review

### Our responsibilities and those of the Directors

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

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



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

## **Report on the condensed consolidated financial statements continued**

### **What a review of interim financial statements involves**

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

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

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP  
Chartered Accountants  
London  
26 July 2016

### Notes:

- (a) The maintenance and integrity of the Capital & Counties Properties PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
<b>Continuing operations</b>				
<b>Revenue</b>	2	<b>58.4</b>	52.0	114.9
Rental income		<b>52.6</b>	50.2	99.7
Rental expenses		<b>(11.7)</b>	(11.8)	(24.4)
<b>Net rental income</b>	2	<b>40.9</b>	38.4	75.3
Profit/(loss) on sale of trading property	3	<b>1.1</b>	(0.2)	3.5
Other income		<b>2.3</b>	1.8	4.0
(Loss)/gain on revaluation of investment and development property	4	<b>(174.2)</b>	271.7	453.9
Loss on sale of available-for-sale investments	5	<b>–</b>	–	(0.2)
Loss on sale of loan notes		<b>–</b>	(0.2)	(0.2)
Impairment of other receivables	6	<b>(7.7)</b>	(5.9)	(12.2)
		<b>(137.6)</b>	305.6	524.1
Administration expenses		<b>(25.0)</b>	(25.0)	(52.1)
<b>Operating (loss)/profit</b>		<b>(162.6)</b>	280.6	472.0
Finance income	7	<b>0.1</b>	0.6	0.7
Finance costs	8	<b>(9.7)</b>	(9.7)	(20.8)
Other finance income	7	<b>5.0</b>	4.4	9.3
Other finance costs	8	<b>(5.2)</b>	–	–
Change in fair value of derivative financial instruments		<b>(17.8)</b>	1.4	(0.6)
Net finance costs		<b>(27.6)</b>	(3.3)	(11.4)
		<b>(190.2)</b>	277.3	460.6
Share of post-tax loss from joint ventures	13	<b>(0.2)</b>	–	(0.7)
<b>(Loss)/profit before tax</b>		<b>(190.4)</b>	277.3	459.9
Current tax		<b>(0.7)</b>	(2.8)	2.2
Deferred tax		<b>18.7</b>	(5.4)	(4.9)
Taxation	9	<b>18.0</b>	(8.2)	(2.7)
<b>(Loss)/profit for the period</b>		<b>(172.4)</b>	269.1	457.2
<b>(Loss)/profit attributable to:</b>				
Owners of the Parent		<b>(109.0)</b>	263.9	431.1
Non-controlling interest	23	<b>(63.4)</b>	5.2	26.1
<b>Earnings per share from continuing operations attributable to owners of the Parent<sup>1</sup></b>				
<b>Basic (loss)/earnings per share</b>	11	<b>(12.9)p</b>	31.4p	51.3p
<b>Diluted (loss)/earnings per share</b>	11	<b>(12.9)p</b>	31.2p	50.9p
<b>Weighted average number of shares</b>	11	<b>842.6m</b>	839.4m	840.8m

1. Adjusted earnings per share from continuing operations is shown in note 11 'Earnings Per Share and Net Assets Per Share'.

Notes on pages 24 to 47 form part of these condensed consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
<b>(Loss)/profit for the period</b>		<b>(172.4)</b>	269.1	457.2
<b>Other comprehensive income/(expense)</b>				
<b>Items that will not be reclassified subsequently to the income statement</b>				
Actuarial gain on defined benefit pension scheme		–	–	0.8
Tax relating to items that will not be reclassified		–	–	(0.2)
<b>Total other comprehensive income for the period</b>		<b>–</b>	–	0.6
<b>Total comprehensive (expense)/income for the period</b>		<b>(172.4)</b>	269.1	457.8
<b>Attributable to:</b>				
Owners of the Parent		<b>(109.0)</b>	263.9	431.7
Non-controlling interest	23	<b>(63.4)</b>	5.2	26.1

Notes on pages 24 to 47 form part of these condensed consolidated financial statements.

# CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2016

	Notes	As at 30 June 2016 £m	As at 31 December 2015 £m
<b>Non-current assets</b>			
Investment and development property	12	3,748.0	3,855.3
Plant and equipment		7.3	6.9
Investment in joint ventures	13	14.6	14.8
Available-for-sale investments		0.2	0.2
Derivative financial instruments	18	0.3	0.8
Pension asset		0.7	0.7
Trade and other receivables	14	169.4	158.9
		<b>3,940.5</b>	<b>4,037.6</b>
<b>Current assets</b>			
Trading property	12	13.2	15.5
Trade and other receivables	14	26.1	32.3
Cash and cash equivalents	15	47.1	66.9
		<b>86.4</b>	<b>114.7</b>
<b>Total assets</b>		<b>4,026.9</b>	<b>4,152.3</b>
<b>Non-current liabilities</b>			
Borrowings, including finance leases	17	(681.6)	(607.6)
Derivative financial instruments	18	(18.9)	(3.2)
Deferred tax	19	(2.0)	(19.5)
		<b>(702.5)</b>	<b>(630.3)</b>
<b>Current liabilities</b>			
Borrowings, including finance leases	17	(18.5)	(18.5)
Other provisions	20	(2.0)	(2.0)
Tax liabilities		(1.3)	(2.8)
Trade and other payables	16	(71.3)	(95.9)
		<b>(93.1)</b>	<b>(119.2)</b>
<b>Total liabilities</b>		<b>(795.6)</b>	<b>(749.5)</b>
<b>Net assets</b>		<b>3,231.3</b>	<b>3,402.8</b>
<b>Equity</b>			
Share capital	21	211.4	210.5
Other components of equity		2,610.2	2,723.5
<b>Equity attributable to owners of the Parent</b>		<b>2,821.6</b>	<b>2,934.0</b>
Non-controlling interest	23	409.7	468.8
<b>Total equity</b>		<b>3,231.3</b>	<b>3,402.8</b>

Notes on pages 24 to 47 form part of these condensed consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2016

	Notes	Equity attributable to owners of the Parent							Non-controlling interest £m	Total equity £m
		Share capital £m	Share premium £m	Merger reserve <sup>1</sup> £m	Share-based payment reserve £m	Other reserves <sup>2</sup> £m	Retained earnings £m	Total £m		
<b>Balance at 1 January 2016</b>		<b>210.5</b>	<b>211.1</b>	<b>425.8</b>	<b>10.3</b>	<b>0.4</b>	<b>2,075.9</b>	<b>2,934.0</b>	<b>468.8</b>	<b>3,402.8</b>
<b>Loss for the period</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(109.0)</b>	<b>(109.0)</b>	<b>(63.4)</b>	<b>(172.4)</b>
<b>Total comprehensive expense for the period</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(109.0)</b>	<b>(109.0)</b>	<b>(63.4)</b>	<b>(172.4)</b>
Transactions with owners										
Ordinary shares issued	21	<b>0.9</b>	<b>4.0</b>	–	–	–	–	<b>4.9</b>	–	<b>4.9</b>
Dividend expense	10	–	–	–	–	–	<b>(8.4)</b>	<b>(8.4)</b>	–	<b>(8.4)</b>
Realisation of share-based payment reserve on issue of shares		–	–	–	<b>(4.1)</b>	–	<b>3.6</b>	<b>(0.5)</b>	–	<b>(0.5)</b>
Fair value of share-based payment		–	–	–	<b>1.8</b>	–	–	<b>1.8</b>	–	<b>1.8</b>
Tax relating to share-based payment	19	–	–	–	–	–	<b>(1.2)</b>	<b>(1.2)</b>	–	<b>(1.2)</b>
Contribution from non-controlling interest	23	–	–	–	–	–	–	–	<b>4.3</b>	<b>4.3</b>
<b>Total transactions with owners</b>		<b>0.9</b>	<b>4.0</b>	<b>–</b>	<b>(2.3)</b>	<b>–</b>	<b>(6.0)</b>	<b>(3.4)</b>	<b>4.3</b>	<b>0.9</b>
<b>Balance at 30 June 2016</b>		<b>211.4</b>	<b>215.1</b>	<b>425.8</b>	<b>8.0</b>	<b>0.4</b>	<b>1,960.9</b>	<b>2,821.6</b>	<b>409.7</b>	<b>3,231.3</b>

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

2. Refer to note 22 'Other Reserves'.

Notes on pages 24 to 47 form part of these condensed consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2016

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

	Notes	Equity attributable to owners of the Parent							Non-controlling interest £m	Total equity £m
		Share capital £m	Share premium £m	Merger reserve <sup>1</sup> £m	Share-based payment reserve £m	Other reserves <sup>2</sup> £m	Retained earnings £m	Total £m		
Balance at 1 January 2015		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		–	–	–	–	–	(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	21	1.4	4.2	–	–	–	–	5.6	–	5.6
Dividend expense	10	–	–	–	–	–	(12.6)	(12.6)	–	(12.6)
Adjustment for bonus issue		–	–	–	–	–	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	19	–	–	–	–	–	(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 22 'Other Reserves'.

Notes on pages 24 to 47 form part of these condensed consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
<b>Continuing operations</b>				
<b>Cash flows from operating activities</b>				
Cash generated from operations	26	5.8	7.9	13.1
Interest paid		(9.7)	(9.6)	(19.6)
Interest received		0.1	0.6	0.7
Tax (paid)/received		(2.2)	(0.7)	3.5
<b>Net cash outflow from operating activities</b>		<b>(6.0)</b>	<b>(1.8)</b>	<b>(2.3)</b>
<b>Cash flows from investing activities</b>				
Purchase and development of property		(82.4)	(146.0)	(250.2)
Sale of property		3.5	–	11.2
Acquisition of interest in joint venture		–	(12.1)	(13.5)
Sale of loan notes		–	6.0	6.0
Sale of subsidiaries <sup>1</sup>		0.5	0.5	0.5
Loan advances from/(to) joint ventures		1.2	0.3	(3.2)
VAT received on internal restructure <sup>2</sup>		–	42.3	–
Deferred consideration on purchase of subsidiary		–	(7.1)	(7.1)
<b>Net cash outflow from investing activities</b>		<b>(77.2)</b>	<b>(116.1)</b>	<b>(256.3)</b>
<b>Cash flows from financing activities</b>				
Issue of shares		–	0.1	0.1
Borrowings drawn		462.1	70.0	225.0
Borrowings repaid		(390.0)	(40.0)	(51.0)
Other finance costs		(4.6)	(0.4)	(0.4)
Cash dividends paid	10	(4.1)	(4.1)	(7.7)
Contribution from non-controlling interest		–	47.4	64.7
<b>Net cash inflow from financing activities</b>		<b>63.4</b>	<b>73.0</b>	<b>230.7</b>
Net decrease in unrestricted cash and cash equivalents		(19.8)	(44.9)	(27.9)
Unrestricted cash and cash equivalents at 1 January		60.9	88.8	88.8
<b>Unrestricted cash and cash equivalents at period end</b>		<b>41.1</b>	<b>43.9</b>	<b>60.9</b>

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.

2. VAT received on an internal property transfer was deemed to be a VAT supply. Input VAT was received prior to 30 June 2015 whilst the output VAT was settled in July 2015.

Notes on pages 24 to 47 form part of these condensed consolidated financial statements.

# NOTES TO THE ACCOUNTS (UNAUDITED)

## 1 PRINCIPAL ACCOUNTING POLICIES

### General information

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

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

### Basis of preparation

The Group's condensed consolidated financial statements are prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated financial statements should be read in conjunction with the Annual Report & Accounts for the year ended 31 December 2015, which have been prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated financial statements are prepared in British pounds sterling.

The condensed consolidated financial statements for the six months ended 30 June 2016 are reviewed, not audited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2015 were approved by the Board of Directors on 24 February 2016 and delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement made under Section 498 of the Companies Act 2006.

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

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

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

These condensed consolidated financial statements were approved by the Board of Directors on 26 July 2016.

Except as described below, the condensed consolidated financial statements have been prepared using the accounting policies, significant judgements, key assumptions and estimates set out on pages 102 to 106 of the Group's Annual Report & Accounts for 2015.

### Income taxes

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

During the six months to 30 June 2016, the following standards and guidance were adopted by the Group:

- 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)

These pronouncements did not have a material impact on the condensed consolidated financial statements.

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



## 2 SEGMENTAL REPORTING

Management has determined the operating segments based on reports reviewed by the Chief Executive, who is deemed to be the chief operating decision maker. The principal performance measures have been identified as net rental income and net asset value.

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

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

1. The period to 30 June 2015 has been re-presented to reflect the transfer of Maclise Road from the Earls Court Properties segment to the Venues segment in the second half of 2015.

Management information, previously reported on a proportionate consolidation basis until December 2015 is now reported to the chief operating decision maker on a Group share basis. Consequently the comparative periods are also re-presented in line with reporting requirements. Outlined below is the Group share by segment:

Segment	Group share
<b>Covent Garden</b>	<b>100%</b>
<b>Earls Court Properties</b>	
ECPL	63%
Lillie Square	50%
Empress State	100%
Other	100%
<b>Venues</b>	<b>100%</b>
<b>Other</b>	
Solum	50%
GCP	50%
Other	100%

Segmental reporting has been presented in line with management information and therefore consolidation adjustments are presented to reconcile segmental performance and position to the IFRS total.

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

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

## 2 SEGMENTAL REPORTING CONTINUED

### Reportable segments

	Six months ended 30 June 2016						
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
<b>Continuing operations</b>							
<b>Revenue</b>	<b>29.1</b>	<b>8.7</b>	<b>17.9</b>	<b>1.4</b>	<b>57.1</b>	<b>1.3</b>	<b>58.4</b>
Rent receivable and exhibition income	24.0	8.7	17.9	–	50.6	0.4	51.0
Service charge income	1.6	–	–	–	1.6	–	1.6
Rental income	25.6	8.7	17.9	–	52.2	0.4	52.6
Rental expenses <sup>1</sup>	(5.4)	(0.4)	(5.6)	(0.3)	(11.7)	–	(11.7)
<b>Net rental income/(expense)</b>	<b>20.2</b>	<b>8.3</b>	<b>12.3</b>	<b>(0.3)</b>	<b>40.5</b>	<b>0.4</b>	<b>40.9</b>
Profit/(loss) on sale of trading property	1.1	(1.0)	–	–	0.1	1.0	1.1
Other income	–	–	–	1.4	1.4	0.9	2.3
Gain/(loss) on revaluation of investment and development property	60.2	(164.9)	(0.5)	–	(105.2)	(69.0)	(174.2)
Write down of trading property	–	(0.4)	–	–	(0.4)	0.4	–
Impairment of other receivables	–	–	–	–	–	(7.7)	(7.7)
<b>Segment result</b>	<b>81.5</b>	<b>(158.0)</b>	<b>11.8</b>	<b>1.1</b>	<b>(63.6)</b>	<b>(74.0)</b>	<b>(137.6)</b>
Unallocated costs:							
Administration expenses					(25.0)	–	(25.0)
<b>Operating loss</b>					<b>(88.6)</b>	<b>(74.0)</b>	<b>(162.6)</b>
Net finance costs <sup>2</sup>					(32.6)	5.0	(27.6)
Share of post-tax loss from joint ventures					–	(0.2)	(0.2)
<b>Loss before tax</b>					<b>(121.2)</b>	<b>(69.2)</b>	<b>(190.4)</b>
Taxation					12.2	5.8	18.0
<b>Loss for the period</b>					<b>(109.0)</b>	<b>(63.4)</b>	<b>(172.4)</b>
<b>Loss attributable to:</b>							
Owners of the Parent					(109.0)	–	(109.0)
Non-controlling interest					–	(63.4)	(63.4)
<b>Summary balance sheet</b>							
Total segment assets <sup>3</sup>	2,119.8	1,226.4	314.5	28.6	3,689.3	315.3	4,004.6
Total segment liabilities <sup>3</sup>	(630.9)	(211.0)	(36.1)	(12.0)	(890.0)	94.4	(795.6)
Segmental net assets	1,488.9	1,015.4	278.4	16.6	2,799.3	409.7	3,209.0
Unallocated assets <sup>2</sup>					22.3	–	22.3
<b>Net assets</b>					<b>2,821.6</b>	<b>409.7</b>	<b>3,231.3</b>
<b>Other segment items:</b>							
Depreciation	(0.1)	(0.5)	(0.2)	(0.1)	(0.9)	0.2	(0.7)
Capital expenditure	(44.4)	(37.4)	(0.5)	–	(82.3)	15.3	(67.0)

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

## 2 SEGMENTAL REPORTING CONTINUED

### Reportable segments

	Re-presented six months ended 30 June 2015						
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Continuing operations							
Revenue	24.4	9.3	16.6	1.0	51.3	0.7	52.0
Rent receivable and exhibition income	22.6	9.2	16.6	–	48.4	–	48.4
Service charge income	1.8	–	–	–	1.8	–	1.8
Rental income	24.4	9.2	16.6	–	50.2	–	50.2
Rental expenses <sup>1</sup>	(5.3)	(0.5)	(5.9)	(0.1)	(11.8)	–	(11.8)
Net rental income/(expense)	19.1	8.7	10.7	(0.1)	38.4	–	38.4
Loss on sale of trading property	(0.2)	(1.0)	–	–	(1.2)	1.0	(0.2)
Other income	–	0.1	–	1.0	1.1	0.7	1.8
Gain/(loss) on revaluation of investment and development property	151.5	59.9	52.2	(0.6)	263.0	8.7	271.7
Write back of trading property	–	0.2	–	–	0.2	(0.2)	–
Loss on sale of loan notes	–	–	–	(0.2)	(0.2)	–	(0.2)
Impairment of other receivables	–	–	–	–	–	(5.9)	(5.9)
Segment result	170.4	67.9	62.9	0.1	301.3	4.3	305.6
Unallocated costs:							
Administration expenses					(25.0)	–	(25.0)
Operating profit					276.3	4.3	280.6
Net finance costs <sup>2</sup>					(7.7)	4.4	(3.3)
Profit before tax					268.6	8.7	277.3
Taxation					(4.7)	(3.5)	(8.2)
Profit for the period					263.9	5.2	269.1
Profit attributable to:							
Owners of the Parent					263.9	–	263.9
Non-controlling interest					–	5.2	5.2
Summary balance sheet							
Total segment assets <sup>3</sup>	1,850.3	1,254.5	275.4	36.4	3,416.6	386.6	3,803.2
Total segment liabilities <sup>3</sup>	(404.6)	(179.3)	(77.0)	(12.3)	(673.2)	48.3	(624.9)
Segmental net assets	1,445.7	1,075.2	198.4	24.1	2,743.4	434.9	3,178.3
Unallocated assets <sup>2</sup>					26.6	–	26.6
Net assets					2,770.0	434.9	3,204.9
Other segment items:							
Depreciation	(0.1)	–	(0.1)	–	(0.2)	–	(0.2)
Capital expenditure	(56.3)	(304.9)	(2.0)	(0.3)	(363.5)	(150.4)	(513.9)

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

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

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

## 2 SEGMENTAL REPORTING CONTINUED

### Reportable segments

	Re-presented year ended 31 December 2015						
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Continuing operations							
Revenue	61.3	18.2	31.3	2.5	113.3	1.6	114.9
Rent receivable and exhibition income	46.4	18.1	31.3	–	95.8	0.2	96.0
Service charge income	3.7	–	–	–	3.7	–	3.7
Rental income	50.1	18.1	31.3	–	99.5	0.2	99.7
Rental expenses <sup>1</sup>	(11.3)	(0.8)	(12.0)	(0.5)	(24.6)	0.2	(24.4)
Net rental income/(expense)	38.8	17.3	19.3	(0.5)	74.9	0.4	75.3
Profit/(loss) on sale of trading property	3.5	(1.5)	–	–	2.0	1.5	3.5
Other income	–	0.1	–	2.5	2.6	1.4	4.0
Gain on revaluation of investment and development property	262.9	100.9	58.4	(0.4)	421.8	32.1	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	117.0	77.7	1.2	501.1	23.0	524.1
Unallocated costs:							
Administration expenses					(52.5)	0.4	(52.1)
Operating profit					448.6	23.4	472.0
Net finance costs <sup>2</sup>					(20.6)	9.2	(11.4)
Share of post-tax loss from joint ventures					–	(0.7)	(0.7)
Profit before tax					428.0	31.9	459.9
Taxation					3.1	(5.8)	(2.7)
Profit for the year					431.1	26.1	457.2
Profit attributable to:							
Owners of the Parent					431.1	–	431.1
Non-controlling interest					–	26.1	26.1
Summary balance sheet							
Total segment assets <sup>3</sup>	2,010.4	1,360.6	314.7	39.2	3,724.9	395.8	4,120.7
Total segment liabilities <sup>3</sup>	(569.6)	(193.7)	(36.6)	(22.6)	(822.5)	73.0	(749.5)
Segmental net assets	1,440.8	1,166.9	278.1	16.6	2,902.4	468.8	3,371.2
Unallocated assets <sup>2</sup>					31.6	–	31.6
Net assets					2,934.0	468.8	3,402.8
Other segment items:							
Depreciation	(0.2)	–	(0.2)	(0.1)	(0.5)	–	(0.5)
Capital expenditure	(110.8)	(360.1)	(4.0)	(0.3)	(475.2)	(142.7)	(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 segmental assets and total segmental liabilities exclude loans between and investments in Group undertakings.

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

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
Continuing operations			
Proceeds from the sale of trading property	3.5	–	11.2
Cost of sale of trading property	(2.4)	–	(7.5)
Agent, selling and marketing fees	–	(0.2)	(0.2)
<b>Profit/(loss) on sale of trading property</b>	<b>1.1</b>	<b>(0.2)</b>	<b>3.5</b>

### 4 (LOSS)/GAIN ON REVALUATION OF INVESTMENT AND DEVELOPMENT PROPERTY

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
Continuing operations			
<b>(Loss)/gain on revaluation of investment and development property</b>	<b>(174.2)</b>	<b>271.7</b>	<b>453.9</b>

### 5 LOSS ON SALE OF AVAILABLE-FOR-SALE INVESTMENTS

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
Continuing operations			
<b>Loss on sale of available-for-sale investments</b>	<b>–</b>	<b>–</b>	<b>0.2</b>

Loss on sale of available-for-sale investments in 2015 represents part divestment from China Harvest Fund I.

### 6 IMPAIRMENT OF OTHER RECEIVABLES

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
Continuing operations			
<b>Impairment of other receivables</b>	<b>7.7</b>	<b>5.9</b>	<b>12.2</b>

Following an impairment review of amounts receivable from joint ventures by the Group, an impairment of £7.7 million has been recognised (30 June 2015: £5.9 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 (31 December 2015: £nil) in accordance with IAS 28 'Investment in Associates and Joint Ventures' ("IAS 28"). Refer to note 13 'Investment in Joint Ventures'.

## 7 FINANCE INCOME

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
<b>Continuing operations</b>			
Finance income:			
On loan notes	–	0.2	0.2
On deposits and other	0.1	0.4	0.5
<b>Finance income</b>	<b>0.1</b>	<b>0.6</b>	<b>0.7</b>
Other finance income:			
On deep discount bonds <sup>1</sup>	5.0	4.4	9.3
<b>Other finance income</b>	<b>5.0</b>	<b>4.4</b>	<b>9.3</b>

1. Excluded from the calculation of underlying earnings as deep discount bonds eliminate on a Group share basis.

## 8 FINANCE COSTS

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
<b>Continuing operations</b>			
Finance costs:			
On bank overdrafts, loans and other	9.9	10.0	21.0
On obligations under finance leases	0.2	0.2	0.5
Gross finance costs	10.1	10.2	21.5
Interest capitalised on property under development	(0.4)	(0.5)	(0.7)
<b>Finance costs</b>	<b>9.7</b>	<b>9.7</b>	<b>20.8</b>
Other finance costs:			
Costs of termination of bank loans and other	5.2	–	–
<b>Other finance costs<sup>1</sup></b>	<b>5.2</b>	<b>–</b>	<b>–</b>

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

Interest is capitalised, before tax relief, on the basis of the weighted average cost of debt of 2.8 per cent (31 December 2015: 3.3 per cent) applied to the cost of property under development during the period.

## 9 TAXATION

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
<b>Continuing operations</b>			
Current income tax:			
Current income tax charge excluding non-underlying items	0.7	2.7	1.6
Current income tax on (losses)/profits	0.7	2.7	1.6
Deferred income tax:			
On accelerated capital allowances	0.5	2.7	0.1
On fair value of investment and development property	(15.6)	2.0	3.8
On fair value of derivative financial instruments	(3.4)	0.1	(0.1)
On Group losses	(0.6)	(4.2)	0.5
On other temporary differences	0.8	(0.1)	(0.8)
On non-underlying Group losses	(0.4)	4.9	–
Deferred income tax on (losses)/profits	(18.7)	5.4	3.5
Current income tax charge on non-underlying items	–	0.1	–
Adjustments in respect of previous periods – current income tax	–	–	(3.8)
Adjustments in respect of previous periods – deferred income tax	–	–	1.4
<b>Total income tax (credit)/charge reported in the consolidated income statement</b>	<b>(18.0)</b>	<b>8.2</b>	<b>2.7</b>

The Finance Act 2015 set the main rate of UK corporation tax at 20 per cent with effect 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. A further reduction to the corporation tax rate to 17 per cent from April 2020 has been announced in the March 2016 Budget.

## 10 DIVIDENDS

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
<b>Ordinary shares</b>			
Prior period final dividend of 1.0p per share	8.4	8.4	8.4
Interim dividend of 0.5p per share	–	–	4.2
<b>Dividend expense</b>	<b>8.4</b>	<b>8.4</b>	<b>12.6</b>
Shares issued in lieu of cash <sup>1</sup>	(4.3)	(4.3)	(4.3)
Adjustment for bonus issue <sup>2</sup>	–	–	(0.6)
<b>Cash dividends paid</b>	<b>4.1</b>	<b>4.1</b>	<b>7.7</b>
Proposed interim dividend of 0.5p per share	4.2	4.2	–
Proposed final dividend of 1.0p per share	–	–	8.4

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

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

## 11 EARNINGS PER SHARE AND NET ASSETS PER SHARE

	Six months ended 30 June 2016 million	Six months ended 30 June 2015 million	Year ended 31 December 2015 million
<b>(a) Earnings per share</b>			
<b>Weighted average ordinary shares in issue for calculation of basic (loss)/earnings per share</b>	<b>842.6</b>	839.4	840.8
Dilutive effect of contingently issuable share option awards	0.8	2.4	2.1
Dilutive effect of contingently issuable deferred share awards	–	1.1	0.8
Dilutive effect of contingently issuable matching nil cost option awards	0.2	1.6	1.3
Dilutive effect of deferred bonus share option awards	1.0	1.3	1.3
Weighted average ordinary shares in issue for calculation of diluted (loss)/earnings per share	<b>844.6</b>	845.8	846.3
	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
<b>Continuing operations attributable to owners of the Parent</b>			
(Loss)/earnings used for calculation of basic and diluted earnings per share	<b>(109.0)</b>	263.9	431.1
Basic (loss)/earnings per share (pence)	<b>(12.9)</b>	31.4	51.3
Diluted (loss)/earnings per share (pence)	<b>(12.9)</b>	31.2	50.9
<b>Continuing operations attributable to owners of the Parent</b>			
Basic (loss)/earnings	<b>(109.0)</b>	263.9	431.1
Group adjustments:			
(Profit)/loss on sale of trading property	<b>(1.1)</b>	0.2	(3.5)
Loss/(gain) on revaluation of investment and development property	<b>174.2</b>	(271.7)	(453.9)
Loss on sale of loan notes	–	0.2	0.2
Change in fair value of derivative financial instruments	<b>17.8</b>	(1.4)	0.6
Current tax adjustments	–	0.1	–
Deferred tax adjustments	<b>(18.5)</b>	4.8	3.8
Non-controlling interest in respect of the Group adjustments	<b>(63.3)</b>	5.2	26.4
Joint venture adjustments:			
Loss on sale of trading property	<b>1.0</b>	1.0	1.6
Gain on revaluation of investment and development property	–	–	(0.1)
Write down/(back) of trading property	<b>0.4</b>	(0.2)	(0.2)
<b>EPRA adjusted earnings on continuing operations</b>	<b>1.5</b>	2.1	6.0
Other finance costs	<b>5.2</b>	–	–
Loss on sale of available-for-sale investments	–	–	0.2
Deferred tax adjustments	<b>(0.8)</b>	2.2	1.7
Joint venture adjustment:			
Other income	–	(0.1)	(0.1)
<b>Underlying earnings</b>	<b>5.9</b>	4.2	7.8
<b>Underlying earnings per share (pence)</b>	<b>0.7</b>	0.5	0.9
<b>EPRA adjusted earnings per share (pence)</b>	<b>0.2</b>	0.2	0.7



## 11 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 JSE listing. This measure is not a requirement of IFRS.

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
<b>(a) Earnings per share continued</b>			
<b>Continuing operations attributable to owners of the Parent</b>			
Basic (loss)/earnings	<b>(109.0)</b>	263.9	431.1
Group adjustments:			
Loss/(gain) on revaluation and sale of investment and development property	<b>174.2</b>	(271.7)	(453.9)
Loss on sale of loan notes	–	0.2	0.2
Loss on sale of available-for-sale investments	–	–	0.2
Deferred tax adjustments	<b>(15.6)</b>	2.0	3.8
Non-controlling interest in respect of the Group adjustments	<b>(63.3)</b>	5.2	26.4
Joint venture adjustment:			
Gain on revaluation of investment and development property	–	–	(0.1)
<b>Headline (loss)/earnings</b>	<b>(13.7)</b>	(0.4)	7.7
Headline (loss)/earnings per share (pence)	<b>(1.6)</b>	–	0.9
Diluted headline (loss)/earnings per share (pence)	<b>(1.6)</b>	–	0.9
<b>(b) Net assets per share</b>			
		As at 30 June 2016 million	As at 31 December 2015 million
<b>Number of ordinary shares in issue</b>		<b>845.5</b>	842.0
Adjustments:			
Effect of dilution on exercise of contingently issuable share option awards		<b>0.8</b>	2.3
Effect of dilution on vesting of contingently issuable deferred share awards		–	0.8
Effect of dilution on exercise of contingently issuable matching nil cost option awards		<b>0.2</b>	1.3
Effect of dilution on exercise of deferred bonus share option awards		<b>1.0</b>	1.3
<b>Adjusted, diluted number of ordinary shares in issue</b>		<b>847.5</b>	847.7
		As at 30 June 2016 £m	As at 31 December 2015 £m
<b>Net assets attributable to owners of the Parent</b>		<b>2,821.6</b>	2,934.0
Fair value of derivative financial instruments		<b>18.6</b>	2.4
Unrecognised surplus on trading property – Group		<b>6.5</b>	8.3
Unrecognised surplus on trading property – Joint venture		<b>57.1</b>	91.6
Deferred tax adjustments		<b>10.4</b>	28.9
Non-controlling interest in respect of the Group adjustments		–	(5.8)
<b>EPRA adjusted, diluted NAV</b>		<b>2,914.2</b>	3,059.4
Fair value of derivative financial instruments		<b>(18.6)</b>	(2.4)
Excess fair value of debt over carrying value		<b>(22.5)</b>	(12.1)
Deferred tax adjustments		<b>(10.4)</b>	(28.9)
<b>EPRA adjusted, diluted NNAV</b>		<b>2,862.7</b>	3,016.0
Basic net assets per share (pence)		<b>333.7</b>	348.5
Diluted net assets per share (pence)		<b>332.9</b>	346.1
EPRA adjusted, diluted NAV per share (pence)		<b>343.9</b>	360.9
EPRA adjusted, diluted NNAV per share (pence)		<b>337.8</b>	355.8

## 12 PROPERTY PORTFOLIO

### a) Investment and development property

	Property portfolio					Tenure	
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m	Freehold £m	Leasehold £m
At 1 January 2015	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 <sup>1</sup>	262.9	133.0	58.4	(0.4)	453.9	225.4	228.5
<b>At 31 December 2015</b>	<b>1,949.5</b>	<b>1,606.4</b>	<b>295.0</b>	<b>4.4</b>	<b>3,855.3</b>	<b>1,796.9</b>	<b>2,058.4</b>
Additions from acquisitions	14.2	–	–	–	14.2	–	14.2
Additions from subsequent expenditure	30.1	22.1	0.5	–	52.7	23.2	29.5
Gain/(loss) on valuation <sup>1</sup>	60.2	(233.9)	(0.5)	–	(174.2)	(45.0)	(129.2)
<b>At 30 June 2016</b>	<b>2,054.0</b>	<b>1,394.6</b>	<b>295.0</b>	<b>4.4</b>	<b>3,748.0</b>	<b>1,775.1</b>	<b>1,972.9</b>

### b) Trading property

	Property portfolio					Tenure	
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m	Freehold £m	Leasehold £m
At 1 January 2015	22.1	–	–	–	22.1	22.1	–
Additions from subsequent expenditure	0.9	–	–	–	0.9	0.9	–
Disposals	(7.5)	–	–	–	(7.5)	(7.5)	–
<b>At 31 December 2015<sup>2</sup></b>	<b>15.5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>15.5</b>	<b>15.5</b>	<b>–</b>
Additions from subsequent expenditure	0.1	–	–	–	0.1	0.1	–
Disposals	(2.4)	–	–	–	(2.4)	(2.4)	–
<b>At 30 June 2016<sup>2</sup></b>	<b>13.2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13.2</b>	<b>13.2</b>	<b>–</b>

1. Loss on valuation of £174.2 million (31 December 2015 gain: £453.9 million) is recognised in the consolidated income statement within (loss)/gain on revaluation of investment and development property. This (loss)/gain was unrealised and relates to assets held at the end of the period.

2. The value of trading property carried at net realisable value was £nil (31 December 2015: £nil).

## 12 PROPERTY PORTFOLIO CONTINUED

### c) Market value reconciliation of total property

	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m
Carrying value of investment and development property at 30 June 2016 <sup>1</sup>	2,054.0	1,394.6	295.0	4.4	3,748.0
Carrying value of trading property at 30 June 2016	13.2	–	–	–	13.2
<b>Carrying value of investment, development and trading property at 30 June 2016</b>	<b>2,067.2</b>	<b>1,394.6</b>	<b>295.0</b>	<b>4.4</b>	<b>3,761.2</b>
Adjustment in respect of fixed head leases	(4.1)	–	–	–	(4.1)
Adjustment in respect of tenant lease incentives	41.7	–	–	–	41.7
Unrecognised surplus on trading property <sup>2</sup>	6.5	–	–	–	6.5
<b>Market value of investment, development and trading property at 30 June 2016</b>	<b>2,111.3</b>	<b>1,394.6</b>	<b>295.0</b>	<b>4.4</b>	<b>3,805.3</b>
<b>Joint ventures:</b>					
Carrying value of joint venture investment, development and trading property at 30 June 2016	–	153.5	–	–	153.5
Unrecognised surplus on joint venture trading property <sup>2</sup>	–	57.1	–	–	57.1
	<b>2,111.3</b>	<b>1,605.2</b>	<b>295.0</b>	<b>4.4</b>	<b>4,015.9</b>
<b>Non-controlling interest adjustments:</b>					
Market value of non-controlling interest in investment, development and trading property at 30 June 2016	–	(410.4)	–	–	(410.4)
<b>Market value of investment, development and trading property on a Group share basis at 30 June 2016</b>	<b>2,111.3</b>	<b>1,194.8</b>	<b>295.0</b>	<b>4.4</b>	<b>3,605.5</b>
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m
Carrying value of investment and development property at 31 December 2015 <sup>1</sup>	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	1,965.0	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 <sup>2</sup>	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
<b>Joint ventures:</b>					
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 <sup>2</sup>	–	91.6	–	–	91.6
	<b>2,005.2</b>	<b>1,828.8</b>	<b>295.0</b>	<b>4.4</b>	<b>4,133.4</b>
<b>Non-controlling interest adjustments:</b>					
Market value of non-controlling interest in investment, development and trading property at 31 December 2015	–	(471.6)	–	–	(471.6)
<b>Market value of investment, development and trading property on a Group share basis at 31 December 2015</b>	<b>2,005.2</b>	<b>1,357.2</b>	<b>295.0</b>	<b>4.4</b>	<b>3,661.8</b>

1. Included within investment and development property is £0.4 million (31 December 2015: £0.7 million) of interest capitalised during the period on developments in progress.

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

## 12 PROPERTY PORTFOLIO CONTINUED

At 30 June 2016, the Group was contractually committed to £161.1 million (2015: £162.5 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 24 'Capital Commitments' for further information on capital commitments.

The fair value of the Group's investment, development and trading property at 30 June 2016 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.

It should be noted that property valuers across the industry are stating within their valuation reports that their valuations carry a higher than normal level of uncertainty because there is little or no empirical evidence as at the valuation date due to the unprecedented nature of the EU referendum result, which has created considerable uncertainty within the market. The Group's valuers, CB Richard Ellis and Jones Lang LaSalle, have followed this industry wide approach in respect of the valuations this period.

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 14.

## 13 INVESTMENT IN JOINT VENTURES

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

At 30 June 2016, joint ventures comprise the Lillie Square joint venture ("LSJV"), Solum Developments joint venture ("Solum"), and The Great Capital Partnership ("GCP") which is accounted for as a discontinued operation.

### LSJV

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

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

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
<b>LSJV</b>			
<b>Summarised income statement</b>			
Revenue	–	0.2	0.6
Net rental (expense)/income	(0.2)	0.1	0.5
Gain on revaluation of investment and development property	–	–	0.2
Agent, selling and marketing fees	(1.9)	(2.0)	(3.1)
Other income	–	0.2	–
Write (down)/back of trading property	(0.8)	0.3	0.5
Administration expenses	(2.4)	(1.6)	(3.8)
Finance costs <sup>1</sup>	(10.0)	(8.8)	(18.7)
Other costs	(0.1)	–	–
<b>Loss for the period</b>	<b>(15.4)</b>	<b>(11.8)</b>	<b>(24.4)</b>

1. Finance costs relate to the amortisation of deep discount bonds that were issued by LSJV to the Group and KFI. The bonds are redeemable at their nominal value of £263.4 million on 24 August 2019. The discount applied is unwound over the period to maturity using an effective interest rate. Finance income receivable to the Group of £5.0 million (30 June 2015: £4.4 million) is recognised in the consolidated income statement within other finance income.

	As at 30 June 2016 £m	As at 31 December 2015 £m
<b>LSJV</b>		
<b>Summarised balance sheet</b>		
Investment and development property	3.2	3.2
Other non-current assets	2.5	3.0
Trading property	303.8	258.5
Cash and cash equivalents <sup>1</sup>	64.1	67.2
Other current assets	0.4	0.2
Borrowings	(132.0)	(87.7)
Other non-current liabilities <sup>2</sup>	(184.5)	(174.5)
Amounts payable to joint venture partners <sup>3</sup>	(72.1)	(75.2)
Other current liabilities	(64.0)	(57.7)
<b>Net liabilities</b>	<b>(78.6)</b>	<b>(63.0)</b>

<b>Capital commitments</b>	<b>76.4</b>	<b>97.2</b>
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Carrying value of investment, development and trading property	307.0	261.7
<b>Unrecognised surplus on trading property<sup>4</sup></b>	<b>114.1</b>	<b>183.2</b>
<b>Market value of investment, development and trading property<sup>4</sup></b>	<b>421.1</b>	<b>444.9</b>

1. Includes restricted cash and cash equivalents of £55.5 million (31 December 2015: £52.3 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 £55.5 million (31 December 2015: £52.3 million) within other current liabilities.

2. Other non-current liabilities relate to deep discount bonds. Recoverable amounts receivable by the Group of £91.5 million (31 December 2015: £87.2 million) are recognised on the consolidated balance sheet within non-current trade and other receivables. The balance has been impaired by £0.7 million (31 December 2015: £nil).

3. Amounts payable to joint venture partners relate to working capital funding advanced by the Group and KFI. Recoverable amounts receivable of £nil (31 December 2015: £10.0 million) by the Group are recognised on the consolidated balance sheet within current trade and other receivables.

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

## 13 INVESTMENT IN JOINT VENTURES CONTINUED

### Solum

On 29 June 2015, the Group acquired a 50 per cent interest in Solum, a joint venture arrangement with Network Rail Infrastructure Limited ("NRIL"). Total acquisition costs were £14.5 million, £2.0 million of which is contingent. Refer to note 20 'Other Provisions' for further information regarding the contingent consideration. The joint venture will explore opportunities for future redevelopments on and around significant railway station sites in London.

Solum comprises Solum 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.

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

Solum	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
<b>Summarised income statement</b>			
Administration expenses	(0.5)	–	(1.4)
<b>Loss for the period</b>	<b>(0.5)</b>	<b>–</b>	<b>(1.4)</b>

Solum	As at 30 June 2016 £m	As at 31 December 2015 £m
<b>Summarised balance sheet</b>		
Cash and cash equivalents	1.5	1.6
Other current liabilities	(1.4)	(1.1)
<b>Net assets</b>	<b>0.1</b>	<b>0.5</b>

### GCP

GCP was established as a joint venture in 2007 with Great Portland Estates plc, to own, manage and develop a number of central London properties. In April 2013, the Group exchanged contracts for the disposal of the final asset in GCP. This was affected as part of the Group's strategy to dispose of non-core assets in support of the Group's core estates, as a result the partnership has been presented as a discontinued operation.

The summarised balance sheet of GCP is presented below. A summarised income statement is not presented as there were no income, expenses, gains or losses attributable to the joint venture in the current or comparative period.

GCP	As at 30 June 2016 £m	As at 31 December 2015 £m
<b>Summarised balance sheet</b>		
Cash and cash equivalents	0.1	0.1
<b>Net assets</b>	<b>0.1</b>	<b>0.1</b>

## 13 INVESTMENT IN JOINT VENTURES CONTINUED

### Reconciliation of summarised financial information

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

	GCP £m	LSJV £m	Solum £m	Total £m
Net assets/(liabilities) of joint ventures at 31 December 2015	0.1	(63.0)	0.5	(62.4)
Elimination of joint venture partners' interest	–	31.5	(0.3)	31.2
Cumulative losses restricted <sup>1</sup>	–	31.5	–	31.5
Goodwill on acquisition of joint venture <sup>2</sup>	–	–	14.5	14.5
Carrying value at 31 December 2015	0.1	–	14.7	14.8
<b>Net assets/(liabilities) of joint ventures at 30 June 2016</b>	<b>0.1</b>	<b>(78.6)</b>	<b>0.1</b>	<b>(78.4)</b>
Elimination of joint venture partners' interest	–	39.3	(0.1)	39.2
Cumulative losses restricted <sup>1</sup>	–	39.3	–	39.3
Goodwill on acquisition of joint venture <sup>2</sup>	–	–	14.5	14.5
<b>Carrying value at 30 June 2016</b>	<b>0.1</b>	<b>–</b>	<b>14.5</b>	<b>14.6</b>

1. Cumulative losses restricted represent the Group's share of losses in LSJV which exceed the Group's investment in the joint venture. As a result the carrying value of the investment in LSJV is £nil (31 December 2015: £nil) in accordance with the requirements of IAS 28.

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

### Reconciliation of investment in joint ventures

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

Investment in joint ventures	GCP £m	LSJV £m	Solum £m	Total £m
At 1 January 2015	0.1	–	–	0.1
Loss for the year <sup>1</sup>	–	(12.2)	(0.7)	(12.9)
Loss restricted <sup>1</sup>	–	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
Loss for the period <sup>1</sup>	–	(7.7)	(0.2)	(7.9)
Loss restricted <sup>1</sup>	–	7.7	–	7.7
<b>At 30 June 2016</b>	<b>0.1</b>	<b>–</b>	<b>14.5</b>	<b>14.6</b>

1. Share of post-tax loss from joint ventures in the consolidated income statement of £0.2 million (31 December 2015: £0.7 million) comprise loss for the period of £7.9 million (31 December 2015: £12.9 million) and loss restricted totalling £7.7 million (31 December 2015: £12.2 million).

## 14 TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 £m	As at 31 December 2015 £m
<b>Non-current</b>		
Other receivables <sup>1</sup>	39.5	38.5
Prepayments and accrued income <sup>2</sup>	38.4	33.2
Amounts receivable from joint ventures <sup>3</sup>	91.5	87.2
<b>Trade and other receivables</b>	<b>169.4</b>	<b>158.9</b>
<b>Current</b>		
Rent receivable <sup>4</sup>	6.2	6.6
Other receivables	5.8	3.4
Prepayments and accrued income <sup>2</sup>	13.5	12.3
Amounts receivable from joint ventures <sup>5</sup>	0.6	10.0
<b>Trade and other receivables</b>	<b>26.1</b>	<b>32.3</b>

1. Includes £30.0 million payment to LBHF which forms part of the CLSA.

2. Included within prepayments and accrued income are tenant lease incentives of £41.7 million (31 December 2015: £36.0 million).

3. Non-current amounts receivable from joint ventures relate to deep discount bonds that were issued by LSJV to the Group. The bonds are redeemable at their nominal value of £131.7 million on 24 August 2019. The balance has been impaired by £0.7 million. (31 December 2015: £nil).

4. Includes exhibition trade receivables.

5. Current amounts receivable from joint ventures comprise working capital funding advanced by the Group to LSJV and Solum. The balance has been impaired by £39.2 million (31 December 2015: £31.5 million).

## 15 CASH AND CASH EQUIVALENTS

	As at 30 June 2016 £m	As at 31 December 2015 £m
Cash at hand	14.6	11.6
Cash on short-term deposit	26.5	49.3
<b>Unrestricted cash and cash equivalents</b>	<b>41.1</b>	<b>60.9</b>
Restricted cash and cash equivalents <sup>1</sup>	6.0	6.0
<b>Cash and cash equivalents</b>	<b>47.1</b>	<b>66.9</b>

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

## 16 TRADE AND OTHER PAYABLES

	As at 30 June 2016 £m	As at 31 December 2015 £m
<b>Current</b>		
Rent received in advance	22.5	21.3
Accruals and deferred income	32.2	58.5
Trade payables	1.5	2.7
Other payables	9.1	6.9
Other taxes and social security	6.0	2.1
Amount payable to non-controlling interest	–	4.4
<b>Trade and other payables</b>	<b>71.3</b>	<b>95.9</b>



## 17 BORROWINGS, INCLUDING FINANCE LEASES

	As at 30 June 2016						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
<b>Current</b>							
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
<b>Borrowings, including finance leases</b>	<b>18.5</b>	<b>18.5</b>	<b>–</b>	<b>0.5</b>	<b>18.0</b>	<b>18.5</b>	<b>18.5</b>
<b>Non-current</b>							
Loan 2018	84.9	84.9	–	–	84.9	85.5	85.5
Loan 2020	427.7	–	427.7	–	427.7	430.0	430.0
Loan notes 2024	74.6	–	74.6	74.6	–	83.5	75.0
Loan notes 2026	74.6	–	74.6	74.6	–	84.3	75.0
Loan 2026	16.2	16.2	–	–	16.2	17.2	17.2
Borrowings	678.0	101.1	576.9	149.2	528.8	700.5	682.7
Finance lease obligations	3.6	3.6	–	3.6	–	3.6	3.6
<b>Borrowings, including finance leases</b>	<b>681.6</b>	<b>104.7</b>	<b>576.9</b>	<b>152.8</b>	<b>528.8</b>	<b>704.1</b>	<b>686.3</b>
<b>Total borrowings, including finance leases</b>	<b>700.1</b>	<b>123.2</b>	<b>576.9</b>	<b>153.3</b>	<b>546.8</b>	<b>722.6</b>	<b>704.8</b>
Cash and cash equivalents	(47.1)						
<b>Net debt</b>	<b>653.0</b>						

	As at 31 December 2015						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
<b>Current</b>							
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
<b>Borrowings, including finance leases</b>	<b>18.5</b>	<b>18.5</b>	<b>–</b>	<b>0.5</b>	<b>18.0</b>	<b>18.5</b>	<b>18.5</b>
<b>Non-current</b>							
Loan 2018	84.8	84.8	–	–	84.8	85.5	85.5
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
<b>Borrowings, including finance leases</b>	<b>607.6</b>	<b>88.4</b>	<b>519.2</b>	<b>153.0</b>	<b>454.6</b>	<b>619.7</b>	<b>614.1</b>
<b>Total borrowings, including finance leases</b>	<b>626.1</b>	<b>106.9</b>	<b>519.2</b>	<b>153.5</b>	<b>472.6</b>	<b>638.2</b>	<b>632.6</b>
Cash and cash equivalents	(66.9)						
<b>Net debt</b>	<b>559.2</b>						

## 18 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The tables below set out each class of financial asset, financial liability and their fair values at 30 June 2016 and 31 December 2015.

	As at 30 June 2016			
	Carrying value £m	Fair value £m	Loss to income statement £m	Gain to other comprehensive income £m
Derivative financial assets	0.3	0.3	(1.6)	–
Total held for trading assets	0.3	0.3	(1.6)	–
Cash and cash equivalents	47.1	47.1	–	–
Other financial assets	195.5	195.5	–	–
Total cash and other financial assets	242.6	242.6	–	–
Available-for-sale investments	0.2	0.2	–	–
Total available-for-sale investments	0.2	0.2	–	–
Derivative financial liabilities	(18.9)	(18.9)	(16.2)	–
Total held for trading liabilities	(18.9)	(18.9)	(16.2)	–
Borrowings, including finance leases	(700.1)	(722.6)	–	–
Other financial liabilities	(72.6)	(72.6)	–	–
Total borrowings and other financial liabilities	(772.7)	(795.2)	–	–

	As at 31 December 2015			
	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	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	(626.1)	(638.2)	–	–
Other financial liabilities	(98.7)	(98.7)	–	–
Total borrowings and other financial liabilities	(724.8)	(736.9)	–	–

## 18 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES CONTINUED

### Fair value estimation

Financial instruments carried at fair value are required to be analysed by level depending on the valuation method adopted under IFRS 13 'Fair Value Measurement'.

The different levels are defined as follows:

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

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

Level 3: where one or more inputs to valuation are not based on observable market data. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models. Such testing has not indicated that any material difference would arise due to a change in input variables.

The tables below present the Group's financial assets and liabilities carried at fair value at 30 June 2016 and 31 December 2015.

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

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>30 June 2016</b>				
<b>Derivative financial assets</b>				
Held for trading	–	0.3	–	0.3
<b>Investments</b>				
Total available-for-sale investments	–	–	0.2	0.2
Total assets	–	0.3	0.2	0.5
<b>Derivative financial liabilities</b>				
Held for trading	–	(18.9)	–	(18.9)
Total liabilities	–	(18.9)	–	(18.9)

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>31 December 2015</b>				
<b>Derivative financial assets</b>				
Held for trading	–	0.8	–	0.8
<b>Investments</b>				
Available-for-sale investments	–	–	0.2	0.2
Total assets	–	0.8	0.2	1.0
<b>Derivative financial liabilities</b>				
Held for trading	–	(3.2)	–	(3.2)
Total liabilities	–	(3.2)	–	(3.2)

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

	As at 30 June 2016 £m	As at 31 December 2015 £m
At 1 January	0.2	0.4
Loss on sale	–	(0.2)
<b>Total available-for-sale investments</b>	<b>0.2</b>	<b>0.2</b>

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

## 19 DEFERRED TAX

The decrease in corporation tax rate to 19 per cent referred to in Note 9 has been substantively enacted for the purposes of IAS 12 'Income Taxes' and therefore has been reflected in these condensed consolidated financial statements based on the expected timing of the realisation of deferred tax.

Deferred tax on investment and development property is calculated under IAS 12 provisions on a disposals basis by reference to the properties original tax base cost. Elements factored into the calculation include indexation relief and the Group's holding structure. The Group's recognised deferred tax liability on investment and development property as calculated under IAS 12 is £nil as at 30 June 2016 (31 December 2015: £15.6 million).

The Group's contingent tax liability on investment properties, calculated on the same tax base cost as above but based on deemed market value disposal at 30 June 2016 is £nil (31 December 2015: £17.6 million).

A disposal of the Group's trading property including the Group's share of Lillie Square at the market value would result in a corporation tax charge to the Group of £12.7 million (20 per cent of £63.6 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 2015	13.6	11.8	(0.3)	(6.6)	(5.6)	12.9
Adjustment 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	<b>13.7</b>	<b>15.6</b>	<b>(0.4)</b>	<b>(5.7)</b>	<b>(3.7)</b>	<b>19.5</b>
Recognised in income	<b>0.5</b>	<b>(15.6)</b>	<b>(3.4)</b>	<b>0.8</b>	<b>(1.0)</b>	<b>(18.7)</b>
Recognised directly in equity	–	–	–	<b>1.2</b>	–	<b>1.2</b>
<b>At 30 June 2016</b>	<b>14.2</b>	<b>–</b>	<b>(3.8)</b>	<b>(3.7)</b>	<b>(4.7)</b>	<b>2.0</b>
Unprovided deferred tax (assets):						
At 1 January 2016	–	–	–	–	<b>(7.8)</b>	<b>(7.8)</b>
Movement during the period	–	<b>(17.9)</b>	–	–	<b>(0.4)</b>	<b>(18.3)</b>
<b>At 30 June 2016</b>	<b>–</b>	<b>(17.9)</b>	<b>–</b>	<b>–</b>	<b>(8.2)</b>	<b>(26.1)</b>

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

## 20 OTHER PROVISIONS

	As at 30 June 2016 £m	As at 31 December 2015 £m
<b>Current</b>		
Contingent consideration on acquisition of joint venture	<b>2.0</b>	2.0
<b>Other provisions</b>	<b>2.0</b>	2.0

As detailed in note 13 'Investment in Joint Ventures', the Group acquired a joint venture interest in Solum on 29 June 2015. Consideration comprised of an immediate cash payment of £12.0 million in addition to contingent consideration that is dependent on the Group achieving consent to develop specific railway sites with NRIL. On initial recognition, £2.0 million was considered the best estimate of the amount that the Group would have to pay to settle this obligation.

## 21 SHARE CAPITAL AND SHARE PREMIUM

Issue type	Transaction date	Issue price (pence)	Number of shares	Share capital £m	Share premium £m
At 1 January 2015			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 <sup>1</sup>			4,601,652	1.1	0.2
At 31 December 2015			<b>841,988,945</b>	<b>210.5</b>	<b>211.1</b>
Scrip dividend – 2015 final	June	338	1,275,480	0.3	4.0
Share-based payment <sup>2</sup>			2,200,010	0.6	–
<b>At 30 June 2016</b>			<b>845,464,435</b>	<b>211.4</b>	<b>215.1</b>

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

2. During the period to 30 June 2016 a total of 2,200,010 new shares were issued to satisfy employee share scheme awards.

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

## 22 OTHER RESERVES

	As at 30 June 2016 £m	As at 31 December 2015 £m
Revaluation reserve	0.1	0.1
Cash flow hedge reserve	0.3	0.3
<b>Total other reserves</b>	<b>0.4</b>	<b>0.4</b>

## 23 NON-CONTROLLING INTEREST

	As at 30 June 2016 £m	As at 30 June 2015 £m	As at 31 December 2015 £m
At 1 January	468.8	–	–
(Loss)/profit and total comprehensive (expense)/income for the period attributable to non-controlling interest	(63.4)	5.2	26.1
Capital contribution from non-controlling interest	–	44.4	44.4
Unsecured loan notes issued to non-controlling interest	4.3	385.3	398.3
<b>Non-controlling interest</b>	<b>409.7</b>	<b>434.9</b>	<b>468.8</b>

During the period, unsecured, non-interest bearing loan notes 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 (31 December 2015: less than £0.1 million) and therefore £402.6 million (31 December 2015: £398.3 million) has been classified as equity.

## 24 CAPITAL COMMITMENTS

At 30 June 2016, the Group was contractually committed to £161.1 million (31 December 2015: £162.5 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Of the £161.1 million committed, £76.7 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 £38.2 million (31 December 2015: £48.6 million).

## 25 CONTINGENT LIABILITIES

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

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

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

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

## 26 CASH GENERATED FROM OPERATIONS

	Notes	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
<b>Continuing operations</b>				
<b>Profit before tax</b>		<b>(190.4)</b>	277.3	459.9
Adjustments:				
(Profit)/loss on sale of trading property	3	<b>(1.1)</b>	0.2	(3.5)
Loss/(gain) on revaluation of investment and development property	4	<b>174.2</b>	(271.7)	(453.9)
Loss on sale of loan notes		–	0.2	0.2
Impairment of other receivables	6	<b>7.7</b>	5.9	12.2
Depreciation		<b>0.7</b>	0.2	0.5
Amortisation of tenant lease incentives and other direct costs		<b>0.5</b>	(0.5)	–
Share-based payment <sup>1</sup>		<b>1.8</b>	2.9	5.1
Finance income	7	<b>(0.1)</b>	(0.6)	(0.7)
Finance costs	8	<b>9.7</b>	9.7	20.8
Other finance income	7	<b>(5.0)</b>	(4.4)	(9.3)
Other finance costs	8	<b>5.2</b>	–	–
Change in fair value of derivative financial instruments		<b>17.8</b>	(1.4)	0.6
Change in working capital:				
Change in trade and other receivables		<b>(9.1)</b>	(12.1)	(40.5)
Change in trade and other payables		<b>(6.1)</b>	2.2	21.7
<b>Cash generated from operations</b>		<b>5.8</b>	7.9	13.1

1. Includes £1.8 million (30 June 2015: £2.5 million) relating to the IFRS 2 'Share-Based Payment' charge.

## 27 RELATED PARTY TRANSACTIONS

### Transactions with Directors

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
<b>Key management compensation<sup>1</sup></b>			
Salaries and short-term employee benefits	1.3	1.2	3.5
Share-based payment	1.5	1.8	3.2
	<b>2.8</b>	<b>3.0</b>	<b>6.7</b>

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. In April 2014 an initial deposit of £72,500 was 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. In April 2014 an initial deposit of £85,500 was 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. In April 2014 an initial deposit of £199,900 was 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. In December 2014, initial deposits of £192,500 and £272,500 were received. In December 2015 a further £192,500 and £272,500 were received, with the balances of £1,540,000 and £2,180,000 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. In December 2014, initial deposits of £197,500 and £282,500 were received. In December 2015 a further £197,500 and £282,500 were received with the balances of £1,580,000 and £2,260,000 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.

# ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

## 1. PROPERTY DATA AS AT 30 JUNE 2016

	Market Value £m	Ownership
<b>Covent Garden</b>	<b>2,111.3</b>	<b>100%</b>
<b>Earls Court Properties</b>		
ECPL	698.8	63%
Lillie Square	210.6	50%
Empress State	240.0	100%
Other	45.4	100%
<b>Group share of Earls Court Properties</b>	<b>1,194.8</b>	
<b>Venues</b>	<b>295.0</b>	<b>100%</b>
<b>Other</b>	<b>4.4</b>	<b>100%</b>
<b>Group share of total property</b>	<b>3,605.5</b>	
<i>Investment and development property</i>	<b>3,376.8</b>	
<i>Trading property</i>	<b>228.7</b>	

## 2. ANALYSIS OF CAPITAL RETURN FOR THE PERIOD

	Market Value 30 June 2016 £m	Market Value 31 December 2015 £m	Revaluation surplus/ (deficit) <sup>1</sup> 30 June 2016 £m	Change
<b>Like-for-like capital</b>				
Covent Garden	2,097.7	2,001.7	60.1	3.0 %
Earls Court Properties	1,194.8	1,357.2	(199.8)	(14.3)%
Venues	295.0	295.0	(0.5)	(0.2)%
Other	4.4	4.4	–	
<b>Total like-for-like capital</b>	<b>3,591.9</b>	<b>3,658.3</b>	<b>(140.2)</b>	<b>(3.8)%</b>
<i>Investment and development property</i>	<b>3,363.2</b>	<b>3,417.1</b>	<b>(104.6)</b>	<b>(3.0)%</b>
<i>Trading property</i>	<b>228.7</b>	<b>241.2</b>	<b>(35.6)<sup>2</sup></b>	<b>(13.5)%</b>
<b>Non like-for-like capital</b>				
Acquisitions	13.6	–	(0.6)	
Disposals	–	3.5	–	
<b>Group share of total property</b>	<b>3,605.5</b>	<b>3,661.8</b>	<b>(140.8)</b>	<b>(3.8)%</b>
<i>Investment and development property</i>	<b>3,376.8</b>	<b>3,417.1</b>	<b>(105.2)</b>	<b>(3.1)%</b>
<i>Trading property</i>	<b>228.7</b>	<b>244.7</b>	<b>(35.6)<sup>2</sup></b>	<b>(13.5)%</b>
<b>All property</b>				
Covent Garden	2,111.3	2,005.2	59.5	3.0 %
Earls Court Properties	1,194.8	1,357.2	(199.8)	(14.3)%
Venues	295.0	295.0	(0.5)	(0.2)%
Other	4.4	4.4	–	–
<b>Group share of total property</b>	<b>3,605.5</b>	<b>3,661.8</b>	<b>(140.8)</b>	<b>(3.8)%</b>

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

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



## ANALYSIS OF PROPERTY PORTFOLIO CONTINUED (UNAUDITED)

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

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Change
<b>Like-for-like net rental income</b>			
Covent Garden	20.2	19.0	6.4 %
Earls Court Properties	8.4	8.7	(3.3)%
Venues	12.3	10.7	14.6 %
Other	(0.2)	(0.1)	–
<b>Total like-for-like net rental income</b>	<b>40.7</b>	<b>38.3</b>	<b>6.3 %</b>
<i>Like-for-like investment and development property</i>	<b>40.7</b>	<b>38.3</b>	<b>6.3 %</b>
<i>Like-for-like trading property</i>	–	–	–
<b>Non like-for-like net rental income</b>			
Developments	(0.2)	0.1	
<b>Group share of total net rental income</b>	<b>40.5</b>	<b>38.4</b>	<b>5.7 %</b>
<i>Investment and development property income</i>	<b>40.6</b>	<b>38.3</b>	<b>6.1 %</b>
<i>Trading property income</i>	<b>(0.1)</b>	<b>0.1</b>	

#### All property

Covent Garden	20.2	19.1	6.0 %
Earls Court Properties <sup>1</sup>	8.3	8.7	(4.8)%
Venues	12.3	10.7	14.6 %
Other	(0.3)	(0.1)	
<b>Group share of total net rental income</b>	<b>40.5</b>	<b>38.4</b>	<b>5.7 %</b>

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

### 4. ANALYSIS OF COVENT GARDEN BY USE

#### 30 June 2016

	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						1,508.0	64.6	0.5
Office						243.7	13.3	0.2
Residential						115.6	6.3	0.2
Other <sup>1</sup>						244.0	5.7	0.1
<b>Total</b>	<b>2.06%</b>	<b>3.49%</b>	<b>46.9</b>	<b>96.7%</b>	<b>7.2</b>	<b>2,111.3</b>	<b>89.9</b>	<b>1.0</b>

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

## CONSOLIDATED UNDERLYING PROFIT STATEMENT (UNAUDITED)

For the six months ended 30 June 2016

	Six months ended 30 June 2016 £m	Re-presented <sup>1</sup> Six months ended 30 June 2015 £m	Re-presented <sup>1</sup> Year ended 31 December 2015 £m
<b>Group share</b>			
Net rental income	40.5	38.4	74.9
Other income	1.4	1.0	2.5
Administration expenses	(25.0)	(25.0)	(52.5)
<b>Operating profit</b>	<b>16.9</b>	14.4	24.9
Finance costs	(9.7)	(9.7)	(20.8)
Finance income	0.1	0.6	0.7
<b>Net finance costs</b>	<b>(9.6)</b>	(9.1)	(20.1)
<b>Profit before tax</b>	<b>7.3</b>	5.3	4.8
Taxation	(1.4)	(1.1)	3.0
<b>Underlying earnings</b>	<b>5.9</b>	4.2	7.8
<b>Underlying earnings per share (pence)</b>	<b>0.7</b>	0.5	0.9
<b>Weighted average number of shares</b>	<b>842.6m</b>	839.4m	840.8m

1. Comparative periods have been re-presented from proportionate consolidation to Group share basis.

## FINANCIAL COVENANTS (UNAUDITED)

For the six months ended 30 June 2016

### Financial covenants on non-recourse debt

		30 June 2016		
	Maturity	Loan(s) outstanding at 30 June 2016 <sup>1</sup> £m	LTV covenant	Interest cover covenant
Covent Garden <sup>2</sup>	2020 – 2026	580.0	60%	120%
ECPL	2026	10.8	40%	n/a
Lillie Square <sup>3</sup>	2017 – 2018	66.0	75%	n/a
Empress State	2018	97.5	60%	300%
<b>Total</b>		<b>754.3</b>		

1. The loan values are the nominal values at 30 June 2016 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.

2. Covent Garden comprises three loans with maturities in 2020, 2024 and 2026.

3. Lillie Square comprises two loans with maturities in 2017 and 2018.

## DIVIDENDS

The Directors of Capital & Counties Properties PLC have proposed an interim dividend per ordinary share (ISIN GB00B62G9D36) of 0.5 pence payable on 30 September 2016.

### Dates

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

Sterling/Rand exchange rate struck:	2 September 2016
Sterling/Rand exchange rate and dividend amount in Rand announced:	5 September 2016
Ordinary shares listed ex-dividend on the JSE, Johannesburg:	7 September 2016
Ordinary shares listed ex-dividend on the LSE, London:	8 September 2016
Record date for interim dividend in UK and South Africa:	9 September 2016
<b>Dividend payment date for shareholders</b>	<b>30 September 2016</b>

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 6 September 2016 and that no dematerialisation of shares will be possible from 7 September 2016 to 9 September 2016 inclusive. No transfers between the UK and South Africa registers may take place from 6 September 2016 to 9 September 2016.

Subject to SARB approval, the Board intends to offer an optional scrip dividend alternative in respect of the 2016 interim dividend.

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

### Important Information for South African Shareholders:

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

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

This information is included only as a general guide to taxation for shareholders resident in South Africa based on Capco's understanding of the law and the practice currently in force.

Any shareholder who is in any doubt as to their tax position should seek independent professional advice.

# GLOSSARY

## **Capco**

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

## **CLSA**

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

## **Diluted figures**

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

## **Earls Court**

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

## **Earls Court Masterplan**

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

## **Earls Court Properties**

The Group’s interests in the Earls Court area, comprising properties held in ECPL, Lillie Square (a 50:50 joint venture partnership with the Kwok Family Interests), the Empress State Building and a number of smaller properties in the Earls Court area.

## **ECPL**

Earls Court Partnership Limited is the investment vehicle with TfL. The Group holds 63 per cent controlling interest and TfL holds 37 per cent. ECPL holds interests in EC1 & EC2 and other adjacent property primarily located on and around Lillie Road.

## **EBITDA**

Earnings before interest, tax, depreciation and amortisation.

## **EC1 & EC2**

The site formerly the location of the Earls Court 1 and Earls Court 2 Exhibition Centres.

## **ECOA**

The Earls Court and West Kensington Opportunity Area.

## **EPRA**

European Public Real Estate Association, the publisher of Best Practice Recommendations. The EPRA alternative performance measures are intended to make financial statements of public real estate companies in Europe clearer, more transparent and comparable.

## **EPRA adjusted, diluted NAV**

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

## **EPRA adjusted, diluted NNAV**

EPRA diluted NAV adjusted to reflect the fair value of derivative financial instruments, 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 period.

## **Estimated rental value (ERV)**

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

## **GEA**

Gross External Area.

## **GCP**

Great Capital Partnership.

## **GLA**

Greater London Authority.

**Gross income**

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

**HCA**

Homes and Communities Agency.

**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.

**Like-for-like property**

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

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

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

**LSJV**

Lillie Square Joint Venture.

**NAV**

Net Asset Value attributable to owners of the Parent.

**NAV per share**

Net Asset Value attributable to owners of the Parent per share. The Group considers this presentation to provide useful information as it presents the value attributable to each share.

**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.

**SDLT**

Stamp Duty Land Tax.

**Section 106**

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

**Tenant lease incentives**

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

**TfL**

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

**Total property return (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 period.

**Total shareholder return (TSR)**

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

**Underlying earnings**

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

**Underlying earnings per share (EPS)**

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

**Weighted average unexpired lease term**

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

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