PRESS RELEASE

25 JULY 2019

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FOR IMMEDIATE RELEASE

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

CAPITAL & COUNTIES PROPERTIES PLC ("CAPCO")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

Continuing rental income growth and intention to demerge Covent Garden as a central London focused REIT

Henry Staunton, Chairman of Capco, commented:

"Capco has achieved significant growth since listing in 2010. Covent Garden in the heart of London's West End is now of considerable scale, valued at over £2.6 billion with an attractive long-term income profile. At Earls Court we have created one of London's most important development opportunities. Against this successful execution of strategy for both assets, the Board has considered the structure of the Group and believes that a separation of Covent Garden and Earls Court is in shareholders' interests and offers significant benefits. As two distinct and focused businesses, with experienced management and growth prospects, Covent Garden and Earls Court can pursue independent strategies to deliver long-term shareholder value."

Ian Hawksworth, Chief Executive of Capco, commented:

"Through the successful execution of our strategy, we have created two fantastic estates that could now stand alone as strongly positioned independent businesses. I am delighted that the Board's long-term ambition of seeing Covent Garden become a focused REIT is reaching fruition. Having assembled a remarkable portfolio, the business is now of a scale and quality to perform and grow in one of the world's most exciting real estate markets, the West End in Central London and is well-positioned for continued long-term success.

At Earls Court, we have created one of London's most important mixed-use development opportunities, which has the ability to evolve with market dynamics and bring forward much needed homes for London. Separation of the two estates would enhance strategic flexibility, and allow each business to pursue independent strategies and deliver long-term value for our shareholders."

Key financials

- Equity attributable to owners of the Parent £2.6 billion (Dec 2018: £2.7 billion)
- EPRA NAV declined by 3.3 per cent to 315 pence per share (Dec 2018: 326 pence per share)
- Total property value of £3.2 billion, a decrease of 2.0 per cent (like-for-like) (Dec 2018: £3.3 billion)
- Proposed interim dividend of 0.5 pence per share (Jun 2018: 0.5 pence per share)

Covent Garden continued income growth and reversion capture

- Covent Garden total property value of £2.6 billion, 0.5 per cent increase (like-for-like) (Dec 2018: £2.6 billion)
- Net rental income up 7.0 per cent (like-for-like) or 9.8 per cent in absolute terms against June 2018
- Positive operational momentum; 40 new leases and renewals 2 per cent above December 2018 ERV
- ERV increased by 1.0 per cent (like-for-like) to £108 million (Dec 2018: £108 million)
- Positive trading environment, increase in footfall and tenant sales
- Continuing to attract high quality brands
- High occupancy, renewal rates and strong demand for office and residential portfolio

Earls Court investments

- Earls Court interests valued at £599 million, a decrease of 11.5 per cent (like-for-like) (Dec 2018: £658 million)
- Ongoing operational progress on ECPL land with railway track suppression works progressing on schedule

- ECPL land available for development; ongoing interest from potential investors and occupiers
- Lillie Square Phase 2 construction continues on schedule with first handovers expected in H1 2020

Strong financial position with significant financial flexibility

- Group loan to value ratio of 19 per cent (Dec 2018: 18 per cent)
- Group undrawn facilities and cash of £845 million (Dec 2018: £854 million)
- Capital commitments of £49 million (Dec 2018: £53 million)
- Weighted average debt maturity of 5.5 years (Dec 2018: 6.0 years)
- Weighted average cost of debt of 3.0 per cent (Dec 2018: 2.9 per cent)

Intention to proceed with the demerger

- Intention to launch Covent Garden as a central London focused REIT through demerger from Capco
- Through successful execution of strategy, Capco has created two central London estates that could now stand alone as independent businesses, Covent Garden London and EC Properties
- Covent Garden is now of a scale and income profile to be strongly positioned as a central London focused REIT
- EC Properties aims to optimise and realise the value of its Earls Court land interests over time
- There has been a broad range of interest in Earls Court and in assessing proposals from interested parties, the Board focuses on value and deliverability
- Indicative pricing received is at a range of discounts to the balance sheet value and the proposals are subject to differing levels of further due diligence and a number of conditions, including third-party rights
- No certainty that this will result in a sale transaction
- The Board believes that separation of the two businesses is in shareholders' interests and therefore intends to proceed with the demerger
- Capco expects to publish shareholder documentation in September 2019
- Completion of demerger, subject to shareholder approval, anticipated before the end of 2019

ENQUIRIES

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

A copy of this announcement is available for download from our website at www.capitalandcounties.com and hard copies can be requested via the website or by contacting the Company (feedback@capitalandcounties.com or telephone +44 (0)20 3214 9814).

Person responsible:

The person responsible for arranging the release of this announcement is Ruth Pavey, Company Secretary.

FINANCIAL HIGHLIGHTS

	30 June 2019	31 December 2018
Equity attributable to owners of the Parent	**£2,644m**	£2,736m
Equity attributable to owners of the Parent per share	**310.5p**	321.6p
-3.0% Total return for six months ended 30 June 2019 (full year 2018: -2.0%)		
EPRA net asset value	**£2,690m**	£2,777m
EPRA net asset value per share	**315.0p**	325.7p
Dividend per share	**0.5p**	1.5p
-1.1% Total property return for six months ended 30 June 2019 (full year 2018: -0.4%)		
Property market value[1]	**£3,210m**	£3,268m
Net rental income[2]	**32.1m**	£63.5m
Loss for the period attributable to owners of the Parent	**(£87.2)m**	(£56.9)m
Underlying earnings per share[3]	**0.5p**	0.9p

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 note 2 "Segmental Reporting" on page 29.
3. Refer to Consolidated Underlying Profit Statement on page 50.

Intention to proceed with the demerger

Capco today announces as detailed in a separate statement, its intention to launch Covent Garden as an independent central London focused REIT through its demerger from Capco.

Capco's strategy is focused on driving long-term value creation. Since listing in 2010, the Company has realised significant value from various investments and allocated capital to the growth of Covent Garden. Both businesses now have different risk and reward profiles. The scale and changing income profile of Covent Garden as well as the ECPL land being available for development have been taken into account by the Board in determining to proceed with a demerger of Covent Garden.

There has been a broad range of interest in Earls Court expressed to the Company and its financial advisers. In assessing proposals from interested parties, the Board focuses on value and deliverability. The indicative pricing received is at a range of discounts to the balance sheet value and the proposals are subject to differing levels of further due diligence and a number of conditions, including third-party rights.

There is no certainty of a sale transaction. The Board believes that separation of the two businesses is in shareholders' interests and is therefore announcing today its intention to proceed with the demerger.

Separately a number of expressions of interest have been received, including from institutional capital, to participate in development of the Earls Court Partnership Limited ("ECPL") land.

Covent Garden and Earls Court are two central London estates with positive long-term growth prospects.

Covent Garden is a highly attractive and globally recognised destination for occupiers and consumers. This world-class estate has a rich heritage, situated around the historic Covent Garden Market Building and Piazza, adjacent to the iconic Royal Opera House. The carefully accumulated group of assets provides a source of long-term growth in income and capital value. Capco's distinct approach to rigorous asset management and strategic investment continues to attract target brands and experiences to meet evolving consumer demand. Covent Garden aims to deliver long-term sustainable returns underpinned by driving rental growth and securing income from its mixed-use estate in London's West End.

Earls Court represents one of the most important opportunities to deliver a large-scale, mixed-use development to meet London's evolving needs. Earls Court has a highly attractive location in an established and desirable part of central London with excellent connectivity and limited competing supply. The majority of the site already benefits from a detailed planning consent. Earls Court is a key strategic scheme for the capital, providing the opportunity to create much needed new homes, jobs and additional benefits for London. EC Properties aims to optimise and realise the value of its Earls Court land interests over time, by facilitating delivery of the Masterplan through the introduction of third-party capital.

Capco intends to publish shareholder documentation, and hold management presentations, in September 2019, with completion, subject to shareholder approval, anticipated before the end of 2019.

Outlook

London continues to demonstrate its status as a truly global city with high levels of visitor numbers and strong consumer spending relative to the rest of the UK; the macroeconomic and political environment remains uncertain and could further impact the property market.

Through the successful execution of our strategy over the past nine years, at Covent Garden and Earls Court we have created two central London estates that could each now stand alone as strongly positioned independent businesses, with positive long-term growth prospects.

Covent Garden is a world-class mixed-use estate. Its scale and attractive income profile now position the business for continued long-term success and growth as an independent REIT based in the heart of London's West End. Capco's creative approach and emphasis on the consumer ensures the estate continues to thrive and is well-positioned to deliver further rental growth and capture its reversionary income. Capco will continue to invest strategically in assets which offer value creation opportunities, with the southern part of the estate in particular offering a number of significant growth prospects.

Earls Court is one of the most important mixed-use development opportunities in London. The ECPL land, which represents Capco's principal investment in Earls Court, is available for development. Whilst the environment for large-scale residential development remains challenging, the level of interest being shown in the land suggests that capital is available to support activity on site. Earls Court has the ability to adapt to the dynamics of the market and to bring forward much needed new homes for London.

Covent Garden and Earls Court are two strongly positioned estates, both of which have positive long-term growth prospects.

Backed by a strong balance sheet, with low leverage and significant levels of liquidity, Capco is well-positioned to create two independent businesses with appropriate capital structures. Separation of the two assets would enhance strategic flexibility, allowing each business to pursue independent strategies to deliver long-term value for shareholders.

OPERATING REVIEW

Valuations

The total property value of the Group decreased by 2.0 per cent (like-for-like) in the period to 30 June 2019 to £3.2 billion.

The valuation of Covent Garden has risen by 0.5 per cent (like-for-like) to £2.6 billion, driven by ERV growth of 1.0 per cent achieved over the period. The equivalent yield remains unchanged at 3.6 per cent, reflecting the independent valuer's view of the strength of demand for central London retail investments. The performance of retail and dining operators in the West End of London has proved to be more resilient in general than the wider UK market, although this does vary by area with signs of weaker rents and values in certain sub-markets.

The valuation of Earls Court Properties was £599 million, representing a decrease of 11.5 per cent (like-for-like). The independent valuer made adjustments to the gross development value, the cost of delivery and the developer's margin, resulting in a net decline of 15.9 per cent for ECPL.

	Market Value 30 June 2019 £m	Market Value 31 December 2018 £m	Valuation Change Like-for-like[1]
Covent Garden	**2,611**	2,610	0.5%
Earls Court Properties			
Earls Court Partnership Limited ("ECPL")[2]	**389**	461	(15.9)%
Lillie Square[3]	**173**	159	(1.5)%
Other	**37**	38	(4.4)%
Group share of Earls Court Properties	**599**	658	(11.5)%
Group share of total property[4]	**3,210**	3,268	(2.0)%

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 the carrying value of investment, development and trading property to the market value is shown in note 11 'Property Portfolio' within the condensed consolidated financial statements.

COVENT GARDEN

A world-class retail and dining led destination

Covent Garden is a carefully assembled portfolio in the heart of London's West End, comprising retail, dining, leisure and cultural space complemented by high quality offices and residential apartments. Covent Garden is established as an exceptional mixed-use portfolio of approximately 1.2 million square feet of lettable space, across 79 buildings and 526 units. The assembly of such an estate in central London has been delivered through disciplined investment over time. Ownership of these assets has enabled Capco to build significant scale and embed its strategy for the estate.

The emphasis on the customer ensures that the estate thrives as a leading destination for Londoners, domestic and international visitors as well as office workers and residents, attracting over 40 million visitors a year. The area is now home to a vibrant mix of luxury and contemporary, global and British brands including Apple, Balthazar, Bucherer, RedFarm, Peloton and Tiffany & Co.

Despite the challenging national economic and retail backdrop, Covent Garden continues to deliver rental growth and capture income. The increasing significance of online purchases by consumers and the evolving omni-channel sales strategies pursued by retailers underpins the importance for brands in choosing leading global destinations. Covent Garden offers retailers and visitors a differentiated experience in a managed estate environment.

During the period to 30 June 2019, 40 leasing transactions including new leases and renewals representing £13.0 million of annualised rental income were transacted at 2.0 per cent above 31 December 2018 ERV. Net rental income was £31.1 million for the first half of the year, up 7.0 per cent (like-for-like) or 9.8 per in absolute terms compared to June 2018.

The value of the estate increased by 0.5 per cent like-for-like to £2.6 billion. The ERV of the estate has increased by 1.0 per cent like-for-like to £108 million. Occupancy on the estate remains high at 97 per cent and NRI growth continues to outperform ERV growth as the reversionary income potential of the portfolio is captured. Both tenant sales and footfall have recorded positive growth during the period.

Retail

The West End offers greater insulation from the well-documented wider retail challenges and whilst not immune, Capco's thoughtful approach to brand selection which contributes to driving rental tones and income growth, is central to management of the estate. High quality footfall locations are key to retailers when choosing locations around the world. The success of Capco's approach to date is demonstrated through many brands choosing Covent Garden to be their flagship, first or only London presence.

Apple recently confirmed Covent Garden as one of its top global locations, by carrying out an extensive refurbishment on this flagship store, and during the period Apple has agreed to extend its lease, resulting in its occupation for a further 15 years. This underlines the importance of the Covent Garden location for global brands and the positive trading prospects of the estate.

Polo by Ralph Lauren is the latest brand to agree terms to open on King Street and French luxury sportswear brand Lacoste opened a new store on James Street. These additions continue to position Covent Garden as one of London's best retail destinations offering a wide range of high quality brands.

The luxury retail operator Bucherer has agreed terms to upsize its offering to a more prominent flagship store within the Royal Opera House Arcade with an increased floor plate. Bucherer's re-location builds on the ongoing strategic positioning of the arcade as a premium shopping location.

Strong demand for the Market Building continues; new leasing deals were agreed with premium retailer Happy Socks, an international brand with stores in LA and Tokyo among other major cities. In addition eyewear brand For Art's Sake opened its first standalone retail store in the Market Building.

Parisian womenswear brand ba&sh will open a flagship store on King Street in the coming months. American casual men's apparel brand, Untuckit, has agreed terms to open on Long Acre. This retailer originated online and this will be its first physical store in the UK.

Repositioning of Floral Street continues with US ethical fashion brand Free People opening its first permanent store outside of the US at 28 Floral Street. Fitness technology company Peloton continues its fit out of its European flagship training studio over four floors, and will live-stream classes to members worldwide.

Dining

Capco has turned Covent Garden into one of the best dining destinations in London. The estate now offers differentiated dining experiences, from casual to premium. The estate's transformation has been very well received and recognised by consumers, with the restaurants generally reporting growth in turnover in contrast to well documented issues experienced in the broader UK market.

Adding to the depth and quality is the latest signing on Floral Street, Dominique Ansel Bakery, the café responsible for inventing the Cronut and bringing it to London. The new bakery will anchor the western end of Floral Street, which continues its ongoing repositioning.

Emirati café concept, Mlkcake by Gossip has agreed terms to open its first permanent UK site within the Market Building. The letting follows its successful pop-up in the summer of 2018. Santa Nata, which specialises in authentic Portuguese custard tarts opened on Russell Street and Italian-style boulangerie VyTA Santa Margherita opened in the Market Building offering all-day dining on the Piazza.

Wahlburgers, the casual dining burger restaurant and bar, has opened its first restaurant outside the US on James Street, offering a menu of quality American food.

Capco continues to work closely with retail and dining brands as well as cultural partners to introduce engaging consumer events and provide ancillary revenue opportunities. This year this has included the PIMM's Bar and popular Wimbledon Screening Experience on the East Piazza, which featured a large astroturf screen complete with deck chairs and PIMM's stand.

Acquisitions and developments

Capco's ownership of the estate continues to expand, and 39-40 Bedford Street was acquired for £13.2 million. This 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.

Capco continues to review proposals for the Wellington block, a scarce island site in central London with various planning consents in place across multiple uses including office on the upper floors with retail and restaurants on ground floor as well as consent for a 83-room hotel. Capco has submitted a planning application to increase the number of rooms to 146 and to introduce a rooftop bar with determination expected over the coming months.

Offices

Covent Garden has become a prime office location underpinned by the appeal of the overall place and its excellent connectivity. Covent Garden has a contemporary office portfolio offering both multi-tenanted and single occupancy workspace. The portfolio continues to attract professional services, creative industries and SMEs with high occupancy rates. Office space represents 14 per cent of the portfolio by value.

A number of office lettings have been achieved during the period most notably the letting of 22 Long Acre to global co-working space provider WeWork. The opening of WeWork on Long Acre is an important addition to the already thriving office community in the area.

In addition, Peloton has chosen Floral Street for its London offices, extending its lease to cover approximately 4,000 square foot of office space taking its total floorplate to 23,000 square foot in total including the retail component.

Residential

The residential for lease portfolio is performing very well. There is positive demand across the estate, with a high rate of renewals recorded above previous passing rent.

Demand for the new build residential collection at Floral Court has been very positive. Residents are attracted to the distinctive product, iconic location and personalised services available. The product has recently been named 'Best London Home – Under 100 units' at the Evening Standard Awards 2019. A successful sales programme has resulted in 24 of the 29 apartments being sold to date, generating £69 million of gross sales proceeds.

EARLS COURT PROPERTIES

One of London's most important development opportunities

At Earls Court Capco has created one of the most important opportunities to deliver a large-scale, housing led, mixed-use development to meet London's evolving needs. Earls Court has a highly attractive location in an established and desirable part of central London with excellent connectivity and limited competing supply. Located within two London Boroughs, the Royal Borough of Kensington and Chelsea ("RBKC") and the London Borough of Hammersmith & Fulham ("LBHF"), the majority of the site benefits from a detailed planning consent.

The strategic approach to date has been to carry out land assembly, establish and manage partnerships, achieve and implement a planning consent and undertake complex enabling works. The ECPL land, Capco's principal investment at Earls Court is now available for development. The strategy is to optimise and realise value from the ECPL land and bring forward development of the Masterplan through the introduction of third-party capital to deliver this important opportunity for London. The Masterplan has the ability to adapt to market dynamics and the needs of London.

The current political and economic environment presents challenges for large-scale residential development activity. Capco notes comments from LBHF suggesting that it is considering the use of Compulsory Purchase Orders ("CPO") on various parts of the Earls Court masterplan. There is a clear and detailed legal framework in place which must be followed and the bar is set high for the compulsory acquisition of land. No formal decision has been made by LBHF to commence the CPO process. The Company will continue to take a constructive approach to all stakeholders to advance this important scheme for London, whilst protecting its commercial interests.

A number of expressions of interest have been received, including from institutional capital, to participate in development of the ECPL land.

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 Transport for London ("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 binding agreement in relation to the West Kensington and Gibbs Green Estates ("The Estates").

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, with TfL a 37 per cent shareholder.

The agreed 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. There are opportunities to evolve the development and product mix to deliver additional density which could include increased levels of housing across all tenures.

The level of interest being shown in the land suggests that capital is available to support activity on site. This could include forward sales to end-users such as senior living and private for rent or land sales or the formation of joint ventures. A number of approaches have been received from potential investors and occupiers in respect of certain individual parts of ECPL land, a selection of which are being explored.

On site operational progress continues. Various planning initiatives have been undertaken during the period, in respect of the consented Masterplan including Reserved Matters Applications which were approved by RBKC. Railway track suppression works undertaken by London Underground are progressing on schedule and are expected to complete by autumn 2019.

Lillie Square

Lillie Square is a one million square foot (GEA) residential development located adjacent to the Earls Court Masterplan. The development has the ability to 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.

Construction of Phase 2 continues to progress, with first completions and hand over of sold units expected in H1 2020. Over 80 per cent of the units (155 of the 186), have now been reserved or exchanged with sales of the remaining units expected when the completed product is available for viewings. Pricing of Phase 2 sales to date remains at a modest premium to comparable units in Phase 1.

West Brompton Crossing

West Brompton Crossing is a successful pop-up high street that attracts consumers from the local area and from across London. The pop-up high street is anchored by The Prince which converted four buildings and a pub into an innovative food and beverage offering which continues to report significant levels of bookings. Elsewhere on the street, The Crossing retail space continues to provide a pop-up area for local artists and businesses and is booked until the end of 2019.

CLSA

In November 2013 Capco 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"). Under its terms, residents of The Estates would have the opportunity to be rehoused by the Council within the Earls Court Opportunity Area. 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. The final instalment is due to be paid in December 2019.

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. The application is due to be determined later this year.

Capco notes the recent decision by the Ministry of Housing, Communities and Local Government ("MHCLG") to halt an application put forward by the West Ken Gibbs Green Community Homes Limited ("WKGGCH") for the transfer of the property and land of The Estates. The decision is in line with legislation which states that applications should be halted if they have a significant detrimental effect on housing services or regeneration of an area.

LBHF has expressed interest in terminating the CLSA, which is a legally binding agreement. Capco will continue to engage with LBHF and other relevant stakeholders in order to seek a positive outcome in relation to future plans for The Estates in the context of the wider Masterplan.

Innova

Capco has a 50 per cent interest in the Innova Investment joint venture ("Innova") with Network Rail, which explores potential opportunities for future redevelopments at significant railway station sites across London.

Capco and Network Rail have funded works which has enabled significant progress in developing a technical solution to allow re-development of Clapham Junction station. With such a large, complex project the business funding model is yet to be determined and a detailed review by Network Rail regarding next steps is underway. There still exists an opportunity for Capco through the Innova investment to participate over the long-term, however at this stage there is no certainty and therefore Capco has taken the prudent approach to impair its investment in Innova in full.

BOARD CHANGES

On 1 March 2019, Jonathan Lane OBE was appointed as an independent Non-executive Director of the Company.

Graeme Gordon did not seek re-election at the Company's AGM on 3 May 2019 and retired from the Board on that date.

On 30 June 2019, Gary Yardley, Managing Director & Chief Investment Officer, stepped down from the Board and left the Company.

FINANCIAL REVIEW

The Group's prime central London focus and strong capital structure provides financial resilience, enabling the Group to withstand prevailing market conditions, take advantage of opportunities as they arise, and position itself to deliver long-term value to shareholders. At 30 June 2019 the Group loan to value ratio was 19 per cent and the level of cash and undrawn facilities was £845 million.

The Group continued to invest in Covent Garden during the first half of the year through £13 million of acquisitions and £9 million of capital expenditure. As at 30 June 2019 Covent Garden accounted for 81 per cent of the Group's property portfolio by value. The value of the Covent Garden estate increased by 0.5 per cent (like-for-like) as a result of rental growth achieved during the period and stable yields, with ERV up by 1.0 per cent on a like-for-like basis.

Uncertainties in the broader political and economic environment continue to impact sentiment around London residential property. As a result the market value of Earls Court Properties, which represents the Group's interests at Earls Court, has decreased by 11.5 per cent (like-for-like).

Overall, the Group share of the total property value has decreased by 2.0 per cent (like-for-like). EPRA net asset value per share decreased by 3.3 per cent during the period, from 325.7 pence at 31 December 2018 to 315.0 pence. This decrease together with the 1.0 pence dividend paid to shareholders during the period resulted in a total return of -3.0 per cent.

Underlying earnings were £4.5 million, resulting in an underlying earnings per share of 0.5 pence.

The Group has today announced its intention to proceed with a demerger. Following the demerger, Covent Garden London and EC Properties would each retain their existing debt facilities. In addition, it is proposed that EC Properties would retain cash of approximately £145 million (after the settlement of demerger costs). On an illustrative basis, this would result in a pro forma LTV for Covent Garden London of approximately 27 per cent and a net cash position for EC Properties of £100 million.

The administrative costs of Covent Garden London and EC Properties are targeted to be approximately £20 million and approximately £10 million per annum respectively on a run rate basis with effect from the end of 2020.

Basis of preparation

As required by IFRS 11 'Joint Arrangements' the Group presents its joint ventures under the equity method in the condensed 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 is 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. In order 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 30 June 2019 the Group's EPRA net asset value was £2.7 billion (31 December 2018: £2.8 billion) representing 315 pence per share (31 December 2018: 326 pence).

SUMMARY ADJUSTED BALANCE SHEET

	30 June 2019			
	Group Share £m	**Joint ventures[1] £m**	**NCI[2] £m**	**IFRS £m**
Investment, development and trading property	**3,133.3**	**(149.7)**	**228.6**	**3,212.2**
Net debt	**(588.3)**	**24.8**	**(22.2)**	**(585.7)**
Other assets and liabilities[3]	**113.1**	**110.5**	**(1.0)**	**222.6**
Non-controlling interest	**–**	**–**	**(205.4)**	**(205.4)**
Net assets attributable to owners of the Parent	**2,658.1**	**(14.4)**	**–**	**2,643.7**
Adjustments:				
Fair value of derivative financial instruments				**3.7**
Unrecognised surplus on trading property				**23.3**
Revaluation of other non-current assets				**14.4**
Deferred tax adjustments				**5.2**
EPRA net asset value				**2,690.3**
EPRA net asset value per share (pence)[4]				**315**

1. Primarily Lillie Square.
2. Non-controlling interest represents TfL's 37 per cent share of ECPL.
3. IFRS includes amounts receivable from joint ventures which eliminate on a Group share basis.
4. Adjusted, diluted number of shares in issue at 30 June 2019 was 854.0 million.

	31 December 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.

Investment, development and trading property

The revaluation loss on the Group's property portfolio was £65.3 million for the period, representing a 2.0 per cent decrease in value on a like-for-like basis compared with the MSCI Capital Return for the equivalent period of a 1.4 per cent loss. The Group revaluation loss consists of a £12.6 million gain at Covent Garden and a £77.9 million loss at Earls Court.

Total property return for the period was -1.1 per cent. The MSCI Total Return Index recorded a 1.1 per cent gain for the corresponding period.

The revaluation loss of £65.3 million occurred on investment, development and trading property. On an IFRS basis, which includes ECPL at 100 per cent and does not include Lillie Square on a line by line basis, loss on revaluation and sale of investment and development property was £107.5 million.

Trading property is carried on the consolidated balance sheet at the lower of cost and net realisable value, therefore valuation surpluses on trading property are not recorded. Any unrecognised surplus is however reflected within the EPRA net asset value measure. At 30 June 2019, the unrecognised surplus on trading property was £23.3 million (31 December 2018: £25.7 million) which arises solely on the Group's share of trading property at Lillie Square.

Debt and gearing

The Group's cash and undrawn committed facilities at 30 June 2019 were £844.9 million (31 December 2018: £854.4 million). A reconciliation between IFRS and Group share is shown below:

	30 June 2019				31 December 2018			
	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	**83.0**	**(20.2)**	**4.0**	**66.8**	49.9	(20.4)	3.0	32.5
Undrawn committed facilities	**761.9**	**(19.9)**	**30.5**	**772.5**	804.5	(35.0)	32.0	801.5
Cash and undrawn committed facilities	**844.9**	**(40.1)**	**34.5**	**839.3**	854.4	(55.4)	35.0	834.0

1. Primarily Lillie Square.

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

Net debt increased by £16 million to £588 million, principally as a result of capital expenditure at Lillie Square for the construction of phase 2. As set out in the summary adjusted balance sheet, net debt on an IFRS basis was £586 million.

The gearing measure most widely used in the industry is loan to value ("LTV"). LTV is calculated on the basis of net debt divided by the carrying value of the Group's property portfolio. The Group focuses most on an LTV measure that includes the notional share of joint venture interests but excludes the share of the non-controlling interest. The LTV of 18.8 per cent remains comfortably within the Group's limit of no more than 40 per cent.

	30 June 2019	31 December 2018
Loan to value	**18.8%**	17.9%
Interest cover	**147%**	149%
Weighted average debt maturity	**5.5 years**	6.0 years
Weighted average cost of debt	**3.0%**	2.9%
Gross debt with interest rate protection	**86%**	88%

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 30 June 2019 the proportion of gross debt with interest rate protection was 86 per cent (31 December 2018: 88 per cent).

The Group remains compliant with all of its debt covenants, details of which are set out on page 51, and has substantial levels of headroom against its covenants across all of its debt facilities.

At 30 June 2019 the Group had capital commitments of £48.9 million (£53.4 million at 31 December 2018). Capital commitments consist of £11.4 million for Covent Garden and £37.5 million for Earls Court Properties (including the £15.0 million of CLSA instalments and £20.0 million in relation to Lillie Square).

	30 June 2019				31 December 2018			
	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	**48.9**	**(20.0)**	**1.5**	**30.4**	53.4	(32.4)	1.4	22.4

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 condensed consolidated financial statements of the Group as its main underlying asset (the land relating to The Estates) does not currently meet the recognition criteria under IFRS required for investment and development property. Annual payments of £15 million commenced in December 2015 and 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 period ended 30 June 2019 is presented below:

SUMMARY CASH FLOW

	30 June 2019			
	Group Share £m	Joint ventures[1] £m	NCI[2] £m	IFRS £m
Operating cash flows after interest and tax	**(3.0)**	**(6.4)**	**0.5**	**(8.9)**
Purchase and development of property, plant and equipment	**(42.8)**	**18.1**	**(2.3)**	**(27.0)**
Transactions with joint venture partners and non-controlling interests	**(0.7)**	**(1.0)**	**0.5**	**(1.2)**
Net sales proceeds from discontinued operation	**(0.3)**	**–**	**–**	**(0.3)**
Net sales proceeds from property and investments	**51.1**	**(0.9)**	**0.9**	**51.1**
Net cash flow before financing	**4.3**	**9.8**	**(0.4)**	**13.7**
Financing	**41.9**	**(14.4)**	**1.5**	**29.0**
Dividends paid	**(7.5)**	**–**	**–**	**(7.5)**
Other	**(0.9)**	**–**	**–**	**(0.9)**
Net cash flow[3]	**37.8**	**(4.6)**	**1.1**	**34.3**

1. Primarily Lillie Square.

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

3. Net cash flow is based on unrestricted cash and cash equivalents and therefore does not include the movement in Lillie Square deposits on a Group share basis of £4.7 million.

	30 June 2018			
	Group share £m	Joint ventures[1] £m	Non-controlling interest[2] £m	IFRS £m
Operating cash flows after interest and tax	(5.9)	1.4	0.3	(4.2)
Purchase and development of property, plant and equipment	(63.7)	12.3	(7.3)	(58.7)
Transactions with joint venture partners and non-controlling interests	(0.9)	(1.1)	6.2	4.2
Net sales proceeds from discontinued operation	(0.3)	–	–	(0.3)
Sale of subsidiaries	250.4	–	–	250.4
Net sales proceeds from property and investments	24.4	(24.4)	–	–
Net cash flow before financing	204.0	(11.8)	(0.8)	191.4
Issue of shares	0.1	–	–	0.1
Financing	(177.5)	14.3	1.0	(162.2)
Dividends paid	(5.0)	–	–	(5.0)
Other	(4.0)	–	–	(4.0)
Net cash flow[3]	17.6	2.5	0.2	20.3

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 £1.1 million.

Operating cash outflows of £3.0 million are as a result of changes in net working capital requirements.

During the period, £20.7 million was invested at Covent Garden for the purchase of 39-40 Bedford Street and subsequent expenditure. At Earls Court, total expenditure of £22.1 million primarily relates the construction of Lillie Square Phase 2.

The disposal of 17 apartments at Floral Court resulted in a net cash inflow of £48.6 million. There were further disposals at Earls Court resulting in cash inflow of £2.5 million.

Net borrowings drawn during the period were £41.9 million.

Dividends paid of £7.5 million reflect the final dividend payment made in respect of the 2018 financial year. This was higher than the previous year due to a lower take up of the scrip dividend alternative, 12 per cent versus 40 per cent in 2018.

Cash and cash equivalents increased by £33.1 million to £83.0 million, which includes £12.4 million of Lillie Square deposits.

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

	30 June 2019			
	Group Share £m	**Joint ventures[1] £m**	**NCI[2] £m**	**IFRS £m**
Net rental income	**32.1**	**–**	**0.5**	**32.6**
Loss on revaluation and sale of investment and development property	**(64.2)**	**–**	**(43.3)**	**(107.5)**
Administration expenses	**(21.1)**	**(0.4)**	**(0.2)**	**(21.7)**
Net finance costs	**(10.4)**	**–**	**–**	**(10.4)**
Taxation	**(1.3)**	**–**	**(0.1)**	**(1.4)**
Other	**(20.2)**	**(1.7)**	**0.1**	**(21.8)**
Non-controlling interest	**–**	**–**	**43.0**	**43.0**
Loss for the period attributable to owners of the Parent	**(85.1)**	**(2.1)**	**–**	**(87.2)**
Adjustments:				
Loss on revaluation and sale of investment and development property				**107.5**
Non-controlling interest in respect of Group adjustments				**(43.3)**
Administration expenses – non-underlying				**3.9**
Other[3]				**22.7**
Taxation on non-underlying items				**0.9**
Underlying earnings				**4.5**
Underlying earnings per share (pence)				**0.5**
Weighted average number of shares				**851.2m**

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 10 'Earnings Per Share and Net Assets Per Share'.

	30 June 2018			
	Group share £m	Joint ventures[1] £m	Non-controlling interest[2] £m	IFRS £m
Net rental income	33.1	0.1	0.4	33.6
Loss on revaluation and sale of investment and development property	(17.1)	(0.1)	(30.1)	(47.3)
Administration expenses	(19.2)	(0.3)	(0.2)	(19.7)
Net finance costs	(9.4)	–	–	(9.4)
Taxation	(1.8)	–	–	(1.8)
Other	37.6	0.3	–	37.9
Non-controlling interest	–	–	29.9	29.9
Profit for the period attributable to owners of the Parent	23.2	–	–	23.2
Adjustments:				
Loss on revaluation and sale of investment and development property				17.1
Other[3]				(36.7)
Taxation on non-underlying items				0.7
Underlying earnings				4.3
Underlying earnings per share (pence)				0.5
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 10 'Earnings Per Share and Net Assets Per Share'.

Income

Covent Garden net rental income has increased by £2.8 million compared to the first half of 2018 due to £1.9 million of like-for-like growth and £0.9 million through current and prior year acquisitions and developments. The like-for-like net rental income growth at Covent Garden was 7.0 per cent as the Group continues to convert reversionary potential into contracted rents. ERV growth at Covent Garden was 1.0 per cent like-for-like.

Earls Court net rental income has decreased by £3.8 million to £1.1 million, primarily as a result of the Empress State Building disposal.

Overall, the 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 the Group net rental income of £1.0 million (IFRS: £1.0 million).

Loss on revaluation of investment and development property

The loss on revaluation of the Group's investment and development property was £62.7 million. Covent Garden recorded a gain on revaluation of £12.6 million, driven by rental growth. The loss on revaluation at Earls Court of £75.3 million was driven by changes in valuers' assumptions. The IFRS loss on revaluation, which includes the non-controlling interest share of ECPL losses, was £106.0 million.

The sale of 17 apartments at Floral Court and five properties in Earls Court resulted in a £1.5 million loss compared to the 31 December 2018 recorded value.

Administration expenses

Underlying administration expenses have decreased by £2.0 million in comparison with the first half of 2018 due to efficiency initiatives. £3.9 million of costs were incurred during the period in relation to the possible separation of Covent Garden and Earls Court. Including these costs, the overall administration costs were £21.1 million (IFRS: £21.7 million).

Net finance costs

Net finance costs have increased by £1.0 million to £10.4 million due to the higher average debt drawn during the period, as a result of the decision to hold greater levels of cash during periods of heightened market volatility.

Taxation

The total tax charge for the first half of the year, made up of both underlying tax and non-underlying tax, is £1.3 million (IFRS: £1.4 million). Further detail is set out in note 8 'Taxation'.

Contingent tax, being the amount of tax that would become payable on a theoretical disposal of all investment property held by the Group, was nil (31 December 2018: 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 £4.4 million (19 per cent of £23.3 million).

The provisions of IAS 12 provide for the recognition of a deferred tax asset where it is probable there will be future taxable profit against which a deductible temporary difference can be utilised. As a result of the application of this provision, the Group has not recognised the deferred tax asset on decreases to the carrying value of investment property at Earls Court 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. As a Group, we are committed to acting in an open and transparent manner with all stakeholders.

Dividends

The Board has proposed an interim dividend of 0.5 pence per share to be paid on 20 September 2019 to shareholders on the register at 30 August 2019. Subject to SARB approval, the Board intends to offer a scrip dividend alternative.

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 the Executive Directors, the Group Legal Director 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 period. These principal risks are not exhaustive. The Group monitors a number of additional risks and adjusts those considered 'principal' as the risk profile of the business changes. See also the risks inherent in the compilation of financial information, as disclosed within the Annual Report & Accounts 2018, note 1 'Principal Accounting Policies' to the consolidated financial statements for the year ended 31 December 2018, 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 new 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 period 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.

Furthermore corporate transactions themselves carry their own risks such as failure to complete, inability to realise the anticipated benefits and risks associated with the resultant Group or Groups.

CORPORATE

Risk	Impact on strategy	Mitigation
Economic conditions		
Decline in real estate valuations due to macro-economic conditions Relative attractiveness of other asset classes or locations Inability of the 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-led destinations and residential districts with unique attributes
Funding		
Lack of availability or increased cost of debt or equity funding	Reduced financial and operational flexibility Increased cost of borrowing Delay to development works Constrained growth, lost opportunities	Maintain appropriate liquidity to cover commitments Target longer and staggered debt maturities, 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, including as a result of political change or the process of elections 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
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 and recruit 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

CORPORATE CONTINUED

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

PROPERTY

Risk	Impact on strategy	Mitigation
Leasing		
Inability to achieve target rents or to attract target tenants due to market conditions Competition from other locations/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
Planning		
Unfavourable planning policy, legislation or action 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 Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by Disclosure and Transparency Rules (DTR) 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Capital & Counties Properties PLC are listed in the Capital & Counties Properties PLC Annual Report for 31 December 2018. A list of current Directors is maintained on the Capital & Counties Properties PLC website: www.capitalandcounties.com.

By order of the Board

Ian Hawksworth
Chief Executive
25 July 2019

Situl Jobanputra
Chief Financial Officer
25 July 2019

INDEPENDENT REVIEW REPORT TO CAPITAL & COUNTIES PROPERTIES PLC

Report on the condensed consolidated financial statements

Our conclusion

We have reviewed Capital & Counties Properties PLC's condensed consolidated financial statements (the "interim financial statements") in the interim results of Capital & Counties Properties PLC for the six month period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 30 June 2019;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Statement of Cash Flows for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

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

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

INDEPENDENT REVIEW REPORT TO CAPITAL & COUNTIES PROPERTIES PLC CONTINUED

Report on the condensed consolidated financial statements continued

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
25 July 2019

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2019

	Notes	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Revenue	2	**41.9**	42.3	83.5
Rental income		**41.0**	40.5	80.1
Rental expenses		**(8.4)**	(6.9)	(15.7)
Net rental income	2	**32.6**	33.6	64.4
Other income		**0.9**	1.8	3.4
Loss on revaluation and sale of investment and development property	3	**(107.5)**	(47.3)	(146.1)
Impairment of investments and other receivables	4	**(20.6)**	(2.3)	(23.2)
Profit on sale of subsidiaries	5	**–**	29.6	29.5
		(94.6)	15.4	(72.0)
Administration expenses		**(21.7)**	(19.7)	(42.5)
Operating loss		**(116.3)**	(4.3)	(114.5)
Finance income	6	**0.2**	0.1	0.3
Finance costs	7	**(10.6)**	(9.5)	(19.3)
Other finance income	6	**5.7**	6.3	12.0
Change in fair value of derivative financial instruments		**(5.3)**	2.5	2.2
Net finance costs		**(10.0)**	(0.6)	(4.8)
		(126.3)	(4.9)	(119.3)
Share of post-tax loss from joint ventures	12	**(2.5)**	–	–
Loss before tax		**(128.8)**	(4.9)	(119.3)
Current tax		**(0.1)**	(1.1)	(2.2)
Deferred tax		**(1.3)**	(0.7)	(2.1)
Taxation	8	**(1.4)**	(1.8)	(4.3)
Loss for the period		**(130.2)**	(6.7)	(123.6)
(Loss)/profit attributable to:				
Owners of the Parent		**(87.2)**	23.2	(56.9)
Non-controlling interest	13	**(43.0)**	(29.9)	(66.7)
Earnings per share attributable to owners of the Parent				
Basic (loss)/earnings per share	10	**(10.2)p**	2.7p	(6.7)p
Diluted (loss)/earnings per share	10	**(10.2)p**	2.7p	(6.7)p
Weighted average number of shares	10	**851.2m**	850.8m	851.2m

All results derive from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2019

	Notes	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Loss for the period		**(130.2)**	(6.7)	(123.6)
Total comprehensive expense for the period		**(130.2)**	(6.7)	(123.6)
Attributable to:				
Owners of the Parent		**(87.2)**	23.2	(56.9)
Non-controlling interest	13	**(43.0)**	(29.9)	(66.7)

All results derive from continuing operations.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2019

	Notes	**As at 30 June 2019 £m**	As at 31 December 2018 £m
Non-current assets			
Investment and development property	11	**3,212.2**	3,335.5
Property, plant and equipment		**7.3**	3.1
Investment in joint ventures	12	**0.3**	17.3
Derivative financial instruments	18	**–**	0.7
Deferred tax	19	**4.2**	5.5
Trade and other receivables	14	**230.6**	222.8
		3,454.6	3,584.9
Current assets			
Trade and other receivables	14	**39.3**	38.3
Cash and cash equivalents	15	**66.8**	32.5
		106.1	70.8
Assets classified as held for sale	11	**–**	8.4
		106.1	79.2
Total assets		**3,560.7**	3,664.1
Non-current liabilities			
Borrowings, including finance leases	17	**(650.9)**	(616.5)
Derivative financial instruments	18	**(3.7)**	–
		(654.6)	(616.5)
Current liabilities			
Borrowings, including finance leases	17	**(1.6)**	(0.7)
Other provisions		**–**	(2.0)
Tax liabilities		**(1.7)**	(2.4)
Trade and other payables	16	**(53.7)**	(58.9)
		(57.0)	(64.0)
Total liabilities		**(711.6)**	(680.5)
Net assets		**2,849.1**	2,983.6
Equity			
Share capital	20	**212.8**	212.7
Other components of equity		**2,430.9**	2,523.5
Equity attributable to owners of the Parent		**2,643.7**	2,736.2
Non-controlling interest	13	**205.4**	247.4
Total equity		**2,849.1**	2,983.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2019

	Notes	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
		Equity attributable to owners of the Parent								
Balance at 1 January 2019		**212.7**	**225.6**	**421.8**	**8.6**	**(0.6)**	**1,868.1**	**2,736.2**	**247.4**	**2,983.6**
Loss for the period		**–**	**–**	**–**	**–**	**–**	**(87.2)**	**(87.2)**	**(43.0)**	**(130.2)**
Total comprehensive expense for the period		**–**	**–**	**–**	**–**	**–**	**(87.2)**	**(87.2)**	**(43.0)**	**(130.2)**
Transactions with owners										
Ordinary shares issued[2]	20	**0.1**	**1.0**	**–**	**–**	**–**	**–**	**1.1**	**–**	**1.1**
Dividends	9	**–**	**–**	**–**	**–**	**–**	**(8.5)**	**(8.5)**	**–**	**(8.5)**
Realisation of merger reserve		**–**	**–**	**(10.5)**	**–**	**–**	**10.5**	**–**	**–**	**–**
Fair value of share-based payment		**–**	**–**	**–**	**2.0**	**–**	**–**	**2.0**	**–**	**2.0**
Contribution from non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.0**	**1.0**
Realisation of cashflow hedge		**–**	**–**	**–**	**–**	**0.1**	**–**	**0.1**	**–**	**0.1**
Total transactions with owners		**0.1**	**1.0**	**(10.5)**	**2.0**	**0.1**	**2.0**	**(5.3)**	**1.0**	**(4.3)**
Balance at 30 June 2019		**212.8**	**226.6**	**411.3**	**10.6**	**(0.5)**	**1,782.9**	**2,643.7**	**205.4**	**2,849.1**

	Notes	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
		Equity attributable to owners of the Parent								
Balance at 1 January 2018		212.2	221.1	425.8	6.3	(0.6)	1,935.0	2,799.8	305.8	3,105.6
Profit/(Loss) for the period		–	–	–	–	–	23.2	23.2	(29.9)	(6.7)
Total comprehensive income/(expense) for the period		–	–	–	–	–	23.2	23.2	(29.9)	(6.7)
Transactions with owners										
Ordinary shares issued[2]	20	0.4	3.5	–	–	–	(0.5)	3.4	–	3.4
Dividends	9	–	–	–	–	–	(8.5)	(8.5)	–	(8.5)
Realisation of share-based payment reserve on issue of shares		–	–	–	(0.1)	–	–	(0.1)	–	(0.1)
Fair value of share-based payment		–	–	–	1.5	–	–	1.5	–	1.5
Contribution from non-controlling interest		–	–	–	–	–	–	–	6.1	6.1
Total transactions with owners		0.4	3.5	–	1.4	–	(9.0)	(3.7)	6.1	2.4
Balance at 30 June 2018		212.6	224.6	425.8	7.7	(0.6)	1,949.2	2,819.3	282.0	3,101.3

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 £1.0 million (30 June 2018: £3.5 million) of ordinary shares issued relating to the bonus issued in lieu of cash dividends. Refer to note 9 'Dividends' for further information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the year ended 31 December 2018

		Equity attributable to owners of the Parent								
	Notes	Share capital £m	Share premium £m	Merger reserve[1] £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2018		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]	20	0.5	4.5	–	–	–	(0.5)	4.5	–	4.5
Dividends	9	–	–	–	–	–	(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	19	–	–	–	–	–	(0.8)	(0.8)	–	(0.8)
Contribution from non-controlling interest		–	–	–	–	–	–	–	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 of ordinary shares issued relating to the bonus issued in lieu of cash dividends. Refer to note 9 'Dividends' for further information.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2019

	Notes	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Cash flows from operating activities				
Cash generated from operations	23	**1.9**	7.1	7.8
Interest paid		**(10.1)**	(10.4)	(20.3)
Interest received		**0.2**	0.1	0.3
Tax paid		**(0.9)**	(1.0)	(2.2)
Net cash outflow from operating activities		**(8.9)**	(4.2)	(14.4)
Cash flows from investing activities				
Purchase and development of property, plant and equipment		**(27.0)**	(58.7)	(84.8)
Sale of property[1]		**50.9**	–	20.9
Investment in joint venture		**–**	–	(0.4)
Sale of discontinued operation		**(0.3)**	(0.3)	(0.3)
Sale of subsidiaries[2]		**0.2**	250.4	250.7
Loan advances to joint ventures		**(2.2)**	(1.9)	(1.8)
Net cash inflow from investing activities		**21.6**	189.5	184.3
Cash flows from financing activities				
Issue of shares		**–**	0.1	0.1
Borrowings drawn		**54.0**	22.8	22.8
Borrowings repaid		**(25.0)**	(185.0)	(185.0)
Purchase and repayment of derivative financial instruments		**(0.9)**	(4.0)	(4.0)
Cash dividends paid	9	**(7.5)**	(5.0)	(8.2)
Contribution from non-controlling interest		**1.0**	6.1	8.3
Net cash inflow/(outflow) from financing activities		**21.6**	(165.0)	(166.0)
Net increase in cash and cash equivalents		**34.3**	20.3	3.9
Unrestricted cash and cash equivalents at 1 January		**32.5**	28.6	28.6
Unrestricted cash and cash equivalents at period end		**66.8**	48.9	32.5

1. Includes £9.0 million for the disposal of property designated as held for sale at 31 December 2018.

2. Sale of subsidiaries relate to cash inflows of £0.2 million relating to the sale of the Brewery (31 December 2018: £248.9 million of proceeds from the sale of Empress State Building and £1.8 million relating to deferred consideration on the disposal of The Brewery by EC&O Limited on 9 February 2012).

All cashflows derive from continuing operations.

NOTES TO THE ACCOUNTS (UNAUDITED)

1 PRINCIPAL ACCOUNTING POLICIES

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

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

Basis of preparation
The Group's condensed consolidated financial statements are prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated financial statements should be read in conjunction with the Annual Report & Accounts for the year ended 31 December 2018, which have been prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated financial statements are prepared in British pounds sterling.

The condensed consolidated financial statements for the six months ended 30 June 2019 are reviewed, not audited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 were approved by the Board of Directors on 26 February 2019 and delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement made under Section 498 of the Companies Act 2006.

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

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

These condensed consolidated financial statements were approved by the Board of Directors on 25 July 2019.

The condensed consolidated financial statements have been prepared using the accounting policies, significant judgements, key assumptions and estimates set out on pages 98 to 102 of the Group's Annual Report & Accounts for 2018.

Critical accounting judgements and key sources of estimation and uncertainty
The preparation of condensed 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. This is consistent with the financial statements for the previous year end. Full disclosure of the critical judgements, assumptions and estimates is included in the Group's Annual Report & Accounts for 2018.

During 2019, the following accounting standards and interpretations have been adopted by the Group:
IFRS 9 'Financial Instruments' (amendment)
IFRS 16 'Leases'
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' did not have a material impact on adoption. Where the Group is currently a lessee, this relates only to immaterial contracts.

These pronouncements had no significant impact on the condensed 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)
IAS 1 'Presentation of financial statements' (amendment)
IAS 8 'Accounting policies, changes in accounting estimates and errors' (amendment)

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

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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 condensed 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 and a number of smaller properties in the Earls Court area; and
- Other comprises Innova and The Great Capital Partnership, the Group's residual China investments, other head office companies and investments, including the payment of internal rent.

Management information is reported to the chief operating decision 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%**
Other	**100%**
Other	
Innova	**50%**
GCP	**50%**
Other	**100%**

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

The Group's operating segments derive their revenue primarily from rental income from lessees.

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

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	Six months ended 30 June 2019					
	Covent Garden £m	Earls Court Properties £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Rental income	38.5	2.0	–	40.5	0.5	41.0
Proceeds from sale of trading property	–	1.0	–	1.0	(1.0)	–
Other income	–	–	0.5	0.5	0.4	0.9
Revenue	38.5	3.0	0.5	42.0	(0.1)	41.9
Rent receivable	36.2	1.3	–	37.5	0.5	38.0
Service charge income	2.3	0.7	–	3.0	–	3.0
Rental income	38.5	2.0	–	40.5	0.5	41.0
Rental expenses[1]	(7.4)	(0.9)	(0.1)	(8.4)	–	(8.4)
Net rental income/(expense)	31.1	1.1	(0.1)	32.1	0.5	32.6
Write down of trading property	–	(0.1)	–	(0.1)	0.1	–
Other income	–	–	0.5	0.5	0.4	0.9
Gain/(loss) on revaluation and sale of investment and development property	11.2	(75.4)	–	(64.2)	(43.3)	(107.5)
Write down of trading property	–	(0.2)	–	(0.2)	0.2	–
Impairment of investments and other receivables	–	–	(15.0)	(15.0)	(5.6)	(20.6)
Segment result	42.3	(74.6)	(14.6)	(46.9)	(47.7)	(94.6)
Unallocated costs:						
Administration expenses				(21.1)	(0.6)	(21.7)
Operating loss				(68.0)	(48.3)	(116.3)
Net finance costs[2]				(15.8)	5.8	(10.0)
Share of post-tax loss from joint ventures				–	(2.5)	(2.5)
Loss before tax				(83.8)	(45.0)	(128.8)
Taxation				(1.3)	(0.1)	(1.4)
Loss for the period				(85.1)	(45.1)	(130.2)
Loss attributable to:						
Owners of the Parent				(85.1)	(2.1)	(87.2)
Non-controlling interest				–	(43.0)	(43.0)
Summary balance sheet						
Total segment assets[3]	2,635.1	695.4	28.9	3,359.4	145.4	3,504.8
Total segment liabilities[3]	(632.0)	(114.5)	(10.8)	(757.3)	45.6	(711.7)
Segmental net assets	2,003.1	580.9	18.1	2,602.1	191.0	2,793.1
Unallocated assets[2]				56.0	–	56.0
Net assets				2,658.1	191.0	2,849.1
Other segment items:						
Depreciation	(0.1)	(0.4)	(0.5)	(1.0)	–	(1.0)
Capital expenditure	(22.5)	(21.4)	0.1	(43.8)	15.4	(28.4)

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.

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	Six months ended 30 June 2018					
	Covent Garden £m	Earls Court Properties £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Rental income	34.4	5.6	–	40.0	0.5	40.5
Proceeds from sale of trading property	–	25.0	–	25.0	(25.0)	–
Other income	–	–	0.9	0.9	0.9	1.8
Revenue	34.4	30.6	0.9	65.9	(23.6)	42.3
Rent receivable	32.4	5.0	–	37.4	0.5	37.9
Service charge income	2.0	0.6	–	2.6	–	2.6
Rental income	34.4	5.6	–	40.0	0.5	40.5
Rental expenses[1]	(6.1)	(0.7)	(0.1)	(6.9)	–	(6.9)
Net rental income/(expense)	28.3	4.9	(0.1)	33.1	0.5	33.6
Profit on sale of trading property	–	5.0	–	5.0	(5.0)	–
Other income	–	–	0.9	0.9	0.9	1.8
Gain/(loss) on revaluation and sale of investment and development property	36.1	(53.3)	0.1	(17.1)	(30.2)	(47.3)
Profit on sale of subsidiaries	–	29.6	–	29.6	–	29.6
Write down of trading property	–	(0.4)	–	(0.4)	0.4	–
Impairment of investments and other receivables	–	–	–	–	(2.3)	(2.3)
Segment result	64.4	(14.2)	0.9	51.1	(35.7)	15.4
Unallocated costs:						
Administration expenses				(19.2)	(0.5)	(19.7)
Operating profit/(loss)				31.9	(36.2)	(4.3)
Net finance costs[2]				(6.9)	6.3	(0.6)
Profit/(loss) before tax				25.0	(29.9)	(4.9)
Taxation				(1.8)	–	(1.8)
Profit/(loss) for the period				23.2	(29.9)	(6.7)
Profit/(loss) attributable to:						
Owners of the Parent				23.2	–	23.2
Non-controlling interest				–	(29.9)	(29.9)
Summary balance sheet						
Total segment assets[3]	2,642.5	785.8	40.3	3,468.6	262.3	3,730.9
Total segment liabilities[3]	(598.6)	(86.3)	(7.6)	(692.5)	19.7	(672.8)
Segmental net assets	2,043.9	699.5	32.7	2,776.1	282.0	3,058.1
Unallocated assets[2]				43.2	–	43.2
Net assets				2,819.3	282.0	3,101.3
Other segment items:						
Depreciation	(0.2)	(0.6)	(0.1)	(0.9)	(0.1)	(1.0)
Capital expenditure	(32.5)	(23.4)	–	(55.9)	8.2	(47.7)

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

	Year ended 31 December 2018					
	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)
Profit on sale of subsidiaries	–	29.5	–	29.5	–	29.5
Write down of trading property	–	(0.5)	–	(0.5)	0.5	–
Impairment of investments and other receivables	–	(3.8)	–	(3.8)	(19.4)	(23.2)
Segment result	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				(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.

3 LOSS ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Loss on revaluation of investment and development property	**(106.0)**	(47.3)	(148.2)
(Loss)/gain on sale of investment and development property	**(1.5)**	–	2.1
Loss on revaluation and sale of investment and development property	**(107.5)**	(47.3)	(146.1)

4 IMPAIRMENT OF INVESTMENTS AND OTHER RECEIVABLES

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Impairment of investments and other receivables	**20.6**	2.3	23.2

Following an impairment review of investments and amounts receivable from joint ventures by the Group, a net impairment of £20.6 million has been recognised (30 June 2018: £2.3 million).

£8.1 million of the impairment relates to the Lillie Square joint venture. This 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 £5.7 million (30 June 2018: £6.3 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 £8.1 million, of which £2.0 million has been recognised against the intercompany debtor (30 June 2018: £0.6 million) and £6.1 million against the deep discount bonds (30 June 2018: £1.7 million).

The impairment of amounts receivable from joint ventures recognised by the Group in the period of £8.1 million (cumulative £75.1 million) and the finance income on the Lillie Square deep discount bonds of £5.7 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 £3.5 million (cumulative £56.6 million) and the finance income on the deep discount bonds would have been £3.2 million in the period. The total current period difference between the IFRS 9 basis and economic position basis of £2.1 million (cumulative £14.4 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.

The remaining impairment, of £12.5 million, relates to the Group's impairment of its investment in Innova.

The comparative for 31 December 2018 also includes £3.8 million of costs relating to intensifying the planning consent of the CLSA which were written off due to uncertainty surrounding the inclusion of the CLSA within an intensified scheme.

5 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 (30 June 2018: £249.0 million). Based on the net assets at the date of disposal a profit of £29.5 million was recognised on the sale for the year ended 31 December 2018 (30 June 2018: £29.6 million).

Net assets at the date of disposal were as follows:

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Net assets on disposal	–	219.4	219.4
Net consideration[1,2]	–	249.0	248.9
Profit on disposal	–	29.6	29.5

1. Sale of subsidiaries per the consolidated statement of cash flows at 30 June 2018 is £250.4 million. This differs to the net consideration above of £249.0 million by £1.4 million due to accrued transaction costs of £0.1 million and £1.3 million relating to deferred consideration relating to the disposal of The Brewery by EC&O Limited on 9 February 2012.

2. 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.

6 FINANCE INCOME

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Finance income:			
On deposits and other	**0.2**	0.1	0.3
Finance income	**0.2**	0.1	0.3
Other finance income:			
On deep discount bonds[1]	**5.7**	6.3	12.0
Other finance income	**5.7**	6.3	12.0

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

7 FINANCE COSTS

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Finance costs:			
On bank overdrafts, loans and other	**11.0**	11.2	22.3
On obligations under finance leases	**0.5**	0.4	0.7
Gross finance costs	**11.5**	11.6	23.0
Interest capitalised on property under development	**(0.9)**	(2.1)	(3.7)
Finance costs	**10.6**	9.5	19.3

Interest is capitalised, before tax relief, on the basis of the weighted average cost of debt of 3.0 per cent (30 June 2018: 2.9 per cent) applied to the cost of property under development during the period.

8 TAXATION

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Current income tax:			
Current income tax charge excluding non-underlying items	**1.2**	1.0	1.4
Current income tax	**1.2**	1.0	1.4
Deferred income tax:			
On accelerated capital allowances	**0.6**	0.5	1.1
On other items – non-exceptional	**(0.1)**	(0.5)	–
On fair value of investment and development property	**2.2**	–	–
On fair value of derivative financial instruments	**(1.1)**	0.5	1.2
On losses – exceptional	**(0.3)**	0.2	–
On Group losses	**–**	–	0.9
On other temporary differences	**–**	–	(0.6)
Deferred income tax	**1.3**	0.7	2.6
Current income tax charge on non-underlying items	**0.1**	0.1	0.8
Adjustments in respect of previous periods – current income tax	**(1.2)**	–	–
Adjustments in respect of previous periods – deferred income tax	**–**	–	(0.5)
Total income tax charge reported in the consolidated income statement	**1.4**	1.8	4.3

8 TAXATION CONTINUED

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 6 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.

9 DIVIDENDS

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Ordinary shares			
Prior period final dividend of 1.0p per share	**8.5**	8.5	8.5
Interim dividend of 0.5p per share	**–**	–	4.2
Dividend expense	**8.5**	8.5	12.7
Bonus issue in lieu of cash dividends[1]	**(1.0)**	(3.5)	(4.5)
Cash dividends paid	**7.5**	5.0	8.2
Proposed interim dividend of 0.5p per share	**4.3**	4.3	–
Proposed final dividend of 1.0p per share	**–**	–	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.

10 EARNINGS PER SHARE AND NET ASSETS PER SHARE

a) Weighted average number of ordinary shares

	Six months ended 30 June 2019 million	Six months ended 30 June 2018 million	Year ended 31 December 2018 million
Weighted average ordinary shares in issue for calculation of basic (loss)/earnings per share[1]	**851.2**	850.8	851.2
Dilutive effect of contingently issuable share option awards	**1.6**	0.8	0.9
Dilutive effect of contingently issuable deferred share awards	**0.5**	0.4	0.2
Dilutive effect of contingently issuable matching nil cost option awards	**0.1**	0.1	0.1
Dilutive effect of deferred bonus share option awards	**0.6**	0.6	0.6
Weighted average ordinary shares in issue for calculation of diluted earnings/(loss) per share	**854.0**	852.7	853.0

1. Weighted average number of shares in issue for the comparatives has been adjusted by 0.4 million for the issue of bonus shares in connection with the scrip dividend scheme.

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

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
(Loss)/earnings used for calculation of basic and diluted (loss)/earnings per share	**(87.2)**	23.2	(56.9)
Basic (loss)/earnings per share (pence)	**(10.2)**	2.7	(6.7)
Diluted (loss)/earnings per share (pence)	**(10.2)**	2.7	(6.7)

10 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

c) EPRA and underlying earnings per share

	Six months ended 30 June 2019 £m	Re-presented Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Basic (loss)/earnings	**(87.2)**	23.2	(56.9)
Group adjustments:			
Profit on sale of subsidiaries[1]	**–**	(29.6)	(29.5)
Impairment of investments and other receivables[2]	**17.1**	–	16.1
Loss on revaluation and sale of investment and development property	**107.5**	47.3	146.1
Change in fair value of derivative financial instruments	**5.3**	(2.5)	(2.2)
Deferred tax adjustments	**1.8**	1.0	2.3
Non-controlling interest in respect of the Group adjustments	**(43.3)**	(30.1)	(67.3)
Joint venture adjustments:			
Loss/(profit) on sale of trading property[3]	**0.1**	(5.0)	(6.7)
Gain on revaluation and sale of investment and development property	**–**	(0.1)	–
Write down of trading property	**0.2**	0.4	0.5
EPRA adjusted earnings[4]	**1.5**	4.6	2.4
Administration expenses – non-underlying[5]	**3.9**	–	4.9
Tax adjustments	**(0.9)**	(0.3)	0.7
Underlying earnings[4]	**4.5**	4.3	8.0
Underlying earnings per share (pence)	**0.5**	0.5	0.9
EPRA earnings per share (pence)	**0.2**	0.5	0.3

1. In the interim results for the six months ended 30 June 2018 profit on sale of subsidiaries of £29.6 million was included in the EPRA adjusted earnings of £34.2 million. EPRA adjusted earnings have been represented to remove profit on sale of subsidiaries.
2. Impairment of investments and other receivables consists of £12.5 million relating to the Group's impairment of its investment in Innova, £2.5 million for the Group's share of post-tax losses from joint ventures and a £2.1 million impairment under IFRS 9 of amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture (30 June 2018: nil; 31 December 2018: £12.3 million). The 31 December 2018 comparative also included £3.8 million relating to the write off of costs incurred on intensifying the planning consent for the CLSA.
3. Loss/(profit) on sale of trading property relates to Lillie Square sales and includes £0.1 million (30 June 2018: nil; 31 December 2018: £0.2 million) marketing and selling fees on a Group share basis. Marketing fees include costs for units that have not yet completed.
4. EPRA earnings and underlying earnings have been reported on a Group share basis.
5. Non-underlying administration expenses totalled £3.9 million (31 December 2018: £4.9 million) 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.

d) Headline earnings per share

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

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Basic (loss)/earnings	**(87.2)**	23.2	(56.9)
Group adjustments:			
Loss on revaluation and sale of investment and development property	**107.5**	47.3	146.1
Deferred tax adjustments	**2.2**	–	0.9
Non-controlling interest in respect of the Group adjustments	**(43.3)**	(30.1)	(67.3)
Joint venture adjustment:			
Gain on revaluation and sale of investment and development property	**–**	(0.1)	–
Headline (loss)/earnings	**(20.8)**	40.3	22.8
Headline (loss)/earnings per share (pence)	**(2.4)**	4.7	2.7
Diluted headline (loss)/earnings per share (pence)	**(2.4)**	4.7	2.7

10 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

e) Net assets per share

	As at 30 June 2019 million	As at 31 December 2018 million
Number of ordinary shares in issue	**851.3**	850.8
Adjustments:		
Effect of dilution on exercise of contingently issuable share option awards	**1.6**	0.8
Effect of dilution of contingently issuable deferred share awards	**0.4**	0.3
Effect of dilution on exercise of contingently issuable matching nil cost option awards	**0.1**	0.1
Effect of dilution on exercise of deferred bonus share option awards	**0.6**	0.6
Adjusted, diluted number of ordinary shares in issue	**854.0**	852.6

Net assets attributable to owners of the Parent	**2,643.7**	2,736.2
Fair value of derivative financial instruments	**3.7**	(0.7)
Unrecognised surplus on trading property – Joint venture	**23.3**	25.7
Revaluation of other non-current assets[1]	**14.4**	12.3
Deferred tax adjustments	**5.2**	3.5
EPRA NAV	**2,690.3**	2,777.0
Fair value of derivative financial instruments	**(3.7)**	0.7
Excess fair value of debt over carrying value	**(17.2)**	14.0
Deferred tax adjustments	**(5.2)**	(3.5)
EPRA NNNAV	**2,664.2**	2,788.2
Basic net assets per share (pence)	**310.5**	321.6
Diluted net assets per share (pence)	**309.6**	320.9
EPRA NAV per share (pence)	**315.0**	325.7
EPRA NNNAV per share (pence)	**312.0**	327.0

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 4 'Impairment of investments and other receivables'.

11 PROPERTY PORTFOLIO

a) Investment and development property

	Property portfolio			Tenure	
	Covent Garden £m	Earls Court Properties £m	Total £m	Freehold £m	Leasehold £m
At 1 January 2018	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[1]	(8.4)	–	(8.4)	(8.4)	–
Gain/(loss) on revaluation[2]	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**
Additions from acquisitions	**13.2**	**–**	**13.2**	**13.2**	**–**
Additions from subsequent expenditure	**9.2**	**6.0**	**15.2**	**6.3**	**8.9**
Disposals	**(43.1)**	**(2.6)**	**(45.7)**	**(43.1)**	**(2.6)**
Gain/(loss) on revaluation[2]	**12.6**	**(118.6)**	**(106.0)**	**(8.4)**	**(97.6)**
At 30 June 2019	**2,557.5**	**654.7**	**3,212.2**	**1,490.1**	**1,722.1**

1. This relates to three apartments at The Floral Court Collection in Covent Garden which had exchanged prior to 31 December 2018. These units completed during the period to 30 June 2019.
2. Loss on revaluation of £106.0 million (31 December 2018: loss £148.2 million) is recognised in the consolidated income statement within loss on revaluation and sale of investment and development property. This loss was unrealised and relates to assets held at the end of the period.

b) Market value reconciliation of total property

	Covent Garden £m	Earls Court Properties £m	Total £m
Carrying value of investment and development property at 30 June 2019[1]	**2,557.5**	**654.7**	**3,212.2**
Adjustment in respect of fixed head leases	**(6.1)**	**–**	**(6.1)**
Adjustment in respect of tenant lease incentives	**59.2**	**–**	**59.2**
Market value of investment and development property at 30 June 2019	**2,610.6**	**654.7**	**3,265.3**
Joint venture:			
Carrying value of joint venture investment, development and trading property at 30 June 2019	**–**	**149.7**	**149.7**
Unrecognised surplus on joint venture trading property[2]	**–**	**23.3**	**23.3**
	2,610.6	**827.7**	**3,438.3**
Non-controlling interest adjustment:			
Market value of non-controlling interest in investment, development and trading property at 30 June 2019	**–**	**(228.6)**	**(228.6)**
Market value of investment, development and trading property on a Group share basis at 30 June 2019	**2,610.6**	**599.1**	**3,209.7**

1. Included within investment and development property is £0.9 million of interest capitalised during the period on developments in progress.
2. The unrecognised surplus on trading property is shown for information purposes only and is not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value in the condensed consolidated financial statements.

11 PROPERTY PORTFOLIO CONTINUED

	Covent Garden £m	Earls Court Properties £m	Total £m
Carrying value of investment, development and trading 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, development and trading 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 period on developments in progress.

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

At 30 June 2019, the Group was contractually committed to £30.4 million (31 December 2018: £22.4 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 21 'Capital Commitments' for further information on capital commitments.

The fair value of the Group's investment, development and trading property at 30 June 2019 was determined by independent, appropriately qualified external valuers JLL for Earls Court Properties and CBRE for the remainder of the Group's property portfolio. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards. Fees paid to valuers are based on fixed price contracts.

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

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

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

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

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

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 17.

12 INVESTMENT IN JOINT VENTURES

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

At 30 June 2019, 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	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Summarised income statement			
Revenue	**2.1**	50.0	62.3
Net rental income/(expense)	**0.1**	(0.1)	0.1
Gain on revaluation of investment and development property	**0.1**	0.1	–
Proceeds from the sale of trading property	**2.0**	49.9	62.0
Cost of sale of trading property	**(2.0)**	(39.0)	(48.2)
Agent, selling and marketing fees	**(0.1)**	(1.0)	(0.4)
Write down of trading property	**(0.4)**	(0.7)	(1.0)
Administration expenses	**0.1**	(1.1)	(2.4)
Finance costs[1]	**(6.8)**	(12.7)	(21.2)
Loss for the period	**(7.0)**	(4.6)	(11.1)

1. Finance costs relate to the amortisation of deep discount bonds that were issued by LSJV to the Group and KFI. The bonds are redeemable at their nominal value of £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 £5.7 million (30 June 2018: £6.3 million) is recognised in the consolidated income statement within other finance income.

LSJV	**As at 30 June 2019 £m**	As at 31 December 2018 £m
Summarised balance sheet		
Investment and development property	**3.7**	3.7
Other non-current assets	**4.8**	4.6
Trading property	**295.6**	263.1
Cash and cash equivalents[1]	**39.4**	40.2
Other current assets	**1.0**	0.2
Borrowings	**(89.9)**	(59.5)
Other non-current liabilities[2]	**(246.1)**	(239.7)
Amounts payable to joint venture partners[3]	**(75.6)**	(73.7)
Other current liabilities	**(46.1)**	(45.3)
Net liabilities	**(113.2)**	(106.4)
Capital commitments	**40.0**	64.8
Carrying value of investment, development and trading property	**299.3**	266.8
Unrecognised surplus on trading property[4]	**46.7**	51.4
Market value of investment, development and trading property[4]	**346.0**	318.2

1. Includes restricted cash and cash equivalents of £24.9 million (31 December 2018: £34.3 million) relating to amounts received as property deposits that will not be available for use by LSJV until completion of building work. There is a corresponding liability of £24.9 million (31 December 2017: £34.3 million) within other current liabilities.
2. Other non-current liabilities relate to deep discount bonds. Recoverable amounts receivable by the Group of £94.0 million (31 December 2018: £94.4 million) are recognised on the consolidated balance sheet within non-current trade and other receivables.
3. Amounts payable to joint venture partners relate to working capital funding advanced by the Group and KFI.
4. The unrecognised surplus on trading property and the market value of LSJV's property portfolio are shown for information purposes only and are not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value.

12 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. During the period the Group impaired its investment in Innova by £12.5 million.

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	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Summarised income statement			
Impairment of other receivables	**(5.0)**	–	–
Loss for the period	**(5.0)**	–	–

Innova	**As at 30 June 2019 £m**	As at 31 December 2018 £m
Summarised balance sheet		
Other receivables	–	5.4
Cash and cash equivalents	**0.9**	0.5
Other current liabilities	**(0.4)**	(0.4)
Net assets	**0.5**	5.5

Reconciliation of summarised financial information

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

	GCP £m	**LSJV £m**	**Innova £m**	**Total £m**
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
Net assets/(liabilities) of joint ventures at 30 June 2019	**0.1**	**(113.2)**	**0.5**	**(112.6)**
Elimination of joint venture partners' interest	**–**	**56.6**	**(0.3)**	**56.3**
Cumulative losses restricted[1]	**–**	**56.6**	**–**	**56.6**
Carrying value at 30 June 2019	**0.1**	**–**	**0.2**	**0.3**

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 (31 December 2018: 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.

12 INVESTMENT IN JOINT VENTURES CONTINUED

Reconciliation of investment in joint ventures

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

Investment in joint ventures	GCP £m	LSJV £m	Innova £m	Total £m
At 1 January 2018	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**
Loss for the period[1]	**–**	**(3.5)**	**(2.5)**	**(6.0)**
Loss restricted[1]	**–**	**3.5**	**–**	**3.5**
Impairment of goodwill	**–**	**–**	**(14.5)**	**(14.5)**
At 30 June 2019	**0.1**	**–**	**0.2**	**0.3**

1. Share of post-tax loss from joint ventures in the consolidated income statement of £2.5 million (31 December 2018: nil) comprise loss for the period of £6.0 million (31 December 2018: £5.6 million) and loss restricted totalling £3.5 million (31 December 2018: £5.6 million).

13 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.

	As at 30 June 2019 £m	As at 30 June 2018 £m	As at 31 December 2018 £m
At 1 January	**247.4**	305.8	305.8
Loss and total comprehensive expense for the period attributable to non-controlling interest	**(43.0)**	(29.9)	(66.7)
Unsecured loan notes issued to non-controlling interest	**1.0**	6.1	8.3
Non-controlling interest	**205.4**	282.0	247.4

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 (31 December 2018: less than £0.1 million) and therefore £412.2 million (31 December 2018: £411.2 million) has been classified as equity.

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

Summarised income statement	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Net rental income	**1.3**	1.2	2.6
Administration expenses	**(0.3)**	(0.6)	(1.2)
Loss on sale of investment property	**(0.1)**	–	–
Loss on revaluation of investment and development property	**(116.9)**	(81.4)	(181.8)
Taxation	**(0.1)**	–	–
Loss for the period after taxation	**(116.1)**	(80.8)	(180.4)

Summarised balance statement	**As at 30 June 2019 £m**	As at 31 December 2018 £m
Investment and development property	**617.7**	731.3
Cash at bank and at hand	**10.9**	8.0
Other current assets	**0.6**	0.8
Other current liabilities	**(3.3)**	(5.7)
Borrowings	**(70.8)**	(65.8)
Net assets	**555.1**	668.6

13 NON-CONTROLLING INTEREST CONTINUED

Summarised cash flows	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Operating cash (outflow)/inflow after interest and tax	**(0.1)**	0.9	1.5
Sale of property	**2.5**	–	1.6
Purchase and development of property, plant and equipment	**(6.2)**	(19.7)	(25.7)
Net cash flow before financing	**(3.8)**	(18.8)	(22.6)
Financing[1]	**6.7**	19.3	25.2
Net cash flow	**2.9**	0.5	2.6

1. Financing comprises £2.7 million (31 December 2018: £22.4 million) of unsecured, non-interest bearing loan notes and £4.0 million (31 December 2018: £2.8 million) of external borrowings.

14 TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 £m	As at 31 December 2018 £m
Non-current		
Other receivables[1]	**83.5**	83.5
Prepayments and accrued income[2]	**53.1**	44.9
Amounts receivable from joint ventures[3]	**94.0**	94.4
Trade and other receivables	**230.6**	222.8
Current		
Rent receivable	**6.4**	6.7
Other receivables	**16.6**	16.6
Prepayments and accrued income[2]	**16.3**	15.0
Trade and other receivables	**39.3**	38.3

1. Includes £75.0 million (31 December 2018: £75.0 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 £59.2 million (31 December 2018: £50.5 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 £33.1 million (31 December 2018: £27.0 million). Current amounts of £42.0 million due from LSJV in relation to working capital funding advanced by the Group have been impaired in full.

15 CASH AND CASH EQUIVALENTS

	As at 30 June 2019 £m	As at 31 December 2018 £m
Cash at hand	**6.6**	4.6
Cash on short-term deposit	**60.2**	27.9
Cash and cash equivalents	**66.8**	32.5

16 TRADE AND OTHER PAYABLES

	As at 30 June 2019 £m	As at 31 December 2018 £m
Rent received in advance	**16.6**	16.7
Accruals and deferred income	**18.4**	22.9
Trade payables	–	0.1
Other payables	**15.8**	15.5
Other taxes and social security	**2.9**	3.7
Trade and other payables	**53.7**	58.9

17 BORROWINGS, INCLUDING FINANCE LEASES

	30 June 2019						
	Carrying value £m	**Secured £m**	**Unsecured £m**	**Fixed rate £m**	**Floating rate £m**	**Fair value £m**	**Nominal value £m**
Current							
Finance lease obligations	**1.6**	**1.6**	**–**	**1.6**	**–**	**1.6**	**1.6**
Borrowings, including finance leases	**1.6**	**1.6**	**–**	**1.6**	**–**	**1.6**	**1.6**
Non-current							
Bank loans	**93.7**	**70.8**	**22.9**	**–**	**93.7**	**96.3**	**96.3**
Loan notes	**547.8**	**–**	**547.8**	**547.8**	**–**	**562.4**	**550.0**
Borrowings	**641.5**	**70.8**	**570.7**	**547.8**	**93.7**	**658.7**	**646.3**
Finance lease obligations	**9.4**	**9.4**	**–**	**9.4**	**–**	**9.4**	**9.4**
Borrowings, including finance leases	**650.9**	**80.2**	**570.7**	**557.2**	**93.7**	**668.1**	**655.7**
Total borrowings, including finance leases	**652.5**						
Cash and cash equivalents	**(66.8)**						
Net debt	**585.7**						

	31 December 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						

18 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The tables below set out each class of financial asset, financial liability and their fair values at 30 June 2019 and 31 December 2018.

		30 June 2019			31 December 2018		
	Notes	**Carrying value £m**	**Loss to income statement £m**	**Loss to other comprehensive income £m**	Carrying value £m	(Loss)/gain to income statement £m	Loss to other comprehensive income £m
Derivative financial assets		**–**	**(1.6)**	**–**	0.7	(1.6)	–
Total held for trading assets		**–**	**(1.6)**	**–**	0.7	(1.6)	–
Cash and cash equivalents	15	**66.8**	**–**	**–**	32.5	–	–
Other financial assets[1]		**117.1**	**–**	**–**	117.8	–	–
Total cash and other financial assets		**183.9**	**–**	**–**	150.3	–	–
Derivative financial liabilities		**(3.7)**	**(3.7)**	**–**	–	3.8	–
Total held for trading liabilities		**(3.7)**	**(3.7)**	**–**	–	3.8	–
Borrowings, including finance leases	17	**(652.5)**	**–**	**–**	(617.2)	–	–
Other financial liabilities[2]		**(38.8)**	**–**	**–**	(44.6)	–	–
Total borrowings and other financial liabilities		**(691.3)**	**–**	**–**	(661.8)	–	–

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

2. Includes trade and other payables and tax liabilities.

18 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES CONTINUED

Fair value estimation

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

The different levels are defined as follows:

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

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

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

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

19 DEFERRED TAX

The decrease in corporation tax rate referred to in Note 8 'Taxation' has been enacted for the purposes of IAS 12 'Income Taxes' and therefore has been reflected in these condensed consolidated financial statements based on the expected timing of the realisation of deferred tax.

Deferred tax on investment and development property is calculated under IAS 12 provisions on a disposals basis by reference to the properties' original tax base cost. Elements factored into the calculation include indexation relief and the Group's holding structure. The Group's recognised deferred tax liability on investment and development property as calculated under IAS 12 as at 30 June 2019 is £2.2 million (31 December 2018: 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 6 April 2019.

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 £4.4 million (19 per cent of £23.3 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 2018	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)**
Recognised in income	**0.6**	**2.2**	**(1.1)**	**(0.1)**	**(0.3)**	**1.3**
At 30 June 2019	**4.1**	**2.2**	**(1.1)**	**(2.2)**	**(7.2)**	**(4.2)**
Unprovided deferred tax (assets):						
At 1 January 2019	**–**	**(95.7)**	**–**	**–**	**(9.3)**	
Movement during the period	**–**	**(20.1)**	**–**	**–**	**(0.4)**	
At 30 June 2019	**–**	**(115.8)**	**–**	**–**	**(9.7)**	

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

20 SHARE CAPITAL AND SHARE PREMIUM

Issue type	Transaction date	Issue price (pence)	Number of shares	Share capital £m	Share premium £m
At 1 January 2018			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			56,165	0.1	–
At 31 December 2018			**850,806,256**	**212.7**	**225.6**
Scrip dividend – 2018 final	May	245	**409,364**	**0.1**	**1.0**
Share-based payment			**75,799**	**–**	**–**
At 30 June 2019			**851,291,419**	**212.8**	**226.6**

21 CAPITAL COMMITMENTS

At 30 June 2019, the Group was contractually committed to £30.4 million (31 December 2018: £22.4 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Of the £30.4 million committed, £27.0 million is committed 2019 expenditure.

In November 2013, the Group exercised its option under the CLSA which it entered into with LBHF in January 2013 in relation to LBHF's land interest within the Earls Court Masterplan. Under the terms of the CLSA, the Group can draw down land in phases but no land can be transferred unless replacement homes for the residents of the relevant phase have been provided and vacant possession is given. The Group has already paid £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 £20.0 million (31 December 2018: £32.4 million).

22 CONTINGENT LIABILITIES

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

Under the terms of the CLSA the Group has certain compensation obligations relating to achieving vacant possession, which are subject to an overall cap of £55 million. The overall total consideration for the CLSA is £105 million therefore if compensation obligation payments results in overall payments exceeding £105 million the excess will be reimbursed by LBHF. To date £90 million has been paid to LBHF for the CLSA therefore the net contingent liability is £15 million.

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.

23 CASH FLOW INFORMATION

The table below presents the cash generated from operations:

	Notes	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Loss before tax		**(128.8)**	(4.9)	(119.3)
Adjustments:				
Loss on revaluation and sale of investment and development property	3	**107.5**	47.3	146.1
Impairment of investments and other receivables	4	**20.6**	2.3	23.2
Profit on sale of subsidiaries	5	**–**	(29.6)	(29.5)
Depreciation		**1.0**	1.0	1.9
Amortisation of tenant lease incentives and other direct costs		**(0.1)**	(1.2)	(1.0)
Share-based payment		**2.0**	1.5	2.4
Finance income	6	**(0.2)**	(0.1)	(0.3)
Finance costs	7	**10.6**	9.5	19.3
Other finance income	6	**(5.7)**	(6.3)	(12.0)
Change in fair value of derivative financial instruments		**5.3**	(2.5)	(2.2)
Change in working capital:				
Change in trade and other receivables		**(6.3)**	(6.3)	(21.6)
Change in trade and other payables		**(4.0)**	(3.6)	0.8
Cash generated from operations		**1.9**	7.1	7.8

The table below provides an analysis of financial liabilities and derivative financial instruments 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 2019		**616.5**	**0.7**	**(0.7)**	**616.5**
Cash flows from financing activities					
Proceeds from loans and borrowings		**54.0**	**–**	**–**	**54.0**
Repayment of borrowings		**(25.0)**	**–**	**–**	**(25.0)**
Purchase and repayment of derivatives		**–**	**–**	**(0.9)**	**(0.9)**
Total cash flows used in financing activities		**29.0**	**–**	**(0.9)**	**28.1**
Non-cash flows from financing activities					
Facility fees amortised		**0.5**	**–**	**–**	**0.5**
Changes in fair value	18	**–**	**–**	**5.3**	**5.3**
Finance leases		**4.0**	**0.9**	**–**	**4.9**
Borrowing costs capitalised		**0.9**	**–**	**–**	**0.9**
Total non-cash flows from financing activities		**5.4**	**0.9**	**5.3**	**11.6**
Balance at 30 June 2019		**650.9**	**1.6**	**3.7**	**656.2**

24 RELATED PARTY TRANSACTIONS

Transactions with Directors

Key management compensation[1]	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Salaries and short-term employee benefits	**1.3**	1.3	3.0
Share-based payment	**1.3**	0.9	1.5
	2.6	2.2	4.5

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

24 RELATED PARTY TRANSACTIONS CONTINUED

Transactions between the Group and its joint ventures
Transactions during the period between the Group and its joint ventures, which are related parties, are disclosed in notes 12 'Investment in Joint Ventures', 14 'Trade and other receivables' and 21 'Capital commitments'. During the period the Group recognised management fee income of £0.9 million (31 December 2018: £3.4 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':

- Henry Staunton, Chairman of Capital & Counties Properties PLC, Andrew Strang, a Non-executive Director of Capital & Counties Properties PLC, Graeme Gordon, a non-executive Director up to 3 May 2019 and Situl Jobanputra, Chief Financial Officer of Capital & Counties Properties PLC all own apartments in the Lillie Square development either solely or together with family members. The disclosures in respect of these purchases were included in previous financial statements.
- As owners of apartments in the Lillie Square development, these Directors are required to pay annual ground rent and insurance premium fees and biannual service charge fees. As at 30 June 2019, £17,599.47 had been received in relation to these charges for 2019, and £11,713.71 was outstanding.

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.

25 EVENTS AFTER THE REPORTING PERIOD

The Company today announced as detailed in a separate statement, its intention to launch Covent Garden as an independent central London focused REIT through its demerger from Capco.

There has been a broad range of interest in Earls Court expressed to the Company and its financial advisers. In assessing proposals from interested parties, the Board focuses on value and deliverability. The indicative pricing received is at a range of discounts to the balance sheet value and the proposals are subject to differing levels of further due diligence and a number of conditions, including third-party rights.

There is no certainty of a sale transaction. The Board believes that separation of the two businesses is in shareholders' interests and is therefore announcing today its intention to proceed with the demerger.

The Company intends to publish shareholder documentation, and hold management presentations, in September 2019, with completion, subject to shareholder approval, anticipated before the end of 2019.

See pages 2 and 3 for further details.

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

1. PROPERTY DATA AS AT 30 JUNE 2019

	Market Value £m	Ownership
Covent Garden	**2,610.6**	**100%**
Earls Court Properties		
ECPL	**389.2**	**63%**
Lillie Square	**173.0**	**50%**
Other	**36.9**	**100%**
Earls Court Properties (Group share)	**599.1**	
Group share of total property	**3,209.7**	
Investment and development property	**3,038.6**	
Trading property	**171.1**	

2. ANALYSIS OF CAPITAL RETURN FOR THE PERIOD

Like-for-like capital	Market Value 30 June 2019 £m	Market Value 31 December 2018 £m	Revaluation gain/ (loss)[1] 30 June 2019 £m	Increase/ (decrease)
Covent Garden	**2,598.2**	2,560.1	**13.4**	**0.5%**
Earls Court Properties	**599.1**	655.7	**(77.9)**	**(11.5)%**
Total like-for-like capital	**3,197.3**	3,215.8	**(64.5)**	**(2.0)%**
Investment and development property	**3,026.2**	*3,059.5*	**(61.9)**	**(2.0)%**
Trading property[2]	**171.1**	*156.3*	**(2.6)**	**(1.5)%**
Non like-for-like capital				
Acquisitions	**12.4**	–	**(0.8)**	
Disposals	**–**	52.5	**–**	
Group share of total property	**3,209.7**	3,268.3	**(65.3)**	**(2.0)%**
Investment and development property	**3,038.6**	*3,111.1*	**(62.7)**	**(2.1)%**
Trading property	**171.1**	*157.2*	**(2.6)**	**(1.5)%**
All property				
Covent Garden	**2,610.6**	2,610.0	**12.6**	**0.5%**
Earls Court Properties	**599.1**	658.3	**(77.9)**	**(11.5)%**
Group share of total property	**3,209.7**	3,268.3	**(65.3)**	**(2.0)%**

1. Revaluation gain/(loss) includes amortisation of lease incentives and fixed head leases.
2. Trading property market value and the revaluation surplus/deficit thereon are presented for information purposes only. The revaluation surplus/deficit on trading property represents the unrecognised surplus and write down or write back to market value.

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED) CONTINUED

3. ANALYSIS OF NET RENTAL INCOME FOR THE PERIOD

Like-for-like net rental income	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Increase/ (decrease)
Covent Garden	**29.0**	27.1	**7.0%**
Earls Court Properties	**1.1**	1.0	**10.2%**
Other	**(0.1)**	(0.1)	**4.6%**
Total like-for-like net rental income	**30.0**	28.0	**7.1%**
Like-for-like investment and development property	**30.0**	28.0	**7.1%**
Like-for-like trading property	**–**	–	–
Non like-for-like net rental income			
Acquisitions	**0.1**	–	
Disposals	**–**	3.9	
Developments	**1.9**	1.2	
Prior year acquisitions (like-for-like capital)	**0.1**	–	
Group share of total net rental income	**32.1**	33.1	**(3.0)%**
Investment and development property income	**32.1**	33.2	**(3.1)%**
Trading property income	**–**	(0.1)	

All property			
Covent Garden	**31.1**	28.3	**9.8%**
Earls Court Properties	**1.1**	4.9	**(76.9)%**
Other	**(0.1)**	(0.1)	**3.9%**
Group share of total net rental income	**32.1**	33.1	**(3.0)%**

4. ANALYSIS OF COVENT GARDEN BY USE

30 June 2019

	Initial yield (EPRA)	Nominal equivalent yield	Passing rent[1] £m	Occupancy rate	Weighted average unexpired lease years	Market value £m	ERV £m	Gross area million Sq ft
Retail						**2,044.7**	**82.6**	**0.7**
Office						**352.4**	**19.3**	**0.3**
Residential						**212.0**	**5.9**	**0.2**
Other						**1.5**	**0.1**	**–**
Total	**2.46%**	**3.60%**	**67.6**	**97.0%**	**8.3**	**2,610.6**	**107.9**	**1.2**

1. Non-leased income of £1.8 million (31 December 2018: £1.9 million) is added to passing rent to arrive at gross income.

CONSOLIDATED UNDERLYING PROFIT STATEMENT (UNAUDITED)

For the six months ended 30 June 2019

Group share	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Net rental income	**32.1**	33.1	63.5
Other income	**0.5**	0.9	1.8
Administration expenses	**(17.2)**	(19.2)	(36.7)
Operating profit	**15.4**	14.8	28.6
Finance costs	**(10.6)**	(9.5)	(19.5)
Finance income	**0.2**	0.1	0.3
Net finance costs	**(10.4)**	(9.4)	(19.2)
Profit before tax	**5.0**	5.4	9.4
Taxation	**(0.5)**	(1.1)	(1.4)
Underlying earnings	**4.5**	4.3	8.0
Underlying earnings per share (pence)	**0.5**	0.5	0.9
Weighted average number of shares	**851.2m**	850.8m	851.2m

FINANCIAL COVENANTS (UNAUDITED)

For the six months ended 30 June 2019

Financial covenants on non-recourse debt

		30 June 2019		
Group share	**Maturity**	**Loan(s) outstanding at 30 June 2019[1] £m**	**LTV covenant**	**Interest cover covenant**
Covent Garden[2]	**2022-2037**	**575.0**	**60%**	**120%**
ECPL	**2026**	**44.9**	**40%**	**n/a**
Lillie Square[3]	**2021**	**45.1**	**75%**	**n/a**
Total		**665.0**		

1. The loan values are the nominal values at 30 June 2019 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.

2. Covent Garden comprises £705 million unsecured Revolving Credit Facility ("RCF") maturing in 2022, £680 million of which is undrawn at 30 June 2019, and £550 million Private Placement unsecured notes maturing between 2024 and 2037.

3. Subject to exercise of extension options (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 interim 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 interim 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 period and basic earnings per share	Note 10
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 11
Loan to value	N/A	Financial Review, page 10
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 interim results. The measures are defined in the Glossary.

APM	Definition of measure	Page	**Six months ended 30 June 2019**	Six months ended 30 June 2018	Year ended 31 December 2018
Alternative to Income Statement					
EPRA earnings	Recurring earnings from core operational activity	35	**£1.5m**	£4.6m	£2.4m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	35	**0.2p**	0.5p	0.3p
Underlying earnings	Profit for the period excluding unrealised and one-off items	35	**£4.5m**	£4.3m	£8.0m
Underlying earnings per share	Underlying earnings per weighted number of ordinary shares	35	**0.5p**	0.5p	0.9p

APM	Definition of measure	Page	**Six months ended 30 June 2019**	Year ended 31 December 2018
Alternative to Balance Sheet				
Market value of property portfolio	Market value of investment, development and trading properties	37	**£3,210m**	£3,268m
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	**£2,690m**	£2,777m
EPRA NAV per share	EPRA NAV per the diluted number of ordinary shares	36	**315p**	326p
EPRA triple net assets	EPRA NAV amended to include the fair value of financial instruments and debt	36	**£2,664m**	£2,788m
EPRA triple net assets per share	Diluted triple net assets per the diluted number of ordinary shares	36	**312p**	327p
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	**2.5%**	2.4%
EPRA topped-up initial yield	Net initial yield adjusted for the expiration of rent-free periods	N/A	**2.8%**	2.7%
Occupancy	ERV of occupied space as a percentage of ERV of combined portfolio	49	**97.0%**	97.3%
Loan to value	Net debt divided by the carrying value of the property portfolio	10	**18.8%**	17.9%
Interest cover	Underlying operating profit divided by net underlying finance costs	10	**147.0%**	149.0%
Gross debt with interest rate protection	Proportion of the gross debt with interest rate protection	10	**86%**	88%
Weighted average cost of debt	Cost of debt weighted by the drawn balance of external borrowings	10	**3.0%**	2.9%

DIVIDENDS

The Directors of Capital & Counties Properties PLC have proposed an interim dividend per ordinary share (ISIN GB00B62G9D36) of 0.5 pence payable on 20 September 2019.

Dates

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

Sterling/Rand exchange rate struck:	16 August 2019
Sterling/Rand exchange rate and dividend amount in Rand announced:	19 August 2019
Ordinary shares listed ex-dividend on the JSE, Johannesburg:	28 August 2019
Ordinary shares listed ex-dividend on the LSE, London:	29 August 2019
Record date for interim dividend in UK and South Africa:	30 August 2019
Election date for scrip dividend alternative (SA)	30 August 2019
Election date for scrip dividend alternative (UK)	6 September 2019
Dividend payment date for shareholders	**20 September 2019**

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 27 August 2019 and that no dematerialisation of shares will be possible from 28 August 2019 to 30 August 2019 inclusive. No transfers between the UK and South Africa registers may take place from 16 August 2019 to 30 August 2019.

Subject to SARB approval, the Board intends to offer an optional scrip dividend alternative in respect of the 2019 interim dividend.

The above dates are proposed and subject to change.

Important Information for South African Shareholders

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

The interim cash dividend declared by the Company will constitute a dividend for Dividends Tax purposes. Dividends Tax will therefore be withheld from the amount of the interim cash dividend which is paid at a rate of 20 per cent, unless a shareholder qualifies for an exemption and the prescribed requirements for effecting the exemption, as set out in the rules of the Scrip Dividend Scheme, are in place.

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

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

GLOSSARY

APM

Alternative Performance Measure, 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), and a number of smaller properties in the Earls Court area.

EBITDA

Earnings before interest, tax, depreciation and amortisation.

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.

EC1 & EC2

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

EPRA

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

EPRA earnings

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

EPRA earnings per share

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

EPRA net asset value (EPRA NAV)

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

EPRA net asset value per share

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

EPRA net initial yield

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

EPRA triple net asset value (EPRA NNNAV)

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

Estimated rental value (ERV)

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

GCP

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

GEA

Gross external area.

GLA

Greater London Authority.

Gross income

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

Headline earnings

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

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

Loan to value (LTV)

LTV is calculated on the basis of Group's net debt divided by the 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 such as from car parks etc. Contracted annual rents in respect of tenants in administration are excluded.

RBKC

Royal Borough of Kensington and Chelsea.

RICS

Royal Institution of Chartered Surveyors.

Reserved Matters Application (RMA)

Reserved Matters Applications seek approval for detailed design including landscaping, the scale of buildings and their layout and appearance. These detailed designs must comply with the Parameter Plans, Design Guidelines and Planning Conditions that form part of the consented outline planning permission.

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 incentive 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 amortized through the income statement on a straight-line basis over the lease term.

TfL

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

Total property return (TPR)

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

Total return (TR)

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

Total shareholder return (TSR)

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

Underlying earnings

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

Underlying earnings per share (EPS)

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

Weighted average unexpired lease term

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

Zone A

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