PRESS RELEASE

capco

21 JULY 2017

CAPITAL & COUNTIES PROPERTIES PLC ("CAPCO")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

Ian Hawksworth, Chief Executive of Capco, commented:

"Our two central London estates have had an active start to the year. Covent Garden which now represents two thirds of our business is established as a world class retail and dining destination and continues to deliver positive rental and value growth. There has been strong operational progress across the estate with 43 new leasing transactions signed during the period, including brands such as Kent & Curwen, and a number of new openings including The Henrietta Hotel. Our ERV target of £125 million by December 2020 remains in place, reflecting the positive growth prospects of the estate.

At Earls Court land enablement works are on track and we continue to progress plans for the enhanced Masterplan to maximise the potential of this strategic land holding. At Lillie Square, we have now pre-sold over half of the entire development and handover of Phase 1 is expected to complete by the end of the year.

Following the sale of Venues and the financing activities undertaken during the period, Capco enters the second half of the year with a strong balance sheet, low leverage and high liquidity. Whilst the broader macroeconomic and political outlook remains uncertain, Capco is very well positioned to drive long-term value creation from its two unique estates and take advantage of opportunities to create further value as they arise."

Key financials

- Equity attributable to owners of the Parent £2.8 billion (Dec 2016: £2.8 billion)
- EPRA NAV adjusted marginally by 0.1 per cent to 339.1 pence per share (Dec 2016: 339.6 pence)
- Total property value £3.5 billion, up 0.2 per cent (like-for-like) (Dec 2016: £3.7 billion)
- Proposed interim 2017 dividend of 0.5 pence per share (Jun 2016: 0.5 pence per share)

Continued rental growth at Covent Garden

- Covent Garden total property value of £2.4 billion, up 1.5 per cent (like-for-like) (Dec 2016: £2.3 billion)
- Positive operational momentum; 43 new leases and renewals 4 per cent above December 2016 ERV
- ERV up 2.8 per cent (like-for-like) at £99 million
- Capturing income growth; NRI up 7.4 per cent (like-for-like) since June 2016
- Development of Floral Court on track for completion by the end of 2017
- Positive progress towards ERV target of £125 million by December 2020

Positive progress at Earls Court

- Earls Court interests valued at £1.1 billion, a decrease of 2.4 per cent (like-for-like) (Dec 2016: £1.1 billion)
- Positive engagement with stakeholders on enhancing the Earls Court Masterplan
- Land enablement works on track for completion by the end of 2017
- Lillie Square
    - Successful completion of 78 units to date, Phase 1 handovers on track to substantially complete by the end of the year
    - At Phase 2, 86 units reserved or exchanged, pricing continues at a modest premium to comparable units in Phase 1

Sale of Venues

- Sale of Venues for £296 million, a slight premium to asset value
- £230 million net proceeds for deployment in core central London estates

Strong financial position with significant financial flexibility

- Group loan-to-value ratio 18 per cent (Dec 2016: 23 per cent)
- New £225 million US Private Placement signed
- Cash and available facilities of £577 million (Dec 2016: £556 million)
- Capital commitments of £107 million (Dec 2016: £157 million)

FINANCIAL HIGHLIGHTS

	30 June 2017	31 December 2016
Equity attributable to owners of the Parent	**£2,837m**	£2,805m
Equity attributable to owners of the Parent per share	**334.4p**	331.5p
0.1% Total return for six months ended 30 June 2017 (full year 2016: -5.5%)		
EPRA net asset value	**£2,883m**	£2,878m
EPRA net asset value per share	**339.1p**	339.6p
Dividend per share	**0.5p**	1.5p
1.2% Total property return for six months ended 30 June 2017 (full year 2016: -2.3%)		
Property market value[1]	**£3,468m**	£3,710m
Net rental income from continuing operations[2]	**£31.8m**	£57.9m
Profit/(loss) for the period attributable to owners of the Parent from continuing operations	**£31.5m**	(£127.0)m
Underlying earnings per share[3]	**0.5p**	1.4p

1. On a Group share basis. Refer to Property Data on page 50 for the Group's percentage ownership of property.
2. On a Group share basis. Refer to note 2 "Segmental Reporting".
3. From continuing and discontinued operations. Refer to Consolidated Underlying Profit Statement on page 52.

Outlook

Capco has had a positive start to the year. Covent Garden, which represents 68 per cent of Capco's portfolio, is now at the forefront of global destinations for brands and visitors. Our careful curation of the estate with emphasis on strengthening our core categories and customer experience continues to create value for our retailers through attracting high quality footfall and positive sales growth. We are delighted with the positive demand for all uses across the estate and signing new brands such as Kent & Curwen and Oystermen during the period.

At Earls Court, land enablement work continues and is on track for completion by the end of the year, in preparation for future development. We continue to progress planning activities through positive engagement with the relevant stakeholders on an enhanced Masterplan. At Lillie Square, handover of Phase 1 units is progressing well and sales of Phase 2 continue at a modest premium to comparable units in Phase 1.

Whilst the broader macroeconomic and political outlook remains uncertain, Capco is very well positioned to create long-term value for shareholders from its two unique central London estates. Covent Garden, located in the heart of London's West End, is a global retail and dining destination well positioned to continue to outperform. Earls Court is a unique investment opportunity in central London, and progress on land enablement and planning activities will continue to drive long-term value creation.

Capco maintains a strong balance sheet, with low leverage, high liquidity and modest capital commitments. Following the sale of Venues and the financing activities undertaken over the period, Capco has strengthened its liquidity position ensuring it is well placed to drive long-term value creation from its two unique estates and take advantage of opportunities to create further value as they arise.

ENQUIRIES

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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 9814).

OPERATING REVIEW

Overview

Capco's strategy is focused on driving value creation at its two major central London estates. Covent Garden, which represents 68 per cent of Capco's portfolio, is a world class retail and dining destination with a growing number of global retailers and restaurateurs choosing Covent Garden as their first or only London presence. Capco's distinct approach to place making, together with creative asset management and strategic investment, continues to attract target brands, visitors and residents and drive rental growth across the estate.

The consented Masterplan at Earls Court provides a unique long-term opportunity to create the next great estate of London. Over 70 acres of strategic land in Chelsea and Fulham, the Earls Court Masterplan is the only consented scheme capable of scale within central London due to the strong existing transport infrastructure and consolidated land ownerships. It is a key strategic scheme for the capital and discussions are ongoing to maximise the potential of this unique opportunity.

Whilst the broader macroeconomic and political outlook remains uncertain, London is a global city with a dynamic economy and growing population and has consistently demonstrated its ability to reinvent itself. Against a backdrop of London's continued prosperity, Capco's two unique central London estates are well placed to create long-term value for shareholders.

Furthermore, Capco regularly considers opportunities where its core skills of place making and master planning can be utilised, in particular, through its 50 per cent interest in the Innova Investment joint venture (formerly named the Solum Regeneration joint venture) with Network Rail, which explores potential opportunities for future redevelopments at significant railway station sites across London.

Valuations

The total property value of the Group increased 0.2 per cent (like-for-like) in the period to 30 June 2017 to £3.5 billion.

The valuation of Covent Garden has risen by 1.5 per cent (like-for-like) to £2.4 billion, driven by rental growth of 2.8 per cent achieved over the period. The equivalent yield remains broadly unchanged at 3.58 per cent, reflecting the valuer's 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 2.4 per cent (like-for-like). A number of adjustments have been made to the component parts of the valuation including amendments to the development programme and cost inflation as well as moderation of sales value progression on future phases at Lillie Square.

	Market Value 30 June 2017 £m	Market Value 31 December 2016 £m	Valuation Change Like-for-like[1]
Covent Garden	**2,355**	2,275	1.5%
Earls Court Properties			
Earls Court Partnership Limited ("ECPL")[2]	**647**	644	(1.6)%
Lillie Square[3]	**197**	223	(5.4)%
Empress State	**226**	230	(2.0)%
Other	**43**	45	(2.8)%
Group share of Earls Court Properties	**1,113**	1,142	(2.4)%
Venues	**–**	293	
Group share of total property[4]	**3,468**	3,710	0.2%

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

The Group has a 63 per cent controlling interest in Earls Court Partnership Limited ("ECPL"), the investment vehicle with Transport for London ("TfL") which owns the land formerly occupied by the Earls Court Exhibition Centres ("EC1 & EC2"). As a result, it is fully consolidated in the financial statements and TfL's interest is represented as a non-controlling interest. See page 7 of the Financial Review for further information.

COVENT GARDEN

A leading global retail and dining destination

Covent Garden has established itself as a leading global retail and dining destination in the heart of London's West End. Capco's creative approach to asset management with emphasis on core categories and customer experience continues to drive leasing momentum, sales growth and quality footfall on the estate.

In the six months to 30 June 2017, Covent Garden performed positively with the value of the estate up 1.5 per cent like-for-like to £2.4 billion. The ERV for the estate has increased 2.8 per cent like-for-like to £98.8 million. The ERV target of £125 million by December 2020 remains in place. Covent Garden's rental growth prospects remain strong and the estate is well placed to outperform the wider central London market due to its innovative repositioning strategy, its experiential approach to placemaking and its global reputation.

During the period to 30 June 2017, 43 leasing transactions including new leases and renewals representing £6.6 million of rental income per annum were transacted at 3.9 per cent above 31 December 2016 ERV. A new Zone A rent of over £700 per square foot for The Market Building was achieved this period. Net rental income is £23.4 million for the first half of the year, up 7.4 per cent (like-for-like) compared to the first half of 2016. Occupancy on the estate remains high at 97 per cent.

Retail

Building on the success of the gifting and luxury accessories strategy introduced last year, Capco has further strengthened its offering at the Royal Opera House Arcade through the signing of luxury sunglasses brand Linda Farrow which will offer a range of timeless frames, including a pair exclusive to Covent Garden. This exciting addition joins the curated line-up of premium retailers already in the Arcade, including Mulberry, The Watch Gallery as well as N.PEAL and Tom Davies which are due to open shortly. In addition, Bose have taken space on King Street offering innovative sound systems.

Continuing the positive leasing progress across the estate, new Zone A levels have been achieved reflecting the strong demand for space in this iconic setting. The latest signing to the Market Building is premium watch brand Daniel Wellington, who have chosen Covent Garden as the location for their first UK store. Their timeless collection of watches will complement the luxury gifting and accessories offering already in The Market Building.

British heritage sportswear brand, Kent & Curwen, will open the brand's first store under the partnership of Creative Director, Daniel Kearns and Business Partner, David Beckham later this year at 12 Floral Street. This signing reflects the retail heritage of Floral Street and marks its ongoing repositioning as a fashion and lifestyle destination, anchored by both Paul Smith and British lifestyle concept Petersham Nurseries who will open within the Floral Court development.

The transformation of Henrietta Street continues with a strategy to create a new menswear and dining destination in London. Luxury men's shoe brand, Cheaney and Parisian outerwear clothing concept K-Way opened stores at the beginning of the year. In addition, the latest signing to the street is another UK first, eyewear brand Bailey Nelson.

Dining

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

The Experimental Group have partnered with Michelin-starred chef Ollie Dabbous to open their latest concept in London on Henrietta Street at The Henrietta Hotel. The concept includes a bar and restaurant offering a French seasonal menu as well as an 18 bedroom boutique hotel.

The latest opening on Henrietta Street is a new signing, The Oystermen providing a relaxed, affordable and fun dining experience offering the finest and freshest oysters and seafood from the British Isles enhanced by a carefully-curated wine list and bespoke oyster stout. Since 30 June, British artisanal coffee shop Host has agreed to take space alongside The Oystermen. Both signings will further enhance Covent Garden's restaurant scene.

In May, Covent Garden sponsored a garden at the Chelsea Flower Show celebrating '500 Years of Covent Garden'. The Garden has been successfully transplanted to the Piazza transforming into The Terrace at Covent Garden and will be in place throughout the summer.

Developments

The Floral Court development continues to make positive progress and is on track for completion by the end of 2017. 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. A new connecting passage between Floral Street and King Street through the development will transform the pedestrian flow on the estate. The world renowned lifestyle brand Petersham Nurseries will open bespoke retail and dining concepts across four units later this year.

The redevelopment of 11-12 Floral Street, the building formerly occupied by The Sanctuary, is on track for completion by the end of 2017 providing 27,000 square feet (NIA) and will include the creation of two new retail units with flagship potential, one of which has been pre-let to Kent & Curwen which represents an encouraging start to the repositioning of Floral Street.

Development of Opera Terrace completed during the period. SushiSamba are currently fitting out the space and will open later this year.

Residential

Capco continues to restore the estate's residential heritage. The latest conversion at 26-27 Southampton Street completed earlier this year and good progress has been made in letting these units in line with expectations.

In addition, the final two units at The Beecham have been sold. The average sales price achieved across the scheme was £2,800 per square foot.

Acquisitions

We have continued to expand our presence on the estate through a small acquisition on Floral Street for £5.9 million and will continue to seek opportunities to further enhance our footprint in the area.

EARLS COURT PROPERTIES

Strategic consented land in Chelsea and Fulham

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

The current GLA London Plan estimates that London's population will grow by two million by 2036 and the provision of housing is a key priority with the capital requiring over 40,000 new homes per annum. Against the backdrop of London's growing housing needs, maximising Opportunity Areas is seen as vital in order to meet London's demands. Capco remains focused on maximising the potential of the strategic land holding. Over the period Capco has had positive engagement with a number of relevant stakeholders on opportunities to evolve and enhance the Masterplan.

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 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 on Block D of Lillie Square foundations have completed and basement works are underway to facilitate the first phase of replacement housing for the West Kensington and Gibbs Green estates residents.

The valuation of Earls Court Properties is £1.1 billion, a decrease of 2.4 per cent (like-for-like). A number of adjustments have been made to the component parts of the valuation including amendments to the development programme and cost inflation as well as moderation of sales value progression on future phases at Lillie Square.

Land 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 a 63 per cent share and is leading the venture in its role as business and development manager.

ECPL has made significant progress in de-risking its land interests at Earls Court through enablement works. The final phase of site preparation is on track for completion by the end of 2017 at an expected total cost of £40 million.

The heavy lifting crane is the most visible part of the important site preparation, and will complete the lift of 61 concrete portal beams out from over the London Underground lines by the end of the year. Removal of the large portal beams, which supported the weight of the former Earls Court Exhibition Centres, significantly de-risks the land to enable future development.

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 (GEA) (including The Empress State Building). In preparation for the next revision of the London Plan, 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. A planning application will be submitted shortly in conjunction with TfL for the Empress Place scheme 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. This application 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 January 2017, detailed planning consent was granted by 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. 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.

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. Construction costs in relation to the private element of the Lillie Square scheme are currently expected to be in the order of £420 million.

Delivery of Phase 1 is progressing well, and by 30 June 78 homes in total had been completed and handed over to residents representing £37 million (Capco's share) of sales proceeds. Over £125 million of sales proceeds in total (Capco's share) are expected by the end of this year on completion of Phase 1 handovers. No significant issues have been noted around completions to date.

The 18,000 square foot (NIA) Residents Clubhouse will launch later this summer offering 24 hour concierge service, heated indoor swimming pool, health spa, fitness gym and a private dining room to residents.

Sales of Phase 2 continue to progress, 137 units have been released for sale and 86 have been reserved or exchanged. Sales prices achieved in Phase 2 continue to be at a modest premium to comparable units in Phase 1.

Phase 2 basement works are underway, and a decision on the main construction contract will be made in the second half of the year.

VENUES

Sale of Venues

Following Capco's strategic investment in recent years, Olympia London is established as the preferred central London venue for premium shows. Having extracted significant value from the venue since acquisition, Capco took the decision to exit this non-core asset.

On 7 April, Capco completed the sale of Venues to a consortium of German institutional investors for £296 million. Profit on disposal of Venues was £3 million. After repayment of debt, working capital adjustments and transaction-related costs, net proceeds were approximately £230 million. Cash proceeds were used initially to repay bank debt and subsequent to this, will be deployed in Capco's core central London estates, as well as to take advantage of opportunities as they arise.

FINANCIAL REVIEW

During the period Capco has further strengthened its financial position reducing loan to value to 18 per cent and increasing available liquidity to £577 million. This increases to £801 million on a pro forma basis including the Covent Garden private placement which is expected to close in August. This position has been enhanced by the realisation of value from the disposal of the Venues business. Our capital structure positions the Group to withstand prevailing market conditions and deliver long-term returns to shareholders by driving value across our assets. Uncertainties in the broader political and economic environment continue to impact the property sector, in particular London residential property. Despite this Capco's assets have broadly maintained their overall value.

EPRA net asset value per share decreased by 0.1 per cent during the period, from 339.6 pence at 31 December 2016 to 339.1 pence. This 0.5 pence decline together with the 1.0 pence dividend paid during the period resulted in a total return of 0.1 per cent.

At Covent Garden the value of the estate increased by 1.5 per cent (like-for-like) due to strong rental growth achieved during the period, with ERV up by 2.8 per cent on a like-for-like basis.

The market value of Earls Court Properties, which comprises the Group's interests at Earls Court, has decreased by 2.4 per cent like-for-like.

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 condensed consolidated financial statements. Under the equity method, the Group's interest in joint ventures is disclosed as a single line item in both the consolidated balance sheet and consolidated income statement rather than proportionally consolidating the Group's share of assets, liabilities, income and expenses on a line-by-line basis.

Alternative Performance Measures ("APMs"), being financial measures which are not specified under IFRS, are used by the Group to monitor the performance of the business. These include a number of the Financial Highlights shown on page 2. Many of the APMs included are based on the EPRA Best Practice Recommendations reporting framework which aims to improve the transparency, comparability and relevance of published results of public real estate companies in Europe. A reconciliation between IFRS and the Key EPRA metrics can be found in note 12 'Earnings per share and net assets per share'. Definitions for APMs are also included in the Glossary.

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.

Discontinued operation

On 7 April 2017 the Venues business was sold. As Venues has previously represented a separate major line of business, its results and cash flows have been reported for the period 1 January 2017 to 7 April 2017 as having arisen from a discontinued operation. The requirement extends to the prior period comparative which has been re-presented in line with reporting requirements. Further information on the disposal of the Venues business can be found in note 10 'Discontinued Operation'.

FINANCIAL POSITION

At 30 June 2017 the Group's EPRA net asset value was £2.9 billion (31 December 2016: £2.9 billion) representing 339.1 pence per share (31 December 2016: 339.6 pence).

SUMMARY ADJUSTED BALANCE SHEET

	30 June 2017			
	IFRS £m	**Joint ventures[1] £m**	**Non-controlling interest[2] £m**	**Group share £m**
Investment, development and trading property	**3,608.9**	**161.3**	**(379.9)**	**3,390.3**
Net debt	**(612.6)**	**(24.4)**	**15.4**	**(621.6)**
Other assets and liabilities[3]	**203.3**	**(136.9)**	**2.3**	**68.7**
Non-controlling interest	**(362.2)**	**–**	**362.2**	**–**
Net assets attributable to owners of the Parent	**2,837.4**	**–**	**–**	**2,837.4**
Adjustments:				
Fair value of derivative financial instruments				**10.2**
Unrecognised surplus on trading property				**35.2**
EPRA net asset value				**2,882.8**
EPRA net asset value per share (pence)[4]				**339.1**

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 30 June 2017 was 850.2 million.

	31 December 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]				339.6

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.

Investment, development and trading property

The revaluation gain on the Group's property portfolio was £7.3 million for the period, representing a 0.2 per cent increase in value on a like-for-like basis compared with the IPD Capital Return for the equivalent period of 2.0 per cent. Revaluation gains at Covent Garden of £34.7 million were offset by a revaluation loss at Earls Court of £27.4 million.

Total property return for the period was a gain of 1.2 per cent. The IPD Total Return index recorded a 4.8 per cent gain for the corresponding period.

The total revaluation gain of £7.3 million consists of a £18.6 million gain on investment property and a £11.3 million loss on trading property. On an IFRS basis, which includes ECPL at 100 per cent and does not include Lillie Square on a line by line basis, gain on revaluation and sale of investment and development property was £12.2 million.

Trading property is carried on the consolidated balance sheet at the lower of cost and market value, therefore valuation surpluses on trading property is not recorded. Any unrecognised surplus is however reflected within the EPRA net asset value measure. During the period £2.1 million of the unrealised trading property surplus has been realised. At 30 June 2017, the unrecognised surplus on trading property was £35.2 million (31 December 2016: £48.1 million) which now arises solely on the Group's share of trading property at Lillie Square.

Debt and gearing

During the period the Group's share of total facilities decreased by £200.5 million following the termination of the £100 million (£50 million drawn prior to termination) Olympia Exhibitions Holdings Limited facility, the £85.5 million loan on the Empress State building and £30 million (£15 million Group share) of the Lillie Square LP facility. The Group also signed an agreement with eight institutional investors for a private placement of £225 million with a range of maturities from seven to 20 year senior unsecured notes, further enhancing the unsecured debt platform at Covent Garden. Closing is expected to occur in August 2017. On a pro forma basis this would have resulted in an increase in the Group's share of total facilities by £24.5 million net of termination of the facilities referred to above.

The Group's cash and undrawn committed facilities at 30 June 2017 were £577.1 million (31 December 2016: £556.3 million). On a pro forma basis including the £225 million private placement (which was signed in June and is expected to close in August) net of costs, the Group's cash and undrawn committed facilities would have been £800.8 million. A reconciliation between IFRS and Group share is shown below:

	30 June 2017				31 December 2016			
	IFRS	**Joint ventures[1]**	**Non-controlling interest[2]**	**Group share**	IFRS	Joint ventures[1]	Non-controlling interest[2]	Group share
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Cash and cash equivalents	**19.3**	**34.1**	**(2.0)**	**51.4**	30.9	37.4	(3.5)	64.8
Undrawn committed facilities	**557.2**	**6.4**	**(37.9)**	**525.7**	532.7	2.4	(43.6)	491.5
Cash and undrawn committed facilities	**576.5**	**40.5**	**(39.9)**	**577.1**	563.6	39.8	(47.1)	556.3
Pro forma adjustment	**223.7**	**–**	**–**	**223.7**				
Cash and undrawn committed facilities	**800.2**	**40.5**	**(39.9)**	**800.8**				

1. Primarily Lillie Square.

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

Net debt decreased by £226 million to £622 million, principally as a result of the disposal of the Venues business. As set out in the summary adjusted balance sheet, net debt on an IFRS basis was £613 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 18.3 per cent remains comfortably within the Group's limit of no more than 40 per cent.

	30 June 2017	31 December 2016
Loan to value	**18.3%**	23.4%
Interest cover	**156%**	173%
Weighted average debt maturity	**5.9 years**	5.9 years
Weighted average cost of debt	**3.0%**	2.7%
Gross debt with interest rate protection	**87%**	86%

On a pro forma basis including the £225 million private placement the weighted average debt maturity increases to 6.9 years.

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 30 June 2017 the proportion of gross debt with interest rate protection was 87 per cent (31 December 2016: 86 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 53.

At 30 June 2017 the Group had capital commitments of £106.5 million compared to £156.6 million at 31 December 2016, of which Covent Garden represents £44.5 million, Earls Court Properties £55.7 million (including the £45.0 million of CLSA instalments) and Lillie Square £6.3 million.

	30 June 2017				31 December 2016			
	IFRS	**Joint ventures[1]**	**Non-controlling interest[2]**	**Group share**	IFRS	Joint ventures[1]	Non-controlling interest[2]	Group share
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Capital commitments	**106.1**	**6.3**	**(5.9)**	**106.5**	149.2	18.2	(10.8)	156.6

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 condensed 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, held as investment and development property, and £45 million relates to options over the Estates which is held as a prepayment. The remaining future payments totalling £45 million are disclosed as a capital commitment.

The prepayment balance will be transferred to investment and development property once the recognition criteria of investment and development property have been met. 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 period ended 30 June 2017 is presented below:

SUMMARY CASH FLOW

	30 June 2017			
	IFRS £m	Joint ventures[1] £m	Non-controlling interest[2] £m	Group share £m
Operating cash flows after interest and tax from continuing operations	**(3.2)**	**2.2**	**(0.1)**	**(1.1)**
Purchase and development of property, plant and equipment	**(76.9)**	**(17.2)**	**7.0**	**(87.1)**
Transactions with joint venture partners and non-controlling interests	**(3.6)**	**0.7**	**0.2**	**(2.7)**
Net sales proceeds from discontinued operation	**228.6**	**–**	**–**	**228.6**
Net sales proceeds from property and investments	**7.9**	**33.9**	**–**	**41.8**
Net cash flow before financing from continuing operation	**152.8**	**19.6**	**7.1**	**179.5**
Issue of shares	**0.2**	**–**	**–**	**0.2**
Financing	**(160.4)**	**(18.6)**	**(5.6)**	**(184.6)**
Dividends paid	**(3.7)**	**–**	**–**	**(3.7)**
Other	**5.7**	**–**	**–**	**5.7**
Net cash flow from continuing operations[3]	**(5.4)**	**1.0**	**1.5**	**(2.9)**

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 £4.2 million.

	Re-presented and re-stated 30 June 2016[1]			
	IFRS £m	Joint ventures[2] £m	Non-controlling interest[3] £m	Group share £m
Operating cash flows after interest and tax	(11.6)	(1.6)	2.2	(11.0)
Purchase and development of property, plant and equipment	(81.8)	(21.5)	8.3	(95.0)
Transactions with joint venture partners and non-controlling interests	1.2	(1.2)	–	–
Net sales proceeds from property and investments	4.0	–	–	4.0
Net cash flow before financing	(88.2)	(24.3)	10.5	(102.0)
Financing	67.5	21.2	(6.3)	82.4
Dividends paid	(4.1)	–	–	(4.1)
Other	4.3	–	–	4.3
Net cash flow from continuing operations[4]	(20.5)	(3.1)	4.2	(19.4)

1. The 30 June 2016 summary cash flow has been re-presented to reflect the cash flows from continuing operations and therefore exclude the discontinued operation of the Venues business. Net cash flows are presented on unrestricted cash on a Group share 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 £1.6 million.

Operating cash outflows were £1.1 million compared with £11.0 million for the period to 30 June 2016, as a result of changes to net working capital requirements.

During the period, £55.1 million was invested at Covent Garden for the purchase of one property and subsequent expenditure for the development of property predominantly at Floral Court. At Earls Court, total expenditure of £32.0 million comprises enablement works on ECPL land, construction of Lillie Square Phase 1, the acquisition of one property and other subsequent expenditure.

The disposal of the Venues business resulted in a net inflow of £228.6 million after repayment of the £50.0 million drawn debt on the £100 million Olympia Exhibitions Holdings Limited loan facility, working capital adjustments and transaction related costs. The proceeds were used to reduce the Group's net debt position.

Sales proceeds from trading property comprise of £33.9 million, Group share, for the disposal of 73 units at Lillie Square and £3.9 million for the sale of the final two residential units at The Beecham, Covent Garden. £8.5 million of proceeds from disposal of investment property was received during the period and net payments in relation to investments was £4.5 million.

Net borrowings repaid during the period were £184.6 million.

Dividends paid of £3.7 million reflect the final dividend payment made in respect of the 2016 financial year. This was lower than the period to June 2016 due to the increase in take up of the scrip dividend alternative, 56 per cent (30 June 2016: 51 per cent).

FINANCIAL PERFORMANCE

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

SUMMARY INCOME STATEMENT

	30 June 2017			
	IFRS £m	Joint ventures[1] £m	Non-controlling interest[2] £m	Group share £m
Net rental income	**32.4**	**(0.2)**	**(0.4)**	**31.8**
Gain on revaluation and sale of investment and development property	**12.2**	**0.2**	**6.2**	**18.6**
Administration expenses	**(21.4)**	**(0.2)**	**0.2**	**(21.4)**
Net finance costs	**(9.6)**	**(0.5)**	**–**	**(10.1)**
Taxation	**(0.1)**	**–**	**–**	**(0.1)**
Other	**11.7**	**0.7**	**0.3**	**12.7**
Non-controlling interest	**6.3**	**–**	**(6.3)**	**–**
Profit for the period attributable to owners of the Parent from continuing operations	**31.5**	**–**	**–**	**31.5**
Adjustments:				
Gain on revaluation and sale of investment and development property				**(18.6)**
Other				**(11.4)**
Taxation on non-underlying items				**(0.2)**
Underlying earnings from continuing operations				**1.3**
Underlying earnings from discontinued operation				**3.3**
Underlying earnings				**4.6**
Underlying earnings per share (pence):				
From continuing operations				**0.1**
From discontinued operations				**0.4**
Underlying earnings per share (pence)				**0.5**
Weighted average number of shares				**847.9m**

1. Lillie Square and Innova Investment.
2. Non-controlling interest represents TfL’s 37 per cent share of ECPL.

	Re-presented 30 June 2016[1]			
	IFRS £m	Joint ventures[2] £m	Non-controlling interest[3] £m	Group share £m
Net rental income	28.6	(0.2)	(0.2)	28.2
Loss on revaluation and sale of investment and development property	(173.7)	–	69.0	(104.7)
Administration expenses	(21.0)	(0.2)	0.2	(21.0)
Net finance costs	(9.6)	–	–	(9.6)
Taxation	23.1	–	(5.8)	17.3
Other	(19.8)	0.4	0.2	(19.2)
Non-controlling interest	63.4	–	(63.4)	–
Loss for the period attributable to owners of the Parent from continuing operations	(109.0)	–	–	(109.0)
Adjustments:				
Loss on revaluation and sale of investment and development property				104.7
Other				20.6
Taxation on non-underlying items				(18.3)
Underlying earnings from continuing operations				(2.0)
Underlying earnings from discontinued operation				7.9
Underlying earnings				5.9
Underlying earnings per share (pence):				
From continuing operations				(0.2)
From discontinued operations				0.9
Underlying earnings per share (pence)				0.7
Weighted average number of shares				846.1m

1. The 30 June 2016 summary income statement has been re-presented to reflect the Venues business as a discontinued operation.
2. Lillie Square and Innova Investment.
3. Non-controlling interest represents TfL's 37 per cent share of ECPL.

Income

Net rental income has increased by £3.6 million (6.8 per cent like-for-like) during the period as a result of positive performance at Covent Garden (up 7.4 per cent like-for-like).

Gain/(loss) on revaluation and sale of investment and development property

The gain on revaluation and sale of the Group's investment and development property was £18.6 million. Covent Garden recorded a gain on revaluation of £34.7 million as a result of rental growth. The loss on revaluation at Earls Court of £16.1 million reflects a change in valuers' assumptions.

Administration expenses

Administration expenses have increased by £0.4 million. The comparative period included a £2.0 million credit for performance related employment costs. It is expected that there will be a reduction in underlying administration expenses from 2018 as efficiency initiatives are progressed in the second half of this year.

Net finance costs

Net finance costs have increased by 5.2 per cent year on year to £10.1 million as a result of a higher level of net debt.

Taxation

The total tax charge for the period, made up of both underlying tax and non-underlying tax, is £0.1 million.

Tax on underlying profits of the Group was £0.3 million, which reflects a rate in line with the current rate of UK corporation tax. The main rate of corporation tax fell from 20 per cent to 19 per cent from 1 April 2017. The corporation tax rate will fall again to 17 per cent from 1 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 2016: nil). A disposal of the Group's trading property at market value would result in a corporation tax charge to the Group of £6.7 million (19 per cent of £35.2 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 an interim dividend of 0.5 pence per share to be paid on 29 September 2017 to shareholders on the register at 8 September 2017. Subject to SARB approval, a scrip dividend alternative will be offered.

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 period. These principal risks are not exhaustive. The Group monitors a number of additional risks and adjusts those considered 'principal' as the risk profile of the business changes. See also the risks inherent in the compilation of financial information, as disclosed within note 1 'Principal Accounting Policies' to the consolidated financial statements for the year ended 31 December 2016, 'Critical accounting judgements and key sources of estimation and uncertainty'.

Since the EU Referendum there has been economic and political uncertainty 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 below.

CORPORATE

Risk	Impact on strategy	Mitigation
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
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
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

Risk	Impact on strategy	Mitigation
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
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

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities

The Directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by Disclosure and Transparency Rules (DTR) 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Capital & Counties Properties PLC are listed in the Capital & Counties Properties PLC Annual Report for 31 December 2016. A list of current Directors is maintained on the Capital & Counties Properties PLC website: www.capitalandcounties.com.

By order of the Board

Ian Hawksworth
Chief Executive
20 July 2017

Situl Jobanputra
Chief Financial Officer
20 July 2017

INDEPENDENT REVIEW REPORT TO CAPITAL & COUNTIES PROPERTIES PLC

Report on the condensed consolidated financial statements

Our conclusion

We have reviewed Capital & Counties Properties PLC's condensed consolidated financial statements (the "interim financial statements") in the interim report of Capital & Counties Properties PLC for the six month period ended 30 June 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 30 June 2017;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Statement of Cash Flows for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

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

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

INDEPENDENT REVIEW REPORT TO CAPITAL & COUNTIES PROPERTIES PLC CONTINUED

Report on the condensed consolidated financial statements continued

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
20 July 2017

Notes:

(a) The maintenance and integrity of the Capital & Counties Properties PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 £m	Re-presented Six months ended 30 June 2016 £m	Re-presented Year ended 31 December 2016 £m
Continuing operations				
Revenue	2	**43.7**	40.5	94.1
Rental income		**37.7**	34.7	70.7
Rental expenses		**(5.3)**	(6.1)	(12.3)
Net rental income	2	**32.4**	28.6	58.4
Profit on sale of trading property	3	**1.0**	1.1	5.6
Other income		**2.1**	2.3	4.6
Gain/(loss) on revaluation and sale of investment and development property	4	**12.2**	(173.7)	(231.2)
Profit on sale of available-for-sale investments		**–**	–	0.4
Profit on sale of discontinued operation	10	**2.9**	–	–
Impairment of other receivables	5	**(3.3)**	(7.7)	(14.8)
Other costs	6	**–**	–	(5.0)
		47.3	(149.4)	(182.0)
Administration expenses		**(21.4)**	(21.0)	(42.0)
Operating profit/(loss)		**25.9**	(170.4)	(224.0)
Finance income	7	**0.5**	0.1	0.3
Finance costs	8	**(10.1)**	(9.7)	(19.6)
Other finance income	7	**5.5**	5.0	10.5
Other finance costs	8	**–**	(5.2)	(5.3)
Change in fair value of derivative financial instruments		**3.6**	(17.8)	(13.0)
Net finance costs		**(0.5)**	(27.6)	(27.1)
		25.4	(198.0)	(251.1)
Share of post-tax loss from joint ventures	14	**(0.1)**	(0.2)	(0.3)
Profit/(loss) before tax		**25.3**	(198.2)	(251.4)
Current tax		**(1.2)**	(0.7)	(1.0)
Deferred tax		**1.1**	23.8	20.5
Taxation	9	**(0.1)**	23.1	19.5
Profit/(loss) for the period from continuing operations		**25.2**	(175.1)	(231.9)
Discontinued operation				
Profit for the period from discontinued operation	10	**3.2**	2.7	8.4
Profit/(loss) for the period		**28.4**	(172.4)	(223.5)
Profit/(loss) attributable to:				
Owners of the Parent		**34.7**	(109.0)	(118.6)
Non-controlling interest	15	**(6.3)**	(63.4)	(104.9)
Earnings per share attributable to owners of the Parent[1]				
Basic and diluted earnings/(loss) per share	12	**4.1p**	(12.9)p	(14.0)p
Earnings per share from continuing operations attributable to owners of the Parent[1]				
Basic and diluted earnings/(loss) per share	12	**3.7p**	(13.2)p	(15.0)p
Weighted average number of shares	12	**847.9m**	842.6m	844.4m

1. Earnings per share from discontinued operation are shown in note 12 'Earnings Per Share and Net Assets Per Share'.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2017

	Notes	**Six months ended 30 June 2017 £m**	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Profit/(loss) for the period		**28.4**	(172.4)	(223.5)
Other comprehensive income/(expense)				
Items that will not be reclassified subsequently to the income statement				
Realised 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		**–**	–	0.3
Items that will not be reclassified subsequently to the income statement				
Actuarial loss on defined benefit pension scheme		**–**	–	(1.6)
Tax relating to items that will not be reclassified		**–**	–	0.3
Total other comprehensive income/(expense) for the period		**–**	–	(2.4)
Total comprehensive income/(expense) for the period		**28.4**	(172.4)	(225.9)
Attributable to:				
Owners of the Parent		**34.7**	(109.0)	(121.0)
Non-controlling interest	15	**(6.3)**	(63.4)	(104.9)
Arising from:				
Continuing operations		**25.2**	(175.1)	(233.0)
Discontinued operation		**3.2**	2.7	7.1

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2017

	Notes	**As at 30 June 2017 £m**	As at 31 December 2016 £m
Non-current assets			
Investment and development property	13	**3,608.9**	3,819.9
Plant and equipment		**5.4**	7.1
Investment in joint ventures	14	**16.8**	15.0
Derivative financial instruments	20	**–**	0.2
Deferred tax	21	**14.1**	–
Trade and other receivables	16	**201.3**	194.8
		3,846.5	4,037.0
Current assets			
Trading property	13	**–**	2.9
Trade and other receivables	16	**38.1**	47.8
Cash and cash equivalents	17	**19.3**	30.9
		57.4	81.6
Total assets		**3,903.9**	4,118.6
Non-current liabilities			
Borrowings, including finance leases	19	**(631.4)**	(827.8)
Derivative financial instruments	20	**(10.2)**	(13.9)
Pension liability		**–**	(0.9)
Deferred tax	21	**–**	(2.7)
Trade and other payables		**(0.3)**	–
		(641.9)	(845.3)
Current liabilities			
Borrowings, including finance leases	19	**(0.5)**	(18.5)
Other provisions		**(2.0)**	(2.0)
Tax liabilities		**(1.9)**	(1.3)
Trade and other payables	18	**(58.0)**	(78.3)
		(62.4)	(100.1)
Total liabilities		**(704.3)**	(945.4)
Net assets		**3,199.6**	3,173.2
Equity			
Share capital	22	**212.1**	211.5
Other components of equity		**2,625.3**	2,593.5
Equity attributable to owners of the Parent		**2,837.4**	2,805.0
Non-controlling interest	15	**362.2**	368.2
Total equity		**3,199.6**	3,173.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2017

		Equity attributable to owners of the Parent								
	Notes	Share capital £m	Share premium £m	Merger reserve £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2017		**211.5**	**215.1**	**425.8**	**6.1**	**(0.7)**	**1,947.2**	**2,805.0**	**368.2**	**3,173.2**
Profit/(loss) for the period		–	–	–	–	–	**34.7**	**34.7**	**(6.3)**	**28.4**
Total comprehensive income/(expense) for the period		–	–	–	–	–	**34.7**	**34.7**	**(6.3)**	**28.4**
Transactions with owners										
Ordinary shares issued	22	**0.6**	**–**	**–**	**–**	**–**	**–**	**0.6**	**–**	**0.6**
Dividend expense	11	**–**	**–**	**–**	**–**	**–**	**(8.5)**	**(8.5)**	**–**	**(8.5)**
Adjustment for bonus issue	11	**–**	**–**	**–**	**–**	**–**	**4.8**	**4.8**		**4.8**
Realisation of share-based payment reserve on issue of shares		**–**	**–**	**–**	**(1.7)**	**–**	**1.3**	**(0.4)**	**–**	**(0.4)**
Fair value of share-based payment		**–**	**–**	**–**	**1.1**	**–**	**–**	**1.1**	**–**	**1.1**
Realisation of cash flow hedge		**–**	**–**	**–**	**–**	**0.1**	**–**	**0.1**	**–**	**0.1**
Contribution from non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**
Total transactions with owners		**0.6**	**–**	**–**	**(0.6)**	**0.1**	**(2.4)**	**(2.3)**	**0.3**	**(2.0)**
Balance at 30 June 2017		**212.1**	**215.1**	**425.8**	**5.5**	**(0.6)**	**1,979.5**	**2,837.4**	**362.2**	**3,199.6**

		Equity attributable to owners of the Parent								
	Notes	Share capital £m	Share premium £m	Merger reserve £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2016		210.5	211.1	425.8	10.3	0.4	2,075.9	2,934.0	468.8	3,402.8
Loss for the period		–	–	–	–	–	(109.0)	(109.0)	(63.4)	(172.4)
Total comprehensive expense for the period		–	–	–	–	–	(109.0)	(109.0)	(63.4)	(172.4)
Transactions with owners										
Ordinary shares issued	22	0.9	4.0	–	–	–	–	4.9	–	4.9
Dividend expense	11	–	–	–	–	–	(8.4)	(8.4)	–	(8.4)
Realisation of share-based payment reserve on issue of shares		–	–	–	(4.1)	–	3.6	(0.5)	–	(0.5)
Fair value of share-based payment		–	–	–	1.8	–	–	1.8	–	1.8
Tax relating to share-based payment		–	–	–	–	–	(1.2)	(1.2)	–	(1.2)
Contribution from non-controlling interest		–	–	–	–	–	–	–	4.3	4.3
Total transactions with owners		0.9	4.0	–	(2.3)	–	(6.0)	(3.4)	4.3	0.9
Balance at 30 June 2016		211.4	215.1	425.8	8.0	0.4	1,960.9	2,821.6	409.7	3,231.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2017

		Equity attributable to owners of the Parent								
	Notes	Share capital £m	Share premium £m	Merger reserve £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2016		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 income/(expense)										
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		–	–	–	–	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		–	–	–	–	–	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	22	1.0	4.0	–	–	–	–	5.0	–	5.0
Dividend expense	11	–	–	–	–	–	(12.7)	(12.7)	–	(12.7)
Adjustment for bonus issue		–	–	–	–	–	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	21	–	–	–	–	–	(1.6)	(1.6)	–	(1.6)
Contribution from non-controlling interest		–	–	–	–	–	–	–	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

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2017

	Notes	**Six months ended 30 June 2017 £m**	Re-presented Six months ended 30 June 2016 £m	Re-presented Year ended 31 December 2016 £m
Cash flows from continuing operating activities				
Cash generated from operations	25	**6.8**	0.2	(19.5)
Interest paid		**(9.7)**	(9.7)	(19.6)
Interest received		**0.3**	0.1	0.2
Tax paid		**(0.6)**	(2.2)	(2.4)
Net cash outflow from continuing operating activities		**(3.2)**	(11.6)	(41.3)
Net cash inflow from discontinued operating activities	10	**7.6**	5.6	11.8
Net cash inflow/(outflow) from operating activities		**4.4**	(6.0)	(29.5)
Cash flows from investing activities				
Purchase and development of property		**(76.9)**	(81.8)	(214.2)
Sale of property		**12.4**	3.5	18.5
Investment in joint venture		**(1.9)**	–	(0.5)
Proceeds from available-for-sale investments		**–**	–	0.4
Sale of discontinued operation		**228.6**	–	–
Sale of subsidiaries[1]		**(4.5)**	0.5	0.5
Loan advances (to)/from joint ventures		**(1.7)**	1.2	(11.8)
Net cash inflow/(outflow) from continuing investing activities		**156.0**	(76.6)	(207.1)
Net cash outflow from discontinued investing activities	10	**(2.4)**	(0.6)	(1.9)
Net cash inflow/(outflow) from investing activities		**153.6**	(77.2)	(209.0)
Cash flows from financing activities				
Issue of shares		**0.2**	–	0.1
Borrowings drawn		**170.1**	462.1	782.0
Borrowings repaid		**(330.5)**	(390.0)	(612.0)
Purchase of derivative financial instruments		**–**	–	(1.7)
Other finance costs		**–**	(4.6)	(8.2)
Cash dividends paid	11	**(3.7)**	(4.1)	(7.5)
Funding from non-controlling interest		**0.3**	–	–
Transactions with discontinued operation		**5.4**	4.3	57.1
Net cash (outflow)/inflow from continuing financing activities		**(158.2)**	67.7	209.8
Net cash outflow from discontinued financing activities	10	**(5.4)**	(4.3)	(7.3)
Net cash (outflow)/inflow from financing activities		**(163.6)**	63.4	202.5
Net decrease in cash and cash equivalents		**(5.6)**	(19.8)	(36.0)
Unrestricted cash and cash equivalents at 1 January		**24.9**	60.9	60.9
Unrestricted cash and cash equivalents at period end		**19.3**	41.1	24.9

1. Sale of subsidiaries relate to cash inflows of £0.5 million (December 2016: £0.5 million) related to deferred consideration on the disposal of The Brewery by EC&O Limited on 9 February 2012 and cash outflows of £5.0m (December 2016: £nil) related to additional costs on the loss of control of former subsidiary Lillie Square GP Limited in 2012.

NOTES TO THE ACCOUNTS (UNAUDITED)

1 PRINCIPAL ACCOUNTING POLICIES

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

The Group's assets principally comprise investment and development property at Covent Garden and Earls Court.

Basis of preparation
The Group's condensed consolidated financial statements are prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated financial statements should be read in conjunction with the Annual Report & Accounts for the year ended 31 December 2016, which have been prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated financial statements are prepared in British pounds sterling.

The condensed consolidated financial statements for the six months ended 30 June 2017 are reviewed, not audited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016 were approved by the Board of Directors on 21 February 2017 and delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement made under Section 498 of the Companies Act 2006.

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

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

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

These condensed consolidated financial statements were approved by the Board of Directors on 20 July 2017.

The condensed consolidated financial statements have been prepared using the accounting policies, significant judgements, key assumptions and estimates set out on pages 103 to 107 of the Group's Annual Report & Accounts for 2016.

Discontinued operation

On 7 April 2017 the Venues business was sold. As Venues has previously been presented as a separate major line of business, its results and cash flows have been reported for the period ended 30 June 2017 as having arisen from a discontinued operation. The requirement extends to the prior period comparatives which have been re-presented where appropriate, in line with reporting requirements.

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 three 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; and

– Other comprises Innova, the discontinued activity of Venues and The Great Capital Partnership, the Group's residual China investments, other head office companies and investments, including the payment of internal rent.

Management information is reported to the chief operating decision maker on a Group share basis. 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%**
Other	
Innova	**50%**
GCP	**50%**
Venues	**0%**[1]
Other	**100%**

1. Venues was 100% owned until 7 April 2017. Subsequent to this the Group share ownership is nil.

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.

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

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	Six months ended 30 June 2017					
Continuing operations	Covent Garden £m	Earls Court Properties £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Revenue[1]	32.5	43.7	1.0	77.2	(33.5)	43.7
Rent receivable	26.6	9.0	(0.3)	35.3	0.4	35.7
Service charge income	2.0	–	–	2.0	–	2.0
Rental income	28.6	9.0	(0.3)	37.3	0.4	37.7
Rental expenses[2]	(5.2)	(0.3)	–	(5.5)	0.2	(5.3)
Net rental income/(expense)	23.4	8.7	(0.3)	31.8	0.6	32.4
Profit on sale of trading property	1.0	4.4	–	5.4	(4.4)	1.0
Other income	–	–	1.3	1.3	0.8	2.1
Gain/(loss) on revaluation and sale of investment and development property	34.7	(16.1)	–	18.6	(6.4)	12.2
Profit on sale of discontinued operation	–	–	2.9	2.9	–	2.9
Write down of trading property	–	(0.5)	–	(0.5)	0.5	–
Impairment of other receivables	–	–	–	–	(3.3)	(3.3)
Segment result	59.1	(3.5)	3.9	59.5	(12.2)	47.3
Unallocated costs:						
Administration expenses				(21.4)	–	(21.4)
Operating profit/(loss)				38.1	(12.2)	25.9
Net finance costs[3]				(6.5)	6.0	(0.5)
Share of post-tax loss from joint ventures				–	(0.1)	(0.1)
Profit/(loss) before tax				31.6	(6.3)	25.3
Taxation				(0.1)	–	(0.1)
Profit/(loss) for the period from continuing operations				31.5	(6.3)	25.2
Discontinued operation						
Profit for the period from discontinued operation	–	–	3.2	3.2	–	3.2
Profit/(loss) for the period				34.7	(6.3)	28.4
Profit/(loss) attributable to:						
Owners of the Parent				34.7	–	34.7
Non-controlling interest				–	(6.3)	(6.3)
Summary balance sheet						
Total segment assets[4]	2,375.2	1,187.4	42.1	3,604.7	283.1	3,887.8
Total segment liabilities[4]	(630.7)	(138.3)	(14.4)	(783.4)	79.1	(704.3)
Segmental net assets	1,744.5	1,049.1	27.7	2,821.3	362.2	3,183.5
Unallocated assets[3]				16.1	–	16.1
Net assets				2,837.4	362.2	3,199.6
Other segment items:						
Depreciation	(0.1)	(0.9)	(0.2)	(1.2)	0.1	(1.1)
Capital expenditure	(50.3)	(31.1)	(0.1)	(81.5)	8.0	(73.5)

1. IFRS total revenue of £43.7 million comprises rental income of £37.7 million, proceeds from sale of trading property of £3.9 million and other income of £2.1 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 six months ended 30 June 2016					
Continuing operations	Covent Garden £m	Earls Court Properties £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Revenue[1]	29.1	8.7	1.4	39.2	1.3	40.5
Rent receivable	24.0	8.7	–	32.7	0.4	33.1
Service charge income	1.6	–	–	1.6	–	1.6
Rental income	25.6	8.7	–	34.3	0.4	34.7
Rental expenses[2]	(5.4)	(0.4)	(0.3)	(6.1)	–	(6.1)
Net rental income/(expense)	20.2	8.3	(0.3)	28.2	0.4	28.6
Profit/(loss) on sale of trading property	1.1	(1.0)	–	0.1	1.0	1.1
Other income	–	–	1.4	1.4	0.9	2.3
Gain/(loss) on revaluation and sale of investment and development property	60.2	(164.9)	–	(104.7)	(69.0)	(173.7)
Write down of trading property	–	(0.4)	–	(0.4)	0.4	–
Impairment of other receivables	–	–	–	–	(7.7)	(7.7)
Segment result	81.5	(158.0)	1.1	(75.4)	(74.0)	(149.4)
Unallocated costs:						
Administration expenses				(21.0)	–	(21.0)
Operating loss				(96.4)	(74.0)	(170.4)
Net finance costs[3]				(32.6)	5.0	(27.6)
Share of post-tax loss from joint ventures				–	(0.2)	(0.2)
Loss before tax				(129.0)	(69.2)	(198.2)
Taxation				17.3	5.8	23.1
Loss for the period from continuing operations				(111.7)	(63.4)	(175.1)
Discontinued operation						
Profit for the period from discontinued operation	–	–	2.7	2.7	–	2.7
Loss for the period				(109.0)	(63.4)	(172.4)
Loss attributable to:						
Owners of the Parent				(109.0)	–	(109.0)
Non-controlling interest				–	(63.4)	(63.4)
Summary balance sheet						
Total segment assets[4]	2,119.8	1,226.4	343.1	3,689.3	315.3	4,004.6
Total segment liabilities[4]	(630.9)	(211.0)	(48.1)	(890.0)	94.4	(795.6)
Segmental net assets	1,488.9	1,015.4	295.0	2,799.3	409.7	3,209.0
Unallocated assets[3]				22.3	–	22.3
Net assets				2,821.6	409.7	3,231.3
Other segment items:						
Depreciation	(0.1)	(0.5)	(0.3)	(0.9)	0.2	(0.7)
Capital expenditure	(44.4)	(37.4)	(0.5)	(82.3)	15.3	(67.0)

1. IFRS total revenue of £40.5 million comprises rental income of £34.7 million, proceeds from sale of trading property of £3.5 million and other income of £2.3 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 year ended 31 December 2016					
Continuing operations	Covent Garden £m	Earls Court Properties £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Revenue[1]	71.4	20.4	2.3	94.1	–	94.1
Rent receivable	49.4	17.7	(0.4)	66.7	0.8	67.5
Service charge income	3.2	–	–	3.2	–	3.2
Rental income	52.6	17.7	(0.4)	69.9	0.8	70.7
Rental expenses[2]	(11.1)	(0.9)	–	(12.0)	(0.3)	(12.3)
Net rental income/(expense)	41.5	16.8	(0.4)	57.9	0.5	58.4
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)	0.1	(121.0)	(110.2)	(231.2)
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)	2.8	(61.0)	(121.0)	(182.0)
Unallocated costs:						
Administration expenses				(41.9)	(0.1)	(42.0)
Operating loss				(102.9)	(121.1)	(224.0)
Net finance costs[3]				(37.7)	10.6	(27.1)
Share of post-tax loss from joint ventures				–	(0.3)	(0.3)
Loss before tax				(140.6)	(110.8)	(251.4)
Taxation				13.6	5.9	19.5
Loss for the year from continuing operations				(127.0)	(104.9)	(231.9)
Discontinued operation						
Profit for the year from discontinued operation	–	–	8.4	8.4	–	8.4
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	348.3	3,855.5	252.6	4,108.1
Total segment liabilities[4]	(724.8)	(240.3)	(95.9)	(1,061.0)	115.6	(945.4)
Segmental net assets	1,569.2	972.9	252.4	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)	(0.7)	(2.2)	0.4	(1.8)
Capital expenditure	(153.9)	(80.2)	(1.5)	(235.6)	31.1	(204.5)

1. IFRS total revenue of £94.1 million comprises rental income of £70.7 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.

3 PROFIT ON SALE OF TRADING PROPERTY

Continuing operations	**Six months ended 30 June 2017 £m**	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Proceeds from the sale of trading property	**3.9**	3.5	18.8
Cost of sale of trading property	**(2.8)**	(2.4)	(12.9)
Agent, selling and marketing fees	**(0.1)**	–	(0.3)
Profit on sale of trading property	**1.0**	1.1	5.6

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

Continuing operations	**Six months ended 30 June 2017 £m**	Re-presented Six months ended 30 June 2016 £m	Re-presented Year ended 31 December 2016 £m
Gain/(loss) on revaluation of investment and development property	**12.2**	(173.7)	(231.4)
Gain on sale of investment and development property	**–**	–	0.2
Gain/(loss) on revaluation and sale of investment and development property	**12.2**	(173.7)	(231.2)

5 IMPAIRMENT OF OTHER RECEIVABLES

Following an impairment review of amounts receivable from joint ventures by the Group, an impairment of £3.3 million has been recognised (30 June 2016: £7.7 million). The impairment was calculated with reference to the Group's share of the cumulative losses in the Lillie Square joint venture. The carrying value of the investment is £nil (31 December 2016: £nil) in accordance with IAS 28 'Investment in Associates and Joint Ventures' ("IAS 28"). Refer to note 14 '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. As at 31 December 2016 additional costs associated with the transaction have been incurred resulting in a loss of £5.0 million. No additional costs have been incurred in 2017.

7 FINANCE INCOME

Continuing operations	**Six months ended 30 June 2017 £m**	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Finance income:			
On deposits and other	**0.5**	0.1	0.3
Finance income	**0.5**	0.1	0.3
Other finance income:			
On deep discount bonds[1]	**5.5**	5.0	10.5
Other finance income	**5.5**	5.0	10.5

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

8 FINANCE COSTS

Continuing operations	**Six months ended 30 June 2017 £m**	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Finance costs:			
On bank overdrafts, loans and other	**11.3**	9.9	20.5
On obligations under finance leases	**0.2**	0.2	0.5
Gross finance costs	**11.5**	10.1	21.0
Interest capitalised on property under development	**(1.4)**	(0.4)	(1.4)
Finance costs	**10.1**	9.7	19.6
Other finance costs:			
Costs of termination of bank loans and other	–	5.2	5.3
Other finance costs[1]	–	5.2	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 3.0 per cent (31 December 2016: 2.7 per cent) applied to the cost of property under development during the period.

9 TAXATION

Continuing operations	**Six months ended 30 June 2017 £m**	Re-presented Six months ended 30 June 2016 £m	Re-presented Year ended 31 December 2016 £m
Current income tax:			
Current income tax charge excluding non-underlying items	**1.2**	0.7	1.4
Current income tax	**1.2**	0.7	1.4
Deferred income tax:			
On accelerated capital allowances	**0.4**	0.1	0.5
On fair value of investment and development property	**–**	(15.6)	(15.6)
On fair value of derivative financial instruments	**0.7**	(3.4)	(2.4)
On Group losses	**(1.9)**	(5.7)	(4.6)
On other temporary differences	**(0.3)**	0.8	1.4
Deferred income tax	**(1.1)**	(23.8)	(20.7)
Adjustments in respect of previous periods – current income tax	–	–	(0.4)
Adjustments in respect of previous periods – deferred income tax	–	–	0.2
Total income tax charge/(credit) reported in the consolidated income statement	**0.1**	(23.1)	(19.5)

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 DISCONTINUED OPERATION

On 7 April 2017, the Group completed the sale of Venues, its exhibition business, comprising Olympia London together with certain related property assets for a total gross cash consideration of £296.0 million. The disposal was in line with the Group strategy following the successful transition of shows from the former Earls Court Exhibition Centres to Olympia. After the repayment of debt, working capital adjustments and transaction related costs, net proceeds received was £230.2 million. Based on the net assets at the date of disposal a profit has been recognised on the sale of £2.9 million.

The net assets at the date of disposal were as follows:

	7 April 2017 £m
Investment and development property	**292.8**
Other non-current assets	**0.8**
Pension asset	**1.4**
Cash and cash equivalents[1]	**10.8**
Other current assets	**8.9**
Other current liabilities	**(16.7)**
Deferred tax	**(15.7)**
Borrowings	**(55.0)**
Net assets	**227.3**
Net consideration[2]	**230.2**
Profit on disposal	**2.9**

1. Cash and cash equivalents include £6.0 million of restricted cash and cash equivalents.

2. Sale of discontinued operation as per the consolidated statement of cash flows as at 30 June 2017 is £228.6 million. This differs to the net consideration above of £230.2 million by £1.6 million. This is due to accrued transaction costs of £3.7 million, less accrued deferred consideration of £0.5 million, less unrestricted cash and cash equivalents disposed of with the transaction of £4.8 million.

The Venues results which have been included in the income statement as discontinued operation were:

Summary income statement	**Period ended 7 April 2017 £m**	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Revenue	**10.2**	17.9	33.3
Net rental income	**7.2**	12.3	23.6
Loss on revaluation of investment and development property	**–**	(0.5)	(3.8)
Administration expenses	**(2.7)**	(4.0)	(8.6)
Operating profit	**4.5**	7.8	11.2
Net finance costs	**(0.5)**	–	(0.1)
Profit before tax	**4.0**	7.8	11.1
Taxation	**(0.8)**	(5.1)	(2.7)
Profit for the period from discontinued operation	**3.2**	2.7	8.4
Underlying earnings adjustments			
Gain on revaluation and sale of investment and development property	–	0.5	3.8
Deferred tax adjustments	–	4.7	3.4
Change in fair value of derivative financial instruments	**0.1**	–	0.1
Underlying earnings from discontinued operation	**3.3**	7.9	15.7

10 DISCONTINUED OPERATION CONTINUED

The Venues cash flows which have been included in the statement of cash flow as discontinued operation were:

Summary statement of cash flows	Notes	**Period ended 7 April 2017 £m**	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Cash flows from operating activities	25	**8.0**	5.6	11.8
Interest paid		**(0.4)**	–	–
Net cash inflow from operating activities		**7.6**	5.6	11.8
Purchase and development of property, plant and equipment		**(0.1)**	(0.6)	(1.9)
Pension funding		**(2.3)**	–	–
Net cash outflow from investing activities		**(2.4)**	(0.6)	(1.9)
Borrowings drawn		**–**	–	50.0
Purchase of derivative financial instruments		**–**	–	(0.2)
Transactions with discontinued operation		**(5.4)**	(4.3)	(57.1)
Net cash outflow from financing activities		**(5.4)**	(4.3)	(7.3)
Net increase in unrestricted cash and cash equivalents from discontinued operation		**(0.2)**	0.7	2.6
Unrestricted cash and cash equivalents at 1 January		**5.0**	2.4	2.4
Unrestricted cash and cash equivalents at period end		**4.8**	3.1	5.0

11 DIVIDENDS

	Six months ended 30 June 2017 £m	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Ordinary shares			
Prior period final dividend of 1.0p per share	**8.5**	8.4	8.4
Interim dividend of 0.5p per share	**–**	–	4.3
Dividend expense	**8.5**	8.4	12.7
Shares issued in lieu of cash[1]	**–**	(4.3)	(4.3)
Adjustment for bonus issue[2]	**(4.8)**	–	(0.9)
Cash dividends paid	**3.7**	4.1	7.5
Proposed interim dividend of 0.5p per share	**4.2**	4.2	–
Proposed final dividend of 1.0p per share	**–**	–	8.5

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 prior to the declaration of dividend which occurs at the Company's Annual General Meeting. These shares are treated as a bonus issue and allotted at nominal value.

12 EARNINGS PER SHARE AND NET ASSETS PER SHARE

a) Weighted average number of ordinary shares

	Six months ended 30 June 2017 million	Six months ended 30 June 2016 million	Year ended 31 December 2016 million
Weighted average ordinary shares in issue for calculation of basic earnings/(loss) per share	**847.9**	844.3	846.1
Dilutive effect of contingently issuable share option awards	**0.7**	0.8	0.7
Dilutive effect of contingently issuable deferred share awards	**0.3**	–	–
Dilutive effect of contingently issuable matching nil cost option awards	**0.1**	0.2	0.1
Dilutive effect of deferred bonus share option awards	**0.6**	1.0	0.7
Weighted average ordinary shares in issue for calculation of diluted earnings/(loss) per share	**849.6**	846.3	847.6

1. Weighted average number of shares in issue has been adjusted by 1.3 million for the issue of bonus shares in connection with the scrip dividend scheme.

12 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

b) Basic and diluted earnings/(loss) per share

	Six months ended 30 June 2017 £m	Re-presented Six months ended 30 June 2016 £m	Re-presented Year ended 31 December 2016 £m
Continuing and discontinued operations attributable to owners of the Parent			
Earnings/(loss) used for calculation of basic and diluted earnings per share	**34.7**	(109.0)	(118.6)
Basic earnings/(loss) per share (pence)	**4.1**	(12.9)	(14.0)
Diluted earnings/(loss) per share (pence)	**4.1**	(12.9)	(14.0)
Continuing operations attributable to owners of the Parent			
Earnings used for calculation of basic and diluted earnings per share	**31.5**	(111.7)	(127.0)
Basic earnings/(loss) per share (pence)	**3.7**	(13.2)	(15.0)
Diluted earnings/(loss) per share (pence)	**3.7**	(13.2)	(15.0)
Discontinued operation attributable to owners of the Parent			
Earnings used for calculation of basic and diluted earnings per share	**3.2**	2.7	8.4
Basic earnings per share (pence)	**0.4**	0.3	1.0
Diluted earnings per share (pence)	**0.4**	0.3	1.0

c) EPRA and underlying earnings per share

	Six months ended 30 June 2017 £m	Re-presented Six months ended 30 June 2016 £m	Re-presented Year ended 31 December 2016 £m
Continuing operations attributable to owners of the Parent			
Basic earnings/(loss)	**31.5**	(111.7)	(127.0)
Group adjustments:			
Profit on sale of trading property	**(1.0)**	(1.1)	(5.6)
(Gain)/loss on revaluation and sale of investment and development property	**(12.2)**	173.7	231.2
Other finance costs	–	5.2	5.3
Change in fair value of derivative financial instruments	**(3.6)**	17.8	13.0
Deferred tax adjustments	**1.1**	(18.9)	(17.5)
Non-controlling interest in respect of the Group adjustments	**(6.2)**	(63.3)	(104.6)
Joint venture adjustments:			
(Profit)/loss on sale of trading property[1]	**(4.4)**	1.0	1.2
(Gain)/loss on revaluation of investment and development property	**(0.1)**	–	0.1
Write down of trading property	**0.5**	0.4	0.4
EPRA earnings on continuing operations[2]	**5.6**	3.1	(3.5)
Profit on sale of discontinued operation	**(2.9)**	–	–
Profit on sale of available-for-sale investments	**–**	–	(0.4)
Other costs	**–**	–	5.0
Deferred tax adjustments	**(1.2)**	(5.1)	(4.9)
Change in fair value of derivative financial instruments from discontinued operation	**(0.1)**	–	(0.1)
Profit from discontinued operation	**3.2**	7.9	15.7
Underlying earnings[2]	**4.6**	5.9	11.8
Underlying earnings per share (pence)	**0.5**	0.7	1.4
EPRA earnings per share (pence)	**0.7**	0.4	(0.4)

1. (Profit)/loss on sale of trading property relates to Lillie Square sales and includes £0.8 million (31 December 2016: £1.4 million) of marketing and selling fees on a Group share basis. Marketing fees include costs for units that have not yet completed.

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

12 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

d) Headline earnings per share

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

	Six months ended 30 June 2017 £m	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Continuing and discontinued operations attributable to owners of the Parent			
Basic earnings/(loss)	**34.7**	(109.0)	(118.6)
Group adjustments:			
(Gain)/loss on revaluation and sale of investment and development property	**(12.2)**	174.2	235.0
Profit on sale of available-for-sale investments	**–**	–	(0.4)
Deferred tax adjustments	**–**	(15.6)	(15.6)
Non-controlling interest in respect of the Group adjustments	**(6.2)**	(63.3)	(104.6)
Joint venture adjustment:			
(Gain)/loss on revaluation of investment and development property	**(0.1)**	–	0.1
Headline earnings/(loss)	**16.2**	(13.7)	(4.1)
Headline earnings/(loss) per share (pence)	**1.9**	(1.6)	(0.5)
Diluted headline earnings/(loss) per share (pence)	**1.9**	(1.6)	(0.5)

e) Net assets per share

	As at 30 June 2017 million	As at 31 December 2016 million
Number of ordinary shares in issue	**848.5**	846.1
Adjustments:		
Effect of dilution on exercise of contingently issuable share option awards	**0.7**	0.7
Effect of dilution of contingently issuable deferred share awards	**0.3**	–
Effect of dilution on exercise of contingently issuable matching nil cost option awards	**0.1**	0.1
Effect of dilution on exercise of deferred bonus share option awards	**0.6**	0.7
Adjusted, diluted number of ordinary shares in issue	**850.2**	847.6

	As at 30 June 2017 £m	As at 31 December 2016 £m
Net assets attributable to owners of the Parent	**2,837.4**	2,805.0
Fair value of derivative financial instruments	**10.2**	13.7
Unrecognised surplus on trading property – Group	**–**	1.5
Unrecognised surplus on trading property – Joint venture	**35.2**	46.6
Deferred tax adjustments	**–**	11.5
EPRA NAV	**2,882.8**	2,878.3
Fair value of derivative financial instruments	**(10.2)**	(13.7)
Excess fair value of debt over carrying value	**(4.3)**	(12.4)
Deferred tax adjustments	**–**	(11.5)
EPRA NNNAV	**2,868.3**	2,840.7
Basic net assets per share (pence)	**334.4**	331.5
Diluted net assets per share (pence)	**333.7**	330.9
EPRA NAV per share (pence)	**339.1**	339.6
EPRA NNNAV per share (pence)	**337.4**	335.1

13 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 2016	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**
Additions from acquisitions	**5.9**	**1.1**	**–**	**–**	**7.0**	**7.0**	**–**
Additions from subsequent expenditure	**44.4**	**22.0**	**0.1**	**–**	**66.5**	**30.4**	**36.1**
Sale of discontinued operation	**–**	**–**	**(292.8)**	**–**	**(292.8)**	**(292.8)**	**–**
Disposals	**(1.2)**	**(2.7)**	**–**	**–**	**(3.9)**	**(3.9)**	**–**
Gain/(loss) on valuation[1]	**34.7**	**(22.5)**	**–**	**–**	**12.2**	**16.1**	**(3.9)**
At 30 June 2017	**2,313.0**	**1,295.9**	**–**	**–**	**3,608.9**	**1,632.2**	**1,976.7**

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 2016	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**	–
Disposals	**(2.9)**	–	–	–	**(2.9)**	**(2.9)**	–
At 30 June 2017[2]	**–**	–	–	–	**–**	**–**	–

1. Gain on valuation of £12.2 million (31 December 2016: loss £235.2 million) is recognised in the consolidated income statement within gain/(loss) on revaluation of investment and development property. This gain/(loss) was unrealised and relates to assets held at the end of the period.

2. The value of trading property carried at net realisable value was £nil (31 December 2016: £nil).

13 PROPERTY PORTFOLIO CONTINUED

c) Market value reconciliation of total property

	Covent Garden £m	Earls Court Properties £m	Venues £m	Total £m
Carrying value of investment and development property at 30 June 2017[1]	**2,313.0**	**1,295.9**	**–**	**3,608.9**
Adjustment in respect of fixed head leases	**(4.1)**	**–**	–	**(4.1)**
Adjustment in respect of tenant lease incentives	**46.4**	**–**	–	**46.4**
Market value of investment and development property at 30 June 2017	**2,355.3**	**1,295.9**	–	**3,651.2**
Joint ventures:				
Carrying value of joint venture investment, development and trading property at 30 June 2017	**–**	**161.3**	–	**161.3**
Unrecognised surplus on joint venture trading property[2]	**–**	**35.2**	–	**35.2**
	2,355.3	**1,492.4**	–	**3,847.7**
Non-controlling interest adjustment:				
Market value of non-controlling interest in investment, development and trading property at 30 June 2017	**–**	**(379.9)**	–	**(379.9)**
Market value of investment, development and trading property on a Group share basis at 30 June 2017	**2,355.3**	**1,112.5**	–	**3,467.8**

	Covent Garden £m	Earls Court Properties £m	Venues £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

1. Included within investment and development property is £1.4 million (31 December 2016: £1.4 million) of interest capitalised during the period on developments in progress.
2. The unrecognised surplus on trading property is shown for information purposes only and is not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value in the condensed consolidated financial statements.

13 PROPERTY PORTFOLIO CONTINUED

At 30 June 2017, the Group was contractually committed to £106.1 million (31 December 2016: £149.2 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 23 'Capital Commitments' for further information on capital commitments.

The fair value of the Group's investment, development and trading property at 30 June 2017 was determined by independent, appropriately qualified external valuers JLL for Earls Court Properties (excluding the Empress State Building); and CBRE 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 16.

14 INVESTMENT IN JOINT VENTURES

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

At 30 June 2017, joint ventures comprise the Lillie Square joint venture ("LSJV"), Innova Investment ("Innova"), and The Great Capital Partnership ("GCP"). GCP is accounted for as a discontinued operation.

LSJV

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

14 INVESTMENT IN JOINT VENTURES CONTINUED

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

LSJV	**Six months ended 30 June 2017 £m**	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Summarised income statement			
Revenue	**69.4**	–	5.5
Net rental expense	**(0.3)**	(0.2)	(0.2)
Gain/(loss) on revaluation of investment and development property	**0.3**	–	(0.1)
Proceeds from the sale of trading property	**69.3**	–	5.4
Cost of sale of trading property	**(58.9)**	–	(5.1)
Agent, selling and marketing fees	**(1.5)**	(1.9)	(2.7)
Write down of trading property	**(1.0)**	(0.8)	(0.8)
Administration expenses	**(2.3)**	(2.4)	(4.8)
Finance costs[1]	**(12.1)**	(10.0)	(21.2)
Other costs	**–**	(0.1)	(0.1)
Loss for the period	**(6.5)**	(15.4)	(29.6)

1. Finance costs relate to the amortisation of deep discount bonds that were issued by LSJV to the Group and KFI. The bonds are redeemable at their nominal value of £263.4 million on 24 August 2019. The discount applied is unwound over the period to maturity using an effective interest rate. Finance income receivable to the Group of £5.5 million (30 June 2016: £5.0 million) is recognised in the consolidated income statement within other finance income.

LSJV	**As at 30 June 2017 £m**	As at 31 December 2016 £m
Summarised balance sheet		
Investment and development property	**3.4**	3.1
Other non-current assets	**2.6**	2.1
Trading property	**319.2**	349.0
Cash and cash equivalents[1]	**63.3**	74.2
Other current assets	**1.0**	5.8
Borrowings	**(117.0)**	(155.1)
Other non-current liabilities[2]	**(206.6)**	(195.4)
Amounts payable to joint venture partners[3]	**(102.7)**	(102.1)
Other current liabilities	**(62.4)**	(74.2)
Net liabilities	**(99.2)**	(92.6)
Capital commitments	**12.6**	36.4
Carrying value of investment, development and trading property	**322.6**	352.1
Unrecognised surplus on trading property[4]	**70.4**	93.2
Market value of investment, development and trading property[4]	**393.0**	445.3

1. Includes restricted cash and cash equivalents of £51.2 million (31 December 2016: £59.7 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 £51.2 million (31 December 2016: £59.7 million) within other current liabilities.
2. Other non-current liabilities relate to deep discount bonds. Recoverable amounts receivable by the Group of £103.3 million (31 December 2016: £97.7 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.
4. The unrecognised surplus on trading property and the market value of LSJV's property portfolio are shown for information purposes only and are not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value.

14 INVESTMENT IN JOINT VENTURES CONTINUED

Innova

On 29 June 2015, the Group acquired a 50 per cent interest in Innova, 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.

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

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

Innova	**Six months ended 30 June 2017 £m**	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Summarised income statement			
Administration expenses	**(0.2)**	(0.5)	(0.6)
Loss for the period	**(0.2)**	(0.5)	(0.6)

Innova	**As at 30 June 2017 £m**	As at 31 December 2016 £m
Summarised balance sheet		
Trade and other receivables	**1.9**	0.8
Cash and cash equivalents	**4.6**	0.5
Other current liabilities	**(2.0)**	(0.5)
Net assets	**4.5**	0.8

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**	**Innova £m**	**Total £m**
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
Net assets/(liabilities) of joint ventures at 30 June 2017	**0.1**	**(99.2)**	**4.5**	**(94.6)**
Elimination of joint venture partners' interest	–	**49.6**	**(2.3)**	**47.3**
Cumulative losses restricted[1]	–	**49.6**	**–**	**49.6**
Goodwill on acquisition of joint venture[2]	–	**–**	**14.5**	**14.5**
Carrying value at 30 June 2017	**0.1**	**–**	**16.7**	**16.8**

1. Cumulative losses restricted represent the Group's share of losses in LSJV which exceed the Group's investment in the joint venture. As a result the carrying value of the investment in LSJV is £nil (31 December 2016: £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.

14 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 presented on the consolidated balance sheet.

Investment in joint ventures	GCP £m	LSJV £m	Innova £m	Total £m
At 1 January 2016	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
Loss for the period[1]	**–**	**(3.3)**	**(0.1)**	**(3.4)**
Loss restricted[1]	**–**	**3.3**	**–**	**3.3**
Issue of equity loan notes	**–**	–	**1.9**	**1.9**
At 30 June 2017	**0.1**	–	**16.7**	**16.8**

1. Share of post-tax loss from joint ventures in the consolidated income statement of £0.1 million (31 December 2016: £0.3 million) comprise loss for the period of £3.4 million (31 December 2016: £15.1 million) and loss restricted totalling £3.3 million (31 December 2016: £14.8 million).

15 NON-CONTROLLING INTEREST

TTL Earls Court Properties Limited, a subsidiary of TfL, holds a 37per cent 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.

	As at 30 June 2017 £m	As at 30 June 2016 £m	As at 31 December 2016 £m
At 1 January	**368.2**	468.8	468.8
Loss and total comprehensive expense for the period attributable to non-controlling interest	**(6.3)**	(63.4)	(104.9)
Unsecured loan notes issued to non-controlling interest	**0.3**	4.3	4.3
Non-controlling interest	**362.2**	409.7	368.2

During the period, 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 (31 December 2016: less than £0.1 million) and therefore £402.9 million (31 December 2016: £402.6 million) has been classified as equity.

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

Summary income statement	**Six months ended 30 June 2017 £m**	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Net rental income	**1.0**	0.6	1.2
Administration expenses	**(1.3)**	(1.2)	(2.5)
Other income	**–**	0.1	–
Loss on revaluation and sale of investment and development property	**(16.8)**	(186.5)	(298.2)
Taxation	**–**	15.6	15.9
Loss on ordinary activities after taxation	**(17.1)**	(171.4)	(283.6)

15 NON-CONTROLLING INTEREST CONTINUED

Summarised balance statement	**As at 30 June 2017 £m**	As at 31 December 2016 £m
Investment and development property	**1,026.4**	1,022.8
Cash at bank and at hand	**5.5**	9.4
Other current assets	**1.0**	1.3
Other non-current assets	**0.8**	0.8
Other current liabilities	**(7.6)**	(7.6)
Borrowings	**(47.2)**	(31.5)
Net assets	**978.9**	995.2

Summarised cash flows	**Six months ended 30 June 2017 £m**	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Operating cash flows after interest and tax	**(0.4)**	(6.0)	(4.8)
Purchase and development of property, plant and equipment	**(19.4)**	(22.5)	(45.6)
Net cash flow before financing	**(19.8)**	(28.5)	(50.4)
Financing	**15.9**	17.1	32.0
Net cash flow	**(3.9)**	(11.4)	(18.4)

16 TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 £m	As at 31 December 2016 £m
Non-current		
Other receivables[1]	**56.1**	55.3
Prepayments and accrued income[2]	**41.9**	41.8
Amounts receivable from joint ventures[3]	**103.3**	97.7
Trade and other receivables	**201.3**	194.8
Current		
Rent receivable	**2.2**	7.9
Other receivables	**15.3**	14.6
Prepayments and accrued income[2]	**15.2**	18.3
Amounts receivable from joint ventures[4]	**5.4**	7.0
Trade and other receivables	**38.1**	47.8

1. Includes £45.0 million payment to LBHF which forms part of the CLSA.
2. Included within prepayments and accrued income are tenant lease incentives of £46.4 million (31 December 2016: £45.3 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 Innova. The balance has been impaired by £49.6 million (31 December 2016: £46.3 million).

17 CASH AND CASH EQUIVALENTS

	As at 30 June 2017 £m	As at 31 December 2016 £m
Cash at hand	**3.2**	8.1
Cash on short-term deposit	**16.1**	16.8
Unrestricted cash and cash equivalents	**19.3**	24.9
Restricted cash and cash equivalents[1]	**–**	6.0
Cash and cash equivalents	**19.3**	30.9

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

18 TRADE AND OTHER PAYABLES

	As at 30 June 2017 £m	As at 31 December 2016 £m
Rent received in advance	**17.4**	23.9
Accruals and deferred income	**24.1**	35.3
Trade payables	**–**	1.0
Other payables	**14.7**	15.6
Other taxes and social security	**1.8**	2.5
Trade and other payables	**58.0**	78.3

19 BORROWINGS, INCLUDING FINANCE LEASES

	30 June 2017						
	Carrying value £m	**Secured £m**	**Unsecured £m**	**Fixed rate £m**	**Floating rate £m**	**Fair value £m**	**Nominal value £m**
Current							
Finance lease obligations	**0.5**	**0.5**	**–**	**0.5**	**–**	**0.5**	**0.5**
Borrowings, including finance leases	**0.5**	**0.5**	**–**	**0.5**	**–**	**0.5**	**0.5**
Non-current							
Bank loans	**304.3**	**46.8**	**257.5**	**–**	**304.3**	**307.9**	**307.9**
Loan notes	**323.5**	**–**	**323.5**	**323.5**	**–**	**324.2**	**325.0**
Borrowings	**627.8**	**46.8**	**581.0**	**323.5**	**304.3**	**632.1**	**632.9**
Finance lease obligations	**3.6**	**3.6**	**–**	**3.6**	**–**	**3.6**	**3.6**
Borrowings, including finance leases	**631.4**	**50.4**	**581.0**	**327.1**	**304.3**	**635.7**	**636.5**
Total borrowings, including finance leases	**631.9**	**50.9**	**581.0**	**327.6**	**304.3**	**636.2**	**637.0**
Cash and cash equivalents	**(19.3)**						
Net debt	**612.6**						

	31 December 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						

20 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The tables below set out each class of financial asset, financial liability and their fair values at 30 June 2017 and 31 December 2016.

		30 June 2017			31 December 2016		
	Notes	**Carrying value £m**	**(Loss)/profit to income statement[1] £m**	**Loss to other comprehensive income £m**	Carrying value £m	Loss to income statement[1] £m	Loss to other comprehensive income £m
Derivative financial assets		**–**	**(0.2)**	**–**	0.2	(2.4)	–
Total held for trading assets		**–**	**(0.2)**	**–**	0.2	(2.4)	–
Cash and cash equivalents	17	**19.3**	**–**	**–**	30.9	–	–
Other financial assets	16	**239.4**	**–**	**–**	242.6	–	–
Total cash and other financial assets		**258.7**	**–**	**–**	273.5	–	–
Available-for-sale investments		**–**	**–**	**–**	–	–	(0.2)
Total available-for-sale investments		**–**	**–**	**–**	–	–	(0.2)
Derivative financial liabilities		**(10.2)**	**3.7**	**–**	(13.9)	(10.7)	–
Total held for trading liabilities		**(10.2)**	**3.7**	**–**	(13.9)	(10.7)	–
Borrowings, including finance leases	19	**(631.9)**	**–**	**–**	(846.3)	–	–
Other financial liabilities		**(60.2)**	**–**	**–**	(79.6)	–	–
Total borrowings and other financial liabilities		**(692.1)**	**–**	**–**	(925.9)	–	–

1. Includes £0.1 million (31 December 2016: £0.1 million) loss on derivative financial assets associated with the discontinued operation of the Venues business.

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.

Derivative financial instruments are carried at fair value on the balance sheet and representing Level 2 fair value measurement. The fair values of derivative financial instruments are determined from observable market prices or estimated using appropriate yield curves at each reporting date by discounting the future contractual cash flows to the net present values. There has been no transfer between levels in the period.

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

	As at 30 June 2017 £m	As at 31 December 2016 £m
At 1 January	**–**	0.2
Total gain/(loss):		
- In Income	**–**	–
- In comprehensive income	**–**	(0.2)
Total available-for-sale investments	**–**	–

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 2016 the final proceeds were received by the Group. The China Harvest Fund 1 has been liquidated during 2017.

21 DEFERRED TAX

The decrease in corporation tax rate to 17 per cent referred to in Note 9 has been enacted for the purposes of IAS 12 'Income Taxes' 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 as at 30 June 2017 is £nil (31 December 2016: £nil).

The Group's contingent tax liability on investment properties, calculated on the same tax base cost as above but based on deemed market value disposal at 30 June 2017 is £nil (31 December 2016: £nil).

A disposal of the Group's trading property at market value would result in a corporation tax charge to the Group of £6.7 million (19 per cent of £35.2 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 2016	13.7	15.6	(0.4)	(5.7)	(3.7)	19.5
Adjustment 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
Recognised in income	**0.4**	**–**	**0.7**	**(0.3)**	**(1.9)**	**(1.1)**
Sale of discontinued operation	**(12.6)**	**–**	**–**	**(3.1)**	**–**	**(15.7)**
At 30 June 2017	**2.4**	**–**	**(2.4)**	**(3.0)**	**(11.1)**	**(14.1)**

Unprovided deferred tax (assets):					
At 1 January 2017	**–**	**(35.9)**	**–**	**–**	**(13.9)**
Movement during the period	**–**	**(2.8)**	**–**	**–**	**2.8**
At 30 June 2017	**–**	**(38.7)**	**–**	**–**	**(11.1)**

In accordance with the requirements of IAS 12, the unprovided deferred tax asset has not been recognised in the Group Financial Statements due to uncertainty on the level of profits that will be available in the future periods.

22 SHARE CAPITAL AND SHARE PREMIUM

Issue type	**Transaction date**	**Issue price (pence)**	**Number of shares**	**Share capital £m**	**Share premium £m**
At 1 January 2016			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			2,553,451	0.6	–
At 31 December 2016			**846,121,707**	**211.5**	**215.1**
Scrip dividend – 2016 final	**May**	**290**	**1,653,429**	**0.4**	**–**
Share-based payment			**700,434**	**0.2**	**–**
At 30 June 2017			**848,475,570**	**212.1**	**215.1**

23 CAPITAL COMMITMENTS

At 30 June 2017, the Group was contractually committed to £106.1 million (31 December 2016: £149.2 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Of the £106.1 million committed, £71.4 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 million of the £105 million cash consideration payable under the CLSA. The residual £45 million will be settled in three annual instalments of £15 million with the next payment due on 31 December 2017.

The Group's share of joint venture capital commitments arising on LSJV amounts to £6.3 million (31 December 2016: £18.2 million).

24 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 23 '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.

25 CASH GENERATED FROM OPERATIONS

The table below presents the cash generated from continuing operations:

Continuing operations	Notes	**Six months ended 30 June 2017 £m**	Re-presented Six months ended 30 June 2016 £m	Re-presented Year ended 31 December 2016 £m
Loss before tax		**25.3**	(198.2)	(251.4)
Adjustments:				
Profit on sale of trading property	3	**(1.0)**	(1.1)	(5.6)
(Gain)/loss on revaluation and sale of investment and development property	4	**(12.2)**	173.7	231.2
Profit on sale of available-for-sale investments			–	(0.4)
Profit on sale of discontinued operation		**(2.9)**	–	–
Impairment of other receivables	5	**3.3**	7.7	14.8
Other costs	6	**–**	–	5.0
Depreciation		**1.0**	0.5	1.4
Amortisation of tenant lease incentives and other direct costs		**(0.1)**	0.5	2.0
Share-based payment		**1.1**	1.8	1.1
Finance income	7	**(0.5)**	(0.1)	(0.3)
Finance costs	8	**10.1**	9.7	19.6
Other finance income	7	**(5.5)**	(5.0)	(10.5)
Other finance costs	8	**–**	5.2	5.3
Change in fair value of derivative financial instruments		**(3.6)**	17.8	13.0
Change in working capital:				
Change in trade and other receivables		**(6.1)**	(7.1)	(39.6)
Change in trade and other payables		**(2.1)**	(5.2)	(5.1)
Cash generated from continuing operations		**6.8**	0.2	(19.5)

The table below presents the cash generated from discontinued operation:

Discontinued operation	Notes	**Period ended 7 April 2017 £m**	Re-presented Six months ended 30 June 2016 £m	Re-presented Year ended 31 December 2016 £m
Profit before tax	10	**4.0**	7.8	11.1
Adjustments:				
Loss on revaluation of investment and development property	10	**–**	0.5	3.8
Depreciation		**0.1**	0.2	0.4
Finance costs		**0.4**		
Change in fair value of derivative financial instruments		**0.1**	–	0.1
Change in working capital:				
Change in trade and other receivables		**1.7**	(2.0)	(1.3)
Change in trade and other payables		**1.7**	(0.9)	(2.3)
Cash generated from discontinued operation		**8.0**	5.6	11.8

26 RELATED PARTY TRANSACTIONS

Transactions with Directors

Key management compensation[1]	**Six months ended 30 June 2017 £m**	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Salaries and short-term employee benefits	**1.3**	1.3	2.8
Share-based payment	**0.7**	1.5	0.5
	2.0	2.8	3.3

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 period between the Group and its joint ventures, which are related parties, are disclosed in notes 14 'Investment in Joint Ventures', 16 'Trade and other receivables' and 23 'Capital commitments'. During the period the Group recognised management fee income of £2.1 million (31 December 2016: £4.6 million) that was earned 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, and at 31 December 2016 had paid deposits totalling £145,000. Legal completion occurred during 2017 with a net amount of £579,000 received, reflecting application of a standard legal fee incentive and a specification enhancement.
- 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. The outstanding balance on the purchase is £684,000 which is 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. The outstanding balance on the purchase is £1,599,200 which is 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, and at 31 December 2016 had paid deposits totalling £142,000. Legal completion occurred during 2017 with a net amount of £566,250 received, reflecting application of a standard legal fee incentive.
- 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. The outstanding balance on the purchase is £3,720,000 which is 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. The outstanding balance on the purchase is £3,840,000 which is due upon legal completion.
- Upon legal completion of the above transactions, the Directors are required to pay annual ground rent and service charge fees. During 2017 £5,943 has been received in relation to these charges.

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

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

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

1. PROPERTY DATA AS AT 30 JUNE 2017

	Market Value £m	Ownership
Covent Garden	**2,355.3**	**100%**
Earls Court Properties		
ECPL	**646.6**	**63%**
Lillie Square	**196.5**	**50%**
Empress State	**226.0**	**100%**
Other	**43.4**	**100%**
Earls Court Properties (Group share)	**1,112.5**	
Group share of total property	**3,467.8**	
Investment and development property	**3,273.0**	
Trading property	**194.8**	

2. ANALYSIS OF CAPITAL RETURN FOR THE PERIOD

Like-for-like capital	Market Value 30 June 2017 £m	Market Value 31 December 2016 £m	Revaluation surplus/ (deficit)[1] 30 June 2017 £m	Increase/ (decrease)
Covent Garden	**2,349.8**	**2,270.4**	**35.1**	**1.5%**
Earls Court Properties	**1,111.1**	**1,081.3**	**(27.7)**	**(2.4)%**
Total like-for-like capital	**3,460.9**	**3,351.7**	**7.4**	**0.2%**
Investment and development property	**3,266.1**	**3,188.8**	**18.7**	**0.6%**
Trading property	**194.8**	**162.9**	**(11.3)** [2]	**(5.5)%**
Non like-for-like capital				
Acquisitions	**6.9**	**–**	**(0.1)**	
Disposals	**–**	**357.9**	**–**	
Group share of total property	**3,467.8**	**3,709.6**	**7.3**	**0.2%**
Investment and development property	**3,273.0**	**3,484.1**	**18.6**	**0.6%**
Trading property	**194.8**	**225.5**	**(11.3)** [2]	**(5.5)%**
All property				
Covent Garden	**2,355.3**	**2,274.8**	**34.7**	**1.5%**
Earls Court Properties	**1,112.5**	**1,142.1**	**(27.4)**	**(2.4)%**
Venues	**–**	**292.7**	**–**	**–**
Group share of total property	**3,467.8**	**3,709.6**	**7.3**	**0.2%**

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

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

ANALYSIS OF PROPERTY PORTFOLIO CONTINUED (UNAUDITED)

3. ANALYSIS OF NET RENTAL INCOME FOR THE PERIOD

Like-for-like net rental income from continuing operations	Six months ended 30 June 2017 £m	Six months ended 30 June 2016 £m	Increase/ (decrease)
Covent Garden	20.7	19.3	7.4%
Earls Court Properties	8.8	8.4	5.2%
Other	(0.2)	(0.4)	(1.8)%
Total like-for-like net rental income	29.3	27.3	6.8%
Like-for-like investment and development property	29.3	27.3	6.8%
Like-for-like trading property	–	–	–
Non like-for-like net rental income			
Developments	0.8	0.8	
Prior year acquisitions (like-for-like capital)	1.7	0.1	
Group share of total net rental income	31.8	28.2	12.9%
Investment and development property income	31.9	28.3	12.7%
Trading property income	(0.1)	(0.1)	

All property			
Covent Garden	23.4	20.2	15.7%
Earls Court Properties[1]	8.7	8.3	5.5%
Other	(0.3)	(0.3)	(0.2)%
Group share of total net rental income	31.8	28.2	12.9%

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

4. ANALYSIS OF COVENT GARDEN BY USE

30 June 2017

	Initial yield (EPRA)	Nominal equivalent yield	Passing rent £m	Occupancy rate	Weighted average unexpired lease years	Market value £m	ERV £m	Gross area million Sq ft
Retail						1,766.1	71.8	0.6
Office						269.1	13.9	0.2
Residential						125.3	3.4	0.2
Other[1]						194.8	9.7	0.1
Total	2.00%	3.58%	51.8	96.6%	7.9	2,355.3	98.8	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 six months ended 30 June 2017

Group share	**Six months ended 30 June 2017 £m**	Re-presented[1] Six months ended 30 June 2016 £m	Re-presented[1] Year ended 31 December 2016 £m
Continuing operations:			
Net rental income	**31.8**	28.2	57.9
Other income	**1.3**	1.4	2.7
Administration expenses	**(21.4)**	(21.0)	(41.9)
Operating profit	**11.7**	8.6	18.7
Finance costs	**(10.6)**	(9.7)	(19.8)
Finance income	**0.5**	0.1	0.3
Net finance costs	**(10.1)**	(9.6)	(19.5)
Profit before tax	**1.6**	(1.0)	(0.8)
Taxation	**(0.3)**	(1.0)	(3.1)
Underlying earnings from continuing operations	**1.3**	(2.0)	(3.9)
Underlying earnings from discontinued operation	**3.3**	7.9	15.7
Underlying earnings	**4.6**	5.9	11.8
Underlying earnings per share (pence):			
From continuing operations	**0.1**	(0.2)	(0.5)
From discontinued operation	**0.4**	0.9	1.9
Underlying earnings per share (pence)	**0.5**	0.7	1.4
Weighted average number of shares	**847.9m**	844.3m	846.1m

1. The prior period comparatives have been re-presented to separate out continuing and discontinued operations.

FINANCIAL COVENANTS (UNAUDITED)

For the six months ended 30 June 2017

Financial covenants on non-recourse debt

	30 June 2017			
Group share	Maturity	Loan(s) outstanding at 30 June 2017[1] £m	LTV covenant	Interest cover covenant
Covent Garden[2]	**2020 – 2028**	**585.0**	**60%**	**120%**
ECPL	**2026**	**30.2**	**40%**	**n/a**
Lillie Square	**2019**	**58.6**	**75%**	**n/a**
Total		**673.8**		

1. The loan values are the nominal values at 30 June 2017 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.

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

DIVIDENDS

The Directors of Capital & Counties Properties PLC have proposed an interim dividend per ordinary share (ISIN GB00B62G9D36) of 0.5 pence payable on 29 September 2017.

Dates

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

Sterling/Rand exchange rate struck:	25 August 2017
Sterling/Rand exchange rate and dividend amount in Rand announced:	29 August 2017
Ordinary shares listed ex-dividend on the JSE, Johannesburg:	6 September 2017
Ordinary shares listed ex-dividend on the LSE, London:	7 September 2017
Record date for interim dividend in UK and South Africa:	8 September 2017
Election date for scrip dividend alternative (SA)	8 September 2017
Election date for scrip dividend alternative (UK)	15 September 2017
Dividend payment date for shareholders	**29 September 2017**

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 5 September 2017 and that no dematerialisation of shares will be possible from 6 September 2017 to 8 September 2017 inclusive. No transfers between the UK and South Africa registers may take place from 29 August 2017 to 8 September 2017.

Subject to SARB approval, the Board intends to offer an optional scrip dividend alternative in respect of the 2017 interim dividend.

The above dates are proposed and subject to change.

Important Information for South African Shareholders

The interim dividend declared by the Company is a foreign payment and the funds are sourced from the UK.

The interim 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 interim cash dividend which is paid at a rate of 20 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

Profit for the period excluding gains or losses on the revaluation and sale of investment and development property, write down of trading property, changes in fair value of derivative financial instruments and associated close-out costs and the related tax on these items.

EPRA earnings per share

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

EPRA net asset value (EPRA NAV)

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

EPRA net asset value per share

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

EPRA net initial yield

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 triple net asset value (EPRA NNNAV)

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.

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.

GCP

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

GEA

Gross external area.

GLA

Greater London Authority.

Gross income

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

Headline earnings

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

Innova

Innova Investment Limited Partnership (formally Solum Developments Limited Partnership) is a 50 per cent Joint Venture between the Group and Network Rail Infrastructure Limited.

IPD

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

JSE

Johannesburg Stock Exchange.

Kwok Family Interests (KFI)

Joint venture partner in the Lillie Square development.

LBHF

The London Borough of Hammersmith & Fulham.

Like-for-like property

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

Loan to value (LTV)

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

LSJV

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

NAV

Net Asset Value.

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.

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.

Occupancy rate

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 per cent 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.

SAICA

South African Institute of Chartered Accountants.

SARB

South African Reserve Bank.

Section 106

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

Tenant lease incentives

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

TfL

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

Total property return (TPR)

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

Total return (TR)

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

Total shareholder return (TSR)

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

Underlying earnings

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

Underlying earnings per share (EPS)

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

Weighted average unexpired lease term

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

Zone A

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