PRESS RELEASE

capco

CAPITAL & COUNTIES PROPERTIES PLC ("CAPCO")

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Ian Durant, Chairman of Capco, commented:

"Capco has delivered good progress in 2016 with considerable activity and milestones achieved at both Covent Garden and Earls Court. Despite macro-economic uncertainty, London is one of the great cities of the world; desirable as a retail destination and residential location.

Looking through short-term market movements, Capco's long-term strategy remains unchanged. We are confident in the strength of our two prime London assets and are well positioned to deliver long-term value creation for our shareholders."

Ian Hawksworth, Chief Executive of Capco, commented:

"Capco has made significant progress at its two central London estates during 2016. Covent Garden has introduced high quality retailers and restaurants, resulting in a record year of leasing transactions, producing an uplift in value of 6 per cent to £2.3 billion and an increase in ERV of 8 per cent. At Earls Court, the first phase of demolition is now complete, de-risking the site and preparing the land for future development. Weakened sentiment in the residential market, following changes to stamp duty and political uncertainty, particularly in the first half of 2016, led to a valuation decline at Earls Court Properties of 20 per cent to £1.1 billion. As a result, EPRA NAV declined by 6 per cent to 340 pence per share.

The strong demand for central London retail has continued in 2017 and Covent Garden has had a positive start to the year. We have increased the ERV target to £125 million by December 2020, reflecting the positive prospects of the estate. The first residents have moved into Lillie Square and additional units will be released over the coming months, now that the first release of Phase 2 is predominantly sold. Land enablement will continue at Earls Court and we intend to progress plans to increase the number of much needed homes as we maximise the potential of this strategic land holding.

Capco remains focused on its strategy to deliver long-term value creation from its two unique central London estates. Backed by a strong balance sheet with low LTV and high liquidity, the Group is well positioned to withstand short-term market uncertainty and take advantage of opportunities as they arise."

Key financials

- Equity attributable to owners of the Parent £2.8 billion (H1 2016: £2.8 billion) (2015: £2.9 billion)
- EPRA NAV 340 pence per share, a decrease of 5.9 per cent (H1 2016: -4.7 per cent, H2 2016: -1.2 per cent) (2015: 361 pence)
- Total property value £3.7 billion, a decrease of 4.4 per cent (like-for-like) (H1 2016: -3.8 per cent, H2 2016: -0.6 per cent) (2015: £3.7 billion)
- Proposed final 2016 dividend of 1.0 pence per share providing a full-year dividend of 1.5 pence per share

Strong performance at Covent Garden following record year of leasing activity; new ERV target

- Total property value of £2.3 billion an increase of 6 per cent (like-for-like) (2015: £2.0 billion)
- 95 new leases and renewals transacted representing £13.3 million of income at 9 per cent above 31 December 2015 ERV
- ERV increased by 8 per cent (like-for-like) to £96 million (2015: £86 million)
- New ERV target of £125 million by December 2020
- Floral Court (formerly known as Kings Court) on track for completion towards the end of 2017
- £85 million invested in acquisitions expanding ownership of the estate

Significant progress on site at Earls Court

- Earls Court interests valued at £1.1 billion, a decrease of 20 per cent (like-for-like) (2015: £1.4 billion)
- Completion of first phase of demolition of EC1 & EC2; final phase of demolition underway, preparing the site for future development
- Representations submitted to GLA’s London Plan to enhance the Earls Court Masterplan
- Construction of Phase 1 of Lillie Square progressing well and the first residents have moved in; sales of Phase 2 continue at a modest premium to comparable units in Phase 1

Operational excellence at Venues

- EBITDA of £19 million, up 29 per cent (2015: £15 million)
- Property valuation at £293 million, a decrease of 1 per cent (like-for-like) (2015: £295 million)

Strong financial position

- Group loan to value ratio 23 per cent (2015: 16 per cent)
- Cash and available facilities of £556 million (2015: £412 million)
- Weighted average maturity extended to 5.9 years and average cost of debt reduced to 2.7 per cent
- Capital commitments of £157 million (2015: £207 million)

KEY FINANCIALS

	2016	2015
Equity attributable to owners of the Parent	**£2,805m**	£2,934m
Equity attributable to owners of the Parent per share	**332p**	349p
-5.5% Total return in 2016 (2015: 17%)		
EPRA net asset value	**£2,878m**	£3,059m
EPRA net asset value per share	**340p**	361p
Dividend per share	**1.5p**	1.5p
-2.3% Total property return in 2016 (2015: 16%)		
Property market value[1]	**£3,710m**	£3,662m
Net rental income[2]	**£81.5m**	£74.9m
(Loss)/profit for the year attributable to owners of the Parent	**(£118.6)m**	£431.1m
Underlying earnings per share	**1.4p**	0.9p

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

ENQUIRIES

Capital & Counties Properties PLC:

Ian Hawksworth	Chief Executive	+44 (0)20 3214 9188
Situl Jobanputra	Chief Financial Officer	+44 (0)20 3214 9183
Sarah Corbett	Investor Relations Manager	+44 (0)20 3214 9165

Media enquiries:

Sarah Hagan	Director of Communications & Marketing	+44 (0)20 3214 9185
UK: Tulchan	Susanna Voyle	+44 (0)20 7353 4200
SA: Instinctif	Frederic Cornet	+27 (0)11 447 3030

A presentation to analysts and investors will take place today at 09:00am at UBS, 5 Broadgate, London, EC2M 2QS. The presentation will also be available to international analysts and investors through a live audio call and webcast and after the event on the Group’s website www.capitalandcounties.com.

A copy of this announcement is available for download from our website at www.capitalandcounties.com and hard copies can be requested via the website or by contacting the Company (feedback@capitalandcounties.com or telephone +44 (0)20 3214 9184).

CHAIRMAN'S STATEMENT

Overview

2016 was a year of notable political and economic dislocation which has affected the London property market. London remains a very attractive investment market, a desirable retail destination and residential location. Looking through short-term market movements Capco's long-term strategy for its two unique estates remains unchanged. During 2016, Capco achieved good progress at both Covent Garden and Earls Court and, although it was a challenging year in the residential market, I am confident that Capco will deliver value creation for our shareholders over the coming years.

Performance

Despite strong rental growth at Covent Garden and significant progress on site at Earls Court, Capco's total shareholder return for the year, which comprises share price performance plus the dividends paid during the year, was -32.3 per cent. Total return for the year was -5.5 per cent, which represents the change in net assets plus the dividends paid during the year. The total value of Capco's property portfolio fell by 4.4 per cent on a like-for-like basis to £3.7 billion.

Covent Garden delivered ERV growth of 7.9 per cent during the year resulting in a valuation increase of 6.4 per cent on a like-for-like basis. The excellent performance of Covent Garden was not sufficient to offset the decline in land values at Earls Court which fell by 20.4 per cent like-for-like due to adverse conditions in the London residential market following stamp duty changes and the outcome of the EU Referendum.

The Covent Garden team continues to focus on achieving rental growth through creative asset management, strategic investment and place-making. Covent Garden is an internationally renowned destination successfully attracting global brands and visitors. Following a record year of leasing activity, new Zone A rental levels were achieved across the estate and management has released a new ERV target of £125 million to be achieved by December 2020. Work on the Floral Court development continues on schedule and will create high quality retail, restaurant and residential space on the estate.

It has been another year of progress on the ground at Earls Court. The demolition to ground level of the former Exhibition Centres was completed during the year and land enablement works are now underway preparing the site for future development. The first residential completions at Lillie Square took place at the end of 2016 with the first units being handed over in time for Christmas. The strategy remains focused on value creation by exploring opportunities to evolve and enhance the Earls Court Masterplan.

The Venues business continues to strengthen with a reliable and growing income stream reflecting its excellent prospects as a central London venue.

The Board and I would like to thank Capco's employees for their work during the year and the achievements made in delivering Capco's business plans at Covent Garden, Earls Court and Venues.

Financial position and dividends

Capco's financial position is strong with low leverage, high liquidity and modest capital commitments. Responsible management of capital and prudent financing from a variety of sources is a key feature of Capco's strategy to ensure the Company maintains a strong balance sheet. During the year, Capco's liquidity was significantly strengthened by the completion of a £100 million financing of the Olympia business, a US Private Placement totalling £175 million and the £150 million (£95 million Capco share) HCA facility at Earls Court to fund infrastructure works on site. The business is well positioned to support its future activities and withstand periods of uncertainty.

The Directors are proposing a final dividend of 1.0 pence per share, which brings the total dividend for 2016 to 1.5 pence per share.

Directors

There were a number of changes to the Board in 2016. In March we welcomed Anthony Steains as a new independent Non-executive Director. He brings a diverse perspective to the board, being resident in Asia and experienced in corporate finance activity. Following the retirement of Ian Henderson at the AGM, Gerry Murphy became Chairman of the Remuneration Committee and Henry Staunton became Senior Independent Director.

Situl Jobanputra was appointed as Chief Financial Officer with effect from 1 January 2017, following Soumen Das' departure at the end of the year. Soumen had been with the Company since its listing in 2010 and we are grateful for his substantial contribution. Situl's appointment reflects Capco's commitment to developing the talent of our employees and promoting from within the Company where possible. I am delighted to welcome him to the Board.

The Board is committed to encouraging diversity and the development of our people across the business.

During the year Gerry Murphy has led a review of our remuneration arrangements for Executive Directors and the Remuneration Committee is proposing a revised remuneration package that will simplify our existing arrangements whilst seeking to incentivise management and align their interests with those of our shareholders. The proposals will be put to shareholders for approval at our forthcoming AGM.

Board oversight

The Board and individual Directors regularly take opportunities to visit Capco's assets and see for ourselves the transformations that are taking place. This and the regular briefings we receive from operational management help us gain a real understanding of the business challenges and opportunities.

In taking its decisions the Board assesses and balances the interests of the different stakeholders who have involvement with Capco, its properties and the surrounding communities. As well as our shareholders, this includes our employees, partners, tenants, lenders, government and the communities where we operate. In developing and delivering our plans we undertake significant stakeholder engagement and the Board is kept fully informed of feedback received.

The delivery of Capco's strategy is underpinned by comprehensive policies designed to ensure that the business plan is delivered in line with the Board's expectations. These policies are promoted across the Company to create a culture of accountability and responsibility and to ensure that all of our employees understand their role within the business and the standards to which they must operate. Reflecting this, I am pleased to report that the Group's revised risk management structure which was implemented in 2016 is operating effectively and efficiently and the Board is pleased with the health and safety record achieved at the Group's project sites.

Looking ahead

Despite macro-economic uncertainty and challenging market conditions, Capco's strategy remains clear and focused. London is an outstanding global city and we have two of its best estates. Capco's strong balance sheet and unique assets are well-placed for management to create and deliver long-term value for shareholders.

Ian Durant

Chairman

21 February 2017

CHIEF EXECUTIVE'S REVIEW

A year of operational progress across Capco

2016 has been a challenging year but despite macro-economic and political upheaval, Covent Garden has continued to deliver excellent growth and is now established as one of the best retail estates in the world. The success of our investment strategy at Covent Garden was not sufficient to offset the decline in land value at Earls Court, which was affected negatively by the correction in the London residential market as a result of stamp duty increases and the outcome of the EU Referendum. As a result, EPRA net asset value fell by 5.9 per cent over the year to 340 pence with 4.7 per cent of this occurring in the first six months of 2016.

Covent Garden continues to deliver excellent rental and value growth. Demand for the estate from retailers, restaurateurs and consumers is very strong as reflected in a record amount of leasing activity in 2016 resulting in an increase in value of 6.4 per cent like-for like.

The London residential market has been affected negatively by the EU Referendum and the substantial increase in stamp duty taxation. These factors were the major contributors to the decline in our Earls Court interests which decreased by 20.4 per cent (like-for-like) of which 14 per cent (like-for-like) was in the first six months of the year.

Our disciplined approach to capital allocation has meant Capco is in a robust financial position with a low loan to value of 23 per cent. The balance sheet has been further strengthened by the financing activities across the Group this year resulting in high liquidity of £556 million, an extension of our loan maturities to 5.9 years and a lower average cost of debt of 2.7 per cent.

Our strategy remains clear and focused on driving long-term value creation from our two unique central London estates. London is a growing and global city and underpinned by a clear strategy; Capco's two estates are well-placed for long-term success.

Capco regularly considers opportunities where its core skills of place-making and masterplanning can be utilised and in 2015 acquired a 50 per cent interest in the Solum Developments joint venture with Network Rail which is exploring potential opportunities for future redevelopments at significant railway station sites across London.

Valuations

The total property value of the Group declined 4.4 per cent (like-for-like) in the year to 31 December 2016 to £3.7 billion. The December 2016 valuations incorporate the 1 per cent increase in Stamp Duty Land Tax ("SDLT") that was enacted earlier this year, which was applicable to most of our portfolio and had an impact of £32.4 million (0.9 per cent of property value).

The valuation of Covent Garden has risen by 6.4 per cent (like-for-like) to £2.3 billion, driven by ERV growth of 7.9 per cent achieved over the year. The equivalent yield is 3.5 per cent, reflecting the valuers' current view of the strength of demand for central London retail investments.

The valuation of Earls Court Properties is £1.1 billion, a decrease of 20.4 per cent (like-for-like) principally driven by a greater risk premium through a higher developer's margin for consented development land, trimming of sales values, as well as some cost inflation. This reflects the valuer's assessment of weakened sentiment and a correction in the central London residential market.

	Market Value 2016 £m	Market Value 2015 £m	Valuation Change Like-for-Like[1]
Covent Garden	**2,275**	2,005	6.4%
Earls Court Properties			
Earls Court Partnership Limited ("ECPL")[2]	**644**	803	(22.6)%
Lillie Square[3]	**223**	222	(17.0)%
Empress State	**230**	286	(20.0)%
Other	**45**	46	(4.2)%
Group share of Earls Court Properties	**1,142**	1,357	(20.4)%
Venues	**293**	295	(1.3)%
Other	**–**	5	
Group share of total property[4]	**3,710**	3,662	(4.4)%

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

2 Represents the Group's 63 per cent interest in ECPL.

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

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

The Group has a 63 per cent controlling interest in Earls Court Partnership Limited ("ECPL"), the investment vehicle with Transport for London ("TfL") which owns the land formerly occupied by the Earls Court Exhibition Centres ("EC1 & EC2"). As a result, it is fully consolidated in the financial statements and TfL's interest is represented as a non-controlling interest. See page 12 of the Financial Review for further information.

Covent Garden – a leading global destination for brands and visitors

Covent Garden has been transformed into one of the leading destinations for global 'street retail' and its success has continued throughout 2016. The uncompromising asset management strategy has driven strong leasing momentum, attracting global premium brands, many of which choose Covent Garden as their first or only London store, resulting in solid rental performance across the estate. Our creative approach to managing Covent Garden continues to create value for our retailers through attracting high quality footfall and positive sales growth.

We achieved a record level of leasing activity in 2016 with 95 new lettings and renewals agreed, securing £13.3 million of rent at 9.3 per cent above December 2015 ERV. The ERV of the estate is £96 million, up 7.9 per cent on a like-for-like basis. A new ERV target of £125 million to be achieved by December 2020 has been set, reflecting the positive growth prospects of the estate.

Following positive leasing progress across the estate, new Zone A levels have been achieved reflecting the strong demand for space in this iconic setting. Tom Ford, Giorgio Armani Beauty's Armani Box London ("Armani Box London") and Hotel Chocolat are the latest signings to the Market Building while the strategy to reposition the Royal Opera House Arcade with a luxury accessories focus has seen the introduction of The Watch Gallery, Mulberry and N.PEAL.

The dining offering at Covent Garden has further strengthened this year. We are delighted to welcome Michelin-starred chef Ollie Dabbous to the estate through the restaurant at the Henrietta Hotel on Henrietta Street, while SushiSamba, RedFarm and VyTA add to the depth of variety and quality on the estate.

The Floral Court development (formerly Kings Court) is on track for completion towards the end of 2017 and will transform the pedestrian flows on the northern side of the estate. Petersham Nurseries, the renowned lifestyle brand, will open later in 2017 following a pre-lease for 60 per cent of the commercial space reflecting the strong appeal of the Floral Court development.

We have continued to expand our presence on the estate through strategic acquisitions, investing £85 million in properties located at key access points to the estate and will continue to seek opportunities to further enhance our footprint on the area. The estate now comprises over 1.1 million square feet of lettable space, establishing itself as one of the largest managed retail-led estates in London.

Earls Court Masterplan – over 70 acres of consented land in central London

At Earls Court, the complex demolition of the former Earls Court Exhibition Centres to ground level completed on schedule after almost two years of intensive work on the site. Demolition to basement level has commenced which further de-risks the site and enables the land for its future development.

The Earls Court Masterplan is a unique opportunity to create the next great estate in London. The Masterplan is one of the Greater London Authority's ("GLA") designated Opportunity Areas making it a strategic scheme for London. Representations have been submitted by Capco to the GLA's London Plan signalling Earls Court's potential to deliver an additional 2,500 homes above the current consented scheme, bringing the total number of new homes to 10,000.

Further to Capco's ambitions for Earls Court, during 2016 ECPL engaged in public consultations on proposals to redevelop Empress Place. These are strategic assets located on or around the Lillie Road which ECPL has acquired in recent years. These consultations relate to a scheme comprising 400 new homes and retail space, covering circa 500,000 square feet (GEA), creating one of the key access points to the Earls Court Masterplan and Lillie Square. Plans are progressing to submit a detailed planning application in spring 2017, signalling the start of the enhancements to the Earls Court Masterplan.

At Lillie Square, construction of Phase 1 is progressing well and the scheme recently welcomed its first residents. Sales of Phase 2 have continued with 59 apartments now reserved or exchanged and levels of enquiries remain positive. Preparations are being made for the next release of apartments in the coming months. The residential sales market remains challenging as a result of stamp duty increases and the EU Referendum result which has impacted buyers' decision making. Nevertheless, reflecting the strong location and transport connectivity of the scheme, sales prices achieved in Phase 2 have been at a modest premium to comparable units in Phase 1.

Venues – operational excellence

The Venues business continues to strengthen with EBITDA of £19 million up 29 per cent compared to 2015 reflecting its excellent prospects as a central London venue.

Olympia London has re-established itself as London's venue of choice for premium exhibitions attracting 1.5 million visitors to the historic venue in 2016. Olympia London played host to the UK's largest exhibition, The Ideal Home Show, and continues to attract new business welcoming 5G World for the first time this year.

Outlook

Capco is very well positioned with two significant prime estates in central London. London remains a very attractive investment market and whilst we expect market challenges to continue into 2017, Capco has a clear strategy to deliver long term value creation from its two estates in Covent Garden and Earls Court.

Covent Garden has been transformed into one of the leading destinations for global 'street retail'. Following the strong demand in 2016 from excellent brands and dining concepts, 2017 will be one of our most active years for retail and dining openings across the estate, further underpinning the estate's reputation as a premier global retail and dining destination. We remain focused on our ambitious strategy to introduce the best brands for our visitors, invest in strategically expanding the portfolio and manage the estate to create value for our retailers to underpin rental growth. The estate remains well-placed for continued success and accordingly we will be focused on achieving a new ERV target of £125 million by December 2020.

The Earls Court Masterplan is the only central London GLA Opportunity Area of scale and is a strategic scheme for the Capital. With its excellent existing transport infrastructure, it has the potential to deliver much-needed homes across various tenures and places for Londoners to enjoy. Our strategy remains focused on maximising the potential of this strategically important mixed-use scheme and de-risking the site through land enablement, preparing it for future development.

Capco's financial position has been strengthened by the financing activities undertaken during the year. With low leverage, high liquidity and modest capital commitments, the Group is well positioned to take advantage of opportunities as they arise. We enter a new year focused on our strategy to deliver long-term value creation for our shareholders from our two exceptional central London estates.

Ian Hawksworth

Chief Executive

21 February 2017

STRATEGIC REPORT

COVENT GARDEN

A leading global retail, dining and cultural destination in the heart of central London

Covent Garden has established itself as a leading global retail and dining address in the heart of London's West End. Visitors are drawn to its unique retail, dining and cultural experience within a historic setting. Capco's distinct approach to creative asset management and place-making continues to attract the best retail and dining brands.

Overview

Providing over 1.1 million square feet of lettable space in the heart of London's West End, the Covent Garden estate represents 61 per cent of Capco's portfolio by value. At Covent Garden, Capco drives value creation through asset management, strategic investment and creativity, underpinned by a vision to establish the estate as a global destination for brands and visitors.

2016 was another year of significant progress for Covent Garden as the business continued to implement its leasing and investment strategy. The value of the estate increased by 6.4 per cent on a like-for-like basis to £2.3 billion. ERV is £96 million, a like-for-like increase of 7.9 per cent. 2016 was a record year of leasing activity which reflects the success of the innovative repositioning strategy through asset management and strategic investment. A new ERV target of £125 million by December 2020 has been set, reflecting the positive growth prospects of the estate.

Reflecting the demand for space in this iconic setting, 95 leasing transactions including new leases and renewals representing £13.3 million of rental income per annum were transacted at 9.3 per cent above 31 December 2015 ERV. Net rental income is £41.5 million, up 5.3 per cent (like-for-like) compared to 2015. Occupancy on the estate remains high at 97 per cent.

As the owner of the Covent Garden estate, Capco regularly hosts events on the Piazza attracting footfall to the estate. This year 'Reflect London' has been created to offer striking new perspectives of the Market Building while concealing renovation building works which will house an iconic new restaurant from SushiSamba with stunning views overlooking the Piazza.

Capco continues to work closely with the community stakeholders including Westminster City Council ("WCC") and Covent Garden Area Trust ("CGAT") to maintain and celebrate the attributes which make the area unique. This year was marked by the opening of a pedestrianised King Street, improving the pedestrian flow on the estate.

Retail

Capco has successfully transformed the Royal Opera House Arcade through its strategy of a luxury accessories and gifting focus. The Watch Gallery, the UK's leading independent luxury watch retailer, and British lifestyle brand, Mulberry, have opened stores this year. The latest signings to complement this offering are luxury British cashmere brand N.Peal and British eyewear brand, Tom Davies, which are due to open later in 2017.

The iconic Market Building has seen strong demand over the year and a new Zone A rental level of £675 per square foot has been achieved. Hotel Chocolat opened in November, offering Covent Garden inspired recipes and bespoke gift collections which reference the historic Market Building. There have been a number of premium beauty brand lettings in the Market Building, including the luxury beauty boutique Tom Ford, fragrance brand Atelier Cologne, the first Armani Box London store and the beauty company Deciem.

Covent Garden has now become the premier Beauty Quarter for London, with more standalone beauty boutiques in one square mile than anywhere else in the Capital. New signings in the Market Building add to the existing strong line up of Chanel, Dior, NARS and Charlotte Tilbury.

Henrietta Street continues to strengthen its retail offer, following an array of new signings including luxury men's shoe brand, Cheaney, award-winning British hair stylist, Kevin Luchmun and Parisian outerwear clothing concept K-Way. These signings continue the successful transformation of Henrietta Street following the implementation of a menswear and complementary dining strategy.

Dining

Covent Garden has strengthened its reputation as a global dining destination with a number of new concepts signed this year.

The Market Building's dining offering has evolved and enhanced following a new letting to acclaimed US fast casual restaurant Buns & Buns. The Miami based 'breadery' and grill will be another London first for Covent Garden and will offer an all-day casual foodie destination. This builds upon restaurant signings in the Market Building earlier in the year including Italian-style boulangerie VyTA Santa Margherita, French delicatessen Aubaine and renowned fusion dining restaurant SushiSamba which will open on the iconic Opera Terrace, one of the most prominent dining locations in London.

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 and is due to open later in 2017.

A new letting to Experimental Group will see the opening of 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 is partnering with Michelin-starred chef Ollie Dabbous to create a French seasonal menu. Adding to the leisure offering is Z Hotels which has taken space on Bedford Street and will provide luxurious yet compact rooms for visitors. In addition, Capco together with Robert De Niro and BD Hotels were granted planning approval by Westminster City Council to create The Wellington, a visionary new 83-room luxury boutique hotel on Wellington Street.

Developments

Floral Court will provide over 85,000 square feet (NIA) of space with eight retail and two restaurant units as well as 45 premium apartments above the development. The Floral Court development continues to make positive progress and is on track for completion towards the end of 2017 at an expected total cost of £105 million. At Carriage Hall, the refurbishment of 15,000 square feet (NIA) nears completion.

The schemes will transform pedestrian flow, creating a new connecting passage between Long Acre and King Street providing the opportunity to unlock Floral Street's place-making potential.

Highlighting the strong appeal of the scheme, world-renowned lifestyle brand Petersham Nurseries have pre-leased approximately 60 per cent of the commercial space at Floral Court. Petersham Nurseries will occupy over 16,000 square feet (NIA), creating new bespoke retail and dining concepts across four units.

The redevelopment of 11-12 Floral Street, the building formerly occupied by The Sanctuary, is well underway and will include the creation of two new retail units with flagship potential.

Acquisitions

Capco has continued to expand its footprint on the estate, most notably through the strategic acquisition of Tower House, on Southampton Street, a key access point of the estate, for £67.5 million before purchaser's costs.

The property is a substantial corner building well located at the junction of Southampton Street and Tavistock Street with views towards the Piazza. The property offers prime retail frontage with repositioning opportunities and further enhances Capco's presence on Southampton Street, a key access point to the Piazza.

Residential

Capco continues to restore the estate's residential heritage. The lettings market has been very active with strong demand for Capco's brand of premium residential product across the estate with average rents between £70 and £85 per square foot setting new rental tones for the area.

This year saw the sale of three apartments, including two penthouses, at The Beecham, a luxury development overlooking the Piazza. The average price achieved for the scheme is in excess of £2,800 per square foot, with one of the penthouse apartments achieving over £3,000 per square foot.

The most recent conversion is at 26-27 Southampton Street, a premium residential development, which is due to complete shortly and will offer 10 apartments to let.

Future Priorities

The strategy for Covent Garden remains focused on driving value through its creative asset management and investment strategy. The focus will be on continuing to attract excellent brands and dining concepts to the estate as well as continued investment through strategic acquisitions to expand the footprint of the estate. Completing the repositioning strategy for the Royal Opera House Arcade, as well as adding further retail and dining depth to Henrietta Street are key areas of priority.

Further to this, the Floral Court and Carriage Hall developments will complete in 2017 which will transform pedestrian flow in the area and will provide the opportunity to extend Capco's place-making approach to Floral Street, realising the unlocked potential in this part of the estate. Reflecting the positive growth prospects of the estate, a new ERV target of £125 million to be achieved by December 2020, has been set.

Following a record year of leasing activity, 2017 will see a large number of retail and dining openings across the estate with brands such as SushiSamba, Petersham Nurseries, Henrietta Hotel, Tom Ford and Armani Box London providing additional animation and quality to the portfolio, further underpinning the estate's reputation as a premier global retail and dining destination.

EARLS COURT PROPERTIES

Opportunity to create London's next great estate

Covering over 70 acres of prime, strategic land in Chelsea and Fulham, the consented Earls Court Masterplan is the largest redevelopment opportunity in central London. The site is located in an established London neighbourhood and provides excellent transport infrastructure. Underpinned by Capco's distinct approach to place-making, the Earls Court Masterplan represents an opportunity to create the next great estate of London.

The mixed-use scheme is a GLA 'Opportunity Area', making it a key strategic scheme for the Capital and is currently consented to provide 7,500 new homes, creating 10,000 jobs and will deliver over £450 million in community benefits. The scheme is the only central London Opportunity Area of scale with the potential to deliver substantially more housing. Accordingly, representations have been made by Capco to the GLA's London Plan to deliver 10,000 new homes, an additional 2,500 homes above the current consented scheme.

Against the backdrop of London's growing housing needs, maximising Opportunity Areas is seen as vital in order to meet London's demands. The current GLA London Plan estimates that London's population will grow by two million by 2036 and the provision of housing a key priority with the Capital requiring over 40,000 new homes per annum.

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.

The valuation of Earls Court Properties is £1.1 billion, a decrease of 20.4 per cent (like-for-like) principally driven by a greater risk premium through a higher developer's margin for consented development land, trimming of sales values, as well as some cost inflation. This reflects the valuer's assessment of weakened sentiment and a correction in the central London residential market.

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

Earls Court Properties saw continued operational progress and achieved a number of milestones throughout 2016.

Planning

As a designated GLA Opportunity Area, The Earls Court Masterplan is a strategic scheme for the Capital with outline planning consent for 10.7 million square feet (including The Empress State Building). In preparation for the next revision of the London Plan, which is expected next year, representations have been submitted by Capco to the GLA outlining The Earls Court Masterplan's ability to deliver a minimum of 10,000 new homes, well in excess of the 7,500 currently consented, demonstrating the site's potential to deliver more housing and maximise this important London scheme. The additional density will deliver much needed homes for all Londoners including additional affordable housing and a diversity of residential tenures.

ECPL has consolidated its ownership in the Masterplan area in recent years, acquiring a number of smaller assets on and around Empress Place. During 2016, ECPL engaged in public consultations on proposals for 400 new homes and retail space, covering circa 500,000 square feet (GEA), creating one of the key access points to the Earls Court Masterplan and Lillie Square. Preparations are being made for the submission of the planning application by ECPL for the Empress Place scheme. The application is expected to be submitted in spring 2017 and could add an additional circa 200,000 square feet (GEA) of space to the Masterplan area, aligning with Earls Court's ability to deliver greater density.

In October 2016, a detailed planning application was submitted to the Royal Borough of Kensington and Chelsea for Exhibition Square which is located at the entrance of the Earls Court estate adjacent to Earls Court Underground station. Detailed planning consent was granted in January 2017. The consent which covers 1.8 acres will create an important gateway to the Earls Court scheme and its new high street, including a public square and gardens, a signature hotel, offices and an entrance to Earls Court Underground station.

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

Land assembly and enablement

ECPL, the venture with TfL in respect of EC1 & EC2 owns 999 year leases over the EC1 & EC2 land together with certain adjacent properties primarily located on or around Lillie Road. Capco owns 63 per cent share and is leading the venture in its role as business and development manager.

ECPL has made significant progress in the enablement of land interests at Earls Court. The first phase of the complex demolition of the former Earls Court Exhibition Centres to ground level completed this year at a cost of £60 million. Demolition to basement level will further de-risk the site and prepares the land for future development. This final phase of demolition is expected to take 12 months at a cost of circa £40 million.

In 2013, Capco exercised its option under the CLSA, a binding agreement in relation to the West Kensington and Gibbs Green Estates. To date, Capco has paid £60 million of the £105 million cash consideration payable to LBHF including two of the five annual instalments of £15 million. Enabling works have commenced on Block D of Lillie Square foundations to facilitate the first phase of replacement housing for the West Kensington and Gibbs Green estates residents.

Lillie Square

The Lillie Square development is a one million square foot (GEA) residential scheme located adjacent to the Earls Court Masterplan. The development will deliver 608 private and 200 affordable homes across three phases.

The valuation of Capco's 50 per cent interest in Lillie Square, which is held in a joint venture with the Kwok Family Interests ("KFI"), decreased to £223 million, a like-for-like decrease of 17.0 per cent over the year.

Phase 1 launched in 2014 and is substantially pre-sold. The average price per square foot of Phase 1 is approximately £1,500 with the range of pricing achieved at £1,200 - £2,800 per square foot including a penthouse pre-sold for £6.3 million. Construction of Phase 1 nears completion and the scheme welcomed its first residents in December 2016. Over £125 million of sales proceeds (Capco's share) are expected in the coming year on completion of handovers of Phase 1.

Sales of Phase 2 have continued with 59 apartments now reserved or exchanged. Sales prices achieved in Phase 2 have remained positive with prices at a modest premium to comparable units in Phase 1. Preparations are being made to enable the next release in the coming months while plans are progressing to enable construction of Phase 2.

Construction costs in relation to the private element of the Lillie Square scheme are currently expected to be in the order of £420 million, reflecting market conditions in the construction industry.

Future Priorities

Capco's strategy at Earls Court is to drive long-term value creation through planning, land assembly, land enablement and selective development activities.

At Earls Court, the focus of activities will be the completion of the complex demolition of the former Earls Court Exhibition Centres to below ground level, preparing the land for its future development potential. At Empress Place, the priority is to obtain approval for the planning application which could increase the potential consented Masterplan area by circa 200,000 square feet (GEA).

The Earls Court Masterplan is currently consented to deliver 7,500 new homes and is the only designated GLA Opportunity Area of scale in central London making it a strategic scheme for the Capital. Representations recently made by Capco to the GLA's London Plan outline the ability of The Earls Court Masterplan to deliver a minimum of 10,000 new homes, well in excess of the currently consented scheme. Capco remains focused on maximising the potential of this important London scheme.

At Lillie Square, the focus will be to complete and deliver Phase 1, continue sales of Phase 2 through the next release of units later in 2017 and progress plans to enable the construction of Phase 2.

VENUES

A leading central London venue

Olympia London is now established as a preferred central London venue for premium shows welcoming over 1.5 million visitors each year. The business has performed very well during 2016, delivering EBITDA of £19 million, up 29 per cent compared to 2015 driven by improved pricing and utilisation as well as a business rates rebate. The valuation of the Venues business, which includes Olympia London property assets and Maclise Road, decreased to £293 million, a like-for-like decrease of 1.3 per cent.

This year, Olympia London played host to inspiring showcases for L'Oreal and Samsung and also the UK's largest exhibition: The Ideal Home Show and it continues to attract some of the best shows in the exhibition industry.

FINANCIAL REVIEW

Capco maintains a robust and disciplined financial position with low leverage of 23 per cent and available liquidity of £556 million. Our capital structure positions the Group to withstand prevailing market conditions and deliver long-term returns to shareholders by driving value across our assets. During 2016 political and economic uncertainties have had a negative impact on the property sector, in particular London residential property, which is reflected in the fall in valuations.

EPRA net asset value per share fell by 5.9 per cent during the year, decreasing from 361 pence at 31 December 2015 to 340 pence. This 21 pence decrease together with the 1.5 pence dividend paid during the year represents a total return of -5.5 per cent.

At Covent Garden rental growth achieved during the year was the main driver of the increase in value of the estate by 6.0 per cent (6.4 per cent like-for-like).

The market value of Earls Court Properties, which comprises the Group's interests at Earls Court, has decreased by 20.4 per cent, reflecting the valuers' assessment of the weakened sentiment in the central London residential market.

Basis of preparation

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

Internally, the Board focuses on and reviews information and reports prepared on a Group share basis, which includes the Group's share of joint ventures but excludes 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 years 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 31 December 2016 the Group's EPRA net asset value was £2.9 billion (31 December 2015: £3.1 billion) representing 340 pence per share (31 December 2015: 361 pence).

The Group presents EPRA net asset value in addition to the net assets attributable to owners of the Parent. The EPRA alternative performance measures are widely used by public real estate companies in Europe and therefore assist with comparability.

SUMMARY ADJUSTED BALANCE SHEET

	2016			
	IFRS £m	**Joint ventures[1] £m**	**Non-controlling interest[2] £m**	**Group share £m**
Investment, development and trading property	**3,822.8**	**176.0**	**(378.5)**	**3,620.3**
Net debt	**(815.4)**	**(40.1)**	**8.2**	**(847.3)**
Other assets and liabilities[3]	**165.8**	**(135.9)**	**2.1**	**32.0**
Non-controlling interest	**(368.2)**	**–**	**368.2**	**–**
Net assets attributable to owners of the Parent	**2,805.0**	**–**	**–**	**2,805.0**
Adjustments:				
Fair value of derivative financial instruments				**13.7**
Unrecognised surplus on trading property				**48.1**
Deferred tax adjustments				**11.5**
EPRA net asset value				**2,878.3**
EPRA net asset value per share (pence)[4]				**340**

1. Primarily Lillie Square.
2. Non-controlling interest 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 2016 was 847.6 million.

	2015			
	IFRS £m	Joint ventures[1] £m	Non-controlling interest[2] £m	Group share £m
Investment, development and trading property	3,870.7	130.9	(471.6)	3,530.0
Net debt	(559.2)	(9.4)	(10.3)	(578.9)
Other assets and liabilities[3]	91.3	(121.5)	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 net asset value				3,059.4
EPRA net asset value per share (pence)[4]				361

1. Primarily Lillie Square.
2. Non-controlling interest 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 £170.4 million for the year, representing a 4.4 per cent decrease in value on a like-for-like basis compared with the IPD Capital Return for the equivalent period of a 2.8 per cent loss. Revaluation gains at Covent Garden of £129.4 million were not sufficient to offset revaluation loss at Earls Court of £292.7 million. On an IFRS basis, which includes ECPL at 100% and Lillie Square at 50%, revaluation loss and sale of investment property was £235.0 million.

Total property return for the year was a deficit of 2.3 per cent. The IPD Total Return index recorded a 2.6 per cent gain for the corresponding period. The 2016 valuations incorporate the increased SDLT levels that were enacted earlier this year which had an impact of £32.4 million (0.9 per cent of property value).

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 net asset value measure. At 31 December 2016, the unrecognised surplus on trading property was £48.1 million (31 December 2015: £99.9 million). This arises primarily on trading property at Lillie Square.

Debt and gearing

During the year the Group increased its share of available facilities by £425 million, with five new agreements.

- In January, 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. £640 million of the facility matures in 2021 with the remaining £65 million maturing in 2020 with an option to extend to 2021. There is a further option to extend the facility to 2022.
- In March, a £150 million (£95 million Group share) 10 year secured credit agreement was signed by Earls Court Partnership Limited to fund infrastructure-related costs on land interests at Earls Court.
- In June, 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.
- In September, the Group signed an agreement with five institutional investors for a private placement of £175 million 10 and 12 year senior unsecured notes which enhance the unsecured debt platform at Covent Garden. Closing occurred in November and proceeds were used to repay bank debt.
- In December, a £100 million four year secured credit agreement was signed by Olympia Exhibitions Holdings Limited.

The Group's cash and undrawn committed facilities at 31 December 2016 were £556.3 million (31 December 2015: £412.1 million). A reconciliation between IFRS and Group share is shown below:

	2016				2015			
	IFRS £m	**Joint ventures[1] £m**	**Non-controlling interest[2] £m**	**Group share £m**	IFRS £m	Joint ventures[1] £m	Non-controlling interest[2] £m	Group share £m
Cash and cash equivalents	**30.9**	**37.4**	**(3.5)**	**64.8**	66.9	34.4	(10.3)	91.0
Undrawn committed facilities	**532.7**	**2.4**	**(43.6)**	**491.5**	300.0	21.1	–	321.1
Cash and undrawn committed facilities	**563.6**	**39.8**	**(47.1)**	**556.3**	366.9	55.5	(10.3)	412.1

1. Primarily Lillie Square.

2. Non-controlling interest represents TfL's 37 per cent share of ECPL.

Net debt increased by £268.4 million to £847.3 million, principally as a result of further investment in and the acquisition of property. As set out in the summary adjusted balance sheet net debt on an IFRS basis was £815.4 million.

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 23.4 per cent remains comfortably within the Group's limit of no more than 40 per cent.

	2016	2015
Loan to value	**23.4%**	16.4%
Interest cover	**173%**	124%
Weighted average debt maturity	**5.9 years**	4.1 years
Weighted average cost of debt	**2.7%**	3.3%
Gross debt with interest rate protection	**86%**	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 are generally swapped to fixed rate or capped using derivative contracts. At 31 December 2016 the proportion of gross debt with interest rate protection was 86 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 56.

At 31 December 2016 the Group had capital commitments of £156.6 million compared to £206.5 million at 31 December 2015, of which Covent Garden represents £74.2 million, Earls Court Properties £64.2 million (including the £45.0 million of CLSA instalments) and Lillie Square £18.2 million. The pipeline has been significantly de-risked, for example at Floral 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 23.4 per cent to 27.7 per cent.

	2016				2015			
	IFRS £m	**Joint ventures[1] £m**	**Non-controlling interest[2] £m**	**Group share £m**	IFRS £m	Joint ventures[1] £m	Non-controlling interest[2] £m	Group share £m
Capital commitments	**149.2**	**18.2**	**(10.8)**	**156.6**	162.5	48.6	(4.6)	206.5

1. Primarily Lillie Square.

2. Non-controlling interest represents TfL's 37 per cent share of ECPL.

Conditional Land Sale Agreement ("CLSA")

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

The CLSA remains unrecognised in the consolidated financial statements of the Group as its main underlying asset (the land relating to the Estates) does not currently meet the recognition criteria under IFRS required for investment and development property. Annual payments of £15 million commenced in December 2015 and will run through to December 2019. Where amounts are paid prior to the transfer of property, they will be carried on the Group's balance sheet as prepayments against future land draw down. Of the £60 million paid to date, £15 million relates to the acquisition of two properties and £45 million is held as a prepayment. The remaining future payments totalling £45 million are disclosed as a capital commitment. A transfer from prepayment to investment and development property will occur once the risks and rewards of ownership have passed to the Group. Once this occurs, in line with the Group's accounting policy, the land will become subject to bi-annual valuation with any changes reflected in the Group's reported net asset measure.

CASH FLOW

A summary of the Group's cash flow for the year ended 31 December 2016 is presented below:

SUMMARY CASH FLOW

	2016			
	IFRS £m	**Joint ventures[1] £m**	**Non-controlling interest[2] £m**	**Group share £m**
Operating cash flows after interest and tax	**(29.5)**	**1.4**	**(2.5)**	**(30.6)**
Purchase and development of property, plant and equipment	**(216.1)**	**(41.4)**	**16.8**	**(240.7)**
Transactions with joint venture partners and non-controlling interests	**(12.3)**	**6.4**	**3.9**	**(2.0)**
Net sales proceeds from property and investments	**19.4**	**1.3**	**–**	**20.7**
Net cash flow before financing	**(238.5)**	**(32.3)**	**18.2**	**(252.6)**
Issue of shares	**0.1**	**–**	**–**	**0.1**
Financing	**209.9**	**31.6**	**(11.4)**	**230.1**
Dividends paid	**(7.5)**	**–**	**–**	**(7.5)**
Net cash flow[3]	**(36.0)**	**(0.7)**	**6.8**	**(29.9)**

1. Primarily Lillie Square.

2. Non-controlling interest represents TfL's 37 per cent share of ECPL.

3. Net cash flow is based on unrestricted cash and cash equivalents and therefore does not include the movement in Lillie Square deposits on a Group share basis of £3.7 million.

	Re-presented[1] 2015			
	IFRS £m	Joint ventures[2] £m	Non-controlling interest[3] £m	Group share £m
Operating cash flows after interest and tax	(2.3)	(4.3)	(16.0)	(22.6)
Purchase and development of property, plant and equipment	(250.2)	(32.7)	12.8	(270.1)
Transactions with joint venture partners and non-controlling interests	(16.7)	4.2	–	(12.5)
Net sales proceeds from property and investments	17.7	(1.6)	–	16.1
Deferred consideration on purchase of subsidiary	(7.1)	–	–	(7.1)
Net cash flow before financing	(258.6)	(34.4)	(3.2)	(296.2)
Issue of shares	0.1	–	–	0.1
Financing	238.3	36.9	–	275.2
Dividends paid	(7.7)	–	–	(7.7)
Net cash flow[4]	(27.9)	2.5	(3.2)	(28.6)

1. The 31 December 2015 summary cash flow has been prepared on a Group share basis. In the 'Annual Report for the year ended 31 December 2015' the summary cash flow was presented on a proportionate consolidation basis.

2. Primarily Lillie Square.

3. Non-controlling interest represents TfL's 37 per cent share of ECPL.

4. Net cash flow is based on unrestricted cash and cash equivalents and therefore does not include the movement in Lillie Square deposits on a Group share basis of £14.9 million.

Operating cash outflows of £30.6 million, of which £15.0 million relates to the CLSA annual payment, have increased from £22.6 million for the year to 31 December 2015 as a result of changes to net working capital requirements.

During the year, £164.0 million was invested at Covent Garden for the purchase of two properties and subsequent expenditure for the development of property, predominantly at Floral Court. At Earls Court £75.0 million was spent on subsequent expenditure for the construction of Lillie Square Phase 1 and the demolition of the Earls Court Exhibition Centres.

Net sales proceeds from property and investments comprise the disposal of three residential units at The Beecham, Covent Garden and five residential units at Lillie Square, net of sales and marketing fees. Marketing fees include costs for units that have not yet completed.

Net borrowings drawn during the year were £239.7 million. Refinancing activities and purchase of derivatives resulted in a cash outflow of £9.6 million.

Dividends paid of £7.5 million reflect the final dividend payment made in respect of the 2015 financial year and the 2016 interim dividend paid in September. This was lower than the previous year due to a higher take up of the scrip dividend alternative, 41 per cent versus 38 per cent in 2015.

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

	2016			
	IFRS £m	**Joint ventures[1] £m**	**Non-controlling interest[2] £m**	**Group share £m**
Net rental income	**82.0**	**(0.1)**	**(0.4)**	**81.5**
Loss on revaluation and sale of investment and development property	**(235.0)**	**(0.1)**	**110.3**	**(124.8)**
Administration expenses	**(50.6)**	**(0.8)**	**0.9**	**(50.5)**
Net finance costs	**(19.3)**	**(0.2)**	**–**	**(19.5)**
Taxation	**16.8**	**–**	**(5.9)**	**10.9**
Other	**(17.4)**	**1.2**	**–**	**(16.2)**
Non-controlling interest	**104.9**	**–**	**(104.9)**	**–**
(Loss)/profit for the year attributable to owners of the Parent	**(118.6)**	**–**	**–**	**(118.6)**
Adjustments:				
Loss on revaluation and sale of investment and development property				**124.8**
Other				**18.9**
Taxation on non-underlying items				**(13.3)**
Underlying earnings				**11.8**
Underlying earnings per share (pence)				**1.4**
Weighted average number of shares				**844.4m**

1. Lillie Square and Solum Developments.

2. Non-controlling interest represents TfL's 37 per cent share of ECPL.

	Re-presented[1] 2015			
	IFRS £m	Joint ventures[1] £m	Non-controlling interest[2] £m	Group share £m
Net rental income	75.3	–	(0.4)	74.9
Gain on revaluation and sale of investment and development property	453.9	0.1	(32.2)	421.8
Administration expenses	(52.1)	(0.7)	0.3	(52.5)
Net finance costs	(20.1)	–	–	(20.1)
Taxation	(2.7)	–	5.8	3.1
Other	2.9	0.6	0.4	3.9
Non-controlling interest	(26.1)	–	26.1	–
Profit for the year attributable to owners of the Parent	431.1	–	–	431.1
Adjustments:				
Gain on revaluation and sale of investment and development property				(421.8)
Other				(1.4)
Taxation on non-underlying items				(0.1)
Underlying earnings				7.8
Underlying earnings per share (pence)				0.9
Weighted average number of shares				840.8m

1. The 31 December 2015 summary income statement has been prepared on a Group share basis. In the 'Annual Report for the year ended 31 December 2015' the summary income statement was presented on a proportionate consolidation basis.

2. Lillie Square and Solum Developments.

3. Non-controlling interest represents TfL's 37 per cent share of ECPL.

Income

Net rental income has increased by £6.6 million (7.8 per cent like-for-like) during the year as a result of strong performances at Covent Garden and Olympia London.

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

The loss on revaluation and sale of the Group's investment and development property was £124.8 million. Covent Garden recorded a gain on revaluation of £126.1 million as a result of rental growth. The loss on revaluation at Earls Court of £247.2 million reflects the valuers' assessment of the weakened sentiment in the central London residential market, driven by market uncertainties following the outcome of the EU Referendum and the increase in SDLT.

Administration expenses

Administration expenses have decreased by £2.0 million due to a reduction in performance related employment costs, which have been partly offset by an increase in establishment costs. It is expected that there will be further reduction in administration expenses as efficiency initiatives are pursued.

Net finance costs

Net finance costs have decreased by 3.0 per cent to £19.5 million, with a lower weighted average cost of debt offsetting an increased level of net debt.

Taxation

The total tax credit is made up of both underlying tax and non-underlying tax and for the year is £10.9 million. This credit predominantly arises from the loss on revaluation of the Group's investment and development property at Earls Court.

Tax on underlying profits of the Group was £2.4 million, which reflects a rate in line with the current rate of UK corporation tax being 20 per cent. Following the enactment of Finance (No. 2) Act 2015 and Finance Act 2016 the corporation tax rate will reduce to 19 per cent from April 2017 and 17 per cent from April 2020.

Contingent tax, the amount of tax that would become payable on a theoretical disposal of all investment property held by the Group, was £nil (31 December 2015: £17.6 million). A disposal of the Group's trading property at market value would result in a corporation tax charge to the Group of £9.6 million (20 per cent of £48.1 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 decreases to the carrying value of investment property and certain 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 a final dividend of 1.0 pence per share to be paid on 31 May 2017 to shareholders on the register at 21 April 2017. Subject to SARB approval, a scrip dividend alternative will be offered. Together with the interim dividend paid in September this brings the total dividend for the year to 1.5 pence per share.

Going concern

At 31 December 2016 the Group's cash and undrawn committed facilities were £556.3 million and its capital commitments were £156.6 million. With weighted average debt maturity of nearly six years, LTV of 23.4 per cent and sufficient headroom against all financial covenants, there continues to be a reasonable expectation that the Company and Group will have adequate resources to meet both ongoing and future commitments over a period of at least 12 months from the date of approval of the financial statements. Accordingly, the Directors have prepared the 2016 Annual Report & Accounts on a going concern basis.

Situl Jobanputra

Chief Financial Officer

21 February 2017

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT:

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

Following a comprehensive review of risk management undertaken in 2015, risk is a standing agenda item at all management meetings. This gives rise to a more risk aware culture and consistency in decision making across the organisation in line with the corporate strategy and risk appetite. All corporate decision making takes risk into account, in a measured way, while continuing to drive an 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, comprising 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.

The Group's principal risks and uncertainties, which are set out on the following pages, are reflective of where the Board has invested time during the year. These principal risks are not exhaustive. The Group monitors a number of additional risks and adjusts those considered 'principal' as the risk profile of the business changes. See also the risks inherent in the compilation of financial information, as disclosed within note 1 'Principal Accounting Policies' to the consolidated financial statements, 'Critical accounting judgements and key sources of estimation and uncertainty'.

The EU Referendum has resulted in economic and political uncertainty during 2016 and this is expected to continue into the foreseeable future. To date there has been no adverse impact on occupier demand, footfall or the trading results of our tenants at the Covent Garden estate, which has seen strong rental growth, although the valuation of residential-led development land has been impacted by the overall economic and political backdrop. London, as a highly desirable global city, continues to attract businesses and people and we would expect this leading position to be maintained over time. Uncertainty remains, however, around the exit mechanism and longer term implications of Brexit, and this will continue to have a direct or indirect impact on a number of the principal risks set out on the following pages.

CORPORATE

Risk	Impact on strategy	Mitigation	Change in 2016
Economic conditions			
Decline in real estate valuations due to macro-economic conditions Relative attractiveness of other asset classes or locations Inability of the Company to adopt the appropriate strategy or to react to changing market conditions	Reduced return on investment and development property Higher finance costs Reduced profitability	Focus on prime assets Regular assessment of investment market conditions including bi-annual external valuations Regular strategic reviews Strategic focus on creating retail destinations and residential districts with unique attributes	↑ Greater uncertainty over macro-economic conditions following the EU Referendum result
Funding			
Lack of availability or increased cost of debt or equity funding	Reduced financial and operational flexibility Increased cost of borrowing Delay to development works Constrained growth, lost opportunities	Maintain appropriate liquidity to cover commitments Target longer and staggered debt maturities Consideration of early refinancing Derivative contracts to provide interest rate protection Development phasing to enable flexibility and reduce financial exposure Covenant headroom monitored and stress tested	↑ Whilst interest rates have declined, economic uncertainties could adversely impact the availability and pricing of future funding

Risk	Impact on strategy	Mitigation	Change in 2016
Political climate and public opinion			
Uncertain political climate or changes to legislation The Group's business (or aspects of it) is opposed or challenged by public interest or activist groups	Prosecution for non-compliance Litigation Reputational damage Distraction of management	Monitoring proposals and emerging policy and legislation Engagement with key stakeholders and politicians Review activity and communications of activist groups	↑ EU Referendum result, election of new London Mayor and change of Prime Minister result in increased uncertainty over future policy and legislation
Catastrophic external event			
Such as a terrorist attack, health pandemic or cyber crime	Diminishing London's status Heightened by concentration of investments Reduced rental income and/or capital values Business disruption or damage to property Reputational damage	Terrorist insurance On-site security Health and safety policies and procedures Close liaison with police, National Counter Terrorism Security Office (NaCTSO) and local authorities Regular training	-
People			
Inability to retain the right people and develop leadership skills within the business	Inability to execute strategy and business plan Constrained growth, lost opportunities	Succession planning, performance evaluations, training and development Long-term and competitive incentive rewards	-
Health, safety & the environment			
Accidents causing loss of life or very serious injury to employees, contractors, occupiers and visitors to the Group's properties Activities at the Group's properties causing detrimental impact on the environment	Prosecution for non-compliance with legislation Litigation or fines Reputational damage Distraction of management	Health and safety procedures across the Group Appointment of reputable contractors External consultants undertake annual audits in all locations Adequate insurance held to cover the risks inherent in construction projects	-
Compliance with law, regulations and contracts			
Breach of legislation, regulation or contract Inability to monitor or anticipate legal or regulatory changes	Prosecution for non-compliance with legislation Litigation or fines Reputational damage Distraction of management	Appointment of external advisers to monitor changes in law or regulation Members of staff attend external briefings to remain cognisant of legislative and regulatory changes	-

PROPERTY

Risk	Impact on strategy	Mitigation	Change in 2016
Leasing			
Inability to achieve target rents or to attract target tenants due to market conditions Competition from other locations	Decline in tenant demand for the Group's properties Reduced income Expansion of yield	Quality tenant mix Strategic focus on creating retail destinations with unique attributes	-
Planning			
Unfavourable planning policy or legislation impacting on the ability to secure future planning approvals or consents Secretary of State or Mayoral intervention or judicial review	Delay or failure to achieve growth in land valuation	Outline planning permission already granted for the Earls Court Masterplan Engagement with local and national authorities Pre-application and consultation with key stakeholders and landowners Engagement with local community bodies	-
Developments			
Decline in returns from development and impact on land valuations due to: - Market conditions - Increased construction costs or delays (including as a result of complexity of developing adjacent to and above public transport infrastructure) - Failure to implement strategic land deals with adjacent landowners on acceptable terms	Lower development returns due to lower sales proceeds, higher costs or delay	Focus on prime assets Regular assessment of market conditions, pricing and sales strategy Business strategy based on long-term returns Professional teams in place to manage costs and deliver programme Earls Court Masterplan designed to allow phased implementation	↑ Greater uncertainty over macro-economic conditions and central London residential market following the EU Referendum result

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities

The statement of Directors' responsibilities has been prepared in relation to the Group's full Annual Report & Accounts for the year ended 31 December 2016. Certain parts of the Annual Report & Accounts are not included within this announcement.

We confirm to the best of our knowledge:

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

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

Signed on behalf of the Board on 21 February 2017.

Ian Hawksworth
Chief Executive

Situl Jobanputra
Chief Financial Officer

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Revenue	2	**127.4**	114.9
Rental income		**104.0**	99.7
Rental expenses		**(22.0)**	(24.4)
Net rental income	2	**82.0**	75.3
Profit on sale of trading property	3	**5.6**	3.5
Other income		**4.6**	4.0
(Loss)/gain on revaluation and sale of investment and development property	4	**(235.0)**	453.9
Profit/(loss) on sale of available-for-sale investments		**0.4**	(0.2)
Impairment of other receivables	5	**(14.8)**	(12.2)
Other costs	6	**(5.0)**	(0.2)
		(162.2)	524.1
Administration expenses		**(50.6)**	(52.1)
Operating (loss)/profit		**(212.8)**	472.0
Finance income	7	**0.3**	0.7
Finance costs	8	**(19.6)**	(20.8)
Other finance income	7	**10.5**	9.3
Other finance costs	8	**(5.3)**	–
Change in fair value of derivative financial instruments	19	**(13.1)**	(0.6)
Net finance costs		**(27.2)**	(11.4)
		(240.0)	460.6
Share of post-tax loss from joint ventures	13	**(0.3)**	(0.7)
(Loss)/profit before tax		**(240.3)**	459.9
Current tax		**(1.0)**	2.2
Deferred tax		**17.8**	(4.9)
Taxation	9	**16.8**	(2.7)
(Loss)/profit for the year		**(223.5)**	457.2
(Loss)/profit attributable to:			
Owners of the Parent		**(118.6)**	431.1
Non-controlling interest	14	**(104.9)**	26.1
Earnings per share attributable to owners of the Parent			
Basic (loss)/earnings per share	11	**(14.0)p**	51.3p
Diluted (loss)/earnings per share	11	**(14.0)p**	50.9p
Weighted average number of shares	11	**844.4m**	841.1m

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016 £m**	2015 £m
(Loss)/profit for the year		**(223.5)**	457.2
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to the income statement			
Realise revaluation reserves on available-for-sale investments		**(0.2)**	–
Loss on cash flow hedge		**(1.2)**	–
Tax relating to items that may be reclassified subsequently	20	**0.3**	–
Items that will not be reclassified subsequently to the income statement			
Actuarial (loss)/gain on defined benefit pension scheme		**(1.6)**	0.8
Tax relating to items that will not be reclassified	20	**0.3**	(0.2)
Total other comprehensive (expense)/income for the year		**(2.4)**	0.6
Total comprehensive (expense)/income for the year		**(225.9)**	457.8
Attributable to:			
Owners of the Parent		**(121.0)**	431.7
Non-controlling interest	14	**(104.9)**	26.1

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Notes	**2016 £m**	2015 £m
Non-current assets			
Investment and development property	12	**3,819.9**	3,855.3
Plant and equipment		**7.1**	6.9
Investment in joint ventures	13	**15.0**	14.8
Available-for-sale investments		**–**	0.2
Derivative financial instruments	19	**0.2**	0.8
Pension asset		**–**	0.7
Trade and other receivables	15	**194.8**	158.9
		4,037.0	4,037.6
Current assets			
Trading property	12	**2.9**	15.5
Trade and other receivables	15	**47.8**	32.3
Cash and cash equivalents	16	**30.9**	66.9
		81.6	114.7
Total assets		**4,118.6**	4,152.3
Non-current liabilities			
Borrowings, including finance leases	18	**(827.8)**	(607.6)
Derivative financial instruments	19	**(13.9)**	(3.2)
Pension liability		**(0.9)**	–
Deferred tax	20	**(2.7)**	(19.5)
		(845.3)	(630.3)
Current liabilities			
Borrowings, including finance leases	18	**(18.5)**	(18.5)
Other provisions		**(2.0)**	(2.0)
Tax liabilities		**(1.3)**	(2.8)
Trade and other payables	17	**(78.3)**	(95.9)
		(100.1)	(119.2)
Total liabilities		**(945.4)**	(749.5)
Net assets		**3,173.2**	3,402.8
Equity			
Share capital	21	**211.5**	210.5
Other components of equity		**2,593.5**	2,723.5
Equity attributable to owners of the Parent		**2,805.0**	2,934.0
Non-controlling interest	14	**368.2**	468.8
Total equity		**3,173.2**	3,402.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

		Equity attributable to owners of the Parent								
	Notes	Share capital £m	Share premium £m	Merger reserve[1] £m	Share-based payment reserve £m	Other reserves[2] £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 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	20	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Total comprehensive income for the year ended 31 December 2015		–	–	–	–	–	431.7	431.7	26.1	457.8
Transactions with owners										
Ordinary shares issued	21	1.4	4.2	–	–	–	–	5.6	–	5.6
Dividend expense	10	–	–	–	–	–	(12.6)	(12.6)	–	(12.6)
Adjustment for bonus issue	10	–	–	–	–	–	0.6	0.6	–	0.6
Realisation of share-based payment reserve on issue of shares		–	–	–	(5.7)	–	5.0	(0.7)	–	(0.7)
Fair value of share-based payment		–	–	–	4.6	–	–	4.6	–	4.6
Tax relating to share-based payment	20	–	–	–	–	–	(1.5)	(1.5)	–	(1.5)
Contribution from non-controlling interest	14	–	–	–	–	–	–	–	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**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(118.6)**	**(118.6)**	**(104.9)**	**(223.5)**
Other comprehensive (expense)/ income										
Realise revaluation reserves on Available- for-sale investments		**–**	**–**	**–**	**–**	**(0.2)**	**–**	**(0.2)**	**–**	**(0.2)**
Loss on cash flow hedge		**–**	**–**	**–**	**–**	**(1.2)**	**–**	**(1.2)**	**–**	**(1.2)**
Tax relating to items that may be reclassified subsequently	20	**–**	**–**	**–**	**–**	**0.3**	**–**	**0.3**	**–**	**0.3**
Actuarial loss on defined benefit pension scheme		**–**	**–**	**–**	**–**	**–**	**(1.6)**	**(1.6)**	**–**	**(1.6)**
Tax relating to items that will not be reclassified	20	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**	**–**	**0.3**
Total comprehensive expense for the year ended 31 December 2016		**–**	**–**	**–**	**–**	**(1.1)**	**(119.9)**	**(121.0)**	**(104.9)**	**(225.9)**
Transactions with owners										
Ordinary shares issued	21	**1.0**	**4.0**	**–**	**–**	**–**	**–**	**5.0**	**–**	**5.0**
Dividend expense	10	**–**	**–**	**–**	**–**	**–**	**(12.7)**	**(12.7)**	**–**	**(12.7)**
Adjustment for bonus issue	10	**–**	**–**	**–**	**–**	**–**	**0.9**	**0.9**	**–**	**0.9**
Realisation of share-based payment reserve on issue of shares		**–**	**–**	**–**	**(5.3)**	**–**	**4.6**	**(0.7)**	**–**	**(0.7)**
Fair value of share-based payment		**–**	**–**	**–**	**1.1**	**–**	**–**	**1.1**	**–**	**1.1**
Tax relating to share-based payment	20	**–**	**–**	**–**	**–**	**–**	**(1.6)**	**(1.6)**	**–**	**(1.6)**
Contribution from non-controlling interest	14	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4.3**	**4.3**
Total transactions with owners		**1.0**	**4.0**	**–**	**(4.2)**	**–**	**(8.8)**	**(8.0)**	**4.3**	**(3.7)**
Balance at 31 December 2016		**211.5**	**215.1**	**425.8**	**6.1**	**(0.7)**	**1,947.2**	**2,805.0**	**368.2**	**3,173.2**

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

2 Other reserves comprises of revaluation reserve of £nil (2015: £0.1 million) and cash flow hedge reserve of -£0.7 million (2015: £0.3 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	**2016 £m**	2015 £m
Cash flows from operating activities			
Cash generated from operations	24	**(7.7)**	13.1
Interest paid		**(19.6)**	(19.6)
Interest received		**0.2**	0.7
Tax (paid)/received		**(2.4)**	3.5
Net cash outflow from operating activities		**(29.5)**	(2.3)
Cash flows from investing activities			
Purchase and development of property		**(216.1)**	(250.2)
Sale of property		**18.5**	11.2
Acquisition of interest in joint venture		**–**	(13.5)
Investment in joint venture		**(0.5)**	–
Proceeds from available-for-sale investments		**0.4**	–
Sale of loan notes		**–**	6.0
Sale of subsidiaries[1]		**0.5**	0.5
Loan advances to joint ventures		**(11.8)**	(3.2)
Deferred consideration on purchase of subsidiary		**–**	(7.1)
Net cash outflow from investing activities		**(209.0)**	(256.3)
Cash flows from financing activities			
Issue of shares		**0.1**	0.1
Borrowings drawn		**832.0**	225.0
Borrowings repaid		**(612.0)**	(51.0)
Purchase of derivative financial instruments		**(1.9)**	–
Other finance costs		**(8.2)**	(0.4)
Cash dividends paid	10	**(7.5)**	(7.7)
Contribution from non-controlling interest		**–**	64.7
Net cash inflow from financing activities		**202.5**	230.7
Net decrease in unrestricted cash and cash equivalents		**(36.0)**	(27.9)
Unrestricted cash and cash equivalents at 1 January		**60.9**	88.8
Unrestricted cash and cash equivalents at 31 December	16	**24.9**	60.9

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.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

General information

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

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

Basis of preparation

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

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

During 2016, the following accounting standards and interpretations have been adopted by the Group:

IFRS 10 'Consolidated Financial Statements' (amendment)
IFRS 11 'Joint Arrangements’ (amendment)
IAS 1 ‘Presentation of Financial Statements' (amendment)
IAS 16 'Property, Plant and Equipment' (amendment)
IAS 27 'Separate Financial Statements' (amendment)
IAS 28 'Investments in Associates and Joint Ventures' (amendment)
IAS 38 'Intangible Assets' (amendment)
Amendments to IFRS (Annual improvements cycle 2012-2014)

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

At the date of approval of the consolidated financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not effective, and in some cases have not been adopted for use in the European Union are:

IFRS 2 ‘Share-based Payment’ (amendment)
IFRS 4 'Insurance Contracts' (amendment)
IFRS 9 ‘Financial Instruments’
IFRS 10 ‘Consolidated Financial Statements’ and IAS 28 ‘Investments in Associates and Joint Ventures’ (amendment)
IFRS 15 'Revenue from Contracts with Customers'
IFRS 16 'Leases'
IAS 7 ‘Statement of Cash Flows’ (amendment)
IAS 12 ‘Income Taxes’ (amendment)

The Group has assessed the impact of these new standards and interpretations and do not anticipate any material impact on the financial statements.

In relation to IFRS 15 ‘Revenue from Contracts with Customers’, the Group’s material revenue stream relates to property rental income. On the adoption of the standard this revenue stream will not be materially impacted due to property rental income continuing to be within the scope of IAS 17 ‘Leases’ and therefore is out of scope. As the Group is predominately a lessor, IFRS 16 ‘Leases’, will not have a material impact on adoption. Where the Group is currently a lessee, this relates to immaterial contracts.

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

Going Concern

The Directors are satisfied that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements and for this reason the consolidated financial statements have been prepared on a going concern basis.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Basis of consolidation

These consolidated financial statements include the consolidation of the following limited partnerships: Capital & Counties CGP, Capco CGP 2012 LP, CG Investments 2016 LP, EC Properties LP, Solum Group Holdings LP and The Empress State Limited Partnership. The members of these qualifying partnerships have taken advantage of exemptions available in Statutory Instrument 2008/569 and therefore will not produce consolidated accounts at the partnership level**.**

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

Subsidiaries

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

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

Critical accounting judgements and key sources of estimation and uncertainty

The preparation of consolidated financial statements in accordance with IFRS requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, equity, income and expenses from sources not readily apparent. Although these estimates and assumptions are based on management's best knowledge of the amount, historical experiences and other factors, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period.

Significant area of estimation and uncertainty is:

Property valuation: The most significant area of estimation and uncertainty in the consolidated financial statements is in respect of the valuation of the property portfolio and investments, where external valuations are obtained. The valuation of the Group's property portfolio is inherently subjective due to the assumptions as outlined within note 12 'Property Portfolio'. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate and could therefore have a material effect on the Group's financial performance and position.

The key areas of accounting judgement are:

Property classification: Judgement is required in the classification of property between investment, development, trading and owner occupied. Management considers each property separately and reviews factors including the long term intention for the property, in determining if trading, and the level of ancillary income, in determining if owner occupied, to ensure the appropriate classification.

Revenue recognition: In making its judgement over revenue recognition for property transactions, management considered the detailed criteria for the recognition of revenue set out in IAS 18 'Revenue' and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the assets being disposed. Management also consider the appropriate accounting treatment of tenant lease incentives.

Other less significant judgements and sources of estimation and uncertainty relate to provisions, share-based payment, contingent liabilities and pensions.

Operating segments

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

Revenue recognition

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Revenue recognition continued

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

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

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

Non-underlying items

Non-underlying items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Items deemed as non-underlying are impairment charges, net valuation gain/losses (including profits/losses on disposal), net refinancing charges, costs of termination of derivative financial instruments and non-recurring costs and income.

Foreign currencies

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

Income taxes

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

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

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

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

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

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

Discontinued operation

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

Share-based payment

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

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

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

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

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Investment and development property

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

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

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

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

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

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

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

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

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

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

Trading property

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

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

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

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

Leases

Leases are classified according to the substance of the transaction.

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

Group as a lessee:

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

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Leases continued

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

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

Plant and equipment

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

Investment in joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Investments in joint ventures are accounted for using the equity method. On initial recognition the investment is recognised at cost, and the carrying amount is subsequently increased or decreased to recognise the Group's share of the profit or loss of the joint venture after the date of acquisition. Goodwill, if any, on acquisition is included in the carrying amount of the investment.

The Group's investment in joint ventures is presented separately on the balance sheet and the Group's share of the joint venture's post-tax profit or loss for the period is also presented separately in the income statement.

Where there is an indication that the Group's investment in joint ventures may be impaired the Group evaluates the recoverable amount of its investment, being the higher of the joint venture's fair value less costs to sell and value in use. If the recoverable amount is lower than the carrying value an impairment loss is recognised in the income statement.

If the Group's share of losses in a joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make payments on behalf of the joint venture.

Available-for-sale investments

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

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

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

Derivative financial instruments

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

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

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

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

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

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

Trade and other receivables

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

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Impairment of financial assets

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

Cash and cash equivalents

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

Trade and other payables

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

Deposits

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

Dividend distribution

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

Provisions

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

Borrowings

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

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

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

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

Pensions

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

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

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

Contingent liabilities and capital commitments

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

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

Share capital

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

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Share capital continued

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

2 SEGMENTAL REPORTING

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

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

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

Management information, previously reported on a proportionally consolidated basis until December 2015, is now reported to the chief operating decision maker on a Group share basis. Consequently the comparative period has been re-presented in line with reporting requirements. Outlined below is the Group share by segment:

Segment	Group share
Covent Garden	**100%**
Earls Court Properties	
ECPL	**63%**
Lillie Square	**50%**
Empress State	**100%**
Other	**100%**
Venues	**100%**
Other	
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 derives revenue from licence fees from the letting of space.

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

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	2016						
	Covent Garden £m	**Earls Court Properties £m**	**Venues £m**	**Other £m**	**Group total £m**	**Consolidation adjustments £m**	**IFRS total £m**
Revenue[1]	**71.4**	**20.4**	**33.3**	**2.3**	**127.4**	**–**	**127.4**
Rent receivable	**49.4**	**17.7**	**33.3**	**(0.4)**	**100.0**	**0.8**	**100.8**
Service charge income	**3.2**	**–**	**–**	**–**	**3.2**	**–**	**3.2**
Rental income	**52.6**	**17.7**	**33.3**	**(0.4)**	**103.2**	**0.8**	**104.0**
Rental expenses[2]	**(11.1)**	**(0.9)**	**(9.7)**	**–**	**(21.7)**	**(0.3)**	**(22.0)**
Net rental income/(expense)	**41.5**	**16.8**	**23.6**	**(0.4)**	**81.5**	**0.5**	**82.0**
Profit/(loss) on sale of trading property	**5.6**	**(1.2)**	**–**	**–**	**4.4**	**1.2**	**5.6**
Other income	**–**	**–**	**–**	**2.7**	**2.7**	**1.9**	**4.6**
Gain/(loss) on revaluation and sale of investment and development property	**126.1**	**(247.2)**	**(3.8)**	**0.1**	**(124.8)**	**(110.2)**	**(235.0)**
Write down of trading property	**–**	**(0.4)**	**–**	**–**	**(0.4)**	**0.4**	**–**
Profit on sale of available-for-sale investments	**–**	**–**	**–**	**0.4**	**0.4**	**–**	**0.4**
Impairment of other receivables	**–**	**–**	**–**	**–**	**–**	**(14.8)**	**(14.8)**
Other costs	**–**	**(5.0)**	**–**	**–**	**(5.0)**	**–**	**(5.0)**
Segment result	**173.2**	**(237.0)**	**19.8**	**2.8**	**(41.2)**	**(121.0)**	**(162.2)**
Unallocated costs							
Administration expenses					**(50.5)**	**(0.1)**	**(50.6)**
Operating loss					**(91.7)**	**(121.1)**	**(212.8)**
Net finance costs[3]					**(37.8)**	**10.6**	**(27.2)**
Share of post-tax loss from joint ventures					**–**	**(0.3)**	**(0.3)**
Loss before tax					**(129.5)**	**(110.8)**	**(240.3)**
Taxation					**10.9**	**5.9**	**16.8**
Loss for the year					**(118.6)**	**(104.9)**	**(223.5)**
Loss attributable to:							
Owners of the Parent					**(118.6)**	**–**	**(118.6)**
Non-controlling interest					**–**	**(104.9)**	**(104.9)**
Summary balance sheet							
Total segment assets[4]	**2,294.0**	**1,213.2**	**313.0**	**35.3**	**3,855.5**	**252.6**	**4,108.1**
Total segment liabilities[4]	**(724.8)**	**(240.3)**	**(83.1)**	**(12.8)**	**(1,061.0)**	**115.6**	**(945.4)**
Segmental net assets	**1,569.2**	**972.9**	**229.9**	**22.5**	**2,794.5**	**368.2**	**3,162.7**
Unallocated assets[3]					**10.5**	**–**	**10.5**
Net assets					**2,805.0**	**368.2**	**3,173.2**
Other segment items:							
Depreciation	**(0.2)**	**(1.3)**	**(0.4)**	**(0.3)**	**(2.2)**	**0.4**	**(1.8)**
Capital expenditure	**(153.9)**	**(80.2)**	**(1.5)**	**–**	**(235.6)**	**31.1**	**(204.5)**

1. Total revenue of £127.4 million comprises rental income of £104.0 million, proceeds from sale of trading property of £18.8 million and other income of £4.6 million.
2. Comprises service charge and other non-recoverable costs.
3. The Group operates a central treasury function which manages and monitors the Group's finance income and costs on a net basis and the majority of the Group's cash balances.
4. Total segmental assets and total segmental liabilities exclude loans between and investments in Group undertakings.

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	Re-presented 2015						
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Revenue[1]	61.3	18.2	31.3	2.1	112.9	2.0	114.9
Rent receivable	46.4	18.1	31.3	(0.4)	95.4	0.6	96.0
Service charge income	3.7	–	–	–	3.7	–	3.7
Rental income	50.1	18.1	31.3	(0.4)	99.1	0.6	99.7
Rental expenses[2]	(11.3)	(0.8)	(12.0)	(0.1)	(24.2)	(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/(loss) on revaluation and sale 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 available-for-sale investments	–	–	–	(0.2)	(0.2)	–	(0.2)
Impairment of other receivables	–	–	–	–	–	(12.2)	(12.2)
Other costs	–	–	–	(0.2)	(0.2)	–	(0.2)
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[3]					(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[4]	2,010.4	1,360.6	314.7	39.2	3,724.9	395.8	4,120.7
Total segment liabilities[4]	(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[3]					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. Total revenue of £114.9 million comprises rental income of £99.7 million, proceeds from sale of trading property of £11.2 million and other income of £4.0 million.
2. Comprises service charge and other non-recoverable costs.
3. The Group operates a central treasury function which manages and monitors the Group's finance income and costs on a net basis and the majority of the Group's cash balances.
4. Total segmental assets and total segmental liabilities exclude loans between and investments in Group undertakings.

3 PROFIT ON SALE OF TRADING PROPERTY

	2016 £m	2015 £m
Proceeds from the sale of trading property	**18.8**	11.2
Cost of sale of trading property	**(12.9)**	(7.5)
Agent, selling and marketing fees	**(0.3)**	(0.2)
Profit on sale of trading property	**5.6**	3.5

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

	2016 £m	2015 £m
(Loss)/gain on revaluation of investment and development property	**(235.2)**	453.9
Gain on sale of investment and development property	**0.2**	–
(Loss)/gain on revaluation and sale of investment and development property	**(235.0)**	453.9

5 IMPAIRMENT OF OTHER RECEIVABLES

	2016 £m	2015 £m
Impairment of other receivables	**14.8**	12.2

Following an impairment review of amounts receivable from joint ventures by the Group, an impairment of £14.8 million has been recognised (2015: £12.2 million). The impairment was calculated with reference to the Group's share of the cumulative losses in the Lillie Square joint venture.

The carrying value of the investment is £nil (2015: £nil) in accordance with IAS 28 'Investment in Associates and Joint Ventures' ("IAS 28"). Refer to note 13 'Investment in Joint Ventures'.

6 OTHER COSTS

On 30 August 2012, the Group completed a joint venture arrangement with the Kwok Family Interests. The venture, to develop land interests at Lillie Square, resulted in the loss of control of the former subsidiary Lillie Square GP Limited and the disposal of a 50 per cent limited partnership interest in Lillie Square LP. During 2016 additional costs associated with the transaction have been incurred resulting in a loss of £5.0 million (2015: £nil). Other costs for 2015 relate to loss on sale of loan notes of £0.2 million.

7 FINANCE INCOME

	2016 £m	2015 £m
Finance income:		
On loan notes	**–**	0.2
On deposits and other	**0.3**	0.5
Finance income	**0.3**	0.7
Other finance income:		
On deep discount bonds	**10.5**	9.3
Other finance income[1]	**10.5**	9.3

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

8 FINANCE COSTS

	2016 £m	2015 £m
Finance costs:		
On bank overdrafts, loans and other	**20.5**	21.0
On obligations under finance leases	**0.5**	0.5
Gross finance costs	**21.0**	21.5
Interest capitalised on property under development	**(1.4)**	(0.7)
Finance costs	**19.6**	20.8
Other finance costs:		
Costs of termination of bank loans and other	**5.3**	–
Other finance costs[1]	**5.3**	–

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 2.7 per cent (2015: 3.3 per cent) applied to the cost of property under development during the year.

9 TAXATION

	2016 £m	2015 £m
Current income tax:		
Current income tax charge excluding non-underlying items	**1.4**	1.6
Current income tax on profits	**1.4**	1.6
Deferred income tax:		
On accelerated capital allowances	**0.8**	0.1
On fair value of investment and development property	**(15.6)**	3.8
On fair value of derivative financial instruments	**(2.4)**	(0.1)
On Group losses	**(5.6)**	0.5
On other temporary differences	**4.8**	(0.8)
Deferred income tax on profits	**(18.0)**	3.5
Adjustments in respect of previous years – current income tax	**(0.4)**	(3.8)
Adjustments in respect of previous years – deferred income tax	**0.2**	1.4
Total income tax (credit)/charge reported in the consolidated income statement	**(16.8)**	2.7

Factors affecting the tax charge for the year

The tax assessed for the year is £16.8 million which reflects a rate lower than the standard rate of corporation tax in the United Kingdom (“UK”). The differences are explained below:

	2016 £m	2015 £m
(Loss)/profit before tax	**(240.3)**	459.9
(Loss)/profit on ordinary activities multiplied by the standard rate in the UK of 20.0% (2015: 20.25%)	**(48.1)**	93.1
Unrecognised deferred income tax on revaluation losses/(gains)	**32.4**	(74.3)
Adjustments in respect of previous years	**(0.3)**	(2.4)
Expenses disallowed	**1.5**	1.7
Other temporary differences	**(1.4)**	(12.9)
Reduction in deferred income tax following change in corporation tax rate	**(0.9)**	(2.5)
Total income tax (credit)/charge reported in the consolidated income statement	**(16.8)**	2.7

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

Finance Act 2015 sets the main rate of UK corporation tax at 20 per cent with effect on 1 April 2015. The enactment of Finance (No. 2) Act 2015 and Finance Act 2016 reduces the main rate of corporation tax to 19 per cent from April 2017 and 17 per cent from April 2020.

10 DIVIDENDS

	2016 £m	2015 £m
Ordinary shares		
Prior year final dividend of 1.0p per share (2015: 1.0p)	**8.4**	8.4
Interim dividend of 0.5p per share (2015: 0.5p)	**4.3**	4.2
Dividend expense	**12.7**	12.6
Shares issued in lieu of cash[1]	**(4.3)**	(4.3)
Adjustment for bonus issue[2]	**(0.9)**	(0.6)
Cash dividends paid	**7.5**	7.7
Proposed final dividend of 1.0p per share (2015: 1.0p)	**8.5**	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

(a) Earnings per share

	2016			2015		
	(Loss)/ earnings £m	Shares[1] million	(Loss)/ earnings per share (pence)	Earnings £m	Shares[1] million	Earnings per share (pence)
Basic (loss)/earnings	**(118.6)**	**844.4**	**(14.0)**	431.1	841.1	51.3
Dilutive effect of contingently issuable share option awards	**–**	**0.7**		–	2.1	
Dilutive effect of contingently issuable deferred share awards	**–**	**–**		–	0.8	
Dilutive effect of contingently issuable matching nil cost options awards	**–**	**0.1**		–	1.3	
Dilutive effect of deferred bonus share option awards	**–**	**0.7**		–	1.3	
Diluted (loss)/earnings	**(118.6)**	**845.9**	**(14.0)**	431.1	846.6	50.9
Basic (loss)/earnings	**(118.6)**			431.1		
Group adjustments:						
Profit on sale of trading property	**(5.6)**			(3.5)		
Loss/(gain) on revaluation and sale of investment and development property	**235.0**			(453.9)		
Loss on sale of loan notes	**–**			0.2		
Other finance costs	**5.3**			–		
Change in fair value of derivative financial instruments	**13.1**			0.6		
Deferred tax adjustments	**(17.2)**			3.8		
Non-controlling interest in respect of the adjustments	**(104.6)**			26.4		
Joint venture adjustments:						
Loss on sale of trading property[2]	**1.2**			1.6		
Loss/(gain) on revaluation of investment and development property	**0.1**			(0.1)		
Write down/(back) of trading property	**0.4**			(0.2)		
EPRA earnings[3]	**9.1**	**844.4**	**1.1**	6.0	841.1	0.7
(Profit)/loss on sale of available-for-sale investments	**(0.4)**			0.2		
Other costs	**5.0**			–		
Deferred tax adjustments	**(1.9)**			1.7		
Joint venture adjustment:						
Other income	**–**			(0.1)		
Underlying earnings[3]	**11.8**	**844.4**	**1.4**	7.8	841.1	0.9

1 Weighted average number of shares in issue has been adjusted by 0.3 million (2015: 0.1 million) for the issue of bonus shares in connection with the scrip dividend scheme.

2 Loss on sale of trading property relates to Lillie Square sales and includes £1.4 million (2015: £1.6 million) of marketing and selling fees on a Group share basis. Marketing fees include costs for units that have not yet completed.

3 EPRA earnings and underlying earnings have been reported on a Group share basis.

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 Johannesburg Stock Exchange ("JSE") listing. This measure is not a requirement of IFRS.

(a) Earnings per share continued

	2016			2015		
	(Loss)/ earnings £m	**Shares[1] million**	**(Loss)/ earnings per share (pence)**	Earnings £m	Shares[1] million	Earnings per share (pence)
Basic (loss)/earnings	**(118.6)**	**844.4**	**(14.0)**	431.1	841.1	51.3
Group adjustments:						
Loss/(gain) on revaluation and sale of investment and development property	**235.0**			(453.9)		
(Profit)/loss on sale of available-for-sale investments	**(0.4)**			0.2		
Loss on sale of loan notes	**–**			0.2		
Deferred tax adjustments	**(15.6)**			3.8		
Non-controlling interest in respect of the Group adjustments	**(104.6)**			26.4		
Joint venture adjustment:						
Loss/(gain) on revaluation of investment and development property	**0.1**			(0.1)		
Headline (loss)/earnings	**(4.1)**	**844.4**	**(0.5)**	7.7	841.1	0.9
Dilutive effect of contingently issuable share option awards	**–**	**0.7**		–	2.1	
Dilutive effect of contingently issuable deferred share awards	**–**	**–**		–	0.8	
Dilutive effect of contingently issuable matching nil cost options awards	**–**	**0.1**		–	1.3	
Dilutive effect of deferred bonus share option awards	**–**	**0.7**		–	1.3	
Diluted headline (loss)/earnings	**(4.1)**	**845.9**	**(0.5)**	7.7	846.6	0.9

1 Weighted average number of shares in issue has been adjusted by 0.3 million (2015: 0.1 million) for the issue of bonus shares in connection with the scrip dividend scheme.

(b) Net assets per share

	2016			2015		
	Net assets £m	**Shares million**	**NAV per share (pence)**	Net assets £m	Shares million	NAV per share (pence)
Net assets attributable to owners of the Parent	**2,805.0**	**846.1**	**331.5**	2,934.0	842.0	348.5
Effect of dilution on exercise of contingently issuable share option awards	**–**	**0.7**		–	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	**–**	**0.1**		–	1.3	
Effect of dilution on exercise of deferred bonus share option awards	**–**	**0.7**		–	1.3	
Diluted NAV	**2,805.0**	**847.6**	**330.9**	2,934.0	847.7	346.1
Group adjustments:						
Fair value of derivative financial instruments	**13.7**			2.4		
Unrecognised surplus on trading property – Group	**1.5**			8.3		
Unrecognised surplus on trading property – Joint venture	**46.6**			91.6		
Deferred tax adjustments	**11.5**			28.9		
Non-controlling interests in respect of the adjustments	**–**			(5.8)		
EPRA NAV	**2,878.3**	**847.6**	**339.6**	3,059.4	847.7	360.9
Fair value of derivative financial instruments	**(13.7)**			(2.4)		
Excess fair value of debt over carrying value	**(12.4)**			(12.1)		
Deferred tax adjustments	**(11.5)**			(28.9)		
EPRA NNNAV	**2,840.7**	**847.6**	**335.1**	3,016.0	847.7	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[1]	262.9	133.0	58.4	(0.4)	453.9	225.4	228.5
At 31 December 2015	**1,949.5**	**1,606.4**	**295.0**	**4.4**	**3,855.3**	**1,796.9**	**2,058.4**
Additions from acquisitions	**85.2**	**4.6**	**–**	**–**	**89.8**	**75.6**	**14.2**
Additions from subsequent expenditure	**68.4**	**44.5**	**1.5**	**–**	**114.4**	**53.0**	**61.4**
Disposals	**–**	**–**	**–**	**(4.4)**	**(4.4)**	**(4.4)**	**–**
Gain/(loss) on valuation[1]	**126.1**	**(357.5)**	**(3.8)**	**–**	**(235.2)**	**(45.7)**	**(189.5)**
At 31 December 2016	**2,229.2**	**1,298.0**	**292.7**	**–**	**3,819.9**	**1,875.4**	**1,944.5**

(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)	–
At 31 December 2015[2]	**15.5**	**–**	**–**	**–**	**15.5**	**15.5**	**–**
Additions from subsequent expenditure	**0.3**	**–**	**–**	**–**	**0.3**	**0.3**	**–**
Disposals	**(12.9)**	**–**	**–**	**–**	**(12.9)**	**(12.9)**	**–**
At 31 December 2016[2]	**2.9**	**–**	**–**	**–**	**2.9**	**2.9**	**–**

1 Loss on valuation of £235.2 million (2015: gain £453.9 million) is recognised in the consolidated income statement within (loss)/gain on revaluation and sale of investment and development property. This loss is unrealised and relates to assets held at the end of the year.

2 The value of trading property carried at net realisable value was £nil (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 31 December 2016	**2,229.2**	**1,298.0**	**292.7**	**–**	**3,819.9**
Carrying value of trading property at 31 December 2016	**2.9**	**–**	**–**	**–**	**2.9**
Carrying value of investment, development and trading property at 31 December 2016[1]	**2,232.1**	**1,298.0**	**292.7**	**–**	**3,822.8**
Adjustment in respect of fixed head leases	**(4.1)**	**–**	**–**	**–**	**(4.1)**
Adjustment in respect of tenant lease incentives	**45.3**	**–**	**–**	**–**	**45.3**
Unrecognised surplus on trading property[2]	**1.5**	**–**	**–**	**–**	**1.5**
Market value of investment, development and trading property at 31 December 2016	**2,274.8**	**1,298.0**	**292.7**	**–**	**3,865.5**
Joint ventures:					
Carrying value of joint venture investment, development and trading property at 31 December 2016	**–**	**176.0**	**–**	**–**	**176.0**
Unrecognised surplus on joint venture trading property[2]	**–**	**46.6**	**–**	**–**	**46.6**
	2,274.8	**1,520.6**	**292.7**	**–**	**4,088.1**
Non-controlling interest adjustment:					
Market value of non-controlling interest in investment, development and trading property at 31 December 2016	**–**	**(378.5)**	**–**	**–**	**(378.5)**
Market value of investment, development and trading property on a Group share basis at 31 December 2016	**2,274.8**	**1,142.1**	**292.7**	**–**	**3,709.6**

	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m
Carrying value of investment and development property at 31 December 2015	1,949.5	1,606.4	295.0	4.4	3,855.3
Carrying value of trading property at 31 December 2015	15.5	–	–	–	15.5
Carrying value of investment, development and trading property at 31 December 2015[1]	1,965.0	1,606.4	295.0	4.4	3,870.8
Adjustment in respect of fixed head leases	(4.1)	–	–	–	(4.1)
Adjustment in respect of tenant lease incentives	36.0	–	–	–	36.0
Unrecognised surplus on trading property[2]	8.3	–	–	–	8.3
Market value of investment, development and trading property at 31 December 2015	2,005.2	1,606.4	295.0	4.4	3,911.0
Joint ventures:					
Carrying value of joint venture investment, development and trading property at 31 December 2015	–	130.8	–	–	130.8
Unrecognised surplus on joint venture trading property[2]	–	91.6	–	–	91.6
	2,005.2	1,828.8	295.0	4.4	4,133.4
Non-controlling interest adjustment:					
Market value of non-controlling interest in investment, development and trading property at 31 December 2015	–	(471.6)	–	–	(471.6)
Market value of investment, development and trading property on a Group share basis at 31 December 2015	2,005.2	1,357.2	295.0	4.4	3,661.8

1 Included within investment and development property is £1.4 million (2015: £0.7 million) of interest capitalised during the year on developments in progress.

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

12 PROPERTY PORTFOLIO CONTINUED

At 31 December 2016, the Group was contractually committed to £149.2 million (2015: £162.5 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 22 'Capital Commitments' for further information on capital commitments.

The fair value of the Group's investment, development and trading property at 31 December 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.

Each year the Executive Directors, on behalf of the Board, appoint 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 Executive 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 20.

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 31 December 2016, joint ventures comprise the Lillie Square joint venture ("LSJV"), Solum Developments ("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.

13 INVESTMENT IN JOINT VENTURES CONTINUED

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

LSJV	2016 £m	2015 £m
Summarised income statement		
Revenue	**5.5**	0.6
Net rental income	**(0.2)**	0.5
(Loss)/gain on revaluation of investment and development property	**(0.1)**	0.2
Proceeds from the sale of trading property	**5.4**	–
Cost of sale of trading property	**(5.1)**	–
Agent, selling and marketing fees	**(2.7)**	(3.1)
Write (down)/back of trading property	**(0.8)**	0.5
Administration expenses	**(4.8)**	(3.8)
Finance costs[1]	**(21.2)**	(18.7)
Other costs	**(0.1)**	–
Loss for the year	**(29.6)**	(24.4)

1 Finance costs includes £20.9 million (2015: £18.7 million) relating to the amortisation of deep discount bonds that were issued by LSJV to the Group and KFI. The bonds are redeemable at their nominal value of £263.4 million on 24 August 2019. The discount applied is unwound over the period to maturity using the effective interest rate. Finance income receivable to the Group of £10.5 million (2015: £9.3 million) is recognised in the consolidated income statement within other finance income.

LSJV	2016 £m	2015 £m
Summarised balance sheet		
Investment and development property	**3.1**	3.2
Other non-current assets	**2.1**	3.0
Trading property	**349.0**	258.5
Cash and cash equivalents[1]	**74.2**	67.2
Other current assets	**5.8**	0.2
Borrowings	**(155.1)**	(87.7)
Other non-current liabilities[2]	**(195.4)**	(174.5)
Amounts payable to joint venture partners[3]	**(102.1)**	(75.2)
Other current liabilities[1]	**(74.2)**	(57.7)
Net liabilities	**(92.6)**	(63.0)
Capital commitments	**36.4**	97.2
Carrying value of investment, development and trading property	**352.1**	261.7
Unrecognised surplus on trading property[4]	**93.2**	183.2
Market value of investment, development and trading property[4]	**445.3**	444.9

1 Includes restricted cash and cash equivalents of £59.7 million (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 £59.7 million (2015: £52.3 million) within other current liabilities.

2 Other non-current liabilities relate to deep discount bonds. Amounts receivable by the Group of £97.7 million (2015: £87.2 million) are recognised on the consolidated balance sheet within non-current trade and other receivables.

3 Amounts payable to joint venture partners relate to working capital funding advanced by the Group and KFI. Recoverable amounts receivable of £7.0 million (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 informational purposes only and are not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value.

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 on achieving consent to develop specific railway sites with NRIL. The joint venture will explore opportunities for future redevelopments on and around significant railway station sites in London.

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

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

Solum	**2016 £m**	2015 £m
Summarised income statement		
Administration expenses	**(0.6)**	(1.4)
Loss for the year	**(0.6)**	(1.4)

Solum	**2016 £m**	2015 £m
Summarised balance sheet		
Trade and other receivables	**0.8**	–
Cash and cash equivalents	**0.5**	1.6
Other current liabilities	**(0.5)**	(1.1)
Net assets	**0.8**	0.5

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[1]	–	31.5	–	31.5
Goodwill on acquisition of joint venture[2]	–	–	14.5	14.5
Carrying value at 31 December 2015	0.1	–	14.7	14.8
Net assets/(liabilities) of joint ventures at 31 December 2016	**0.1**	**(92.6)**	**0.8**	**(91.7)**
Elimination of joint venture partners' interest	**–**	**46.3**	**(0.4)**	**45.9**
Cumulative losses restricted[1]	**–**	**46.3**	**–**	**46.3**
Goodwill on acquisition of joint venture[2]	**–**	**–**	**14.5**	**14.5**
Carrying value at 31 December 2016	**0.1**	**–**	**14.9**	**15.0**

1 Cumulative losses restricted represent the Group's share of losses in LSJV which exceed its investment in the joint venture. As a result the carrying value of the investment in LSJV is £nil (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.

13 INVESTMENT IN JOINT VENTURES CONTINUED

Reconciliation of investment in joint ventures:

The table below reconciles the opening to closing carrying value of investment in joint ventures as 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[1]	–	(12.2)	(0.7)	(12.9)
Loss restricted[1]	–	12.2	–	12.2
Issue of equity loan notes	–	–	0.9	0.9
Goodwill on acquisition of joint venture	–	–	14.5	14.5
At 31 December 2015	0.1	–	14.7	14.8
Loss for the year[1]	**–**	**(14.8)**	**(0.3)**	**(15.1)**
Loss restricted[1]	**–**	**14.8**	**–**	**14.8**
Issue of equity loan notes	**–**	**–**	**0.5**	**0.5**
At 31 December 2016	**0.1**	**–**	**14.9**	**15.0**

1 Share of post-tax loss from joint ventures in the consolidated income statement of £0.3 million (2015: loss £0.7 million) comprises loss for the year of £15.1 million (2015: £12.9 million) and loss restricted totalling £14.8 million (2015: £12.2 million).

14 NON-CONTROLLING INTEREST

TTL Earls Court Properties Limited, a subsidiary of TfL, holds a 37% non-controlling interest in ECPL, a subsidiary of the Group. The principal place of business of ECPL is within the UK.

The accumulated non-controlling interest is presented below.

	2016 £m	2015 £m
At 1 January	**468.8**	–
Profit and total comprehensive income for the year attributable to non-controlling interest	**(104.9)**	26.1
Capital contribution from non-controlling interest	–	44.4
Unsecured loan notes issued to non-controlling interest	**4.3**	398.3
At 31 December	**368.2**	468.8

During the year, unsecured, non-interest bearing loan notes were issued by ECPL to TTL Earls Court Properties Limited. 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 (2015: less than £0.1 million) and therefore £402.6 million (2015: £398.3 million) has been classified as equity.

Set out below is summarised financial information, before intercompany eliminations, for ECPL.

ECPL	2016 £m	2015 £m
Summarised income statement		
Net rental income	**1.2**	1.2
Administrative expenses	**(2.5)**	(2.4)
Other income	–	0.4
(Loss)/gain on revaluation of investment and development property	**(298.2)**	86.9
Taxation	**15.9**	(15.6)
(Loss)/profit on ordinary activities after taxation	**(283.6)**	70.5

ECPL	2016 £m	2015 £m
Summarised balance statement		
Investment and development property	**1,022.8**	1,274.7
Cash at bank and at hand	**9.4**	27.8
Other current assets	**1.3**	2.4
Other non-current assets	**0.8**	0.9
Other current liabilities	**(7.6)**	(23.2)
Borrowings	**(31.5)**	–
Other non-current liabilities	–	(15.6)
Net assets	**995.2**	1,267.0

14 NON-CONTROLLING INTEREST CONTINUED

ECPL	2016 £m	2015 £m
Summarised cash flows		
Operating cash flows after interest and tax	**(4.8)**	(0.6)
Purchase and development of property, plant and equipment	**(45.6)**	(1,187.4)
Net cash flow before financing	**(50.4)**	(1,188.0)
Issue of shares	**–**	120.0
Financing[1]	**32.0**	1,076.5
Net cash flow	**(18.4)**	8.5

1 Financing comprises £nil (2015: £1,076.5 million) of unsecured, non-interest bearing loan notes and £32.0 million (2015: £nil) of external borrowings.

15 TRADE AND OTHER RECEIVABLES

	2016 £m	2015 £m
Non-current		
Other receivables[1]	**55.3**	38.5
Prepayments and accrued income[2]	**41.8**	33.2
Amounts receivable from joint ventures[3]	**97.7**	87.2
Trade and other receivables	**194.8**	158.9
Current		
Rent receivable	**7.9**	6.6
Other receivables	**14.6**	3.4
Prepayments and accrued income[2]	**18.3**	12.3
Amounts receivable from joint ventures[4]	**7.0**	10.0
Trade and other receivables	**47.8**	32.3

1 Includes £45.0 million (2015: £30.0 million) payment to LBHF which forms part of the CLSA.

2 Includes tenant lease incentives of £45.3 million (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.

4 Current amounts receivable from joint ventures comprise working capital funding advanced by the Group to LSJV and Solum. The balance has been impaired by £46.3 million (2015: £31.5 million).

16 CASH AND CASH EQUIVALENTS

	2016 £m	2015 £m
Cash at hand	**8.1**	11.6
Cash on short-term deposit	**16.8**	49.3
Unrestricted cash and cash equivalents	**24.9**	60.9
Restricted cash and cash equivalents[1]	**6.0**	6.0
Cash and cash equivalents	**30.9**	66.9

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

17 TRADE AND OTHER PAYABLES

	2016 £m	2015 £m
Rent received in advance	**23.9**	21.3
Accruals and deferred income	**35.3**	58.5
Trade payables	**1.0**	2.7
Other payables	**15.6**	6.9
Other taxes and social security	**2.5**	2.1
Amounts payable to non-controlling interest	**–**	4.4
Trade and other payables	**78.3**	95.9

18 BORROWINGS, INCLUDING FINANCE LEASES

	2016						
	Carrying value £m	**Secured £m**	**Unsecured £m**	**Fixed rate £m**	**Floating rate £m**	**Fair value £m**	**Nominal value £m**
Current							
Bank loans and overdrafts	**12.0**	**12.0**	**–**	**–**	**12.0**	**12.0**	**12.0**
Loan notes	**6.0**	**6.0**	**–**	**–**	**6.0**	**6.0**	**6.0**
Borrowings	**18.0**	**18.0**	**–**	**–**	**18.0**	**18.0**	**18.0**
Finance lease obligations	**0.5**	**0.5**	**–**	**0.5**	**–**	**0.5**	**0.5**
Borrowings, including finance leases	**18.5**	**18.5**	**–**	**0.5**	**18.0**	**18.5**	**18.5**
Non-current							
Bank loans	**500.8**	**153.6**	**347.2**	**–**	**500.8**	**505.9**	**505.9**
Loan notes	**323.4**	**–**	**323.4**	**323.4**	**–**	**330.7**	**325.0**
Borrowings	**824.2**	**153.6**	**670.6**	**323.4**	**500.8**	**836.6**	**830.9**
Finance lease obligations	**3.6**	**3.6**	**–**	**3.6**	**–**	**3.6**	**3.6**
Borrowings, including finance leases	**827.8**	**157.2**	**670.6**	**327.0**	**500.8**	**840.2**	**834.5**
Total borrowings, including finance leases	**846.3**	**175.7**	**670.6**	**327.5**	**518.8**	**858.7**	**853.0**
Cash and cash equivalents	**(30.9)**						
Net debt	**815.4**						

	2015						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Current							
Bank loans and overdrafts	12.0	12.0	–	–	12.0	12.0	12.0
Loan notes	6.0	6.0	–	–	6.0	6.0	6.0
Borrowings	18.0	18.0	–	–	18.0	18.0	18.0
Finance lease obligations	0.5	0.5	–	0.5	–	0.5	0.5
Borrowings, including finance leases	18.5	18.5	–	0.5	18.0	18.5	18.5
Non-current							
Bank loans	454.6	84.8	369.8	–	454.6	460.5	460.5
Loan notes	149.4	–	149.4	149.4	–	155.6	150.0
Borrowings	604.0	84.8	519.2	149.4	454.6	616.1	610.5
Finance lease obligations	3.6	3.6	–	3.6	–	3.6	3.6
Borrowings, including finance leases	607.6	88.4	519.2	153.0	454.6	619.7	614.1
Total borrowings, including finance leases	626.1	106.9	519.2	153.5	472.6	638.2	632.6
Cash and cash equivalents	(66.9)						
Net debt	559.2						

19 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

		2016			2015		
	Notes	**Carrying value £m**	**Loss to income statement £m**	**Loss to other comprehensive income £m**	Carrying value £m	(Loss)/gain to income statement £m	Gain to other comprehensive income £m
Derivative financial assets		**0.2**	**(2.4)**	**–**	0.8	(1.3)	–
Total held for trading assets		**0.2**	**(2.4)**	**–**	0.8	(1.3)	–
Cash and cash equivalents	16	**30.9**	**–**	**–**	66.9	–	–
Other financial assets	15	**242.6**	**–**	**–**	191.2	(0.2)	–
Total cash and other financial assets		**273.5**	**–**	**–**	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		**(13.9)**	**(10.7)**	**–**	(3.2)	0.7	–
Total held for trading liabilities		**(13.9)**	**(10.7)**	**–**	(3.2)	0.7	–
Borrowings, including finance leases	18	**(846.3)**	**–**	**–**	(626.1)	–	–
Other financial liabilities[1]		**(79.6)**	**–**	**–**	(98.7)	–	–
Total borrowings and other financial liabilities		**(925.9)**	**–**	**–**	(724.8)	–	–

1 Includes trade and other payables and tax liabilities.

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 table below presents the Group's financial assets and liabilities recognised at fair value at 31 December 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 31 December each year by discounting the future contractual cash flows to the net present values.

	2016				2015			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial assets								
Held for trading	**–**	**0.2**	**–**	**0.2**	–	0.8	–	0.8
Investments								
Available-for-sale investments	**–**	**–**	**–**	**–**	–	–	0.2	0.2
Total assets	**–**	**0.2**	**–**	**0.2**	–	0.8	0.2	1.0
Derivative financial liabilities								
Held for trading	**–**	**(13.9)**	**–**	**(13.9)**	–	(3.2)	–	(3.2)
Total liabilities	**–**	**(13.9)**	**–**	**(13.9)**	**–**	(3.2)	–	(3.2)

19 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES CONTINUED

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

	2016 £m	2015 £m
Available-for-sale investments		
At 1 January	**0.2**	0.4
Total gain/(loss):		
- In Income	**–**	(0.2)
- In comprehensive income	**(0.2)**	–
At 31 December	**–**	0.2

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. During the year final proceeds were received by the Group. The China Harvest Fund 1 is expected to be liquidated in 2017.

20 DEFERRED TAX

The decrease in corporation tax rate referred to in note 9 'Taxation' has been enacted for the purposes of IAS 12 'Income Taxes' ("IAS 12") and therefore has been reflected in these consolidated financial statements based on the expected timing of the realisation of deferred tax.

Deferred tax on investment and development property is calculated under IAS 12 provisions on a disposals basis by reference to the properties' original tax base cost. Elements factored into the calculation include indexation relief and the Group's holding structure. The Group's recognised deferred tax liability on investment and development property as calculated under IAS 12 is £nil at 31 December 2016 (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 a deemed market value disposal at year-end, is £nil (2015: £17.6 million).

A disposal of the Group's trading properties including Lillie Square at their market value as per note 12 'Property Portfolio' would result in a corporation tax charge to the Group of £9.6 million (20.0 per cent of £48.1 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
Adjustments in respect of previous years	–	–	–	–	1.4	1.4
Recognised in income	0.8	5.6	(0.1)	(0.9)	0.5	5.9
Recognised in other comprehensive income	–	–	–	0.2	–	0.2
Recognised directly in equity	–	–	–	1.5	–	1.5
Reduction due to rate change	(0.7)	(1.8)	–	0.1	–	(2.4)
At 31 December 2015	**13.7**	**15.6**	**(0.4)**	**(5.7)**	**(3.7)**	**19.5**
Adjustments in respect of previous years	**0.1**	**–**	**–**	**–**	**0.1**	**0.2**
Recognised in income	**0.8**	**(14.7)**	**(2.4)**	**4.8**	**(5.6)**	**(17.1)**
Recognised in other comprehensive income	**–**	**–**	**(0.3)**	**(0.3)**	**–**	**(0.6)**
Recognised directly in equity	**–**	**–**	**–**	**1.6**	**–**	**1.6**
Reduction due to rate change	**–**	**(0.9)**	**–**	**–**	**–**	**(0.9)**
At 31 December 2016	**14.6**	**–**	**(3.1)**	**0.4**	**(9.2)**	**2.7**
Unprovided deferred tax assets:						
At 1 January 2016	**–**	**–**	**–**	**–**	**(7.8)**	
Movement during the year	**–**	**(35.9)**	**–**	**–**	**(6.1)**	
At 31 December 2016	**–**	**(35.9)**	**–**	**–**	**(13.9)**	

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

21 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[1]			4,601,652	1.1	0.2
At 31 December 2015			**841,988,945**	**210.5**	**211.1**
Scrip dividend – 2015 final	June	338	**1,275,480**	**0.3**	**4.0**
Scrip dividend – 2016 interim	September	293	**303,831**	**0.1**	**–**
Share-based payment[2]			**2,553,451**	**0.6**	**–**
At 31 December 2016			**846,121,707**	**211.5**	**215.1**

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

2 In 2016 a total of 2,553,451 new shares were issued to satisfy employee share scheme awards.

At 21 February 2017, the Company had an unexpired authority to repurchase shares up to a maximum of 84,198,894 shares with a nominal value of £21.0 million, and the Directors had an unexpired authority to allot up to a maximum of 559,185,325 shares with a nominal value of £139.8 million of which 280,382,318 with a nominal value of £70.0 million can only be allotted pursuant to a fully pre-emptive rights issue.

22 CAPITAL COMMITMENTS

At 31 December 2016, the Group was contractually committed to £149.2 million (2015: £162.5 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Of the £149.2 million committed, £114.7 million is committed 2017 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 £60.0 million of the £105.0 million cash consideration payable under the CLSA. The residual £45.0 million will be settled in three annual instalments of £15.0 million with the next payment due on 31 December 2017.

The Group’s share of joint venture capital commitments arising on LSJV amounts to £18.2 million (2015: £48.6 million).

23 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 £55.0 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 22 ‘Capital Commitments’).

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

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.

24 CASH GENERATED FROM OPERATIONS

	Notes	2016 £m	2015 £m
(Loss)/profit before tax		**(240.3)**	459.9
Adjustments:			
Profit on sale of trading property	3	**(5.6)**	(3.5)
Loss/(gain) on revaluation and sale of investment and development property	4	**235.0**	(453.9)
Profit on sale of available-for-sale investments		**(0.4)**	–
Impairment of other receivables	5	**14.8**	12.2
Other costs	6	**5.0**	0.2
Depreciation		**1.8**	0.5
Amortisation of tenant lease incentives and other direct costs		**2.0**	–
Share-based payment[1]		**1.1**	5.1
Finance income	7	**(0.3)**	(0.7)
Finance costs	8	**19.6**	20.8
Other finance income	7	**(10.5)**	(9.3)
Other finance costs	8	**5.3**	–
Change in fair value of derivative financial instruments	19	**13.1**	0.6
Change in working capital:			
Change in trade and other receivables		**(40.9)**	(40.5)
Change in trade and other payables		**(7.4)**	21.7
Cash generated from operations		**(7.7)**	13.1

1 Includes £1.1 million (2015: £4.6 million) relating to the IFRS 2 'Share-based payment' charge.

25 RELATED PARTY TRANSACTIONS

Transactions with Directors

Key management compensation[1]	2016 £m	2015 £m
Salaries and short-term employee benefits	**2.8**	3.5
Share-based payment	**0.5**	3.2
	3.3	6.7

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

Transactions between the Group and its joint ventures

Transactions during the year between the Group and its joint ventures, which are related parties, are disclosed in notes 13 'Investment in Joint Ventures', 15 'Trade and other receivables' and 22 'Capital commitments'. During the year the Group recognised management fee income of £4.6 million (2015: £4.0 million) that was earnt on an arm's length basis.

Property purchased by Directors of the Company

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

- In April 2014 Ian Durant, Chairman of Capital & Counties Properties PLC, together with his spouse exchanged contracts to acquire an apartment for a purchase price of £725,000. At 31 December 2014 an initial deposit of £72,500 had been received. In April 2015 a further £72,500 was received with the balance of £580,000 due upon legal completion.
- In April 2014 Andrew Strang, a Non-executive Director of Capital & Counties Properties PLC exchanged contracts to acquire an apartment for a purchase price of £855,000. At 31 December 2014 an initial deposit of £85,500 had been received. In April 2015 a further £85,500 was received with the balance of £684,000 due upon legal completion.
- In April 2014 Henry Staunton, a Non-executive Director of Capital & Counties Properties PLC, together with his spouse exchanged contracts to acquire an apartment for a purchase price of £1,999,000. At 31 December 2014 an initial deposit of £199,900 had been received. In April 2015 a further £199,900 was received with the balance of £1,599,200 due upon legal completion.
- In April 2014 Situl Jobanputra, Chief Financial Officer of Capital & Counties Properties PLC, together with a family member exchanged contracts to acquire an apartment for a purchase price of £710,000. At 31 December 2014 an initial deposit of £71,000 had been received. In April 2015 a further £71,000 was received with the balance of £568,000 due upon legal completion.

25 RELATED PARTY TRANSACTIONS CONTINUED

- In December 2014 Graeme Gordon, a Non-executive Director of Capital & Counties Properties PLC, exchanged contracts to acquire two apartments for £1,925,000 and £2,725,000. At 31 December 2014, initial deposits of £192,500 and £272,500 had been received. In December 2015 a further £192,500 and £272,500 had been received, with the balance due upon legal completion.
- In December 2014 Blue Lillie Limited, an entity connected to Graeme Gordon, exchanged contracts to acquire two apartments for £1,975,000 and £2,825,000. At 31 December 2014, initial deposits of £197,500 and £282,500 had been received. In December 2015 a further £197,500 and £282,500 had been received with the balance due on legal completion.

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

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

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

1. PROPERTY DATA AS AT 31 DECEMBER 2016

	Market Value £m	Ownership
Covent Garden	**2,274.8**	**100%**
Earls Court Properties		
ECPL	**644.4**	**63%**
Lillie Square	**222.6**	**50%**
Empress State	**230.0**	**100%**
Other	**45.1**	**100%**
Earls Court Properties (Group share)	**1,142.1**	
Venues	**292.7**	**100%**
Group share of total property	**3,709.6**	
Investment and development property	***3,484.1***	
Trading property	***225.5***	

2. ANALYSIS OF CAPITAL RETURN FOR THE YEAR

Like-for-like capital	**Market Value 31 December 2016 £m**	Market Value 31 December 2015 £m	**Revaluation surplus/ (deficit)[1] 31 December 2016 £m**	**Increase/ (decrease)**
Covent Garden	**2,193.0**	1,985.8	**129.4**	**6.4%**
Earls Court Properties	**1,142.1**	1,355.4	**(292.6)**	**(20.4)%**
Venues	**292.7**	295.0	**(3.8)**	**(1.3)%**
Total like-for-like capital	**3,627.8**	3,636.2	***(167.0)***	**(4.4)%**
Investment and development property	***3,402.3***	*3,412.6*	***(121.5)***	***(3.5)%***
Trading property	***225.5***	*223.6*	***(45.5)[2]***	***(16.8)%***
Non like-for-like capital				
Acquisitions	**81.8**	–	**(3.4)**	
Disposals	**–**	25.6	**–**	
Total property	**3,709.6**	3,661.8	**(170.4)**	**(4.4)%**
Investment and development property	***3,484.1***	*3,417.1*	***(124.9)***	***(3.5)%***
Trading property	***225.5***	*244.7*	***(45.5)[2]***	***(16.8)%***
All property				
Covent Garden	**2,274.8**	2,005.2	**126.1**	**6.0%**
Earls Court Properties	**1,142.1**	1,357.2	**(292.7)**	**(20.4)%**
Venues	**292.7**	295.0	**(3.8)**	**(1.3)%**
Other	**–**	4.4	**–**	**–**
Total property	**3,709.6**	3,661.8	**(170.4)**	**(4.4)%**

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 YEAR

Like-for-like net rental income	2016 £m	2015 £m	Increase/ (decrease)
Covent Garden	**40.7**	38.6	**5.3%**
Earls Court Properties	**16.8**	17.2	**(2.1)%**
Venues	**23.6**	19.3	**22.4%**
Other	**(0.5)**	(0.4)	**–**
Total like-for-like net rental income	**80.6**	74.7	**7.8%**
Like-for-like investment and development property	***80.6***	*74.7*	***7.8%***
Like-for-like trading property	–	–	–
Non like-for-like net rental income			
Acquisitions	**0.9**	–	
Developments	**(0.3)**	0.2	
Disposals	**–**	(0.1)	
Prior year acquisitions (like-for-like capital)	**0.3**	0.1	
Total net rental income	**81.5**	74.9	**8.7%**
Investment and development property	***81.6***	*74.9*	***9.0%***
Trading property	***(0.1)***	–	

All property	2016 £m	2015 £m	Increase/ (decrease)
Covent Garden	**41.5**	38.8	**6.9%**
Earls Court Properties[1]	**16.8**	17.3	**(2.8)%**
Venues	**23.6**	19.3	**22.4%**
Other	**(0.4)**	(0.5)	**–**
Total net rental income	**81.5**	74.9	**8.7%**

1 ERV of the Empress State Building is £16.4 million.

4. ANALYSIS OF COVENT GARDEN BY USE

31 December 2016

	Initial yield (EPRA)	Nominal equivalent yield	Passing rent £m	Occupancy rate	Weighted average unexpired lease years	Market value £m	ERV £m	Net area million Sq ft
Retail						**1,636.1**	**65.5**	**0.6**
Office						**292.9**	**16.0**	**0.2**
Residential						**135.4**	**3.6**	**0.2**
Other[1]						**210.4**	**10.9**	**0.1**
Total	**2.10%**	**3.54%**	**51.2**	**96.5%**	**6.5**	**2,274.8**	**96.0**	**1.1**

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

CONSOLIDATED UNDERLYING PROFIT STATEMENT (UNAUDITED)

For the year ended 31 December 2016

Group share	2016 £m	Re-presented[1] 2015 £m
Net rental income	**81.5**	74.9
Other income	**2.7**	2.5
Administration expenses	**(50.5)**	(52.5)
Operating profit	**33.7**	24.9
Finance costs	**(19.8)**	(20.8)
Finance income	**0.3**	0.7
Net finance costs	**(19.5)**	(20.1)
Profit before tax	**14.2**	4.8
Taxation	**(2.4)**	3.0
Underlying earnings	**11.8**	7.8
Underlying earnings per share (pence)	**1.4**	0.9
Weighted average number of shares	**844.4m**	841.1m

1 Comparative period has been re-presented from proportionate consolidation to Group share basis.

FINANCIAL COVENANTS (UNAUDITED)

For the year ended 31 December 2016

Financial covenants on non-recourse debt

		31 December 2016		
Group share	Maturity	Loan(s) outstanding at 31 December 2016[1] £m	LTV covenant	Interest cover covenant
Covent Garden[2]	**2020 – 2028**	**675.0**	**60%**	**120%**
ECPL	**2026**	**20.3**	**40%**	**n/a**
Lillie Square[3]	**2017 – 2018**	**77.6**	**75%**	**n/a**
Empress State	**2018**	**85.5**	**60%**	**300%**
Venues	**2020**	**50.0**	**50%**	**250%**
Total		**908.4**		

1 The loan values are the nominal values at 31 December 2016 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.

2 Covent Garden comprises five loans with maturities in 2020, 2021, 2024, 2026 and 2028.

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

DIVIDENDS

The Directors of Capital & Counties Properties PLC have proposed a final dividend per ordinary share (ISIN GB00B62G9D36) of 1.0 pence payable on 31 May 2017.

Dates

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

Sterling/Rand exchange rate struck	6 April 2017
Sterling/Rand exchange rate and dividend amount in Rand announced	7 April 2017
Ordinary shares listed ex-dividend on the JSE, Johannesburg	19 April 2017
Ordinary shares listed ex-dividend on the London Stock Exchange	20 April 2017
Record date for final dividend in UK and South Africa	21 April 2017
Annual General Meeting	5 May 2017
Dividend payment date for shareholders	**31 May 2017**

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 18 April 2017 and that no dematerialisation of shares will be possible from 19 April 2017 to 21 April 2017 inclusive. No transfers between the UK and South Africa registers may take place from 7 April 2017 to 21 April 2017 inclusive.

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

The above dates are proposed and subject to change.

Important Information for South African Shareholders

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

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

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

GLOSSARY

Capco

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

CLSA

Conditional Land Sale Agreement, an agreement with LBHF relating to its land in the Earls Court and West Kensington Opportunity Area.

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 London Borough of Hammersmith & Fulham and Royal Borough of Kensington & Chelsea.

Earls Court Masterplan

The Earls Court Masterplan, created by Sir Terry Farrell and Partners is the consented scheme for the transformation of Earls Court and West Kensington Opportunity Area. The London Borough of Hammersmith & Fulham and The Royal Borough of Kensington & Chelsea formally 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.

EPRA

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

EPRA earnings[1]

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.

EPRA earnings per share[1]

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

EPRA net asset value (EPRA NAV)[1]

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

EPRA net asset value per share[1]

EPRA net asset value divided by the diluted number of ordinary shares.

EPRA net initial yield[1]

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.

EPRA topped-up initial yield[1]

Net initial yield adjusted for the expiration of rent-free periods.

1 Relates to an alternative performance measure as defined by the FRC

EPRA triple net asset value (EPRA NNNAV)[1]

EPRA 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 Vacancy[1]

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

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.

Floral Court

Development at Covent Garden previously known as Kings Court.

GEA

Gross external area

GCP

Great Capital Partnership is a 50% Joint Venture between Capital & Counties Limited and Great Portland Estates PLC.

GLA

Greater London Authority.

Gross income

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

Headline earnings[1]

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.

HCA

Home and Communities Agency.

HMRC

Her Majesty's Revenue and Customs.

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[1]

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

LSJV

The Lillie Square joint venture is a 50% Joint Venture between the Group and Kwok Family Interests.

Loan to value (LTV)[1]

LTV is calculated on the basis of Group's net debt divided by the value of the Group's property portfolio.

NAV

Net Asset Value.

1 Relates to an alternative performance measure as defined by the FRC

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)

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[1]

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. This is equivalent to 100% less the EPRA vacancy rate.

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

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.

RICS

Royal Institution of Chartered Surveyors.

SARB

South African Reserve Bank.

SAICA

South African Institute of Chartered Accountants.

Section 106

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

SDLT

Stamp Duty Land Tax

Solum

Solum Development Limited Partnership is a 50% Joint Venture between the Group and Network Rail Infrastructure Limited.

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.

1 Relates to an alternative performance measure as defined by the FRC

TfL

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

Total property return (TPR)[1]

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

Total return (TR)[1]

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

Total shareholder return (TSR)[1]

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

Underlying earnings[1]

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

Underlying earnings per share (EPS)[1]

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

Weighted average unexpired lease term

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

Zone A

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

1 Relates to an alternative performance measure as defined by the FRC