PRESS RELEASE

27 FEBRUARY 2019

CAPITAL & COUNTIES PROPERTIES PLC (“CAPCO”)

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Henry Staunton, Chairman of Capco, commented:

“In my first year as Chairman of the Company, I am pleased to report positive performance from Covent Garden which now represents 80 per cent of the portfolio. Despite broader market uncertainty, Covent Garden continues to deliver income and value growth. At Earls Court progress has been made with the land available for development and value realised through disposals.

Our balance sheet allows the Board to consider the future of its two estates from a position of financial strength. Preparations for a possible demerger are well advanced and could be implemented promptly, and the Board is also considering other options for Earls Court. The Company continues to focus on long-term value creation for shareholders with prudent capital management, taking into account the uncertain economic and political environment.”

Ian Hawksworth, Chief Executive of Capco, commented:

“Covent Garden is firmly established as a leading retail and dining destination and has had another strong year delivering rental and value growth in line with the strength of the prime central London retail market. 2018 was a record year for openings across the estate which contributed to strong net rental growth of over 17 per cent. Our creative approach to asset management and investment into the estate continues to attract positive leasing demand and provides an attractive consumer environment which has led to increased footfall and tenant sales.

The West End and Covent Garden have demonstrated resilience however economic and political uncertainty have continued to impact the London residential market, resulting in a further valuation decline in our investments at Earls Court. The land benefits from an in-place planning consent and is now available for development which is expected to be brought forward through the introduction of third-party capital. We have realised significant proceeds from the sale of the Empress State Building and continued sales at Lillie Square.

Backed by a strong balance sheet, with low leverage and access to significant liquidity, Capco is in a strong financial position to navigate market uncertainty and remains focused on delivering long-term value for shareholders.”

Key financials

- Equity attributable to owners of the Parent of £2.7 billion (2017: £2.8 billion)
- EPRA NAV 326 pence per share, a decrease of 2.4 per cent (2017: 334 pence per share)
- Total property value £3.3 billion, a decrease of 2.4 per cent (like-for-like) (2017: £3.3 billion adjusted for the sale of the Empress State Building)
- Underlying EPS 0.9 pence per share (2017: 0.9 pence per share from continuing operations)
- Proposed final 2018 dividend of 1.0 pence per share resulting in a full-year dividend of 1.5 pence per share

Covent Garden - driving rental growth and capturing reversion

- Total property value of £2.6 billion, an increase of 1.6 per cent (like-for-like) (2017: £2.5 billion)
- Strong income growth, with net rental income up 9.6 per cent (like-for-like) and 17.5 per cent in absolute terms
- Record year for openings across the estate with 21 new brands
- Good demand across all uses; 103 new leases and renewals transacted at 7.5 per cent above 31 December 2017 ERV
- ERV increased by 3.0 per cent (like-for-like) to £108 million (2017: £105 million)
- High quality concepts and flagship names secured including Tiffany & Co., Peloton and Lacoste
- High occupancy, renewal rates and strong demand for office and residential portfolio
- Development of Floral Court complete; new connecting courtyard enhancing pedestrian flow on northern side of estate

Earls Court - realising value

- Earls Court property interests valued at £658 million in total (of which ECPL & Other £499 million, Lillie Square £159 million), a decrease of 15.6 per cent (like-for-like) (2017: £759 million)
- ECPL land available for development, incoming interest from potential occupiers and investors
- Successful sale of the Empress State Building for £250 million
- Excellent progress at Lillie Square, Phase 1 substantially complete, completion of Phase 2 expected in 2020

Strong financial position with significant financial flexibility

- Group loan to value of 18 per cent (2017: 21 per cent)
- Group undrawn facilities and cash of £854 million (2017: £691 million)
- Modest capital commitments of £53 million (2017: £61 million)
- Weighted average debt maturity of 6 years (2017: 6.9 years)
- Weighted average cost of debt of 2.9 per cent (2017: 2.8 per cent)

KEY FINANCIALS

	2018	2017
Equity attributable to owners of the Parent	**£2,736m**	£2,800m
Equity attributable to owners of the Parent per share	**321.6p**	329.7p
-2.0% Total return in 2018 (2017: -1.3%)		
EPRA net asset value	**£2,777m**	£2,839m
EPRA net asset value per share	**325.7p**	333.8p
Dividend per share	**1.5p**	1.5p
-0.4% Total property return in 2018 (2017: 1.0%)		
Property market value[1]	**£3,268m**	£3,525m
Net rental income from continuing operations[2]	**£63.5m**	£66.2m
Loss for the year attributable to owners of the Parent	**£(56.9)m**	£(0.4)m
Underlying earnings per share[3]	**0.9p**	1.3p

1. On a Group share basis. Refer to Property Data on page 48 for the Group's percentage ownership of property.
2. On a Group share basis. Refer to the Financial Review.
3. From continuing and discontinued operations. Refer to Consolidated Underlying Profit Statement on page 50.

ENQUIRIES

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A presentation to analysts and investors will take place today at 09:30am at UBS, 5 Broadgate, London, EC2M 2QS. The presentation will also be available to international analysts and investors through a live audio call and webcast and after the event on the Group's website www.capitalandcounties.com.

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

CHAIRMAN'S STATEMENT

Overview

I am delighted to have been appointed as Chairman of Capital & Counties Properties PLC during the year. This year the external environment has been challenging, yet against this backdrop management has delivered encouraging operational progress across our prime central London portfolio. Covent Garden, which represents 80 per cent of the Group's portfolio by gross value, continues to deliver positive performance. However, the ongoing political and macro-economic uncertainty continues to impact the London residential market resulting in a decline in the value of our investments at Earls Court.

Update on possible demerger

The changing income profile and scale of Covent Garden, together with the readiness of the Earls Court land for development and successful disposals of the Empress State Building and Venues, means that it is an appropriate time for the Board to consider the structure of the Group.

During the course of 2018, Capco advanced its preparations for a possible demerger which could result in two separately-listed businesses based around its prime central London estates. Covent Garden could be launched as an independent, prime central London retail-focused REIT and Earls Court, a land enablement and development company centred around the Earls Court masterplan. Preparations for a possible demerger are well advanced and could be implemented promptly.

The Company has received a number of proposals in relation to the sale of certain of Capco's interests in Earls Court. Capco has held discussions with a number of parties to establish the likely value and deliverability of the proposals. The Company will evaluate the merits of various options, having regard to market conditions, long-term shareholder value and prudent capital management.

Backed by a strong balance sheet, low leverage, high liquidity and modest capital commitments, Capco is in a position of financial strength to navigate market uncertainty and remains focused on creating long-term value for shareholders.

Performance

2018 was another active year for Covent Garden, delivering positive performance, generating further rental growth and capturing income. The challenges to the broader retail market are well documented, but the quality of our assets and our approach to management of the estate continues to drive positive leasing demand creating a highly attractive destination for Londoners and visitors to the capital. The estate had a record year for openings with brands such as SushiSamba, Tiffany & Co. and Cora Pearl further strengthening Covent Garden's attractiveness as a leading global retail and dining destination. The completion of the Floral Court development, which is the largest undertaken at Covent Garden to date, was an important milestone and demand for the residential accommodation has been encouraging.

Economic and political uncertainty continue to impact the London residential market contributing to a further decline in the valuation of our investments at Earls Court. However the consented Masterplan is located amongst central London's most valued postcodes with the potential to deliver a new district for the capital. With the Earls Court Partnership Limited ("ECPL"), our investment vehicle with Transport for London ("TfL") land available for development, ECPL has received interest from potential occupiers and investors. The disposal of the Empress State Building for £250 million enabled Capco to realise significant cash proceeds. The Lillie Square development continues to progress with Phase 1 now complete and Phase 2 construction progressing with over 80 per cent of units pre-sold.

Despite good operational performance, Capco's total shareholder return for the year, which comprises share price performance plus the dividends paid during the year, was negative 27.3 per cent. Total return for the year, which represents the change in net assets plus the dividends paid during the year, was negative 2.0 per cent. The total value of Capco's property portfolio fell by 2.4 per cent on a like-for-like basis to £3.3 billion.

Financial position and dividends

Capco maintains a strong balance sheet, with low leverage, high liquidity and modest capital commitments. Responsible capital management and funding from diversified sources ensure Capco maintains a strong financial position. During the year, Capco's liquidity was strengthened through the successful execution of the sale of the Empress State Building for £250 million, a premium to the 31 December 2017 valuation. Capco is well-positioned to support the current capital requirements of both estates as well as take advantage of opportunities as they arise.

The Directors are proposing a final dividend of 1.0 pence per share, which brings the total dividend for 2018 to 1.5 pence per share.

The Board and employees

Following Ian Durant's decision to retire from the Board during the year, I was delighted to be appointed as Chairman of the Company. Ian led the Board as Chairman for eight years from Capco's inception, and the Company benefited greatly from his judgement and experience. The Board is grateful for his significant contribution over this time.

At the same time, Gerry Murphy became Chair of the Audit Committee and Senior Independent Director, and Charlotte Boyle became Chair of the Remuneration Committee. I am pleased to report that they are already making a positive contribution in their new roles, and the Board continues to operate effectively.

The Board has continued to consider its current composition. Recognising the need to maintain significant property experience on the Board, we are delighted to announce the appointment of Jonathan Lane as a Non-executive Director with effect from 1 March 2019. A former Chief Executive and Chairman of Shaftesbury, Jonathan brings a wealth of West End property experience to the Board, and we look forward to his contribution as we unlock the potential of Capco and its assets. On appointment, Jonathan will also become a member of the Audit and Nomination Committees. Andrew Strang has decided to stand down from the Audit, Nomination and Remuneration Committees with effect from 1 March 2019. Anthony Steains will join the Remuneration Committee with effect from 1 March 2019. Graeme Gordon has informed the Board that he will not be seeking re-election at the Company's forthcoming AGM. The Directors and I thank Graeme for his long and supportive service to the Company, and his wise counsel.

Given the current market conditions and options under consideration, 2018 was undoubtedly a challenging year for our employees, and the Board would like to thank each of them and management for their continued work and commitment.

Shareholders

Capco is listed in London and Johannesburg, and a significant amount of the Company's shares are held by South African investors. At times there are different market expectations in the UK and South Africa, and one example of this is the level of authority to issue new shares that shareholders expect to grant to Boards. The Board continues to feel that, to preserve flexibility, it is appropriate to seek the conventional level of authorities expected by shareholders in UK listed companies where possible. This has again resulted in significant votes against two of our AGM resolutions and Capco's inclusion in The Investment Association's public register of shareholder dissent. The Board always seeks shareholder views before deciding the levels of authority to be sought, and will continue to maintain regular dialogue with our South African shareholders on this topic.

Along with the Executive team's comprehensive programme of investor briefings, I continue to be willing to engage with shareholders as appropriate.

Board oversight

The Directors receive updates on performance of the Company's assets from Executive Directors and senior management at each of our formal Board meetings and the more informal Board updates. We also visit our assets in Covent Garden and Earls Court and meet operational management regularly, which ensures that we are well aware of the business' opportunities and challenges, as well as the views of a range of stakeholders including shareholders, local communities, partners, lenders, government and employees.

This year the Board and management devoted a significant amount of time to evaluating the merits of the options available to the Company and ensuring that the business will be well-positioned across a range of scenarios.

The Board has also spent time considering the new 2018 UK Corporate Governance Code to ensure that we are ready to operate under its principles over the course of the coming year. This includes an emphasis on culture, trust and consideration of stakeholder views.

Looking ahead

The macro-economic and political environment remains uncertain, however we are confident in London's status as a truly global city with the ability to attract investment, visitors and talent from around the world. Our strategy is to deliver long-term value creation for shareholders with an increased focus on Covent Garden and realisation of value from Earls Court. The Company will evaluate the merits of various options, having regard to the market and political environment as well as prudent capital management. Backed by a strong balance sheet Capco is very well-positioned to deliver long-term value for shareholders.

Henry Staunton

Chairman

26 February 2019

CHIEF EXECUTIVE'S REVIEW

Update on possible demerger

During 2018 the Board has been considering the most appropriate structure for the Group. Preparations for a possible demerger are well advanced and could be implemented promptly. Capco will consider the merits of all options, having regard to market conditions, long-term value creation for shareholders and prudent capital management. Capco is in a position of financial strength and in an uncertain economic and political environment the Board intends to decide carefully on the most appropriate outcome.

Prime central London portfolio

Although the uncertainty surrounding the implications of the UK leaving the EU is having an adverse impact on business and consumer confidence, London continues to attract investment as well as talent and visitors from around the world. Retail conditions have been challenging in the broader market, nevertheless the West End is very attractive to the international and domestic consumer and Covent Garden has continued to attract good demand, securing high quality brands.

Representing 80 per cent of the property portfolio by gross value, Capco continues to focus on Covent Garden as we implement our strategy of creating a highly attractive destination. This continues to be achieved by managing the estate creatively and investing strategically. Having carefully assembled an exceptional portfolio of properties around the Piazza, Covent Garden provides a fantastic environment for retailers and visitors. 2018 represents a record year for retail and restaurant openings across the estate with 21 new brands introduced. Covent Garden stores continue to trade well with footfall across the estate up. Rents and values recorded an increase and there has been continued income growth as we secure embedded reversion from the portfolio.

The West End and Covent Garden have demonstrated resilience, however economic and political uncertainty have continued to impact the London residential market, resulting in a further decline in the valuation of our investments at Earls Court. As a result, EPRA net asset value fell by 2.4 per cent over the year to 326 pence per share.

At Earls Court, we continue to implement our strategy of realising value over time as evidenced by the sale of the Empress State Building and completion of Phase 1 of Lillie Square. The ECPL land is available for development and continues to attract interest from potential investors and occupiers for various parts of the site. While political sentiment around large-scale residential development is challenging, ECPL's implemented planning consent, high quality location and connectivity provide a strong basis for future value realisation.

Capco maintains a prudent approach to its balance sheet, with a strong financial position, low leverage and access to significant liquidity. Capco is disciplined in its investment approach, with a weighting towards Covent Garden as we continue to expand our ownership on the estate. Capco continues to manage capital commitments prudently, drive income generation at Covent Garden and realise value at Earls Court. The business is well-positioned to support its future activities, navigate market uncertainties, and take advantage of opportunities as they arise.

Valuations

	Market Value 2018 £m	**Market Value 2017 £m**	Valuation Change Like-for-Like[1]
Covent Garden	**2,610**	**2,545**	1.6%
Earls Court Properties			
Earls Court Partnership Limited ("ECPL")[2]	**461**	**561**	(20.0%)
Lillie Square[3]	**159**	**156**	(2.3%)
Empress State	**-**	**220**	-
Other	**38**	**42**	(8.9%)
Group share of Earls Court Properties	**658**	**979**	(15.6%)
Group share of total property[4]	**3,268**	**3,524**	(2.4%)

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

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

3 Represents the Group's 50 per cent share of the Lillie Square joint venture.

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

The total property value of the Group declined by 2.4 per cent (like-for-like) in the year to 31 December 2018 to £3.3 billion.

The valuation of Covent Garden has risen by 1.6 per cent (like-for-like) to £2.6 billion, driven by ERV growth of 3.0 per cent, like-for-like, achieved over the year. The equivalent yield remains broadly unchanged, reflecting the valuer's current view of the strength of demand for prime central London real estate.

Capco's investment in Earls Court Properties declined by 15.6 per cent (like-for-like) to £658 million at 31 December 2018. A number of adjustments have been made to the component parts of the valuation of ECPL. The valuer's more conservative view on gross development value and delivery costs, together with an increased developer's margin have resulted in a net decline of 12.1 per cent (like-for-like) for ECPL in the second half of the year. Similarly the valuation of our other interests at Earls Court has declined, reflecting changes in valuation assumptions.

Covent Garden – a world-class retail and dining destination

Although Central London retail is not immune to the challenged environment experienced at a national level; Covent Garden has performed well delivering income and value growth. Our ambition to create a highly attractive destination supported by our creative asset management strategy has driven positive leasing momentum with good demand for all uses across the estate. Visitors to Covent Garden are offered a differentiated experience, which is fundamental to Capco's vision for the district. Covent Garden's global positioning continues to appeal to brands. Attracting the best brands and new concepts ensures that Covent Garden is able to meet evolving consumer demand, secure rental value growth and continue to capture its reversionary income potential. The completion of significant capital initiatives, including Floral Court, has resulted in a record number of openings across the estate contributing to overall growth in net rental income of 17.5 per cent or 9.6 per cent like-for-like against December 2017.

The estate is valued at £2.6 billion as at 31 December 2018, a like-for-like increase of 1.6 per cent. As a result of positive demand across all uses, 103 new lettings and renewals were agreed, securing £12.9 million of rental income at 7.5 per cent above December 2017 ERV. The ERV of the estate is £108 million, up 3.0 per cent on a like-for-like basis. Contracted income of the estate is £83 million now representing 77 per cent of current ERV. Occupancy on the estate remains high at 97 per cent.

We continue to strengthen our core categories which include jewellery, luxury gifting and accessories and health and well-being. The repositioning of the Royal Opera House Arcade continues with the addition of leading travel brand Tumi and contemporary jewellery brand APM Monaco. There has been strong demand for the Market Building this year, and introductions include Olivia Burton, Africology and For Art's Sake. Lettings to Peloton and The Alkemistry continue the repositioning of Floral Street as a lifestyle and fashion destination.

The range of dining concepts on the estate continues to expand, with the opening of 10 new high quality and differentiated concepts including SushiSamba, RedFarm, The Petersham and Cora Pearl. The latest additions further enhance Covent Garden's attractiveness as one of London's most desirable dining destinations.

The Floral Court development completed successfully during the year. Anchored by a high quality restaurant offering, the courtyard, which connects King Street to Floral Street opened in May 2018, and has facilitated a significantly enhanced pattern of pedestrian flow across this part of the estate. The residential component has been well received with all 16 heritage apartments let successfully and strong buyer demand for the new build collection with £19 million of sales proceeds having been received by year end with a further £12 million secured since 31 December 2018. We have continued to invest in the estate through acquisitions which offer value creation opportunities. £19 million was invested in acquisitions during the year and a further £13 million subsequent to year end as we continue to expand the footprint of the estate.

Earls Court Properties – prime central London development opportunity

We continue to implement our strategy of realising value at Earls Court over time, most notably in 2018 through the successful sale of the Empress State Building to the long-term occupier of the building. The disposal, which was at a premium to valuation, reflects Capco's disciplined approach to investment and capital management. Over the past 24 months in excess of £670 million of gross proceeds have been generated through the sale of Venues and the Empress State Building as well as handover of Lillie Square Phase 1. ECPL continues to focus on enabling development of the consented masterplan through the introduction of third-party capital. However, the current political and economic environment presents challenges. We note the hardening political tone towards large-scale residential development activity in London. As we are a counterparty to a number of public sector stakeholders it is possible that our objectives diverge. The London Borough of Hammersmith & Fulham ("LBHF") has suggested publicly that it would like to terminate the Conditional Land Sale Agreement ("CLSA") and also recently suggested it is considering the use of Compulsory Purchase Orders.

The Lillie Square joint venture continues to make positive progress. 90 per cent of the committed project (Phase 1 & 2) has now been reserved, exchanged or completed. Handover of Phase 1 sold units is substantially complete and hand over of sold units in Phase 2 is expected in 2020.

Outlook

Economic uncertainty resulting from the UK's decision to leave the EU could impact the property market further. Covent Garden is firmly established as a world-class retail and dining destination in the heart of central London and is well-positioned to continue to deliver rental growth and capture embedded reversionary income. We will continue to enhance the customer environment and invest strategically in assets which offer value creation opportunities. Earls Court is one of the most important mixed-use development opportunities in London. The ECPL land, which represents the majority of Capco's investment in Earls Court, is available for development. While the environment for large-scale residential development remains challenging, Earls Court's in place planning consent, high-quality location and connectivity underpin its desirability and prospects for future value realisation.

Preparations for a possible demerger are well advanced and Capco will consider the merits of various options, having regard to market conditions, long-term value creation for shareholders and prudent capital management. Our disciplined investment approach, with a weighting towards Covent Garden positions Capco to continue driving income generation at Covent Garden and realising value at Earls Court. The business is well-positioned to support its future activities, navigate market uncertainties and take advantage of opportunities as they arise.

Ian Hawksworth

Chief Executive

26 February 2019

STRATEGIC REPORT

COVENT GARDEN

A word-class retail and dining destination in the heart of London's West End

Covent Garden is firmly established as a leading global destination for Londoners and visitors to the capital. Capco's distinct approach to management of the estate with emphasis on creativity and differentiated customer experiences ensures Covent Garden continues to attract target brands and consumers.

The Covent Garden estate comprises high quality retail and dining concepts as well as offices and premium residential apartments. In aggregate, the estate provides approximately 1.2 million square feet of lettable space. As one of central London's most iconic destinations, Covent Garden is now home to over 150 British, global and independent brands with many choosing the estate as a flagship, first or only London presence. Emphasis on the customer is essential to ensuring that the estate continues to thrive as a leading destination for Londoners, domestic and international visitors as well as office occupiers and residents.

Overview

Covent Garden is continuing to build on its success as a world-class retail and dining destination and is well-positioned to deliver long-term income and value growth. The team's proactive approach is designed to sustain and enhance demand from occupiers and consumers. Capco adopts a thoughtful approach to selecting leading retail and dining brands and targeting concepts to satisfy consumer expectations.

Consumer needs are constantly evolving, therefore the environment and management of a high quality destination are key in securing demand across all uses, particularly retail. Capco actively engages with its audiences through multi-channel marketing activities such as events, brand partnerships and digital outreach, as well as investment in high quality public realm to enhance the overall customer experience on the estate. Covent Garden has a very significant social media presence with approximately 400,000 followers across Instagram, Facebook and Twitter. Covent Garden is attractive to both online and physical retailers as brands use the estate as well as the strong social media presence to launch products and events, evidencing the strength of not only Covent Garden's location but also the potential value of the brand.

The luxury component continues to expand with the introduction of brands such as Tiffany & Co. and there is an increasing representation from brands generating higher sales densities.

2018 was another active year delivering positive performance. The retail portfolio continues to flourish, with good demand for offices and residential as occupiers are attracted to the overall offer at Covent Garden. The estate has made a number of signings and 2018 was a record year for openings with brands such as SushiSamba and The Shop at Bluebird further strengthening the estate's attractiveness as a leading global destination. The completion of Floral Court and subsequent opening of the courtyard, connecting Floral Street with King Street anchored by retail and dining concepts have enhanced the pedestrian flow on the northern side of the estate.

The Covent Garden estate is highly reversionary, and demand for space in this setting continues to be positive, highlighted by 21 new brands opening this year. 103 leasing transactions including new leases and renewals were completed representing £12.9 million of rental income per annum transacted at 7.5 per cent above 31 December 2017 ERV (H1 2018: 26 transactions representing £4.2 million of rental income, H2 2018: 77 transactions representing £8.7 million of rental income).

Net rental income ("NRI") is £57.5 million, up 9.6 per cent (like-for-like) or 17.5 per cent in absolute terms compared to 2017. NRI growth continues to outperform ERV growth as the reversionary income potential of the portfolio is captured. The value of the estate increased by 1.6 per cent on a like-for-like basis to over £2.6 billion. ERV is £108 million, a like-for-like increase over the year of 3.0 per cent. Contracted income of the estate is £83 million which now represents 77 per cent of the current ERV. Occupancy on the estate remains high at 97 per cent.

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

Retail

Luxury jewellery brand Tiffany & Co. has opened a new concept store on James Street offering an innovative and distinctive retail experience. Its new store complements Covent Garden's growing luxury retail offer which includes Bucherer, Chanel and Mulberry.

The ongoing repositioning of Floral Street as a fashion and lifestyle destination continues to progress. During the year, fitness technology company Peloton agreed terms to open its first flagship studio outside the US at 11 Floral Street. The Grade II listed former Victorian seed warehouse will be Peloton's training studio, covering over 20,000 square feet spread over four floors, and will live stream classes to members worldwide.

Premium womenswear brand ba&sh has agreed terms to open a flagship store which completes the retail leasing activity within Floral Court on King Street.

The Shop at Bluebird has opened in Carriage Hall, housing two dedicated retail floors. The multi brand concept store stocks more than 100 brands such as Victoria Beckham, Marni, Acne Studios and Alexander McQueen.

US fashion brand Free People has opened its first permanent store outside the US, at 28 Floral Street. The Philadelphia-founded ethical-lifestyle brand connects with the customer by sharing the stories behind the latest collections and designs.

Jewellery, gifting and accessories continue to strengthen with the introduction of luxury jewellery brand The Alkemistry to Floral Court as well as the opening of contemporary jewellery brand APM Monaco in the Royal Opera House Arcade offering a collection of hand-crafted designs. In addition, leading travel brand Tumi was introduced to the Royal Opera House Arcade.

During the year strong demand for the Market Building was recorded; new leasing deals were agreed with Whittards and Atelier Cologne, along with the introduction of new British watch brand Olivia Burton and spa brand Africology. Eyewear brand For Art's Sake launched its first standalone retail store. The store incorporates a host of customer features, including a selfie station, personal shopping in multiple languages, a concierge option, tax-free shopping as well as Click and Collect.

Shortly after year end, French luxury sportswear brand Lacoste agreed terms to open a new store on James Street. The opening of Lacoste will continue to position Covent Garden as one of London's fashion and lifestyle destinations for a wide range of international, luxury brands.

Dining

Introducing high quality innovative food concepts has been central to the dining strategy for Covent Garden. Ten new restaurant formats have opened during 2018 adding to the depth of quality on the estate, establishing Covent Garden as one of London's best dining destinations.

Global restaurant SushiSamba opened its fusion dining restaurant on the Opera Terrace above the Market Building, offering a unique blend of Japanese, Brazilian and Peruvian cuisine. The Market Building's dining offering has been enhanced with the opening of acclaimed US fast casual restaurant Buns & Buns. The Miami based 'breadery' and grill is another London first for Covent Garden and offers an all-day casual dining destination.

Petersham Nurseries opened two new restaurants in Floral Court, La Goccia, a vibrant all-day restaurant, offering an extensive menu of small sharing plates, and The Petersham, a sophisticated, a la carte restaurant. Tables flow out onto Floral Court, where al fresco dining is offered.

New York restaurant RedFarm opened alongside Balthazar on Russell Street, bringing modern Chinese cuisine and dim sum to Covent Garden. The 96-seat restaurant features modern rustic decor across three floors, offering a casual dining experience.

Mariage Frères, a Parisian tea house, opened its UK flagship and first standalone store outside Paris on King Street comprising over 8,000 square feet, set across retail space, a restaurant specialising in tea gastronomy, a tea museum and two private event spaces.

Adding to the offering on Henrietta Street is Cora Pearl, a new restaurant from the team behind Kitty Fisher's in Mayfair. Henrietta Street has also welcomed another UK first, Avobar, London's first permanent avocado bar serving avocado based dishes.

Southampton Street welcomed the opening of Abuelo, an Australian-meets-South-American coffee house and kitchen. Pancs has joined the Market Building, offering handcrafted pancakes and Egg'cellent, serving a breakfast only menu using fresh and organic eggs will open shortly. So Soufflé has opened its first branch in Europe offering delicious soufflé desserts.

Covent Garden now has its best line up to date attracting large numbers of Londoners as well as visitors to the capital. Footfall across the estate is up and particularly positive on the feeder streets which act as entrances to the estate. In addition, there are a number of openings scheduled for 2019. Vyta Santa Margherita is fitting out space in the Market Building and is expected to open in the spring. Wahlburgers, the casual dining burger restaurant and bar, will open its first restaurant outside the US on James Street, offering a menu of high quality homemade burgers and sandwiches, fresh salads and shakes.

Offices

The office portfolio is performing well with high occupancy and good demand as Covent Garden has become an attractive office location for professional services, creative industries and SMEs. A number of office lettings have been achieved during the year; including Tower House and Regal House which is now fully let. Office space represents 13 per cent of the portfolio by value.

Residential

Covent Garden's prime residential address continues to strengthen with strong leasing demand for residential accommodation across the estate. The residential portfolio is operating close to full occupancy with a high rate of renewals recorded above previous passing rent.

The residential component of Floral Court comprises 16 heritage apartments on King Street and Rose Street and 29 new apartments on Floral Street. The entire heritage component has been leased to Sonder, a single operator which provides flexible short-term accommodation. Strong buyer interest has been received for the new build collection with 11 units now sold representing £32 million of sales proceeds of which £19 million occurred during 2018.

Hospitality

Encouraging first steps have been taken in introducing hotel accommodation to the estate. There has been encouraging demand across various price points. Z Hotels has opened on Bedford Street providing accommodation for visitors with a new 111 room hotel. Existing tenant, The Henrietta Hotel, has upsized its offering into a neighbouring building reflecting positive performance on the estate.

Acquisitions and developments

Covent Garden's largest development to date, Floral Court, completed successfully during the year. Floral Court provides over 85,000 square feet (NIA) of space with eight retail and two restaurant units as well as 45 apartments. The new connecting courtyard between Floral Street and King Street is now open and substantially all of the commercial space is now let or under offer.

Capco continues to expand its ownership of the estate, acquiring three properties for £19 million consideration including purchasers' costs. Most notably, Capco completed the assembly of the Wellington block, which is a scarce island site in central London, through the acquisition of the last remaining unit, 23 Wellington Street for £10 million. Repositioning of the Wellington block presents an interesting investment opportunity; Capco is reviewing options, which include proposals for office and retail space as well as hospitality.

Subsequent to year end we acquired 39-40 Bedford Street which presents a repositioning opportunity on an important entrance to the estate. There are a number of further properties on or around the estate being tracked for acquisition and repositioning opportunities.

Future Priorities

Capco continues to implement its strategy for Covent Garden through creative asset management and investment, and attracting excellent retail brands and dining concepts to the estate. By introducing a differentiated mix of British, global and independent brands to address the evolving needs of the consumer, Capco aims to continue capturing the reversionary income potential of the portfolio while continuing to drive ERV progression.

Further to this, Capco aims to continue enhancing the customer environment and make investments to expand its ownership of the estate. As the new openings across the estate trade and pedestrian flow changes this will present further repositioning opportunities. In addition, the southern side of the estate offers a number of embedded growth opportunities, including the repositioning of the Wellington block.

Building on the successful openings in 2018 including Tiffany & Co., The Shop at Bluebird, and SushiSamba, 2019 will see a number of retail and dining openings across the estate with brands such as Wahlburgers, Lacoste and ba&sh which are expected to further strengthen the estate's attractiveness as a leading retail and dining destination.

EARLS COURT PROPERTIES

One of London's most important development opportunities

Overview

Earls Court is one of the most important mixed-use development opportunities in central London. It is located within two desirable boroughs, with the potential to be transformed into a new district for London.

Capco continues to implement its strategy of realising value at Earls Court over time as evidenced by the sale of Venues, the Empress State Building and handover of Lillie Square Phase 1. Having deployed its expertise to carry out land assembly, establish and manage partnerships, achieve and implement a planning consent and undertake complex enabling works, the land is now available for development. Capco has also successfully established a high quality address for this part of London through the development of Lillie Square with its joint venture partner Kwok Family Interests ("KFI") as well as establishing a pop-up local high street at West Brompton Crossing.

The Company's strategy is to realise value from the ECPL land and bring forward development of the consented Masterplan through the introduction of third-party capital to deliver this important opportunity for London. The current political and economic environment however presents challenges. Whilst many difficult milestones have been achieved over the life of the investment we note the hardening political tone towards large-scale residential development activity which provides the backdrop for evolving policies of the Greater London Authority ("GLA") and many local authorities across London. As we are invested alongside TfL and are a counterparty to a number of public sector stakeholders it is possible that our objectives diverge. For instance LBHF has suggested publicly that it would like to terminate the CLSA. This approach has been echoed by the GLA which has commented on the future of the CLSA and alternative planning proposals for the wider Masterplan area. LBHF has also recently suggested that it is considering the use of Compulsory Purchase Orders. The Company will continue to take a constructive approach to all stakeholders to advance this important scheme for London, whilst protecting its commercial interests, and advance the existing planning consent through the introduction of third-party capital.

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

Investments at Earls Court

Earls Court Properties represents Capco's investments within the Earls Court and West Kensington Opportunity Area and principally comprises:

- 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

- 50 per cent interest in the Lillie Square joint venture with KFI

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

Capco's investment in Earls Court Properties declined by 15.6 per cent (like-for-like) to £658 million at 31 December 2018. This comprises £499 million in relation to ECPL and other interests, and £159 million for Capco's share in the Lillie Square joint venture. A number of adjustments have been made to the component parts of the valuation of our interest in ECPL. The valuer's more conservative view on gross development value and delivery costs, together with an increased developer's margin have resulted in a net decline of 12.1 per cent (like-for-like) for ECPL in the second half of the year. Similarly the valuation of our other interests at Earls Court has declined, reflecting changes in valuation assumptions.

ECPL

ECPL owns 999 year leases (granted in April 2015) over the EC1 & EC2 land together with certain adjacent properties primarily located on or around Lillie Road. Capco continues to lead the venture in its role as business manager.

Following the successful completion of the final phase of the demolition of the former Earls Court Exhibition Centres in early 2018, the ECPL land is available for development. The objective of ECPL is to maximise economic value by enabling development of the consented Masterplan, development of which is expected to be brought forward through the introduction of third-party capital.

To date, a number of approaches have been received from potential investors and occupiers in relation to a broad range of end uses including senior living, diplomatic, education and institutional in respect of certain individual parts of ECPL land.

Sale of the Empress State Building

The disposal of the Empress State Building ("ESB") reflects Capco's disciplined approach to capital management, enabling Capco to realise significant gross cash proceeds of £250 million compared to the 31 December 2017 valuation of £220 million. ESB has been sold to The Mayor's Office for Policing and Crime ("MOPAC"), the long-term occupier of the building under a lease which was due to expire in June 2019. ESB is a 451,000 square foot (NIA), 31 storey, office building located in Earls Court. The consented Earls Court Masterplan is a mixed-use development and is based on retention of ESB's current structure.

Lillie Square

Lillie Square is a one million square foot (GEA) residential development located adjacent to the Earls Court Masterplan. The development can deliver over 600 private and 200 affordable homes across three phases. Development of Lillie Square is very well progressed with over £450 million of cumulative sales contracted across Phase 1 and 2.

Delivery of Phase 1 is substantially complete, and over 220 units have been handed over to residents representing £129 million (Capco share) of sales proceeds.

In Phase 2, over 80 per cent of the units (154 of the 186), have now been reserved or exchanged, 66 of these transacted in 2018, including the exchange of contracts with an international investor for all 49 apartments and 31 parking spaces at '9 Lillie Square', one of the four blocks within Phase 2. Total consideration for this transaction will be approximately £66 million (£33 million Capco share). Pricing was in line with Phase 2 sales to date at a modest premium to comparable units in Phase 1. The main construction contract for Phase 2 was awarded in June 2018. Completion of construction and hand over of sold units is expected in 2020.

CLSA

To date, Capco has paid £90 million of the £105 million cash consideration payable to LBHF including four of the five annual instalments of £15 million. Under the CLSA, the residents of The Estates would have the opportunity to be rehoused by the council within the Earls Court Opportunity Area, some potentially within Block D of the Lillie Square development, in which the basement and foundation works have completed.

LBHF has expressed interest in pursuing alternative options for The Estates including termination of the CLSA, which is a legally binding agreement. Capco continues to meet its contractual obligations in respect of the CLSA and under the existing outline planning consent. Most recently, in November 2018, Capco submitted a Reserved Matters Application for part of the land that is subject to the CLSA. The detailed proposals cover 1.3 million square feet of the Earls Court Masterplan and include residential, office and retail space. LBHF has not yet validated the application; Capco will continue to follow due process in respect of this submission as well as seek to engage with relevant stakeholders in relation to future plans for The Estates, as part of the wider masterplan.

Capco notes recent comments from LBHF in relation to the internal investigation into the decision of LBHF to enter into the CLSA. The CLSA is a legally binding agreement and was entered into by LBHF, following approval by LBHF's cabinet and the Secretary of State. Capco also notes recent comments from LBHF suggesting that it is considering the use of Compulsory Purchase Orders on various parts of the Earls Court masterplan.

West Brompton Crossing: temporary retail and leisure use

In 2018, ECPL expanded West Brompton Crossing, a pop-up local high street for Earls Court, by opening additional retail units alongside The Prince. The Prince, which opened in late 2017 has been very successful, comprising two bars, four restaurants and a shared garden exterior with the capacity for up to 400 people. Three new retail units have opened to showcase emerging brands and new local talent.

Future Priorities

Capco's strategy is to realise value from its interests at Earls Court. The objective of ECPL is to maximise economic value by enabling development of the consented Masterplan, development of which is expected to be brought forward through the introduction of third-party capital.

The team will continue to progress Lillie Square through the delivery of Phase 2, ensuring successful completion and hand over to all purchasers and continued sales of the remaining inventory.

FINANCIAL REVIEW

Our profile of growing income at Covent Garden and strong capital structure provides financial resilience, enabling the Group to withstand prevailing market conditions, take advantage of opportunities as they arise, and deliver long-term value to shareholders. The Group has strengthened its financial position further during 2018, including through the sale of the Empress State Building, reducing loan to value to 18 per cent and increasing Group undrawn facilities and cash to £854 million.

The Group has continued to invest in the Covent Garden business through £19 million of acquisitions and £42 million of capital expenditure in the Covent Garden portfolio, predominantly at Floral Court. At the year end Covent Garden accounted for 80 per cent of the Group's property portfolio by value. The value of the Covent Garden estate increased by 1.6 per cent (like-for-like) as a result of rental growth achieved during the year and stable yields, with ERV up by 3.0 per cent on a like-for-like basis.

The Empress State Building was sold at a £30 million premium to valuation. Market uncertainty continued to impact the London residential market and has resulted in a further decline in land valuations at Earls Court. The market value of Earls Court Properties, which represents the Group's interests at Earls Court, has decreased by 15.6 per cent on a like-for-like basis.

Overall, the Group share of total property value has decreased by 2.4 per cent (like-for-like). EPRA net asset value per share also decreased by 2.4 per cent during the year, from 333.8 pence at 31 December 2017 to 325.7 pence. Combined with the 1.5 pence dividend paid to shareholders during the year, the total return for 2018 is -2.0 per cent.

Underlying earnings from continuing activities increased by 9.6 per cent to £8.0 million with continued net rental income growth at Covent Garden and reduced underlying administration expenses.

Basis of preparation

As required by IFRS 11 'Joint Arrangements' the Group presents its joint ventures under the equity method in the consolidated financial statements. 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.

The Group uses Alternative Performance Measures ("APMs"), financial measures which are not specified under IFRS, 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 summary of EPRA performance measures and key Group measures included within these financial statements are shown on pages 51 and 52.

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, as this represents the economic value attributable to the Company's shareholders. 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.

FINANCIAL POSITION

At 31 December 2018 the Group's EPRA net asset value was £2.8 billion (31 December 2017: £2.8 billion) representing 326 pence per share (31 December 2017: 334 pence).

SUMMARY ADJUSTED BALANCE SHEET

	2018			
	Group Share £m	**Joint ventures[1] £m**	**NCI[2] £m**	**IFRS £m**
Investment, development and trading property	**3,198.2**	**(133.4)**	**270.7**	**3,335.5**
Net debt	**(572.7)**	**9.4**	**(21.4)**	**(584.7)**
Other assets and liabilities[3]	**123.0**	**111.7**	**(1.9)**	**232.8**
Non-controlling interest	**–**	**–**	**(247.4)**	**(247.4)**
Net assets attributable to owners of the Parent	**2,748.5**	**(12.3)**	**–**	**2,736.2**
Adjustments:				
Fair value of derivative financial instruments				**(0.7)**
Unrecognised surplus on trading property				**25.7**
Revaluation of other non-current assets				**12.3**
Deferred tax adjustments				**3.5**
EPRA net asset value				**2,777.0**
EPRA net asset value per share (pence)[4]				**326**

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 2018 was 852.6 million.

	2017			
	Group Share £m	Joint ventures[1] £m	NCI[2] £m	IFRS £m
Investment, development and trading property	3,441.0	(124.7)	329.4	3,645.7
Net debt	(733.7)	6.1	(20.7)	(748.3)
Other assets and liabilities[3]	92.5	118.6	(2.9)	208.2
Non-controlling interest	–	–	(305.8)	(305.8)
Net assets attributable to owners of the Parent	2,799.8	–	–	2,799.8
Adjustments:				
Fair value of derivative financial instruments				5.5
Unrecognised surplus on trading property				31.8
Deferred tax adjustments				1.9
EPRA net asset value				2,839.0
EPRA net asset value per share (pence)[4]				334

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 2017 was 850.6 million.

Investment, development and trading property

The revaluation loss on the Group's property portfolio was £84.7 million for the year, representing a 2.4 per cent decrease in value on a like-for-like basis compared with the MSCI Capital Return for the equivalent period of a 2.1 per cent gain. The Group revaluation loss consists of a £37.3 million gain at Covent Garden and a £122.0 million loss at Earls Court.

Total property return for the year was -0.4 per cent. The MSCI Total Return Index recorded a 7.5 per cent return for the corresponding period.

The revaluation loss of £84.7 million occurred on investment property. On an IFRS basis, which includes ECPL at 100 per cent and does not include Lillie Square on a line by line basis, loss on revaluation and sale of investment and development property was £146.1 million.

Trading property is carried on the consolidated balance sheet at the lower of cost and market value, therefore valuation surpluses on trading property are not recorded. Any unrecognised surplus is however reflected within the EPRA net asset value measure. During the year £4.4 million of the unrealised trading property surplus has been realised. At 31 December 2018, the unrecognised surplus on trading property was £25.7 million (31 December 2017: £31.8 million) which arises solely on the Group's share of trading property at Lillie Square.

Debt and gearing

During the year the Group agreed terms for two 12 month extensions to the Lillie Square LP facility at the borrower's option. As a result, assuming that the second extension is exercised, the Group's earliest repayment date on its facilities would be May 2021.

The Group's cash and undrawn committed facilities at 31 December 2018 were £854.4 million (31 December 2017: £690.8 million). A reconciliation between Group share and IFRS is shown below:

	2018				2017			
	Group Share	**Joint ventures[1]**	**NCI[2]**	**IFRS**	Group Share	Joint ventures[1]	NCI[2]	IFRS
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Cash and cash equivalents	**49.9**	**(20.4)**	**3.0**	**32.5**	52.3	(25.7)	2.0	28.6
Undrawn committed facilities	**804.5**	**(35.0)**	**32.0**	**801.5**	638.5	(33.1)	32.5	637.9
Cash and undrawn committed facilities	**854.4**	**(55.4)**	**35.0**	**834.0**	690.8	(58.8)	34.5	666.5

1. Primarily Lillie Square.

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

Net debt decreased by £161 million to £573 million, principally as a result of the disposal of the Empress State Building, partly offset by further investment into our assets and the acquisitions at Covent Garden. As set out in the summary adjusted balance sheet, net debt on an IFRS basis was £585 million.

The gearing measure most widely used in the industry is loan to value ("LTV"), which 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 17.9 per cent remains comfortably within the Group's limit of no more than 40 per cent.

	2018	2017
Loan to value	**17.9%**	21.3%
Interest cover	**149%**	170%
Weighted average debt maturity	**6.0 years**	6.9 years
Weighted average cost of debt	**2.9%**	2.8%
Gross debt with interest rate protection	**88%**	91%

The Group's policy is to eliminate substantially the medium and long-term risk arising from interest rate volatility. The Group's banking facilities are arranged on a floating rate basis but are generally swapped to fixed rate or capped using derivative contracts. At 31 December 2018 the proportion of gross debt with interest rate protection was 88 per cent (31 December 2017: 91 per cent).

The Group remains compliant with all of its debt covenants, details of which are set out on page 50, and has significant levels of headroom against its covenants across all of its debt facilities.

At 31 December 2018 the Group had capital commitments of £53.4 million (£61.3 million at 31 December 2017). Capital commitments consist of £3.8 million for Covent Garden and £49.6 million for Earls Court Properties (including the £15.0 million of CLSA instalments and £32.4 million in relation to Lillie Square).

	2018				2017			
	Group Share	**Joint ventures[1]**	**NCI[2]**	**IFRS**	Group Share	Joint ventures[1]	NCI[2]	IFRS
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Capital commitments	**53.4**	**(32.4)**	**1.4**	**22.4**	61.3	(7.0)	3.0	57.3

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 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 investment property remains unrecognised in the consolidated financial statements of the Group as its main underlying asset (the land relating to The Estates) does not currently meet the recognition criteria under IFRS required for investment and development property. Annual payments of £15 million commenced in December 2015 and the final payment is due to be paid in 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 £90 million paid to date, £15 million relates to the acquisition of two properties, held as investment and development property, and £75 million relates to options over The Estates which is held as a prepayment within other receivables. The remaining future payment totalling £15 million is disclosed as a capital commitment as referred to above.

The prepayment balance will be transferred to investment and development property once the recognition criteria for 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 year ended 31 December 2018 is presented below:

SUMMARY CASH FLOW

	2018			
	Group Share £m	Joint ventures[1] £m	NCI[2] £m	IFRS £m
Operating cash flows after interest and tax from continuing activities	**(17.5)**	**2.5**	**0.6**	**(14.4)**
Purchase and development of property, plant and equipment	**(108.7)**	**33.4**	**(9.5)**	**(84.8)**
Transactions with joint venture partners and non-controlling interests	**(1.1)**	**(1.1)**	**8.3**	**6.1**
Net sales proceeds from discontinued operation	**(0.3)**	**–**	**–**	**(0.3)**
Net sales proceeds from subsidiaries	**250.7**	**–**	**–**	**250.7**
Net sales proceeds from property	**51.1**	**(30.8)**	**0.6**	**20.9**
Net cash flow before financing from continuing activities	**174.2**	**4.0**	**–**	**178.2**
Issue of shares	**0.1**	**–**	**–**	**0.1**
Financing	**(166.4)**	**3.2**	**1.0**	**(162.2)**
Dividends paid	**(8.2)**	**–**	**–**	**(8.2)**
Other	**(4.0)**	**–**	**–**	**(4.0)**
Net cash flow from continuing activities[3]	**(4.3)**	**7.2**	**1.0**	**3.9**
Net cash flow from discontinued operation	**–**	**–**	**–**	**–**
Net cash flow	**(4.3)**	**7.2**	**1.0**	**3.9**

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 £1.9 million.

	2017			
	Group Share £m	Joint ventures[1] £m	NCI[2] £m	IFRS £m
Operating cash flows after interest and tax from continuing activities	(24.0)	10.2	0.6	(13.2)
Purchase and development of property, plant and equipment	(225.6)	27.0	(12.6)	(211.2)
Transactions with joint venture partners and non-controlling interests	7.8	5.6	(0.1)	13.3
Net sales proceeds from discontinued operation	226.0	–	–	226.0
Net sales proceeds from subsidiaries	(4.5)	–	–	(4.5)
Net sales proceeds from property	109.1	(92.0)	–	17.1
Net cash flow before financing from continuing activities	88.8	(49.2)	(12.1)	27.5
Issue of shares	0.3	–	–	0.3
Financing	(75.7)	46.3	10.6	(18.8)
Dividends paid	(6.7)	–	–	(6.7)
Transactions with discontinued operation	5.4	–	–	5.4
Other	(3.8)	–	–	(3.8)
Net cash flow from continuing activities[3]	8.3	(2.9)	(1.5)	3.9
Net cash flow from discontinued operation	(0.2)	–	–	(0.2)
Net cash flow	8.1	(2.9)	(1.5)	3.7

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 £14.6 million.

Operating cash outflows of £17.5 million are as a result of changes in net working capital requirements.

During the year, £57.4 million was invested at Covent Garden for the purchase of three properties and subsequent expenditure for the development of property predominantly at Floral Court. At Earls Court, total expenditure of £51.3 million primarily relates to enablement works on ECPL land including the acquisition of the final residential unit at Empress Place and the construction of Lillie Square Phase 2.

The disposal of the Empress State Building, effected through the sale of subsidiaries, resulted in a net inflow of £248.9 million after transaction-related costs. The proceeds were used to reduce the Group's net debt position and will be deployed in Capco's core central London estates. Net proceeds from subsidiaries also includes £1.8 million relating to deferred consideration on the disposal of the Brewery by EC&O Limited on 9 February 2012.

Net sales proceeds from property of £51.1 million (Group share) relates to the disposal of seven units at Floral Court and 41 units at Lillie Square.

IFRS net borrowings repaid during the year were £162.2 million. Adjusted for net borrowings repaid in joint ventures and the Group's non-controlling interest the reduction was £166.4 million.

Dividends paid of £8.2 million reflect the final dividend payment made in respect of the 2017 financial year and the interim dividend paid in September 2018. This was higher than the previous year due to a lower take up of the scrip dividend alternative, 35 per cent versus 47 per cent for the final dividend in 2017.

IFRS cash and cash equivalents has increased by £3.9 million to £32.5 million. Lillie Square Phase 1 completions has reduced the cash held for deposits and as a result the Group's share of cash and cash equivalents has decreased by £2.4 million to £49.9 million.

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 certain other items and therefore represents the recurring, underlying performance of the business.

SUMMARY INCOME STATEMENT

	2018			
	Group Share £m	**Joint ventures[1] £m**	**NCI[2] £m**	**IFRS £m**
Net rental income	**63.5**	**(0.1)**	**1.0**	**64.4**
Loss on revaluation and sale of investment and development property	**(78.8)**	**–**	**(67.3)**	**(146.1)**
Administration expenses	**(41.6)**	**(0.5)**	**(0.4)**	**(42.5)**
Net finance costs	**(19.2)**	**0.2**	**–**	**(19.0)**
Taxation	**(4.3)**	**–**	**–**	**(4.3)**
Other	**35.8**	**(11.9)**	**–**	**23.9**
Non-controlling interest	**–**	**–**	**66.7**	**66.7**
Loss for the year attributable to owners of the Parent from continuing operations	**(44.6)**	**(12.3)**	**–**	**(56.9)**
Adjustments:				
Loss on revaluation and sale of investment and development property				**146.1**
Non-controlling interest in respect of Group adjustments				**(67.3)**
Profit on sale of subsidiaries				**(29.5)**
Administration expenses – non-underlying				**4.9**
Other[3]				**7.8**
Taxation on non-underlying items				**2.9**
Underlying earnings from continuing operations				**8.0**
Underlying earnings per share (pence)				**0.9**
Weighted average number of shares				**850.8m**

1. Lillie Square and Innova Investment.

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

3. Further details regarding the EPRA and Company specific adjustments are disclosed within note 12 'Earnings Per Share and Net Assets Per Share'.

	2017			
	Group Share £m	Joint ventures[1] £m	NCI[2] £m	IFRS £m
Net rental income	66.2	–	0.7	66.9
(Loss)/gain on revaluation and sale of investment and development property	(28.0)	(0.3)	(62.6)	(90.9)
Administration expenses	(38.7)	0.3	(0.4)	(38.8)
Net finance costs	(19.8)	0.7	–	(19.1)
Taxation	(6.7)	–	–	(6.7)
Other	20.5	(0.7)	(0.4)	19.4
Non-controlling interest	–	–	62.7	62.7
Loss for the year attributable to owners of the Parent from continuing operations	(6.5)	–	–	(6.5)
Adjustments:				
Loss on revaluation and sale of investment and development property				90.9
Non-controlling interest in respect of Group adjustments				(62.6)
Other[3]				(18.5)
Taxation on non-underlying items				4.0
Underlying earnings from continuing operations				7.3
Underlying earnings from discontinued operation				4.1
Underlying earnings				11.4
Underlying earnings per share (pence):				
From continuing operations				0.9
From discontinued operation				0.4
Underlying earnings per share (pence)				1.3
Weighted average number of shares				850.4m

1. Lillie Square and Innova Investment.
2. Non-controlling interest represents TfL's 37 per cent share of ECPL.
3. Further details regarding the EPRA and Company specific adjustments are disclosed within note 12 'Earnings Per Share and Net Assets Per Share'.

Income

Covent Garden net rental income has increased by £8.6 million due to £4.4 million of like-for-like growth and £4.2 million through current and prior year acquisitions and developments. The Group continues to convert reversionary potential into contracted rents resulting in a like-for-like net rental income growth at Covent Garden of 9.6 per cent. ERV at Covent Garden increased by 3.0 per cent, like-for-like, from £104.8 million to £107.7 million.

Earls Court net rental income has decreased by £11.5 million, primarily as a result of the Empress State Building sale.

On an overall basis, increased net rental income at Covent Garden has been offset by the loss of income from the Empress State Building resulting in a decrease in Group net rental income of £2.7 million (IFRS: £2.5 million).

Loss on revaluation and sale of investment and development property

The loss on revaluation of the Group's investment and development property was £80.9 million. Covent Garden recorded a gain on revaluation of £37.3 million as a result of rental growth. The loss on revaluation at Earls Court of £118.2 million was driven by changes in valuers' assumptions. The IFRS loss on revaluation, which includes the non-controlling interest share of ECPL losses, was £148.2 million.

The sale of seven apartments at Floral Court resulted in a £2.1 million gain above the previous recognised valuation gain.

Administration expenses

Underlying administration expenses have been reduced by £2.0 million due to efficiency initiatives. £4.9 million of costs were incurred during the year in relation to the possible demerger and related activity.

Net finance costs

Net finance costs have decreased to £19.2 million due to the lower level of average borrowings during the year.

Taxation

The total tax charge for the year, made up of both underlying tax and non-underlying tax, is £4.3 million.

Tax on underlying profits of the Group was £1.4 million which reflects a rate in line with the current rate of UK corporation tax. The main rate of corporation tax reduced from 20 per cent to 19 per cent from 1 April 2017. The corporation tax rate will reduce further to 17 per cent from 1 April 2020.

Contingent tax, being the amount of tax that would become payable on a theoretical disposal of all investment property held by the Group, as at 31 December 2018 was nil (31 December 2017: nil). A disposal of the Group's trading properties at their market value, before utilisation of carried forward losses, would result in a corporation tax charge to the Group of £4.9 million (19 per cent of £25.7 million).

IAS 12 provides for the recognition of a deferred tax asset where it is probable that 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 is available on the Group website, 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 impact adversely 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 legislation and having regard to key stakeholders, the Group maintains a constructive and open working relationship with HM Revenue & Customs which regularly includes obtaining advance clearance on key transactions where the tax treatment may be uncertain.

Dividends

The Board has proposed a final dividend of 1.0 pence per share to be paid on 16 May 2019 to shareholders on the register at 12 April 2019. Subject to SARB approval, the Board intends to offer a scrip dividend alternative.

Going concern

At 31 December 2018 the Group's cash and undrawn committed facilities were £854.4 million and its capital commitments were £53.4 million. With a weighted average debt maturity of six years, loan to value of 17.9 per cent and sufficient headroom against all financial covenants, there continues to be a reasonable expectation that the Company and Group will have adequate resources to meet both ongoing and future commitments for at least 12 months from the date of signing these financial statements. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the 2018 Annual Report & Accounts.

Situl Jobanputra
Chief Financial Officer

26 February 2019

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.

Risk is a standing agenda item at 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 & Director of Corporate Services and the Group 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 each 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 are established. A full risk review is undertaken annually in which the risk registers are aggregated and reviewed by the Executive Risk Committee. The Directors confirm that they have completed a robust assessment of the principal risks faced by the business, assisted by the work performed by the Executive Risk Committee.

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

Since the EU Referendum, there has been ongoing heightened economic and political uncertainty. As the date at which the UK is set to depart from the EU approaches, there may be an increased level of volatility in consumer, occupier and broader corporate behaviour and decision-making. This risk is heightened by the possibility of a disorderly Brexit. To date, we have not identified an adverse impact on occupier demand for the Covent Garden estate, which has seen strong rental growth.

At Earls Court, valuation of residential-led development land has been impacted by the overall economic and political backdrop. Whilst the impact on our business and the market remains uncertain, the Board continues to monitor progress in this area and wider activity and has assessed risks to the business that may result from the UK leaving the EU, including the implications of a 'no deal' scenario. The main areas that may affect the Group directly are:

- the impact on the London and UK economy, including exchange rate volatility and potential disruption in the financial markets
- the impact on current and prospective tenants, whether it be on management of their inventory, workforce labour, tariffs or other barriers, and the impact on consumer demand (for example due to travel disruption) leading to reduced rents and capital values
- the impact on the supply chain, such as delay to delivery of materials and foreign exchange exposure on development materials
- the impact on the demand from prospective purchasers as a result of market uncertainty and foreign exchange exposure leading to reduced capital values

Brexit uncertainty has continued after the year end date. Whilst it is not possible to predict the overall outcome, the Board is continuing to monitor external events and appropriate action is being undertaken to prepare for short-term risk during and after a political decision is reached to ensure that the business remains resilient and well-positioned for the long-term.

London, as a highly desirable global city, continues to attract both domestic and international businesses and people and we would expect this leading position to be maintained over time. Uncertainty remains, however, around the exit mechanism and longer-term implications of Brexit, and this will continue to have a direct or indirect impact on a number of the principal risks set out on the following pages.

The political framework for large scale residential development has become more difficult and there is an increased risk of political intervention. The Government continues to review housing and planning policy which may result in beneficial or adverse change for landowners.

In May 2018 the Group announced that it was considering a demerger, which would result in two separately-listed businesses based around its prime central London estates. In November 2018 the Group noted press speculation and confirmed that it continued to advance preparations for a possible demerger, however that it had received a number of proposals in relation to the Group's interests in Earls Court which it was considering. If a demerger or a sale of a significant proportion of the Group's interests in Earls Court Properties interests were to occur this would have an impact on the Group's principal risks.

CORPORATE

Risk	Impact on strategy	Mitigation	Change in 2018
Economic conditions			
Decline in real estate valuations due to macro-economic conditions Relative attractiveness of other asset classes or locations Inability of the Group to adopt the appropriate strategy or to react to changing market conditions or changing consumer behaviour	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	↑ More challenging occupier and investment market
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, and diversified sources of funding Consideration of early refinancing Covenant headroom monitored and stress tested Derivative contracts to provide interest rate protection Development phasing to enable flexibility and reduce financial exposure	-
Political climate			
Uncertain political climate or changes to legislation and policies A disorderly Brexit could cause an adverse impact on business and consumer confidence, increase material costs and reduce labour supply	Inability to deliver business plan Reduced rental income and/or capital values as tenants could suffer staff shortages, increased import prices, longer lead times and lower availability of stock	Monitoring proposals and emerging policy and legislation Engagement with key stakeholders and politicians Diversified occupiers with limited exposure to any one tenant	↑ Heightened and continuing political and consumer uncertainty due to ongoing negotiations to exit from the EU
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 and 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	-

Risk	Impact on strategy	Mitigation	Change in 2018
Compliance with law, regulations and contracts			
Breach of legislation, regulation or contract Inability to monitor or anticipate legal or regulatory changes	Prosecution for non-compliance with legislation Litigation or fines Reputational damage Distraction of management	Appointment of external advisers to monitor changes in law or regulation Members of staff attend external briefings to remain cognisant of legislative and regulatory changes	-

PROPERTY

Risk	Impact on strategy	Mitigation	Change in 2018
Leasing			
Inability to achieve target rents or to attract target tenants due to market conditions Competition from other locations/formats	Decline in tenant demand for the Group's properties Reduced income and increased vacancy Reduced return on investment and development property	Quality tenant mix Strategic focus on creating retail destinations with unique attributes	↑ More challenging occupier and investment market
Planning			
Unfavourable planning policy or legislation impacting on the ability to secure planning approvals or consents Secretary of State or Mayoral intervention or judicial review	Impact on land valuations and realisation	Engagement with local and national authorities Pre-application and consultation with key stakeholders and landowners Engagement with local community bodies Outline planning permission already granted for the Earls Court Masterplan, including detailed planning for the ECPL land, and implemented on ECPL land	-
Development			
Decline in returns from development and impact on land valuations due to: - Market conditions - Site constraints leading to an increase in overall development costs - Increased construction costs or delays (including as a result of complexity of developing adjacent to and above public transport infrastructure) - Failure to implement business plans or strategic agreements on acceptable terms (including as a result of diverging stakeholder objectives, such as Compulsory Purchase Orders)	Lower development returns due to lower sales proceeds, higher costs or delay	Focus on prime assets Regular assessment of market conditions and development 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 ECPL planning consent implemented	-

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities

The statement of Directors' responsibilities has been prepared in relation to the Group's full Annual Report & Accounts for the year ended 31 December 2018. Certain parts of the Annual Report & Accounts are not included within this announcement.

We confirm to the best of our knowledge:

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

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

Signed on behalf of the Board on 26 February 2019

Ian Hawksworth
Chief Executive
26 February 2019

Situl Jobanputra
Chief Financial Officer
26 February 2019

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

	Note	2018 £m	2017 £m
Continuing operations			
Revenue	2	**83.5**	87.7
Rental income		**80.1**	80.0
Rental expenses		**(15.7)**	(13.1)
Net rental income	2	**64.4**	66.9
Profit on sale of trading property	3	**–**	0.9
Other income		**3.4**	3.8
Loss on revaluation and sale of investment and development property	4	**(146.1)**	(90.9)
Impairment of other receivables	5	**(23.2)**	(1.3)
Profit on sale of subsidiaries	6	**29.5**	–
		(72.0)	(20.6)
Administration expenses		**(42.5)**	(38.8)
Operating loss		**(114.5)**	(59.4)
Finance income	7	**0.3**	0.8
Finance costs	8	**(19.3)**	(19.9)
Other finance income	7	**12.0**	11.7
Change in fair value of derivative financial instruments		**2.2**	4.3
Net finance costs		**(4.8)**	(3.1)
Loss before tax		**(119.3)**	(62.5)
Current tax		**(2.2)**	(1.7)
Deferred tax		**(2.1)**	(5.0)
Taxation	9	**(4.3)**	(6.7)
Loss for the year from continuing operations		**(123.6)**	(69.2)
Discontinued operation			
Profit for the year from discontinued operation	10	**–**	6.1
Loss for the year		**(123.6)**	(63.1)
Loss attributable to:			
Owners of the Parent		**(56.9)**	(0.4)
Non-controlling interest	15	**(66.7)**	(62.7)
Earnings per share attributable to owners of the Parent[1]			
Basic and diluted loss per share	12	**(6.7)p**	(0.1)p
Earnings per share from continuing operations attributable to owners of the Parent[1]			
Basic and diluted loss per share	12	**(6.7)p**	(0.8)p
Weighted average number of shares	12	**850.8m**	850.4m

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

For the year ended 31 December 2018

	Note	**2018 £m**	2017 £m
Loss for the year		**(123.6)**	(63.1)
Total comprehensive expense for the year		**(123.6)**	(63.1)
Attributable to:			
Owners of the Parent		**(56.9)**	(0.4)
Non-controlling interest	15	**(66.7)**	(62.7)
Arising from:			
Continuing operations		**(123.6)**	(69.2)
Discontinued operation	10	**–**	6.1

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	2018 £m	2017 £m
Non-current assets			
Investment and development property	13	**3,335.5**	3,645.7
Plant and equipment		**3.1**	4.6
Investment in joint ventures	14	**17.3**	16.9
Derivative financial instruments	20	**0.7**	–
Deferred tax	21	**5.5**	7.8
Trade and other receivables	16	**222.8**	224.5
		3,584.9	3,899.5
Current assets			
Trade and other receivables	16	**38.3**	33.1
Cash and cash equivalents	17	**32.5**	28.6
		70.8	61.7
Assets classified as held for sale	13	**8.4**	–
		79.2	61.7
Total assets		**3,664.1**	3,961.2
Non-current liabilities			
Borrowings, including finance leases	19	**(616.5)**	(776.2)
Derivative financial instruments	20	**–**	(5.5)
Trade and other payables		**–**	(0.3)
		(616.5)	(782.0)
Current liabilities			
Borrowings, including finance leases	19	**(0.7)**	(0.7)
Other provisions		**(2.0)**	(2.0)
Tax liabilities		**(2.4)**	(1.8)
Trade and other payables	18	**(58.9)**	(69.1)
		(64.0)	(73.6)
Total liabilities		**(680.5)**	(855.6)
Net assets		**2,983.6**	3,105.6
Equity			
Share capital	22	**212.7**	212.2
Other components of equity		**2,523.5**	2,587.6
Equity attributable to owners of the Parent		**2,736.2**	2,799.8
Non-controlling interest	15	**247.4**	305.8
Total equity		**2,983.6**	3,105.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Equity attributable to owners of the Parent								
	Note	Share capital £m	Share premium £m	Merger reserve[1] £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
Loss for the year		–	–	–	–	–	(0.4)	(0.4)	(62.7)	(63.1)
Total comprehensive expense for the year ended 31 December 2017		–	–	–	–	–	(0.4)	(0.4)	(62.7)	(63.1)
Transactions with owners										
Ordinary shares issued[2]	22	0.7	6.0	–	–	–	(0.5)	6.2	–	6.2
Dividends	11	–	–	–	–	–	(12.7)	(12.7)	–	(12.7)
Realisation of share-based payment reserve on issue of shares		–	–	–	(1.8)	–	1.6	(0.2)	–	(0.2)
Fair value of share-based payment		–	–	–	2.0	–	–	2.0	–	2.0
Realisation of cash flow hedge		–	–	–	–	0.1	–	0.1	–	0.1
Tax relating to share-based payment	21	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Contribution from non-controlling interest	15	–	–	–	–	–	–	–	0.3	0.3
Total transactions with owners		0.7	6.0	–	0.2	0.1	(11.8)	(4.8)	0.3	(4.5)
Balance at 31 December 2017		**212.2**	**221.1**	**425.8**	**6.3**	**(0.6)**	**1,935.0**	**2,799.8**	**305.8**	**3,105.6**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(56.9)**	**(56.9)**	**(66.7)**	**(123.6)**
Total comprehensive expense for the year ended 31 December 2018		**–**	**–**	**–**	**–**	**–**	**(56.9)**	**(56.9)**	**(66.7)**	**(123.6)**
Transactions with owners										
Ordinary shares issued[2]	22	**0.5**	**4.5**	**–**	**–**	**–**	**(0.5)**	**4.5**	**–**	**4.5**
Dividends	11	**–**	**–**	**–**	**–**	**–**	**(12.7)**	**(12.7)**	**–**	**(12.7)**
Realisation of merger reserve		**–**	**–**	**(4.0)**	**–**	**–**	**4.0**	**–**	**–**	**–**
Realisation of share-based payment reserve on issue of shares		**–**	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Fair value of share-based payment		**–**	**–**	**–**	**2.4**	**–**	**–**	**2.4**	**–**	**2.4**
Tax relating to share-based payment	21	**–**	**–**	**–**	**–**	**–**	**(0.8)**	**(0.8)**	**–**	**(0.8)**
Contribution from non-controlling interest	15	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8.3**	**8.3**
Total transactions with owners		**0.5**	**4.5**	**(4.0)**	**2.3**	**–**	**(10.0)**	**(6.7)**	**8.3**	**1.6**
Balance at 31 December 2018		**212.7**	**225.6**	**421.8**	**8.6**	**(0.6)**	**1,868.1**	**2,736.2**	**247.4**	**2,983.6**

1. Represents non-qualifying consideration received by the Group following the share placing in May 2014 and previous share placements. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration and therefore will not form part of distributable reserves as they form part of linked transactions.
2. Share premium includes £4.5 million (2017: £6.0 million) of ordinary shares issued relating to the bonus issued in lieu of cash dividends. Refer to note 11 'Dividends' for further information.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 £m	2017 £m
Cash flows from operating activities			
Cash generated from operations	25	**7.8**	5.8
Interest paid		**(20.3)**	(18.4)
Interest received		**0.3**	0.6
Tax paid		**(2.2)**	(1.2)
Net cash outflow from continuing operating activities		**(14.4)**	(13.2)
Net cash inflow from discontinued operating activities	10	**–**	7.6
Net cash outflow from operating activities		**(14.4)**	(5.6)
Cash flows from investing activities			
Purchase and development of property		**(84.8)**	(211.2)
Sale of property		**20.9**	17.1
Investment in joint venture		**(0.4)**	(1.9)
Sale of discontinued operation	10	**(0.3)**	226.0
Sale of subsidiaries[1]		**250.7**	(4.5)
Loan advances (to)/from joint ventures		**(1.8)**	15.2
Net cash inflow from continuing investing activities		**184.3**	40.7
Net cash outflow from discontinued investing activities	10	**–**	(2.4)
Net cash inflow from investing activities		**184.3**	38.3
Cash flows from financing activities			
Issue of shares		**0.1**	0.3
Borrowings drawn		**22.8**	558.7
Borrowings repaid		**(185.0)**	(575.5)
Purchase and repayment of derivative financial instruments		**(4.0)**	(4.1)
Other finance costs		**–**	(2.0)
Cash dividends paid	11	**(8.2)**	(6.7)
Contribution from non-controlling interest		**8.3**	0.3
Transactions with discontinued operation[2]		**–**	5.4
Net cash outflow from continuing financing activities		**(166.0)**	(23.6)
Net cash outflow from discontinued financing activities	10	**–**	(5.4)
Net cash outflow from financing activities		**(166.0)**	(29.0)
Net increase in cash and cash equivalents		**3.9**	3.7
Unrestricted cash and cash equivalents at 1 January		**28.6**	24.9
Unrestricted cash and cash equivalents at 31 December	17	**32.5**	28.6

1. Sale of subsidiaries includes £248.9 million relating to the sale of the Empress State Building and £1.8 million (2017: £0.5 million) relating to deferred consideration on the disposal of The Brewery by EC&O Limited on 9 February 2012. The 2017 comparative also includes cash outflows of £5.0 million related to additional costs on the loss of control of former subsidiary Lillie Square GP Limited in 2012.

2. Relates to transactions between the Group's treasury function and discontinued operations. The Group operates a central treasury function which manages and monitors the Group's cash balances.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

The financial information set out in this announcement does not constitute the Group's consolidated financial statements for the years ended 31 December 2018 or 2017, but is derived from those financial statements. Statutory financial statements for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's Annual General Meeting. The external auditor has reported on those financial statements; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 of Companies Act 2006.

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, IFRS Interpretations Committee ("IFRS IC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full financial statements that comply with IFRS in March 2019.

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

The accounting policies used by the Group in these condensed financial statements are consistent with those applied in the Group's financial statements for the year to 31 December 2017, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year.

During 2018, the following accounting standards and interpretations have been adopted by the Group:

IFRS 2 'Share-based Payment' (amendment)
IFRS 9 'Financial Instruments'
IFRS 15 'Revenue from Contracts with Customers'
IAS 40 'Investment Property' (amendment)
Amendments to IFRS (Annual improvements cycle 2014-2016)

IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' were adopted by the Group from 1 January 2018. The standards have been applied in full, with the exemption of comparative periods as permitted under IFRS 1. The Group has made changes to its accounting policies however the adoption did not have a material impact on the consolidated financial statements of the Group.

IFRS 9 'Financial Instruments' modifies the classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting. There is no change to the Group in respect of classification of financial assets and liabilities and hedge accounting. All Group financial assets have been assessed for impairments under the 12 month and lifetime expected credit loss models considered by IFRS 9.

In relation to IFRS 15 'Revenue from Contracts with Customers', the Group's material revenue stream relates to property rental income. On the adoption of the standard this revenue stream was not materially impacted due to property rental income not being within the scope of IFRS 15. The impact on all other revenue streams is not material.

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

IFRS 3 'Business combinations' (amendment)
IFRS 9 'Financial Instruments' (amendment)
IFRS 16 'Leases'
IAS 1 'Presentation of financial statements' (amendment)
IAS 8 'Accounting policies, changes in accounting estimates and errors' (amendment)
IAS 19 'Employee benefits' (amendment)
IAS 28 'Investments in associates' (amendment)
Amendments to IFRS (Annual improvements cycle 2015-2017)

As the Group is predominantly a lessor, IFRS 16 'Leases' will not have a material impact on adoption. Where the Group is currently a lessee, this relates only to immaterial contracts.

Critical accounting judgements and key sources of estimation and uncertainty

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

The significant areas of estimation and uncertainty are:

Property valuation: The most significant area of estimation and uncertainty in the consolidated financial statements is in respect of the valuation of the property portfolio, where external valuations are obtained. The valuation of the Group's property portfolio is inherently subjective due to the assumptions as outlined within note 13 'Property Portfolio' and this subjectivity may result in a material adjustment to the carrying amounts of the assets and liabilities year on year. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate and could therefore have a material effect on the Group's financial performance and position.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Critical accounting judgements and key sources of estimation and uncertainty continued

The key areas of accounting judgement are:

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

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

Going Concern

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

2 SEGMENTAL REPORTING

Management has determined the operating segments based on reports reviewed by the Executive Directors, who are deemed to be the chief operating decision makers. 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 (up until disposal on 26 March 2018) and a number of smaller properties in the Earls Court area; and
- Other comprises Innova, the discontinued activity of Venues (up until disposal on 7 April 2017) and The Great Capital Partnership, other head office companies and investments, including the payment of internal rent.

Management information is reported to the chief operating decision makers 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[1]	**0%**
Other	**100%**
Other	
Innova	**50%**
GCP	**50%**
Venues[2]	**0%**
Other	**100%**

1. Empress State was 100 per cent owned until 26 March 2018. Subsequent to this the Group share ownership is nil.
2. Venues was 100 per cent 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

	2018					
Continuing operations	**Covent Garden £m**	**Earls Court Properties £m**	**Other £m**	**Group total £m**	**Consolidation adjustments £m**	**IFRS total £m**
Rental income	**71.3**	**7.9**	**–**	**79.2**	**0.9**	**80.1**
Proceeds from sale of trading property	**–**	**31.0**	**–**	**31.0**	**(31.0)**	**–**
Other income	**–**	**–**	**1.8**	**1.8**	**1.6**	**3.4**
Revenue	**71.3**	**38.9**	**1.8**	**112.0**	**(28.5)**	**83.5**
Rent receivable	**66.9**	**6.7**	**–**	**73.6**	**0.9**	**74.5**
Service charge income	**4.4**	**1.2**	**–**	**5.6**	**–**	**5.6**
Rental income	**71.3**	**7.9**	**–**	**79.2**	**0.9**	**80.1**
Rental expenses[1]	**(13.8)**	**(1.6)**	**(0.3)**	**(15.7)**	**–**	**(15.7)**
Net rental income/(expense)	**57.5**	**6.3**	**(0.3)**	**63.5**	**0.9**	**64.4**
Profit on sale of trading property	**–**	**6.7**	**–**	**6.7**	**(6.7)**	**–**
Other income	**–**	**–**	**1.8**	**1.8**	**1.6**	**3.4**
Gain/(loss) on revaluation and sale of investment and development property	**39.4**	**(118.2)**	**–**	**(78.8)**	**(67.3)**	**(146.1)**
Impairment of other receivables	**–**	**(3.8)**	**–**	**(3.8)**	**(19.4)**	**(23.2)**
Profit on sale of subsidiaries	**–**	**29.5**	**–**	**29.5**	**–**	**29.5**
Write down of trading property	**–**	**(0.5)**	**–**	**(0.5)**	**0.5**	**–**
Segment profit/(loss)	**96.9**	**(80.0)**	**1.5**	**18.4**	**(90.4)**	**(72.0)**
Unallocated costs:						
Administration expenses				**(41.6)**	**(0.9)**	**(42.5)**
Operating loss				**(23.2)**	**(91.3)**	**(114.5)**
Net finance costs[2]				**(17.1)**	**12.3**	**(4.8)**
Loss before tax				**(40.3)**	**(79.0)**	**(119.3)**
Taxation				**(4.3)**	**–**	**(4.3)**
Loss for the year from continuing operations				**(44.6)**	**(79.0)**	**(123.6)**
Loss attributable to:						
Owners of the Parent				**(44.6)**	**(12.3)**	**(56.9)**
Non-controlling interest				**–**	**(66.7)**	**(66.7)**
Summary balance sheet						
Total segment assets[3]	**2,642.7**	**751.3**	**40.9**	**3,434.9**	**205.2**	**3,640.1**
Total segment liabilities[3]	**(603.8)**	**(98.0)**	**(8.6)**	**(710.4)**	**29.9**	**(680.5)**
Segmental net assets	**2,038.9**	**653.3**	**32.3**	**2,724.5**	**235.1**	**2,959.6**
Unallocated assets[2]				**24.0**	**–**	**24.0**
Net assets				**2,748.5**	**235.1**	**2,983.6**
Other segment items:						
Depreciation	**(0.4)**	**(1.2)**	**(0.2)**	**(1.8)**	**(0.1)**	**(1.9)**
Capital expenditure	**(60.3)**	**(49.6)**	–	**(109.9)**	**24.6**	**(85.3)**

1. Comprises service charge and other non-recoverable costs.
2. The Group operates a central treasury function which manages and monitors the Group's finance income and costs on a net basis and the majority of the Group's cash balances.
3. Total segmental assets and total segmental liabilities exclude loans between and investments in Group undertakings.

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	2017					
Continuing operations	Covent Garden £m	Earls Court Properties £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Rental income	61.8	18.5	(0.5)	79.8	0.2	80.0
Proceeds from sale of trading property	3.9	95.1	–	99.0	(95.1)	3.9
Other income	–	–	2.3	2.3	1.5	3.8
Revenue	65.7	113.6	1.8	181.1	(93.4)	87.7
Rent receivable	57.7	18.2	(0.5)	75.4	0.5	75.9
Service charge income	4.1	0.3	–	4.4	(0.3)	4.1
Rental income	61.8	18.5	(0.5)	79.8	0.2	80.0
Rental expenses[1]	(12.9)	(0.7)	–	(13.6)	0.5	(13.1)
Net rental income/(expense)	48.9	17.8	(0.5)	66.2	0.7	66.9
Profit on sale of trading property	0.9	13.6	–	14.5	(13.6)	0.9
Other income	–	–	2.3	2.3	1.5	3.8
Gain/(loss) on revaluation and sale of investment and development property	93.4	(121.4)	–	(28.0)	(62.9)	(90.9)
Write down of trading property	–	(0.6)	–	(0.6)	0.6	–
Impairment of other receivables	–	–	–	–	(1.3)	(1.3)
Segment profit/(loss)	143.2	(90.6)	1.8	54.4	(75.0)	(20.6)
Unallocated costs:						
Administration expenses				(38.7)	(0.1)	(38.8)
Operating profit/(loss)				15.7	(75.1)	(59.4)
Net finance costs[2]				(15.5)	12.4	(3.1)
Profit/(loss) before tax				0.2	(62.7)	(62.5)
Taxation				(6.7)	–	(6.7)
Loss for the year from continuing operations				(6.5)	(62.7)	(69.2)
Discontinued operation						
Profit for the year from discontinued operation				6.1	–	6.1
Loss for the year				(0.4)	(62.7)	(63.1)
Loss attributable to:						
Owners of the Parent				(0.4)	–	(0.4)
Non-controlling interest				–	(62.7)	(62.7)
Summary balance sheet						
Total segment assets[3]	2,565.4	1,056.0	40.8	3,662.2	275.7	3,937.9
Total segment liabilities[3]	(773.5)	(103.1)	(9.1)	(885.7)	30.1	(855.6)
Segmental net assets	1,791.9	952.9	31.7	2,776.5	305.8	3,082.3
Unallocated assets[2]				23.3	–	23.3
Net assets				2,799.8	305.8	3,105.6
Other segment items:						
Depreciation	(0.3)	(1.5)	(0.3)	(2.1)	0.2	(1.9)
Capital expenditure	(177.3)	(56.2)	(0.1)	(233.6)	15.2	(218.4)

1. Comprises service charge and other non-recoverable costs.
2. The Group operates a central treasury function which manages and monitors the Group’s finance income and costs on a net basis and the majority of the Group’s cash balances.
3. Total segmental assets and total segmental liabilities exclude loans between and investments in Group undertakings.

3 PROFIT ON SALE OF TRADING PROPERTY

Continuing operations	2018 £m	2017 £m
Proceeds from the sale of trading property	–	3.9
Cost of sale of trading property	–	(2.9)
Agent, selling and marketing fees	–	(0.1)
Profit on sale of trading property	–	0.9

4 LOSS ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

Continuing operations	2018 £m	2017 £m
Loss on revaluation of investment and development property	**(148.2)**	(90.8)
Gain/(loss) on sale of investment and development property	**2.1**	(0.1)
Loss on revaluation and sale of investment and development property	**(146.1)**	(90.9)

5 IMPAIRMENT OF OTHER RECEIVABLES

Continuing operations	2018 £m	2017 £m
Impairment of other receivables	**23.2**	1.3

Following an impairment review of amounts receivable from joint ventures by the Group, a net impairment of £19.4 million has been recognised (2017: £1.3 million). The Lillie square joint venture incurs amortisation charges on deep discount bonds that were issued to the Group and Kwok Family Interests ("KFI") which has contributed to the cumulative losses. The Group has recognised £12.0 million (2017: £11.7 million) finance income on these deep discount bonds.

An impairment assessment was performed in accordance with IFRS 9 'Financial instruments' comparing the carrying amount of the intercompany debtor and deep discount bonds to the present value of the estimated future cash flows. This has resulted in a write down of £19.4 million, of which £1.8 million has been recognised against the intercompany debtor (2017: write back of £8.2 million) and £17.6 million against the deep discount bonds (2017: £9.5 million).

The impairment of amounts receivable from joint ventures recognised by the Group in the year of £19.4 million (cumulative £67.0 million) and the finance income on the Lillie Square deep discount bonds of £12.0 million have been calculated based on the requirements under IFRS 9 'Financial instruments'. Had the impairments been calculated taking into consideration the Group's economic position with reference to the Group's share of losses in the Lillie Square joint venture the impairment of amounts receivable from joint venture would have been £5.5 million (cumulative £53.2 million) and the finance income on the deep discount bonds would have been £10.4 million in the year. The total current year difference between the IFRS 9 basis and economic position basis of £12.3 million (cumulative £12.3 million) are adjusted from EPRA adjusted earnings and EPRA NAV measures as the difference does not reflect the operational performance or the assets and liabilities expected to crystallise in normal circumstances.

During the year costs of £3.8 million relating to intensifying the planning consent of the CLSA have been written off due to uncertainty surrounding the inclusion of the CLSA within an intensified scheme.

6 PROFIT ON SALE OF SUBSIDIARIES

On 26 March 2018, the Group completed the sale of the Empress State Building for total cash consideration of £250.0 million. The disposal was effected by way of a sale of the entire issued share capital of Empress Holdings Limited and its subsidiaries ("Empress Holdings Group") which held the freehold interest in the Empress State Building. The disposal was in line with the Group strategy of realising value at Earls Court over time. After transaction related costs, net proceeds received were £248.9 million. Based on the net assets at the date of disposal a profit has been recognised on the sale of £29.5 million.

Net assets at the date of disposal were as follows:

Continuing operations	26 March 2018 £m
Investment and development property	**220.0**
Other non-current liabilities	**(0.6)**
Net assets	**219.4**
Net consideration[1]	**248.9**
Profit on sale of subsidiaries	**29.5**

1. Sale of subsidiaries per the consolidated statement of cash flows at 31 December 2018 is £250.7 million. This differs to the net consideration above of £248.9 million by £1.8 million due to deferred consideration relating to the disposal of The Brewery by EC&O Limited on 9 February 2012.

7 FINANCE INCOME

Continuing operations	2018 £m	2017 £m
Finance income:		
On deposits and other	**0.3**	0.8
Finance income	**0.3**	0.8
Other finance income:		
On deep discount bonds	**12.0**	11.7
Other finance income[1]	**12.0**	11.7

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

8 FINANCE COSTS

Continuing operations	2018 £m	2017 £m
Finance costs:		
On bank overdrafts, loans and other	**22.3**	22.7
On obligations under finance leases	**0.7**	0.5
Gross finance costs	**23.0**	23.2
Interest capitalised on property under development	**(3.7)**	(3.3)
Finance costs	**19.3**	19.9

Interest is capitalised, before tax relief, on the basis of the weighted average cost of debt of 2.9 per cent (2017: 2.8 per cent) applied to the cost of property under development during the year.

9 TAXATION

Continuing operations	2018 £m	2017 £m
Current income tax:		
Current income tax charge excluding non-underlying items	**1.4**	0.9
Current income tax	**1.4**	0.9
Deferred income tax:		
On accelerated capital allowances	**1.1**	1.0
On fair value of derivative financial instruments	**1.2**	1.9
On Group losses	**0.9**	1.6
On other temporary differences	**(0.6)**	0.7
Deferred income tax	**2.6**	5.2
Current income tax charge on non-underlying items	**0.8**	0.8
Adjustments in respect of previous years – deferred income tax	**(0.5)**	(0.2)
Total income tax charge reported in the consolidated income statement	**4.3**	6.7

Following the enactment of Finance (No. 2) Act 2015 and Finance Act 2016, the main rate of corporation tax reduced to 19 per cent from April 2017 and will reduce further to 17 per cent from April 2020.

Following an announcement during Budget 2017 and a consultation period, legislation has now been enacted (Finance Act 2019) that will impact the group as follows:

- UK tax will be charged on gains made by non-resident entities on direct and certain indirect disposals of UK immovable property, with effect from April 2019;
- non-UK resident companies that carry on a UK property business or have UK property income will be charged to UK corporation tax, rather than UK income tax, with effect from 6 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 were £230.2 million. Based on the net assets at the date of disposal a profit has been recognised on the sale of £2.1 million. As part of the sale, the defined benefit scheme the Group previous held was sold to the purchaser and therefore the Group has no outstanding liability in relation to the scheme.

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	**(15.9)**
Deferred tax	**(15.7)**
Borrowings	**(55.0)**
Net assets	**228.1**
Net consideration[2]	**230.2**
Profit on disposal	**2.1**

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 31 December 2017 is £226.0 million. This differs to the net consideration above of £230.2 million by £4.2 million. This is due to accrued transaction costs of £0.6 million less unrestricted cash and cash equivalents disposed of with the transaction of £4.8 million. £0.3 million of costs relating to this disposal were incurred in 2018.

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

Summarised income statement	Period ended 7 April 2017 £m
Revenue	**10.2**
Net rental income	**7.2**
Administration expenses	**(2.7)**
Operating profit	**4.5**
Net finance costs	**(0.5)**
Profit on disposal	**2.1**
Profit for the period from discontinued operation	**6.1**
Underlying earnings adjustments	
Change in fair value of derivative financial instruments	**0.1**
Profit on disposal	**(2.1)**
Underlying earnings from discontinued operation	**4.1**

10 DISCONTINUED OPERATION CONTINUED

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

Summarised cash flows	Note	Period ended 7 April 2017 £m
Cash flows from operating activities	25 (b)	**8.0**
Interest paid		**(0.4)**
Net cash inflow from operating activities		**7.6**
Purchase and development of property, plant and equipment		**(0.1)**
Pension funding		**(2.3)**
Net cash outflow from investing activities		**(2.4)**
Transactions with Group by discontinued operation		**(5.4)**
Net cash outflow from financing activities		**(5.4)**
Net decrease in unrestricted cash and cash equivalents from discontinued operation		**(0.2)**
Unrestricted cash and cash equivalents at 1 January		**5.0**
Unrestricted cash and cash equivalents at period end		**4.8**

11 DIVIDENDS

Group and Company	2018 £m	2017 £m
Ordinary shares		
Prior year final dividend of 1.0p per share (2017: 1.0p)	**8.5**	8.5
Interim dividend of 0.5p per share (2017: 0.5p)	**4.2**	4.2
Dividend expense	**12.7**	12.7
Bonus issue in lieu of cash dividends[1]	**(4.5)**	(6.0)
Cash dividends paid	**8.2**	6.7
Proposed final dividend of 1.0p per share (2017: 1.0p)	**8.5**	8.5

1. 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 and shareholders who elect to receive their shares on an evergreen basis. These shares are treated as a bonus issue and allotted at nominal value.

12 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(a) Earnings per share

	2018			2017		
	(Loss)/ earnings £m	**Shares[1] million**	**(Loss)/ earnings per share (pence)**	(Loss)/ earnings £m	Shares[1] million	(Loss)/ earnings per share (pence)
Continuing and discontinued operations attributable to owners of the Parent						
Basic loss	**(56.9)**	**850.8**	**(6.7)**	(0.4)	850.4	(0.1)
Dilutive effect of contingently issuable share option awards	**–**	**0.9**	**–**	–	0.6	–
Dilutive effect of contingently issuable deferred share awards	**–**	**0.2**	**–**	–	0.2	–
Dilutive effect of contingently issuable matching nil cost options awards	**–**	**0.1**	**–**	–	0.1	–
Dilutive effect of deferred bonus share option awards	**–**	**0.6**	**–**	–	0.6	–
Diluted loss	**(56.9)**	**852.6**	**(6.7)**	(0.4)	851.9	(0.1)
Continuing operations attributable to owners of the Parent						
Basic loss	**(56.9)**	**850.8**	**(6.7)**	(6.5)	850.4	(0.8)
Diluted loss	**(56.9)**	**852.6**	**(6.7)**	(6.5)	851.9	(0.8)
Discontinued operation attributable to owners of the Parent						
Basic profit	**–**	**–**	**–**	6.1	850.4	0.7
Diluted profit	**–**	**–**	**–**	6.1	851.9	0.7
Continuing operations attributable to owners of the Parent						
Basic loss	**(56.9)**			(6.5)		
Group adjustments:						
Profit on sale of trading property	**–**			(0.9)		
Profit on sale of subsidiaries[2]	**(29.5)**			–		
Impairment of other receivables[3]	**16.1**			–		
Loss on revaluation and sale of investment and development property	**146.1**			90.9		
Change in fair value of derivative financial instruments	**(2.2)**			(4.3)		
Deferred tax adjustments	**2.3**			2.9		
Non-controlling interest in respect of the Group adjustments	**(67.3)**			(62.6)		
Joint venture adjustments:						
Profit on sale of trading property[4]	**(6.7)**			(13.6)		
Gain on revaluation and sale of investment and development property	**–**			(0.3)		
Write down of trading property	**0.5**			0.6		
EPRA adjusted earnings on continuing operations[5]	**2.4**	**850.8**	**0.3**	6.2	850.4	0.7
Administration expenses – non-underlying[6]	**4.9**			–		
Tax adjustments	**0.7**			1.1		
Underlying earnings from continued operations	**8.0**	**850.8**	**0.9**	7.3	850.4	0.9
Underlying earnings from discontinued operation	**–**		**–**	4.1		0.4
Underlying earnings[5]	**8.0**	**850.8**	**0.9**	11.4	850.4	1.3

1. Weighted average number of shares in issue has been adjusted by 1.7 million (2017: 2.1 million) for the issue of bonus shares in connection with the scrip dividend scheme.
2. In the Interim Results for the six months ended 30 June 2018 profit on sale of subsidiary of £29.6 million was included within EPRA adjusted earnings on continuing operations of £34.2 million. Profit on sale of subsidiary should be removed from EPRA adjusted earnings; had this been represented in the Interim Results for the six months ended 30 June 2018 the EPRA adjusted earnings on continuing operations would have been £4.6 million.
3. Impairment of other receivables consists of £3.8 million relating to intensifying the planning consent of the CLSA and £12.3 million impairment under IFRS 9 of amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture. Further details are disclosed within Note 5 'Impairment of Other Receivables'.
4. Profit on sale of trading property relates to Lillie Square sales and includes £0.2 million (2017: £3.0 million) of marketing and selling fees on a Group share basis. Marketing fees include costs for units that have not yet completed.
5. EPRA earnings and underlying earnings have been reported on a Group share basis.
6. Non-underlying administration expenses totalled £4.9 million (2017: £nil) which relates to corporate transactions, being the potential demerger and potential sale of the Group's interests in Earls Court. These costs have been classified as non-underlying as they do not represent the recurring, underlying performance of the Group.

12 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

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

(a) Earnings per share continued

	2018			Restated[1] 2017		
	(Loss)/ earnings £m	**Shares[2] million**	**(Loss)/ earnings per share (pence)**	(Loss)/ earnings £m	Shares[2] million	(Loss)/ earnings per share (pence)
Continuing and discontinued operations attributable to owners of the Parent						
Basic loss	**(56.9)**	**850.8**	**(6.7)**	(0.4)	850.4	(0.1)
Group adjustments:						
Loss on revaluation and sale of investment and development property	**146.1**			90.9		
Profit on disposal of discontinued operation	**–**			(2.1)		
Deferred tax adjustments	**0.9**			0.8		
Non-controlling interest in respect of the Group adjustments	**(67.3)**			(62.6)		
Joint venture adjustment:						
Gain on revaluation of investment and development property	**–**			(0.3)		
Headline earnings	**22.8**	**850.8**	**2.7**	26.3	850.4	3.1
Dilutive effect of contingently issuable share option awards	**–**	**0.9**		–	0.6	
Dilutive effect of contingently issuable deferred share awards	**–**	**0.2**		–	0.2	
Dilutive effect of contingently issuable matching nil cost options awards	**–**	**0.1**		–	0.1	
Dilutive effect of deferred bonus share option awards	**–**	**0.6**		–	0.6	
Diluted headline earnings	**22.8**	**852.6**	**2.7**	26.3	851.9	3.1

1. The comparative has been restated to include profit on disposal of discontinued operation as an adjustment to headline earnings.

2. Weighted average number of shares in issue has been adjusted by 1.7 million (2017: 2.1 million) for the issue of bonus shares in connection with the scrip dividend scheme.

(b) Net assets per share

	2018			2017		
	Net assets £m	**Shares million**	**NAV per share (pence)**	Net assets £m	Shares million	NAV per share (pence)
Net assets attributable to owners of the Parent	**2,736.2**	**850.8**	**321.6**	2,799.8	849.1	329.7
Effect of dilution on exercise of contingently issuable share option awards	**–**	**0.8**		–	0.6	
Effect of dilution on vesting of contingently issuable deferred share awards	**–**	**0.3**		–	0.2	
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**		–	0.6	
Diluted NAV	**2,736.2**	**852.6**	**320.9**	2,799.8	850.6	329.2
Group adjustments:						
Fair value of derivative financial instruments	**(0.7)**			5.5		
Unrecognised surplus on trading property – Joint venture	**25.7**			31.8		
Revaluation of other non-current assets[1]	**12.3**			–		
Deferred tax adjustments	**3.5**			1.9		
EPRA NAV	**2,777.0**	**852.6**	**325.7**	2,839.0	850.6	333.8
Fair value of derivative financial instruments	**0.7**			(5.5)		
Excess fair value of debt over carrying value	**14.0**			(9.2)		
Deferred tax adjustments	**(3.5)**			(1.9)		
EPRA NNNAV	**2,788.2**	**852.6**	**327.0**	2,822.4	850.6	331.8

1. This relates to the impairment under IFRS 9 of amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture. Further details are disclosed within Note 5 'Impairment of Other Receivables'.

13 PROPERTY PORTFOLIO

a) Investment and development property

	Property portfolio				Tenure	
	Covent Garden £m	Earls Court Properties £m	Venues £m	Total £m	Freehold £m	Leasehold £m
At 1 January 2017	2,229.2	1,298.0	292.7	3,819.9	1,875.4	1,944.5
Additions from acquisitions	99.2	2.1	–	101.3	14.5	86.8
Additions from subsequent expenditure	78.1	38.9	0.1	117.1	72.9	44.2
Sale of discontinued operation	–	–	(292.8)	(292.8)	(292.8)	–
Disposals	(6.2)	(2.7)	–	(8.9)	(8.9)	–
Gain/(loss) on revaluation[1]	93.4	(184.3)	–	(90.9)	59.4	(150.3)
At 31 December 2017	**2,493.7**	**1,152.0**	**–**	**3,645.7**	**1,720.5**	**1,925.2**
Additions from acquisitions	**18.7**	**10.6**	**–**	**29.3**	**19.2**	**10.1**
Additions from subsequent expenditure	**41.6**	**14.4**	**–**	**56.0**	**23.2**	**32.8**
Disposals	**(17.3)**	**(221.6)**	**–**	**(238.9)**	**(238.1)**	**(0.8)**
Classified as held for sale[2]	**(8.4)**	**–**	**–**	**(8.4)**	**(8.4)**	–
Gain/(loss) on revaluation[1]	**37.3**	**(185.5)**	**–**	**(148.2)**	**5.7**	**(153.9)**
At 31 December 2018	**2,565.6**	**769.9**	**–**	**3,335.5**	**1,522.1**	**1,813.4**

b) Trading property

	Property portfolio				Tenure	
	Covent Garden £m	Earls Court Properties £m	Venues £m	Total £m	Freehold £m	Leasehold £m
At 1 January 2017	2.9	–	–	2.9	2.9	–
Disposals	(2.9)	–	–	(2.9)	(2.9)	–
At 31 December 2017[3]	–	–	–	–	–	–
At 31 December 2018[3]	**–**	**–**	**–**	**–**	**–**	**–**

1. Loss on revaluation of £148.2 million (2017: loss £90.9 million) is recognised in the consolidated income statement within loss on revaluation and sale of investment and development property. This loss is unrealised and relates to assets held at the end of the year.
2. This relates to three apartments at The Floral Court Collection in Covent Garden which had exchanged pre year end. These units have completed since the year end.
3. The value of trading property carried at net realisable value was £nil (2017: £nil).

c) Market value reconciliation of total property

	Covent Garden £m	Earls Court Properties £m	Total £m
Carrying value of investment and development property at 31 December 2018[1]	**2,565.6**	**769.9**	**3,335.5**
Adjustment in respect of fixed head leases	**(6.1)**	**–**	**(6.1)**
Adjustment in respect of tenant lease incentives	**50.5**	**–**	**50.5**
Market value of investment and development property at 31 December 2018	**2,610.0**	**769.9**	**3,379.9**
Joint venture:			
Carrying value of joint venture investment, development and trading property at 31 December 2018	**–**	**133.4**	**133.4**
Unrecognised surplus on joint venture trading property[2]	**–**	**25.7**	**25.7**
	2,610.0	**929.0**	**3,539.0**
Non-controlling interest adjustment:			
Market value of non-controlling interest in investment, development and trading property at 31 December 2018	**–**	**(270.7)**	**(270.7)**
Market value of investment, development and trading property on a Group share basis at 31 December 2018	**2,610.0**	**658.3**	**3,268.3**

1. Included within investment and development property is £3.7 million of interest capitalised during the year on property under development.
2. The unrecognised surplus on trading property is shown for informational purposes only and is not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value in the consolidated financial statements.

13 PROPERTY PORTFOLIO CONTINUED

	Covent Garden £m	Earls Court Properties £m	Total £m
Carrying value of investment and development property at 31 December 2017[1]	2,493.7	1,152.0	3,645.7
Adjustment in respect of fixed head leases	(6.1)	–	(6.1)
Adjustment in respect of tenant lease incentives	57.8	–	57.8
Market value of investment and development property at 31 December 2017	2,545.4	1,152.0	3,697.4
Joint ventures:			
Carrying value of joint venture investment, development and trading property at 31 December 2017	–	124.7	124.7
Unrecognised surplus on joint venture trading property[2]	–	31.8	31.8
	2,545.4	1,308.5	3,853.9
Non-controlling interest adjustment:			
Market value of non-controlling interest in investment, development and trading property at 31 December 2017	–	(329.4)	(329.4)
Market value of investment, development and trading property on a Group share basis at 31 December 2017	2,545.4	979.1	3,524.5

1. Included within investment and development property is £3.3 million of interest capitalised during the year on property under development.
2. The unrecognised surplus on trading property is shown for informational purposes only and is not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value in the consolidated financial statements.

At 31 December 2018, the Group was contractually committed to £22.4 million (2017: £57.3 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 31 December 2018 was determined by independent, appropriately qualified external valuers, JLL for Earls Court Properties and CBRE Ltd 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. As at 31 December 2018 all Covent Garden properties are valued under the income capitalisation technique. The majority of Earls Court properties are valued under the residual development approach.

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.

There are often restrictions on both freehold and leasehold property which could have a material impact on the realisation of these assets. The most significant of these occur when planning permission is required or when a credit facility is in place. These restrictions are factored into the property's valuation by the external valuer. Refer to disclosures surrounding property risks on page 20.

14 INVESTMENT IN JOINT VENTURES

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

At 31 December 2018, joint ventures comprise the Lillie Square joint venture ("LSJV"), Innova Investment ("Innova") and The Great Capital Partnership ("GCP"). On 29 April 2013, the Group exchanged contracts for the disposal of the final asset, Park Crescent West, in GCP which has since been accounted for as a discontinued operation.

LSJV

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

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

LSJV	**2018 £m**	2017 £m
Summarised income statement		
Revenue	**62.3**	190.3
Net rental income	**0.1**	–
Gain on revaluation of investment and development property	**–**	0.6
Proceeds from the sale of trading property	**62.0**	190.1
Cost of sale of trading property	**(48.2)**	(156.8)
Agent, selling and marketing fees	**(0.4)**	(6.1)
Write down of trading property	**(1.0)**	(1.2)
Administration expenses	**(2.4)**	(4.4)
Finance costs[1]	**(21.2)**	(24.9)
Loss for the year after taxation	**(11.1)**	(2.7)

1. Finance costs of £20.9 million (2017: £23.5 million) relates to the amortisation of deep discount bonds that were issued by LSJV to the Group and KFI. The bonds are redeemable at their nominal value of £276.1 million on 24 August 2021. The discount applied is unwound over the period to maturity using an effective interest rate. Finance income receivable to the Group of £12.0 million (2017: £11.7 million) is recognised in the consolidated income statement within other finance income.

LSJV	**2018 £m**	2017 £m
Summarised balance sheet		
Investment and development property	**3.7**	3.7
Other non-current assets	**4.6**	4.1
Trading property	**263.1**	245.7
Cash and cash equivalents[1]	**40.2**	49.8
Other current assets	**0.2**	0.7
Borrowings	**(59.5)**	(63.6)
Other non-current liabilities[2]	**(239.7)**	(218.9)
Amounts payable to joint venture partners[3]	**(73.7)**	(71.9)
Other current liabilities[1]	**(45.3)**	(44.8)
Net liabilities	**(106.4)**	(95.2)
Capital commitments	**64.8**	14.0
Carrying value of investment, development and trading property	**266.8**	249.4
Unrecognised surplus on trading property[4]	**51.4**	63.6
Market value of investment, development and trading property[4]	**318.2**	313.0

1. Includes restricted cash and cash equivalents of £34.3 million (2017: £30.6 million) relating to amounts received as property deposits that will not be available for use by LSJV until completion of building work. There is a corresponding liability of £34.3 million (2017: £30.6 million) within other current liabilities.
2. Other non-current liabilities relate to deep discount bonds. Recoverable amounts receivable by the Group, net of impairments, of £94.4 million (2017: £100.0 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 informational purposes only and are not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value.

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 and Innova Investment 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	**2018 £m**	2017 £m
Summarised balance sheet		
Other receivables	**5.4**	3.1
Cash and cash equivalents	**0.5**	1.6
Other current liabilities	**(0.4)**	–
Net assets	**5.5**	4.7

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 2017	0.1	(95.2)	4.7	(90.4)
Elimination of joint venture partners' interest	–	47.6	(2.4)	45.2
Cumulative losses restricted[1]	–	47.6	–	47.6
Goodwill on acquisition of joint venture[2]	–	–	14.5	14.5
Carrying value at 31 December 2017	0.1	–	16.8	16.9
Net assets/(liabilities) of joint ventures at 31 December 2018	**0.1**	**(106.4)**	**5.5**	**(100.8)**
Elimination of joint venture partners' interest	**–**	**53.2**	**(2.8)**	**50.4**
Cumulative losses restricted[1]	**–**	**53.2**	**–**	**53.2**
Goodwill on acquisition of joint venture[2]	**–**	**–**	**14.5**	**14.5**
Carrying value at 31 December 2018	**0.1**	**–**	**17.2**	**17.3**

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 (2017: £nil) in accordance with the requirements of IAS 28.

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

Reconciliation of investment in joint ventures:

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

Investment in joint ventures	GCP £m	LSJV £m	Innova £m	Total £m
At 1 January 2017	0.1	–	14.9	15.0
Loss for the year[1]	–	(1.3)	–	(1.3)
Loss restricted[1]	–	1.3	–	1.3
Issue of equity loan notes	–	–	1.9	1.9
At 31 December 2017	**0.1**	**–**	**16.8**	**16.9**
Loss for the year[1]	**–**	**(5.6)**	**–**	**(5.6)**
Loss restricted[1]	**–**	**5.6**	**–**	**5.6**
Issue of equity loan notes	**–**	**–**	**0.4**	**0.4**
At 31 December 2018	**0.1**	**–**	**17.2**	**17.3**

1. Share of post-tax loss from joint ventures in the consolidated income statement of £nil (2017: £nil) comprises loss for the year of £5.6 million (2017: £1.3 million) and loss restricted totalling £5.6 million (2017: £1.3 million).

15 NON-CONTROLLING INTEREST

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

	2018 £m	2017 £m
At 1 January	**305.8**	368.2
Loss and total comprehensive expense for the year attributable to non-controlling interest	**(66.7)**	(62.7)
Unsecured loan notes issued to non-controlling interest	**8.3**	0.3
At 31 December	**247.4**	305.8

Unsecured, non-interest bearing loan notes have been 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 (2017: less than £0.1 million) and therefore £411.2 million (2017: £402.9 million) has been classified as equity.

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

ECPL	2018 £m	2017 £m
Summarised income statement		
Revenue	**3.1**	2.3
Net rental income	**2.6**	1.8
Administration expenses	**(1.2)**	(2.1)
Loss on revaluation and sale of investment and development property	**(181.8)**	(169.2)
Loss for the year after taxation	**(180.4)**	(169.5)

ECPL	2018 £m	2017 £m
Summarised balance statement		
Investment and development property	**731.3**	890.0
Cash and cash equivalents	**8.0**	5.4
Other current assets	**0.8**	0.4
Other non-current assets	**–**	0.5
Other current liabilities[1]	**(5.7)**	(8.5)
Borrowings	**(65.8)**	(61.4)
Net assets	**668.6**	826.4

1. Includes amounts payable to a Group undertaking, EC Properties LP Limited, of £1.3 million

ECPL	2018 £m	2017 £m
Summarised cash flows		
Operating cash inflow after interest and tax	**1.5**	0.5
Sale of property	**1.6**	–
Purchase and development of property, plant and equipment	**(25.7)**	(34.0)
Net cash outflow before financing	**(22.6)**	(33.5)
Financing[1]	**25.2**	29.5
Net increase/(decrease) in cash and cash equivalents	**2.6**	(4.0)

1. Financing comprises £22.4 million (2017: £0.8 million) of unsecured, non-interest bearing loan notes and £2.8 million (2017: £28.7 million) of external borrowings.

16 TRADE AND OTHER RECEIVABLES

	2018 £m	2017 £m
Non-current		
Other receivables[1]	**83.5**	71.1
Prepayments and accrued income[2]	**44.9**	53.4
Amounts receivable from joint ventures[3]	**94.4**	100.0
Trade and other receivables	**222.8**	224.5
Current		
Rent receivable	**6.7**	3.3
Other receivables	**16.6**	16.4
Prepayments and accrued income[2]	**15.0**	13.4
Trade and other receivables	**38.3**	33.1

1. Includes £75.0 million (2017: £60.0 million) payment to LBHF which forms part of the CLSA.
2. Includes tenant lease incentives, comprising surrender premia paid and incentives offered to new tenants, of £50.5 million (2017: £57.8 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 £138.1 million on 24 August 2021. This balance has been impaired by £27.0 million (2017: £9.5 million). Current amounts of £40.0 million due from LSJV in relation to working capital funding advanced by the Group have been impaired in full.

17 CASH AND CASH EQUIVALENTS

	2018 £m	2017 £m
Cash at hand	**4.6**	8.0
Cash on short-term deposit	**27.9**	20.6
Cash and cash equivalents	**32.5**	28.6

18 TRADE AND OTHER PAYABLES

	2018 £m	2017 £m
Rent received in advance	**16.7**	18.4
Accruals and deferred income	**22.9**	32.2
Trade payables	**0.1**	–
Other payables	**15.5**	15.4
Other taxes and social security	**3.7**	3.1
Trade and other payables	**58.9**	69.1

19 BORROWINGS, INCLUDING FINANCE LEASES

	2018						
	Carrying value £m	**Secured £m**	**Unsecured £m**	**Fixed rate £m**	**Floating rate £m**	**Fair value £m**	**Nominal value £m**
Current							
Finance lease obligations	**0.7**	**0.7**	**–**	**0.7**	**–**	**0.7**	**0.7**
Borrowings, including finance leases	**0.7**	**0.7**	**–**	**0.7**	**–**	**0.7**	**0.7**
Non-current							
Bank loans	**63.4**	**65.8**	**(2.4)**	**–**	**63.4**	**66.4**	**66.4**
Loan notes	**547.7**	**–**	**547.7**	**547.7**	**–**	**530.7**	**550.0**
Borrowings	**611.1**	**65.8**	**545.3**	**547.7**	**63.4**	**597.1**	**616.4**
Finance lease obligations	**5.4**	**5.4**	**–**	**5.4**	**–**	**5.4**	**5.4**
Borrowings, including finance leases	**616.5**	**71.2**	**545.3**	**553.1**	**63.4**	**602.5**	**621.8**
Total borrowings, including finance leases	**617.2**						
Cash and cash equivalents	**(32.5)**						
Net debt	**584.7**						

19 BORROWINGS, INCLUDING FINANCE LEASES CONTINUED

	2017						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Current							
Finance lease obligations	0.7	0.7	–	0.7	–	0.7	0.7
Borrowings, including finance leases	0.7	0.7	–	0.7	–	0.7	0.7
Non-current							
Bank loans	223.4	61.4	162.0	–	223.4	227.1	227.1
Loan notes	547.4	–	547.4	547.4	–	552.9	550.0
Borrowings	770.8	61.4	709.4	547.4	223.4	780.0	777.1
Finance lease obligations	5.4	5.4	–	5.4	–	5.4	5.4
Borrowings, including finance leases	776.2	66.8	709.4	552.8	223.4	785.4	782.5
Total borrowings, including finance leases	776.9						
Cash and cash equivalents	(28.6)						
Net debt	748.3						

20 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

		2018		Restated[1] 2017	
	Note	**Carrying value £m**	**(Loss)/gain to income statement £m**	Carrying value £m	(Loss)/gain to income statement £m
Derivative financial assets		**0.7**	**(1.6)**	–	(0.1)
Total held for trading assets		**0.7**	**(1.6)**	–	(0.1)
Cash and cash equivalents	17	**32.5**	**–**	28.6	–
Other financial assets[1,2]		**117.8**	**–**	119.6	–
Total cash and other financial assets		**150.3**	**–**	148.2	–
Derivative financial liabilities		**–**	**3.8**	(5.5)	4.4
Total held for trading liabilities		**–**	**3.8**	(5.5)	4.4
Borrowings, including finance leases	19	**(617.2)**	**–**	(776.9)	–
Other financial liabilities[1,3]		**(44.6)**	**–**	(52.8)	–
Total borrowings and other financial liabilities		**(661.8)**	**–**	(829.7)	–

1. The comparative has been restated to remove a non-financial asset and liability.

2. Includes rent receivable, amounts due from joint ventures and other receivables.

3. Includes trade and other payables (excluding rents received in advance) and tax liabilities.

Fair value estimation

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

The different valuation 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.

20 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES CONTINUED

The tables below present the Group's financial assets and liabilities recognised at fair value at 31 December 2018 and 31 December 2017. There were no transfers between levels during the year.

	2018				2017			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial assets								
Total assets	**–**	**0.7**	**–**	**0.7**	–	–	–	–
Derivative financial liabilities								
Total liabilities	**–**	**–**	**–**	**–**	–	(5.5)	–	(5.5)

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

The fair values of the Group's cash and cash equivalents, other financial assets and other financial liabilities are not materially different from those at which they are carried in the financial statements.

21 DEFERRED TAX

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

Deferred tax on investment and development property is calculated under IAS 12 provisions on a disposals basis by reference to the properties' original tax base cost. Elements factored into the calculation include indexation relief and the Group's holding structure. The Group's recognised deferred tax position on investment and development property as calculated under IAS 12 is £nil at 31 December 2018 (2017: £nil). The Group's contingent tax liability on investment properties, calculated on the same tax base cost as above but based on a deemed market value disposal at year end, is £nil (2017: £nil). Following the enactment of Finance Act 2019, UK tax will be charged on gains made by non-resident entities on direct and certain indirect disposals of UK immovable property, with effect from April 2019.

A disposal of the Group's trading properties at their market value as per note 13 'Property Portfolio', before utilisation of carried forward losses, would result in a corporation tax charge to the Group of £4.9 million (19 per cent of £25.7 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 2017	14.6	–	(3.1)	0.4	(9.2)	2.7
Adjustments in respect of previous years	–	–	–	–	(0.2)	(0.2)
Recognised in income	1.0	–	1.9	0.7	1.6	5.2
Recognised directly in equity	–	–	–	0.2	**–**	0.2
Released on discontinued operation	(12.6)	–	–	(3.1)	–	(15.7)
At 31 December 2017	**3.0**	**–**	**(1.2)**	**(1.8)**	**(7.8)**	**(7.8)**
Recognised in income	**1.1**	**–**	**1.2**	**(1.1)**	**0.1**	**1.3**
Recognised directly in equity	**–**	**–**	**–**	**0.8**	**–**	**0.8**
Reduction due to rate change	**–**	**–**	**–**	**–**	**0.8**	**0.8**
Released on discontinued operation	**(0.6)**	**–**	**–**	**–**	**–**	**(0.6)**
At 31 December 2018	**3.5**	**–**	**–**	**(2.1)**	**(6.9)**	**(5.5)**
Unprovided deferred tax assets:						
At 1 January 2018	**–**	**(64.7)**	**–**	**–**	**(8.7)**	
Movement during the year	**–**	**(31.0)**	**–**	**–**	**(0.6)**	
At 31 December 2018	**–**	**(95.7)**	**–**	**–**	**(9.3)**	

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

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 2017			846,121,707	211.5	215.1
Scrip dividend – 2016 final	May	290	1,653,429	0.4	4.8
Scrip dividend – 2017 interim	September	268	443,695	0.1	1.2
Share-based payment[1]			841,315	0.2	–
At 31 December 2017			**849,060,146**	**212.2**	**221.1**
Scrip dividend – 2017 final	May	**265**	**1,295,154**	**0.3**	**3.5**
Scrip dividend – 2018 interim	September	**253**	**394,791**	**0.1**	**1.0**
Share-based payment[2]			**56,165**	**0.1**	**–**
At 31 December 2018			**850,806,256**	**212.7**	**225.6**

1. In 2017 a total of 841,315 new shares were issued to satisfy employee share scheme awards.

2. In 2018 a total of 56,165 new shares were issued to satisfy employee share scheme awards.

At 26 February 2019, the Company had an unexpired authority to repurchase shares up to a maximum of 84,906,014 shares with a nominal value of £21.2 million, and the Directors had an unexpired authority to allot up to a maximum of 563,784,111 shares with a nominal value of £140.9 million of which 282,737,028 with a nominal value of £70.7 million can only be allotted pursuant to a fully pre-emptive rights issue.

23 CAPITAL COMMITMENTS

At 31 December 2018, the Group was contractually committed to £22.4 million (2017: £57.3 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. All of the £22.4 million committed is committed 2019 expenditure.This includes the CLSA commitment as described in further detail below.

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 £90.0 million of the £105.0 million cash consideration payable under the CLSA. The residual £15.0 million will be settled in one remaining instalment of £15.0 million which is due on 31 December 2019.

The Group's share of joint venture capital commitments arising on LSJV amounts to £32.4 million (2017: £7.0 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 FLOW INFORMATION

(a) Cash generated from/(used in) continuing operations

Continuing operations	Note	2018 £m	2017 £m
Loss before tax		**(119.3)**	(62.5)
Adjustments:			
Profit on sale of trading property	3	–	(0.9)
Loss on revaluation and sale of investment and development property	4	**146.1**	90.9
Impairment of other receivables	5	**23.2**	1.3
Profit on sale of subsidiaries	6	**(29.5)**	–
Depreciation		**1.9**	1.9
Amortisation of tenant lease incentives and other direct costs		**(1.0)**	(2.3)
Share-based payment[1]		**2.4**	2.0
Finance income	7	**(0.3)**	(0.8)
Finance costs	8	**19.3**	19.9
Other finance income	7	**(12.0)**	(11.7)
Change in fair value of derivative financial instruments		**(2.2)**	(4.3)
Change in working capital:			
Change in trade and other receivables		**(21.6)**	(32.5)
Change in trade and other payables		**0.8**	4.8
Cash generated from continuing operations		**7.8**	5.8

1. This relates to the IFRS 2 ‘Share-based payment’ charge.

(b) Cash generated from discontinued operation

Discontinued operation	Note	Period ended 7 April 2017 £m
Profit before tax	10	**6.1**
Adjustments:		
Profit on disposal of discontinued operation	10	**(2.1)**
Depreciation		**0.1**
Finance costs		**0.4**
Change in fair value of derivative financial instruments		**0.1**
Change in working capital:		
Change in trade and other receivables		**1.7**
Change in trade and other payables		**1.7**
Cash generated from discontinued operation		**8.0**

(c) Reconciliation of cash flows from financing activities

The table below sets out the reconciliation of movements of liabilities to cash flows arising from financing activities:

	Note	Long-term borrowings £m	Short-term borrowings £m	Derivative financial instruments £m	Total liabilities from financing activities £m
Balance at 1 January		**776.2**	**0.7**	**5.5**	**782.4**
Cash flows from financing activities					
Proceeds from loans and borrowings		**22.8**	**–**	**–**	**22.8**
Repayment of borrowings		**(185.0)**	**–**	**–**	**(185.0)**
Purchase and repayment of derivative financial instruments		**–**	**–**	**(4.0)**	**(4.0)**
Total cash flows used in financing activities		**(162.2)**	**–**	**(4.0)**	**(166.2)**
Non-cash movements from financing activities					
Facility fees written off		**1.0**	**–**	**–**	**1.0**
Changes in fair value	20	**–**	**–**	**(2.2)**	**(2.2)**
Borrowing costs capitalised		**1.5**	**–**	**–**	**1.5**
Total non-cash flows from/(used in) financing activities		**2.5**	**–**	**(2.2)**	**0.3**
Balance at 31 December		**616.5**	**0.7**	**(0.7)**	**616.5**

26 RELATED PARTY TRANSACTIONS

Transactions with Directors

Key management compensation[1]	**2018 £m**	2017 £m
Salaries and short-term employee benefits	**3.0**	3.3
Share-based payment	**1.5**	1.3
	4.5	4.6

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

Transactions between the Group and its joint ventures

Transactions during the year between the Group and its joint ventures, which are related parties, are disclosed in notes 14 'Investment in Joint Ventures', 16 'Trade and other receivables' and 23 'Capital commitments'. During the year the Group recognised management fee income of £3.4 million (2017: £3.8 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 Henry Staunton, Chairman of Capital & Counties Properties PLC since 5 June 2018, together with his spouse exchanged contracts to acquire an apartment for a purchase price of £1,999,000 and at 31 December 2016 had paid deposits totalling £399,800. Legal completion occurred during 2017 with a net amount of £1,596,850 received, reflecting application of a standard legal fee incentive.
- In April 2014 Ian Durant, Chairman of Capital & Counties Properties PLC until 5 June 2018, 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 and at 31 December 2016 had paid deposits totalling £171,000. Legal completion occurred during 2017 with a net amount of £683,000 received, reflecting application of a standard legal fee incentive and a specification enhancement.
- 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. During construction plans were altered and the two apartments were combined into one apartment. During the year this apartment was re-sold to a third-party on behalf of Graeme Gordon for £4,900,000. Under the terms of the re-sale the net amount received from the third-party by Lillie Square was £4,874,940. Graeme Gordon received £929,160 comprising the return of deposits paid and the net proceeds of the sale after the deduction of transaction costs.
- 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. During construction plans were altered and the two apartments were combined into one apartment. The terms of the contracts were varied accordingly and assigned to Graeme Gordon. Legal completion occurred in 2018 with a total amount of £4,794,000 received (including deposits totalling £940,000 paid prior to 31 December 2016), reflecting application of standard legal fees.
- Upon legal completion of the above transactions, the Directors are required to pay annual ground rent and insurance premium fees and bi-annual service charge fees. During 2018 £19,790 has been received in relation to these charges. Certain payments in relation to these charges are made in advance and £15 has therefore been received for 2019 as at 31 December 2018.

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

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

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

1. PROPERTY DATA AS AT 31 DECEMBER 2018

	Market value £m	Ownership
Covent Garden	**2,610.0**	**100%**
Earls Court Properties		
ECPL	**460.7**	**63%**
Lillie Square	**159.1**	**50%**
Other	**38.5**	**100%**
Earls Court Properties (Group share)	**658.3**	
Group share of total property	**3,268.3**	
Investment and development property	***3,111.1***	
Trading property	***157.2***	

2. ANALYSIS OF CAPITAL RETURN FOR THE YEAR

Like-for-like capital	**Market value 31 December 2018 £m**	Market value 31 December 2017 £m	**Revaluation gain/(loss)[1] 31 December 2018 £m**	**Increase/ (decrease)**
Covent Garden	**2,595.0**	2,529.5	**40.6**	**1.6%**
Earls Court Properties	**656.3**	731.8	**(121.3)**	**(15.6)%**
Total like-for-like capital	**3,251.3**	3,261.3	**(80.7)**	**(2.4)%**
Investment and development property	***3,094.1***	*3,133.9*	**(76.9)**	***(2.5)*%**
Trading property[2]	***157.2***	*127.4*	**(3.8)**	***(2.3)*%**
Non like-for-like capital				
Acquisitions	**17.0**	–	**(4.0)**	
Disposals	**–**	263.2	**–**	
Group share of total property	**3,268.3**	3,524.5	**(84.7)**	**(2.6)%**
Investment and development property	***3,111.1***	*3,369.8*	**(80.9)**	***(2.6)*%**
Trading property[2]	***157.2***	*154.7*	**(3.8)**	***(2.3)*%**
All property				
Covent Garden	**2,610.0**	2,545.4	**37.3**	**1.5%**
Earls Court Properties	**658.3**	979.1	**(122.0)**	**(15.6)%**
Group share of total property	**3,268.3**	3,524.5	**(84.7)**	**(2.6)%**

1. Revaluation gain/(loss) 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 (UNAUDITED) CONTINUED

3. ANALYSIS OF NET RENTAL INCOME FOR THE YEAR

Like-for-like net rental income from continuing operations	**2018 £m**	**2017 £m**	**Increase/ (decrease)**
Covent Garden	**51.0**	46.6	**9.6%**
Earls Court Properties	**2.2**	1.4	**57.5%**
Other	**(0.2)**	(0.5)	**(46.1)%**
Total like-for-like net rental income	**53.0**	47.5	**11.5%**
Like-for-like investment and development property	***53.0***	*47.5*	**11.5%**
Non like-for-like net rental income			
Acquisitions	**0.3**	–	
Developments	**2.1**	1.4	
Disposals	**4.0**	16.6	
Prior year acquisitions (like-for-like capital)	**4.1**	0.7	
Group share of total net rental income	**63.5**	66.2	**(4.2)%**
Investment and development property	***63.6***	*66.3*	**(4.2)%**
Trading property	**(0.1)**	*(0.1)*	

All property			
Covent Garden	**57.5**	48.9	**17.5%**
Earls Court Properties	**6.3**	17.8	**(65.0)%**
Other	**(0.3)**	(0.5)	**(54.2)%**
Group share of total net rental income	**63.5**	66.2	**(4.2)%**

4. ANALYSIS OF COVENT GARDEN BY USE

31 December 2018

	Initial yield (EPRA)	**Nominal equivalent yield**	**Passing rent[2] £m**	**Occupancy rate**	**Weighted average unexpired lease years**	**Market value £m**	**ERV £m**	**Net area million Sq ft**
Retail						**2,020.8**	**81.7**	**0.7**
Office						**341.0**	**18.8**	**0.3**
Residential						**246.7**	**7.1**	**0.2**
Other[1]						**1.5**	**0.1**	**–**
Total	**2.38%**	**3.59%**	**66.1**	**97.3%**	**7.6**	**2,610.0**	**107.7**	**1.2**

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

2. Non-leased income of £1.9 million is added to passing rent to arrive at gross income.

CONSOLIDATED UNDERLYING PROFIT STATEMENT

For the year ended 31 December 2018

Group share	2018 £m	2017 £m
Continuing operations:		
Net rental income	**63.5**	66.2
Other income	**1.8**	2.3
Administration expenses	**(36.7)**	(38.7)
Operating profit	**28.6**	29.8
Finance costs	**(19.5)**	(20.6)
Finance income	**0.3**	0.8
Net finance costs	**(19.2)**	(19.8)
Profit before tax	**9.4**	10.0
Taxation	**(1.4)**	(2.7)
Underlying earnings from continuing operations	**8.0**	7.3
Underlying earnings from discontinued operation	**–**	4.1
Underlying earnings	**8.0**	11.4
Underlying earnings per share (pence):		
From continuing operations	**0.9**	0.9
From discontinued operation	**–**	0.4
Underlying earnings per share (pence)	**0.9**	1.3
Weighted average number of shares	**850.8m**	850.4m

FINANCIAL COVENANTS

For the year ended 31 December 2018

Financial covenants on non-recourse debt

	31 December 2018			
Group share	Maturity	Loan(s) outstanding at 31 December 2018[1] £m	LTV covenant	Interest cover covenant
Covent Garden[2]	**2022–2037**	**550.0**	**60%**	**120%**
ECPL	**2026**	**41.8**	**40%**	**n/a**
Lillie Square[3]	**2021**	**30.0**	**75%**	**n/a**
Total		**621.8**		

1. The loan values are the nominal values at 31 December 2018 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.

2. Covent Garden comprises £705 million Revolving Credit Facility ("RCF") maturing in 2022 with £nil drawn and £550 million Private Placement unsecured notes maturing between 2024 and 2037.

3. Subject to exercise of extension option (2020 – 2021) by the borrower.

ALTERNATIVE PERFORMANCE MEASURES

The Group has applied the European Securities and Markets Authority ("ESMA") guidelines on alternative performance measures ("APMs") in these annual results. An APM is a financial measure of historical or future finance performance, position or cash flow of the Group which is not a measure defined or specified in IFRS.

Set out below is a summary of the APMs used in these results.

Many of the APMs included are based on the EPRA Best Practice Recommendations reporting framework, a set of standard disclosures for the property industry, which aims to improve the transparency, comparability and relevance of published results of public real estate companies in Europe.

The Group also uses underlying earnings, property portfolio and financial debt ratios APMs. The Group considers the presentation of underlying earnings to be useful supplementary information as it removes unrealised and certain other items and therefore represents the recurring, underlying performance of the business. The property portfolio presents the Group share of property market value which is the economic value attributable to the owners of the Parent. Financial debt ratios are supplementary ratios which we believe are useful in monitoring the capital structure of the Group. Additionally loan to value and interest cover are covenants within many of the Group's borrowing facilities.

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.

APM	Nearest IFRS measure	Explanation and reconciliation
EPRA earnings and earnings per share	Profit for the year and basic earnings per share	Note 12
EPRA NAV and NAV per share	Net assets attributable to shareholders	
Underlying earnings and earnings per share	Basic earnings per share	
Market value of property portfolio	Investment, development and trading properties	Note 13
Loan to value	N/A	Financial Review, page 13
Interest cover	N/A	
Gross debt with interest rate protection	N/A	
Weighted average cost of debt	N/A	

Where this report uses like-for-like comparisons, these are defined within the Glossary.

SELECTED PERFORMANCE MEASURES

The following is a summary of EPRA performance measures and key Group measures included within these results. The measures are defined in the Glossary.

APM	Definition of measure	Page	2018	2017
Alternative to Income Statement				
EPRA earnings	Recurring earnings from core operational activity	35	**£2.4m**	£6.2m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	35	**0.3p**	0.7p
Underlying earnings	Profit for the year excluding unrealised and one-off items	35	**£8.0m**	£11.4m
Underlying earnings per share	Underlying earnings per weighted number of ordinary shares	35	**0.9p**	1.3p
Alternative to Balance Sheet				
Market value of property portfolio	Market value of investment, development and trading properties	37	**£3,268m**	£3,525m
EPRA NAV	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	36	**£2,777m**	£2,839m
EPRA NAV per share	EPRA NAV per the diluted number of ordinary shares	36	**326p**	334p
EPRA triple net assets	EPRA NAV amended to include the fair value of financial instruments and debt	36	**£2,788m**	£2,822m
EPRA triple net assets per share	Diluted triple net assets per the diluted number of ordinary shares	36	**327p**	332p
Other				
EPRA net initial yield	Annualised rental income less non-recoverable costs as a percentage of market value plus assumed purchaser's costs	N/A	**2.4%**	2.5%
EPRA topped-up initial yield	Net initial yield adjusted for the expiration of rent-free periods	N/A	**2.7%**	2.8%
Occupancy	ERV of occupied space as a percentage of ERV of combined portfolio	N/A	**97.3%**	97.9%
Loan to value	Net debt divided by the carrying value of the property portfolio	13	**17.9%**	21.3%
Interest cover	Underlying operating profit divided by net underlying finance costs	13	**149.0%**	169.7%
Gross debt with interest rate protection	Proportion of the gross debt with interest rate protection	13	**88%**	91%
Weighted average cost of debt	Cost of debt weighted by the drawn balance of external borrowings	13	**2.9%**	2.8%

DIVIDENDS

The Directors of Capital & Counties Properties PLC have proposed a final dividend per ordinary share (ISIN GB00B62G9D36) of 1.0 pence payable on 16 May 2019.

Dates

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

Sterling/Rand exchange rate struck:	1 April 2019
Sterling/Rand exchange rate and dividend amount in Rand announced:	2 April 2019
Ordinary shares listed ex-dividend on the Johannesburg Stock Exchange:	10 April 2019
Ordinary shares listed ex-dividend on the London Stock Exchange:	11 April 2019
Record date for final dividend in UK and South Africa:	12 April 2019
Election date for scrip dividend alternative (SA) by noon:	12 April 2019
Election date for scrip dividend alternative (UK) by 5:30pm:	23 April 2019
Dividend payment date for shareholders	16 May 2019

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 9 April 2019 and that no dematerialisation of shares will be possible from 10 April 2019 to 12 April 2019 inclusive. No transfers between the UK and South Africa registers may take place from 2 April 2019 to 12 April 2019 inclusive.

Subject to SARB approval, the Board intends to offer an optional scrip dividend alternative in respect of the 2018 final dividend.

The above dates are proposed and subject to change.

Important information for South African shareholders

The final cash dividend declared by the Company will constitute a dividend for Dividends Tax purposes. Dividends Tax will therefore be withheld from the amount of the final cash dividend which is paid at a rate of 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 by the requisite date.

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

Alternative Performance Measure (APM)

A financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

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 (up until disposal on 26 March 2018) and a number of smaller properties in the Earls Court area.

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.

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.

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 or loss for the year excluding gains or losses on the revaluation and sale of investment and development property, profit on sale of subsidiaries, impairment of other receivables, 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 year.

EPRA net asset value (NAV)

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

EPRA 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 topped-up initial yield

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

EPRA triple net asset value (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.

EPRA triple net asset value per share (NNNAV)

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

EPRA vacancy

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

ESB

Empress State Building.

Estimated rental value (ERV)

The external valuers' estimate 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.

FRC

Financial Reporting Council.

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.

HMRC

Her Majesty's Revenue and Customs.

IFRS

International Financial Reporting Standards.

Innova

Innova Investment Limited Partnership is a 50 per cent joint venture between the Group and Network Rail Infrastructure Limited.

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

Loan to value (LTV)

LTV is calculated on the basis of the Group's net debt divided by the carrying 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.

MSCI

Producer of an independent benchmark of property returns. Previously known as Investment Property Databank (IPD).

NAV

Net Asset Value.

Net debt

Total borrowings less cash and cash equivalents.

NIA

Net Internal Area.

Net rental income (NRI)

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

Nominal equivalent yield

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

NRIL

Network Rail Infrastructure Limited.

Occupancy rate

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. Contracted annual rents in respect of tenants in administration are excluded.

P.A.

Per annum.

RBKC

Royal Borough of Kensington and Chelsea.

RICS

Royal Institution of Chartered Surveyors.

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.

SMEs

Small and medium-sized enterprises.

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.

WCC

Westminster City Council.

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").