

21 FEBRUARY 2018

CAPITAL & COUNTIES PROPERTIES PLC (“CAPCO”)

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

Ian Durant, Chairman of Capco, commented:

“Both of our central London estates had a very active year in which Capco made good operational progress. The Covent Garden estate which now represents over 70 per cent of property value, delivered strong performance and value growth. Economic and political uncertainty has impacted the London residential market, resulting in a decline in the valuation of our Earls Court interests.

Capco’s strategy remains clear and focused on delivering long-term value for shareholders from our two prime central London estates, backed by a strong balance sheet.”

Ian Hawksworth, Chief Executive of Capco, commented:

“Covent Garden, now valued at over £2.5 billion, delivered another strong year of rental and value growth. Positive leasing demand for our world-class retail and dining destination continues, with 90 leasing transactions securing a record £15 million of rental income at a premium of 10 per cent to December 2016 ERV. Our creative asset management strategy and investment into the estate have produced a high quality and vibrant environment for the consumer, driving growth of 18 per cent in rental income. ERV increased to £105 million, demonstrating progress towards the target of £125 million by December 2020.

The Earls Court Masterplan is one of the most important mixed-use development opportunities in London, with the potential to create a new district, delivering homes, jobs and investment at scale. This strategic scheme has a planning consent in place, existing transport infrastructure and the ability to grow with the needs of London. Whilst political and macroeconomic conditions have impacted the residential market resulting in a further valuation decline, a number of operational milestones have been achieved and as a long-term investor, Capco will continue to engage with partners and stakeholders to evolve and bring forward the Masterplan.

The successful sale of Venues and financing activities undertaken during the year have further enhanced Capco’s strong financial position. With low leverage and high liquidity, Capco is well-positioned to deliver long-term value creation from its two prime central London estates and to take advantage of opportunities as they arise.”

Key financials

- Equity attributable to owners of the Parent £2.8 billion (2016: £2.8 billion)
- EPRA NAV 334 pence per share, a decrease of 1.7 per cent (2016: 340 pence per share)
- Total property value £3.5 billion, a decrease of 0.9 per cent (like-for-like) (2016: £3.7 billion)
- Underlying EPS 1.3 pence per share (2016: 1.4 pence per share)
- Proposed final 2017 dividend of 1.0 pence per share resulting in a full-year dividend of 1.5 pence per share

Another strong year at Covent Garden

- Total property value of £2.5 billion, an increase of 4.3 per cent (like-for-like) (2016: £2.3 billion)
- Net rental income up 11.3 per cent like-for-like or 17.8 per cent in total to £48.9 million (2016: £41.5 million)
- 90 new leases and renewals transacted representing £14.6 million of income at 10.4 per cent above 31 December 2016 ERV
- ERV increased by 4.6 per cent (like-for-like) to £105 million (2016: £96 million); progress towards ERV target of £125 million by December 2020
- £99 million invested in strategic acquisitions expanding ownership of the estate

Operational progress at Earls Court

- Earls Court interests valued at £1.0 billion in total, a decrease of 11.8 per cent (like-for-like) (2016: £1.1 billion)
- Completion of complex demolition works on ECPL land in preparation for future development
- Lillie Square Phase 1 substantially handed over and 50 per cent of Phase 2 reserved or exchanged

Sale of Venues

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

Strong financial position with significant financial flexibility

- Group loan to value ratio 21 per cent (2016: 23 per cent) with substantial headroom across all covenants
- £225 million Private Placement completed and £705 million Covent Garden bank facility extended to 2022
- Cash and available facilities of £691 million (2016: £556 million)
- Modest capital commitments of £61 million (2016: £157 million)
- Weighted average maturity extended to 6.9 years (2016: 5.9 years)
- Weighted average cost of debt of 2.8 per cent (2016: 2.7 per cent)

KEY FINANCIALS

	2017	2016
Equity attributable to owners of the Parent	£2,800m	£2,805m
Equity attributable to owners of the Parent per share	329.7p	331.5p
-1.3% Total return in 2017 (2016: -5.5%)		
EPRA net asset value	£2,839m	£2,878m
EPRA net asset value per share	333.8p	339.6p
Dividend per share	1.5p	1.5p
1.0% Total property return in 2017 (2016: -2.3%)		
Property market value ¹	£3,525m	£3,710m
Net rental income from continuing operations ²	£66.2m	£57.9m
Loss for the year attributable to owners of the Parent from continuing operations	(£6.5)m	(£127.0)m
Underlying earnings per share	1.3p	1.4p

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

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

ENQUIRIES

Capital & Counties Properties PLC:

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

Media enquiries:

UK: Tulchan	Susanna Voyle	+44 (0)20 7353 4200
SA: Instinctif	Frederic Cornet	+27 (0)11 447 3030

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

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

CHAIRMAN'S STATEMENT

Overview

Both of our prime central London estates had a very active year in which management made good operational progress. The Covent Garden estate, which now represents more than 70 per cent of the Group's portfolio by value, delivered positive performance and value growth. The value of our investments at Earls Court has however been impacted by challenges in the London residential market.

Performance

Capco's total shareholder return for the year, which comprises share price performance plus the dividends paid during the year, was 8.1 per cent, and total return for the year, which represents the change in net assets plus the dividends paid during the year, was -1.3 per cent. The total value of Capco's property portfolio fell by 0.9 per cent on a like-for-like basis to £3.5 billion, with gains at Covent Garden being offset by a reduction in the Earls Court valuation.

Covent Garden is established as a renowned retail and dining destination and continues to attract target brands. The Covent Garden estate is benefiting from a period of significant investment made over recent years, creating an inviting environment with a wide variety of British heritage, independent and global brands offering a broad selection of retail and dining experiences across the estate. Net rental income has increased significantly in 2017. Capco's distinct approach to creative asset management continues to drive leasing activity and in turn ERV progression.

Initiatives to enhance the estate have been very successful. Examples include the establishment of Henrietta Street as a menswear and dining destination and the successful repositioning of the Royal Opera House Arcade. In addition, a number of acquisitions have extended our presence on Floral Street. The Floral Court development is nearing completion with the courtyard and restaurant openings expected over the coming months.

Economic and political uncertainty has impacted the residential market in London, resulting in a further decline in the valuation of our investments at Earls Court. The consented Masterplan remains one of the largest Opportunity Areas in central London with the ability to evolve with the needs of the Capital. The political and economic environment has made discussions on enhancing the Masterplan more difficult, however Capco will continue to seek to positively engage with all stakeholders to evolve the Masterplan over time.

At Earls Court Partnership Limited ("ECPL"), our investment vehicle with Transport for London ("TfL"), the final phase of the complex demolition of the former Earls Court Exhibition Centres has been successfully completed in preparation for future development. Handover of the first phase of the Lillie Square residential development nears completion and half of Phase 2 has been pre-sold at a modest premium to comparable units in Phase 1.

In April 2017, Capco completed the sale of the Venues business at a slight premium to net asset value, in keeping with our established strategy of recycling capital through the disposal of non-core assets.

Financial position and dividends

Capco continues to maintain a strong balance sheet, with low leverage, high liquidity and modest capital commitments. During the year, Capco extended its debt maturities, further diversified its sources of funding with a Private Placement and successfully executed the sale of Venues. The business is well-positioned to support its future activities and take advantage of opportunities as they arise.

The Directors are proposing a final dividend of 1.0 pence per share, which brings the total dividend for 2017 to 1.5 pence per share.

People

The Company has evolved during the year and the Board and I would like to thank our employees for their work and commitment.

There were a number of changes to the Board in 2017. At the beginning of the year Situl Jobanputra was promoted to Chief Financial Officer, following Soumen Das' departure at the end of 2016. Charlotte Boyle was appointed as a Non-executive Director and member of the Nomination and Remuneration Committees in October 2017, following Demetra Pinsent's decision to step down from the Board in July 2017.

I am pleased to report that Situl and Charlotte have both settled into their new roles well, and I was delighted to see the recognition of internal talent. Demetra's departure unfortunately sets back our gender diversity aspirations at Board level. The Board will consider this along with wider diversity for any future appointments and is committed to encouraging diversity, inclusiveness and the development of our people across the business.

Shareholders

Capco is listed on the London Stock Exchange and the JSE, and over 50 per cent of the Company's shares are held by South African investors. There are sometimes different market expectations in the UK and South Africa, and one example of this is the level of authority to issue new shares that shareholders expect to grant to Boards. The Board feels that, to preserve flexibility, it is appropriate to seek the conventional level of authorities expected by shareholders in UK listed companies where possible. This has resulted in significant votes against two of our AGM resolutions and Capco's inclusion in The Investment Association's public register of shareholder dissent. The Board will maintain dialogue with our South African shareholders on this topic.

Board Oversight

Non-executive Directors are encouraged to visit our assets in Covent Garden and Earls Court and meet operational management regularly. This is achieved through individual visits and Board update meetings sometimes held on site, and helps the Board keep abreast of the business' challenges and opportunities and to contribute to strategic debate. This has been a year of considerable change in the macroeconomic and political context in which Capco operates and I am grateful for the Directors' diligence and engagement throughout the year.

In reaching its conclusions regarding key business decisions, the Board takes account of the different stakeholders relevant to Capco and its activities, including local communities where we operate, partners, lenders, government and our own people as well as shareholders.

The Board also regularly reviews the changing risks affecting Capco and takes account of changes to risks when discussing strategy and reviewing operations. Health and Safety receives particular attention at Board meetings and across the business.

Looking ahead

London is an outstanding global city and remains a very attractive investment arena. Our strategy remains clear and focused on delivering long-term value for shareholders from our two prime central London estates. The Board remains alert to broader economic and political uncertainty and its potential impact on market conditions, however Capco's strong financial position enables the Group to support its future activities and provides the financial flexibility to take advantage of opportunities as they arise.

Ian Durant

Chairman

20 February 2018

CHIEF EXECUTIVE'S REVIEW

A year of good operational progress

Capco has made good operational progress across its two prime central London estates. Covent Garden, which now accounts for 72 per cent of the Group's portfolio by value, has had another strong year creating value and positive rental performance. We continue to implement our strategy by focusing on asset management, investment and managing the estate creatively. Covent Garden is a world-class destination in the heart of central London offering a vibrant mix of British heritage, independent and global brands and continues to evolve to meet consumer demand. Investments made in recent years including on Henrietta Street, Floral Street, King Street and the Royal Opera House Arcade have positioned the estate well. This has resulted in strong demand from occupiers and as new concepts open, we are capturing the reversionary income potential of the portfolio.

At Earls Court, good operational progress has been made. ECPL, the investment vehicle with TfL, which represents our principal investment in Earls Court, successfully completed the final phase of the complex demolition of the former Exhibition Centres, which prepares the land for development. At Lillie Square, Phase 1 handover has substantially completed. By the end of 2017 the residents of 182 new homes had been welcomed to the scheme. A pop-up high street for Earls Court was successfully launched on Lillie Road.

Whilst the West End and Covent Garden have continued to thrive, economic and political uncertainty has continued to impact the residential market in London, resulting in a further valuation decline in our investments at Earls Court. The growth in Covent Garden was offset by a decline in the value at Earls Court. As a result, EPRA net asset value fell by 1.7 per cent over the year to 334 pence.

While the environment for large-scale residential development has become more difficult, the Earls Court Masterplan has an existing planning consent in place and remains one of the largest Opportunity Areas in central London, capable of delivering new homes, jobs and investment. Earls Court has the ability to evolve with the needs of London and its potential will be realised over time. As a long-term investor in London, Capco will continue to seek to engage positively with our partners and all stakeholders in order to evolve the Masterplan, which has the flexibility to be brought forward through the introduction of third-party capital and selective development.

Over the year, the Group successfully realised value from the sale of its Venues business, crystallising £230 million of net proceeds which will be recycled into Capco's central London estates.

Capco's prudent approach to its balance sheet continues. We maintain a strong financial position with low leverage, high liquidity and modest capital commitments. The business is well-positioned to support its future activities, navigate market uncertainties, while taking advantage of opportunities as they arise. Capco remains disciplined in its investment approach, with a weighting towards Covent Garden as we continue to expand our ownership on the estate.

Valuations

	Market Value 2017 £m	Market Value 2016 £m	Valuation Change Like-for-Like ¹
Covent Garden	2,545	2,275	4.3%
Earls Court Properties			
Earls Court Partnership Limited ("ECPL") ²	561	644	(16.0)%
Lillie Square ³	156	223	(5.7)%
Empress State	220	230	(4.8)%
Other	42	45	(8.1)%
Group share of Earls Court Properties	979	1,142	(11.8)%
Venues	–	293	–
Group share of total property⁴	3,524	3,710	(0.9)%

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

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

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

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

The total property value of the Group declined 0.9 per cent (like-for-like) in the year to 31 December 2017 to £3.5 billion. The valuation of Covent Garden has risen by 4.3 per cent (like-for-like) to £2.5 billion, driven by ERV growth of 4.6 per cent achieved over the year. The equivalent yield remains broadly unchanged, reflecting the valuer's current view of the strength of demand for prime central London real estate.

Capco's investment in Earls Court Properties declined by 11.8 per cent (like-for-like) to £1.0 billion at 31 December 2017. A number of adjustments have been made to the component parts of the valuation of our interest in ECPL. The valuer's more conservative view on gross development value and the cost of delivery, together with recent transactional evidence in the land market, have resulted in a net decline of 14.4 per cent (like-for-like) for ECPL in the second half of the year. Similarly the valuation of our other interests at Earls Court has declined reflecting changes in valuation assumptions.

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

Covent Garden – a world-class retail and dining destination

Covent Garden is continuing to build on its success as a world-class retail and dining destination. Our creative asset management strategy has driven positive leasing momentum with good demand for all uses across the estate. We continue to strengthen the core categories of luxury gifting and accessories, cosmetics and differentiated dining concepts.

The estate is valued at £2.5 billion as at 31 December 2017, a like-for-like increase of 4.3 per cent. During the year, 21 new retail and restaurant brands were signed to the estate, the most in any year to date. As a result of positive demand across all uses, 90 new lettings and renewals were agreed, securing £14.6 million of rental income at 10.4 per cent above December 2016 ERV. Net rental income has increased significantly, by 17.8 per cent in absolute terms or 11.3 per cent like-for-like for the year. The ERV of the estate is £105 million, up 4.6 per cent on a like-for-like basis, with positive progress being made towards the ERV target of £125 million by December 2020.

The range of dining concepts on the estate continues to expand, with the introduction of a number of high quality and differentiated concepts including The Oystermen, Avobar and The Henrietta. The latest additions further enhance Covent Garden's attractiveness as one of London's most desirable dining destinations.

Covent Garden's retail offering has gone from strength to strength. The Market Building has introduced Daniel Wellington, Tom Ford and Deciem. The repositioning of the Royal Opera House Arcade continues with the addition of leading travel brand Tumi which is set to join British heritage brands N. Peal and Tom Davies which opened stores during the year. Lettings to Kent & Curwen and The Shop at Bluebird represent an excellent start to the repositioning of Floral Street.

Development of Floral Court nears completion. Anchored by Petersham Nurseries, the courtyard is expected to open in the coming months and will improve the circulation of pedestrian flows on the northern part of the estate. The residential component, comprising 45 new apartments, is expected to complete by summer 2018.

We have continued to invest in the estate through acquisitions which offer value creation opportunities. £99 million was invested in acquisitions during the year, most notably consolidating our presence on Floral Street.

Earls Court Properties – large-scale strategic opportunity in central London

During the year, ECPL successfully completed the final phase of the complex demolition of the former Earls Court Exhibition Centres in preparation for future development.

Handover of Phase 1 of Lillie Square nears completion with £98 million (Capco share) of proceeds received by the end of the year. Cumulative proceeds of £125 million (Capco share) are expected to have been received on Phase 1 over the coming months. Negotiations are at an advanced stage for the main construction contract for Phase 2. 50 per cent of the 186 apartments in the phase have now been reserved or exchanged. 34 of these transacted during 2017, seven of which occurred during the second half of the year. Sales prices achieved in Phase 2 are at a modest premium to comparable units in Phase 1.

The consented Earls Court Masterplan is a strategic development for London and is identified as a Greater London Authority ("GLA") Opportunity Area. It is referenced in the draft London Plan issued in December 2017 as 'ready to grow'. The political environment has made discussions on enhancing the Masterplan more difficult, however Capco will continue to seek to engage positively with the GLA, our partners at Transport for London and other stakeholders to evolve the Masterplan over time. This includes discussions with London Borough of Hammersmith & Fulham ("LBHF") regarding the possibility of the Council taking the lead on future plans for the West Kensington and Gibbs Green Estates ("The Estates").

Capco is in discussions with MOPAC (the Mayor's Office for Policing and Crime) regarding its ongoing occupational requirements at the Empress State Building which may include a lease extension or sale of the building. There is no certainty that any transaction will be agreed.

Innova Investment

In 2015, Capco acquired a 50 per cent interest in Innova Investment (formerly Solum Developments), a joint venture with Network Rail, which is exploring potential opportunities for future redevelopments at significant railway station sites across London.

Sale of Venues

On 7 April 2017, Capco completed the sale of Venues to a consortium of German institutional investors for £296 million. Profit on disposal of Venues was £2 million. Having extracted significant value from the venue since acquisition, Capco took the decision to exit this non-core asset realising value for shareholders through sale. Cash proceeds were used initially to repay bank debt and will be deployed in Capco's prime central London estates over time.

Outlook

Covent Garden is a world-class retail and dining destination in the heart of London, offering a differentiated mix of global, British heritage and independent brands addressing the needs of the consumer. Through creative asset management and by attracting excellent retail brands and dining concepts, the reversionary income potential of the portfolio will be captured. Capco will continue to invest in strategic acquisitions, interventions and in enhancing the customer environment. Following a year of positive leasing activity, 2018 will be another active year for openings across the estate, which are expected to further strengthen Covent Garden's reputation as a leading global destination. The estate remains well-placed for continued success and ERV progression towards the target of £125 million by December 2020.

The consented Earls Court Masterplan represents one of the most important mixed-use developments in London. The GLA's draft London Plan issued in December 2017 references Earls Court as 'ready to grow' demonstrating the site's potential to deliver more housing and optimise this important London scheme. Whilst the economic and political environment presents challenges to the London residential market and large scale developments, Capco will continue to seek to positively engage with all of its partners and stakeholders to evolve the Masterplan. The consented Masterplan has the flexibility to be brought forward through the introduction of third-party capital and selective development.

Capco has a clear strategy to deliver long-term value creation for our shareholders from our two prime central London estates. Backed by a strong balance sheet with low leverage, high liquidity and modest capital commitments, Capco is well-positioned to support its future activities, navigate market uncertainties and take advantage of opportunities as they arise.

Ian Hawksworth

Chief Executive

20 February 2018

STRATEGIC REPORT

COVENT GARDEN

A world-class destination in London's West End

Covent Garden is a leading retail and dining destination and is one of the most vibrant estates in the heart of central London. Capco's distinct approach to management of the estate with emphasis on enhancing customer experiences continues to attract target brands.

Following another active year of leasing and investment, a total of 21 new brands were contracted during 2017, the most in any year, taking the total number of new brands introduced since Capco's ownership of the estate in 2006 to 140, with over 100 new retailers introduced.

Overview

Covent Garden, which represents 72 per cent of Capco's portfolio by value, is a world-class retail and dining destination providing over 1.1 million square feet of lettable space across all uses in the heart of London's West End. Underpinned by a vision to establish the estate as a leading destination for Londoners and visitors to the Capital, Capco drives value creation at Covent Garden through asset management, strategic investment and creativity. The estate is home to a wide variety of British, global and independent brands including Kent & Curwen, Petersham Nurseries and Tom Ford.

Demand for space in this iconic setting continues to be positive, highlighted by the 21 new brands introduced this year. 90 leasing transactions including new leases and renewals were completed representing £14.6 million of rental income per annum transacted at 10.4 per cent above 31 December 2016 ERV (H1 2017: 43 transactions representing £6.6 million of rental income, H2 2017: 47 transactions representing £8.0 million of rental income). A new Zone A rent of £750 per square foot for the Market Building was achieved this year.

Net rental income is £48.9 million, up 11.3 per cent (like-for-like) or 17.8 per cent in absolute terms compared to 2016. Occupancy on the estate remains high at 98 per cent.

2017 was another active year for Covent Garden as the business continued to implement its leasing and investment strategy. The value of the estate increased by 4.3 per cent on a like-for-like basis to over £2.5 billion. ERV is £104.8 million, a like-for-like increase over the year of 4.6 per cent. Good progress has been made towards the ERV target of £125 million by December 2020, reflecting the growth prospects of the estate.

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

Retail

Strong demand for space at Covent Garden from retailers continues with new rental tones being set. The repositioning of Floral Street as a fashion and lifestyle destination is underway. British heritage sportswear brand, Kent & Curwen, opened its first concept store under the partnership of creative director Daniel Kearns and business partner David Beckham at 12 Floral Street. In addition, multi-brand concept store, The Shop at Bluebird, has been signed to Carriage Hall. The store is scheduled to open in spring 2018, with the 15,000 square foot space housing two dedicated retail floors and a restaurant.

In July, Petersham Nurseries opened its retail space, offering handpicked collections of homeware, furniture and gifts. The store is set in the Grade II listed building within the Floral Court development beneath three Victorian atria and surrounded by greenery. Petersham Nurseries has commenced fit-out of its restaurants in the courtyard of Floral Court which are scheduled to open in the coming months.

The successful transformation of Henrietta Street has established a new menswear and dining destination in London. British men's shoe brand Cheaney and outerwear clothing concept K-Way opened stores at the beginning of 2017. Australian eyewear brand, Bailey Nelson, opened its only UK store on Henrietta Street in September offering high quality opticals and sunglasses. The store complements the existing community of independent, British and global brands, representing the finest aspects of men's retail, alongside high quality dining concepts on the street.

Over 25 standalone beauty and fragrance boutiques form 'The Beauty Quarter' at Covent Garden which continues to expand. Tom Ford and Deciem opened in the Market Building joining premium standalone beauty boutiques from Chanel and Dior. Floral Street Fragrance is the latest signing to Floral Court where customers can create their own four-piece fragrance in store. In addition, Bose has also taken space on King Street, offering innovative sound systems.

Capco has further strengthened the offering of gifting and premium accessories at the Royal Opera House Arcade signing leading travel accessory brand Tumi. This exciting addition joins the line-up of premium retailers which opened this year including luxury sunglasses brand Linda Farrow, British cashmere brand N.Peal and eyewear brand, Tom Davies. The British watch and accessories brand Olivia Burton is the latest signing to Covent Garden, joining watch brand Daniel Wellington which opened its first UK store in the Market Building earlier this year.

Dining

Focusing on high quality and unique food concepts has been core to the dining strategy for Covent Garden. The restaurant leasing activity in 2017 further strengthened Covent Garden's reputation as one of London's best dining destinations.

The latest signing on James Street is a UK first, Wahlburgers, the casual dining burger restaurant and bar, offering a menu of high-quality homemade burgers and sandwiches, fresh salads and shakes at competitive prices. The signing sets a new rental tone for food and beverage on James Street and is expected to open towards the end of the year.

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

Another successful addition to Henrietta Street is the highly rated seafood restaurant The Oystermen which provides a relaxed, affordable and fun dining experience offering oysters and seafood from the British Isles. British artisanal coffee shop Host has opened in the space alongside The Oystermen.

Cora Pearl, a new 60 cover restaurant from the team behind renowned Mayfair establishment Kitty Fishers, is expected to open in spring 2018 within the ground and lower-ground floors of 30 Henrietta Street.

Pancs have joined the Market Building, offering handcrafted pancakes, and the estate is set to welcome another UK first, Avobar, London's first permanent avocado bar that will serve avocado based dishes. Egg'cellent serving a breakfast only menu using fresh and organic eggs will open shortly. These signings are in line with the strategy at Covent Garden to introduce high quality and interesting concepts to the estate.

Adding to the leisure offering is Z Hotels which has taken space on Bedford Street and will provide compact yet luxurious accommodation for visitors and is set to open in summer 2018. In addition, Capco has completed assembly of the Wellington block, which is a scarce island site in central London, through the acquisition of the last remaining unit, 23 Wellington Street in January 2018. Development of the Wellington block presents a unique opportunity to continue Covent Garden's transformation on the southern side of the estate.

Other uses

Covent Garden has become an attractive office location for professional services, creative industries and SMEs. Office space represents 11 per cent of the portfolio by value. A number of office lettings have been achieved successfully during the year and we continue to see strong interest from occupiers.

Capco continues to restore the estate's residential heritage. The most recent conversion at 26-27 Southampton Street, a premium residential development with 10 apartments completed earlier this year and units were successfully let in line with expectations. The final two units at The Beecham, a luxury development overlooking the Piazza, were sold in the first half of the year. The average sales price achieved across the scheme was £2,800 per square foot. Leasing demand for residential accommodation across the estate remains positive with a high rate of renewals recorded.

Acquisitions

Capco has continued to expand its presence on the estate through strategic acquisitions. During 2017, three new properties were acquired on Floral Street for a total consideration of £99.2 million (including purchaser's costs) and represent £4.7 million of ERV.

The acquisition of the long leasehold interest in 15-17 Long Acre & 27b Floral Street for £85.8 million (including purchaser's costs) further consolidates Capco's presence on Floral Street. This prominent property, located at the western end of Floral Street, opposite the Floral Court development, benefits from dual frontage on both Floral Street and Long Acre and presents long-term asset management opportunities.

37 and 39 Floral Street were acquired for £5.9 million and £7.5 million respectively. Both properties are well-located at key access points to Floral Street and are well-placed to benefit from the repositioning of this strategic street. In addition, the acquisition of 23 Wellington Street exchanged and completed in January 2018.

Developments

Floral Court will provide over 85,000 square foot (NIA) of space with eight retail and two restaurant units as well as 45 apartments. The development of the commercial space nears completion. A new connecting courtyard between Floral Street and King Street is set to open in the coming months which will transform the pedestrian flow on the estate. 65 per cent of the commercial space has been let representing £2.4 million of income. Development of the 45 apartments is progressing well and is set to complete by mid-2018.

At Carriage Hall, the refurbishment of 15,000 square feet (NIA) successfully completed and has been let to The Shop at Bluebird which is expected to open in spring 2018.

The redevelopment of 11-12 Floral Street, the building formerly occupied by The Sanctuary, nears completion providing 27,000 square feet (NIA) and includes the creation of two new retail units with flagship potential, one of which has been let to British heritage sportswear brand, Kent & Curwen.

The development of Opera Terrace completed during the year. SushiSamba is currently fitting out the space and is scheduled to open later this year.

Future Priorities

Capco continues to implement its strategy for Covent Garden by focusing on creative asset management and investment, and attracting excellent retail brands and dining concepts to the estate. By introducing an interesting mix of British, global and independent brands to address the needs of the consumer, Capco aims to continue to capture the reversionary income potential of the portfolio and achieve ERV growth towards its target of £125 million by December 2020.

Further to this, Capco is focused on making strategic investments to expand its ownership of the estate and enhancing the customer environment through creative asset management. As current capital initiatives including the Floral Court development near completion, the positioning of Floral Street as a fashion and lifestyle destination is an important priority. Pedestrianisation of King Street and the completion of Floral Court will continue to change the pedestrian flow on the estate, allowing for further repositioning opportunities. In addition, the southern side of the estate offers opportunities for repositioning including the Wellington block.

Building on the successful openings in 2017 including The Henrietta Hotel, The Oystermen, Tom Ford and Petersham Nurseries, 2018 will see even more retail and dining openings across the estate with brands such as SushiSamba, Mariage Frères, Wahlbürgers and Cora Pearl which are expected to further strengthen the estate's attractiveness as a leading retail and dining destination.

EARLS COURT PROPERTIES

Large-scale strategic opportunity in central London

Overview

The Earls Court and West Kensington Opportunity Area represents one of the most important mixed-use development sites in London with the potential to create a new district, delivering thousands of homes and jobs. The Earls Court Masterplan is a strategic opportunity for London with planning consent for 10.7 million square feet, including the Empress State Building.

The consented Masterplan provides for 7,500 new homes, is anticipated to create 10,000 jobs and deliver over £450 million of community benefits. The site is located within two London Boroughs, the Royal Borough of Kensington and Chelsea ("RBKC") and the London Borough of Hammersmith & Fulham ("LBHF"), is supported by excellent transport infrastructure and has the potential to deliver substantially more housing.

Investments at Earls Court

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

- 63 per cent interest in ECPL: the investment vehicle with TfL in respect of EC1 & EC2, and including certain assets on and around Lillie Road. Capco's interests in ECPL were valued at £560.7 million at 31 December 2017. ECPL land has detailed planning consent for 3.4 million square feet (GEA) and, following successful completion of the final phase of complex demolition works, is available for development.
- 100 per cent of the Empress State Building ("ESB") valued at £220.0 million at 31 December 2017. ESB has detailed planning consent to be converted from an office building into residential. ESB is let to MOPAC until June 2019 with a current passing rent of £17.0 million.
- 50 per cent interest in the Lillie Square joint venture, with Capco's 50 per cent interest valued at £156.5 million at 31 December 2017. Handover of Lillie Square Phase 1 is substantially complete and Phase 2 continues to progress.

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"). To date, Capco has paid £75 million of the £105 million cash consideration payable to LBHF including three of the five annual instalments of £15 million.

Demolition works

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

The final phase of demolition of the former Earls Court Exhibition Centres successfully completed on schedule in January 2018. The heavy lifting crane was the most visible part of the important site preparation. The crane successfully completed the lift of 61 concrete portal beams out from over the London Underground lines. Removal of the large portal beams, which supported the weight of the former Earls Court Exhibition Centres, concludes the complex demolition works, in preparation for future development, which has the flexibility to be brought forward through the introduction of third-party capital over time.

Planning

In January 2017, detailed planning consent was granted by RBKC for Exhibition Square which is located at the entrance of the Earls Court estate adjacent to Earls Court Underground station. The consented scheme will create an important gateway to Earls Court and its new high street, including a public square and gardens, a signature hotel, offices and an entrance to Earls Court Underground station.

The Earls Court Masterplan remains one of the largest Opportunity Areas in central London, capable of delivering new homes, jobs and investment. Additional density could deliver much-needed homes for all Londoners, including additional affordable housing and a broad range of residential tenures. The GLA's draft London Plan issued in December 2017 ("The Plan"), references the Earls Court Masterplan as 'ready to grow' demonstrating the site's potential to deliver more housing and optimise this important London opportunity. In addition, The Plan estimates that the population of London will increase by 70,000 per annum, reaching 10.5 million in 2041. According to The Plan, London will need at least 66,000 new homes annually. Opportunity Areas such as Earls Court are seen as vital in order to meet London's demands.

Capco notes with disappointment the statement released by LBHF regarding the deliverability of "the proposed level of density and affordable housing", however remains in discussions with LBHF including regarding the possibility of the Council taking the lead on future plans for the Estates, as part of the wider Masterplan. In the event that agreement is not reached with LBHF, the CLSA, a binding agreement in relation to the Estates, will remain in place. Capco will continue to seek to engage positively with all stakeholders in order to evolve the Masterplan to address the changing political landscape and prevailing market conditions.

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

West Brompton Crossing: temporary retail and leisure use

In November 2017, ECPL successfully launched a pop-up local high street for Earls Court, named West Brompton Crossing with anchor tenant The Prince. The Prince is located on the junction of Lillie Road and Empress Place within a number of buildings brought back into temporary use, and features eateries including Patty & Bun, The Begging Bowl, MAM and Rabbit. The project marks a first for temporary retail and leisure use in the area, offering a parade of restaurants, bars, and shops that have proved a very popular addition to the area.

Lillie Square

Lillie Square is a one million square foot (GEA) residential development located adjacent to the Earls Court Masterplan. The development can deliver over 600 private and 200 affordable homes across three phases.

Handover of Phase 1 of Lillie Square nears completion with £98 million (Capco share) of proceeds received by the end of the year. Cumulative proceeds of £125 million (Capco share) are expected to have been received on Phase 1 over the coming months. Phase 2 basement and frame works are underway, and the joint venture is in advanced negotiations with a contractor for the main construction contract. 50 per cent of the 186 apartments in the phase have been reserved or exchanged. 34 of these transacted during 2017, seven of which occurred during the second half of the year. Sales prices achieved in Phase 2 are at a modest premium to comparable units in Phase 1.

The Residents' Clubhouse opened over the summer and has been very well-received by residents.

Future Priorities

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

Following a period of complex demolition works, the ECPL land is now available for development. Earls Court has the ability to evolve with the needs of London and its potential will be realised over time. Capco will continue to seek to engage positively with all stakeholders in order to evolve the Masterplan to address the changing political landscape and prevailing market conditions. The Masterplan has the flexibility to be brought forward through the introduction of third-party capital and selective development.

At the Empress State Building, discussions continue with the tenant regarding its occupational requirements and at Lillie Square, the focus is on delivery of the remaining homes of Phase 1, ensuring a successful handover to all residents. On Phase 2, the focus remains on continued sales and completion of negotiations on the main construction contract, which is expected over the coming months.

VENUES

Sale of Venues

On 7 April 2017, Capco completed the sale of Venues to a consortium of German institutional investors for £296 million. Profit on disposal of Venues was £2 million. After repayment of debt, working capital adjustments and transaction-related costs, net proceeds were approximately £230 million. Cash proceeds were used initially to repay bank debt and will be deployed in Capco's prime central London estates over time.

FINANCIAL REVIEW

Our capital structure positions the Group to withstand prevailing market conditions, take advantage of opportunities as they arise, and deliver long-term returns to shareholders by driving value creation across our assets.

Capco further strengthened its financial position during 2017 reducing loan to value to 21 per cent and increasing available liquidity to £691 million. This has been achieved by the realisation of value through the disposal of the Venues business and further enhancing the unsecured debt platform at Covent Garden by raising a further £225 million in the private placement market and extending the £705 million revolving credit facility to 2022.

There was additional investment in Covent Garden of £177 million through developments, predominantly Floral Court, and £99 million of acquisitions which have served to increase the Group's weighting in Covent Garden to 72 per cent. The value of the Covent Garden estate increased by 4.3 per cent (like-for-like) due to the rental growth achieved during the year, with ERV up by 4.6 per cent on a like-for-like basis.

Uncertainties in the broader political and economic environment continue to impact 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 11.8 per cent (like-for-like).

Overall, the Group share of the total property value has decreased by 0.9 per cent (like-for-like). EPRA net asset value per share decreased by 1.7 per cent during the year, from 339.6 pence at 31 December 2016 to 333.8 pence. This 5.8 pence decline together with the 1.5 pence dividend paid to shareholders resulted in a total return of -1.3 per cent.

Underlying earnings from continuing activities increased to £7.3 million due to higher net rental income and reduced administration expenses.

Basis of preparation

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

Alternative Performance Measures ("APMs"), being financial measures which are not specified under IFRS, are used by the Group to monitor the performance of the business. These include a number of the Financial Highlights shown on page 2. Many of the APMs included are based on the EPRA Best Practice Recommendations reporting framework which aims to improve the transparency, comparability and relevance of published results of public real estate companies in Europe.

Internally, the Board focuses on and reviews information and reports prepared on a Group share basis, which includes the Group's share of joint ventures but excludes the non-controlling interest share of our subsidiaries. Therefore, to align with the way the Group is managed, this financial review presents the financial position, performance and cash flow analysis on a Group share basis.

Discontinued operation

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

FINANCIAL POSITION

At 31 December 2017 the Group's EPRA net asset value was £2.8 billion (31 December 2016: £2.9 billion) representing 334 pence per share (31 December 2016: 340 pence).

SUMMARY ADJUSTED BALANCE SHEET

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

1. Primarily Lillie Square.

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

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

4. Adjusted, diluted number of shares in issue at 31 December 2017 was 850.6 million.

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

1. Primarily Lillie Square.

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

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

4. Adjusted, diluted number of shares in issue at 31 December 2016 was 847.6 million.

Investment, development and trading property

The revaluation loss on the Group's property portfolio was £37.6 million for the year, representing a 0.9 per cent decrease in value on a like-for-like basis compared with the IPD Capital Return for the equivalent period of 5.4 per cent. The Group revaluation loss consists of a £93.4 million gain at Covent Garden and a £131.0 million loss at Earls Court.

Total property return for the year was 1.0 per cent. The IPD Total Return index recorded a 11.2 per cent return for the corresponding period.

The total revaluation loss of £37.6 million consists of a £27.9 million loss on investment property and a £9.7 million loss on trading property. On an IFRS basis, which includes ECPL at 100 per cent and does not include Lillie Square on a line by line basis, loss on revaluation and sale of investment and development property was £90.9 million.

Trading property is carried on the consolidated balance sheet at the lower of cost and market value, therefore valuation surpluses on trading property are not recorded. Any unrecognised surplus is however reflected within the EPRA net asset value

measure. During the year £6.6 million of the unrealised trading property surplus has been realised. At 31 December 2017, the unrecognised surplus on trading property was £31.8 million (31 December 2016: £48.1 million) which now arises solely on the Group's share of trading property at Lillie Square.

Debt and gearing

During the year the Group's share of total facilities increased by £24.5 million. During the first half of the year the Group terminated the £100 million Olympia Exhibitions Holdings Limited facility (of which £50 million was drawn prior to termination), the £85.5 million loan on the Empress State Building and £30 million (£15 million Group share) of the Lillie Square LP facility. In June, the Group signed an agreement with eight institutional investors for a private placement of £225 million with a range of maturities from 7 to 20 year senior unsecured notes, further enhancing the unsecured debt platform at Covent Garden. Closing occurred in August 2017 and proceeds were used to repay bank debt. In November 2017, the Group exercised the option under the £705 million Covent Garden debt facility to extend the full loan amount to 2022.

The Group's cash and undrawn committed facilities at 31 December 2017 were £690.8 million (31 December 2016: £556.3 million). A reconciliation between IFRS and Group share is shown below:

	2017				2016			
	IFRS £m	Joint ventures ¹ £m	Non- controlling interest ² £m	Group share £m	IFRS £m	Joint ventures ¹ £m	Non- controlling interest ² £m	Group share £m
Cash and cash equivalents	28.6	25.7	(2.0)	52.3	30.9	37.4	(3.5)	64.8
Undrawn committed facilities	637.9	33.1	(32.5)	638.5	532.7	2.4	(43.6)	491.5
Cash and undrawn committed facilities	666.5	58.8	(34.5)	690.8	563.6	39.8	(47.1)	556.3

1. Primarily Lillie Square.

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

Net debt decreased by £114 million to £734 million, principally as a result of the disposal of the Venues business partly offset by further investment into our assets and the acquisitions at Covent Garden. As set out in the summary adjusted balance sheet, net debt on an IFRS basis was £748 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 21.3 per cent remains comfortably within the Group's limit of no more than 40 per cent.

	2017	2016
Loan to value	21.3%	23.4%
Interest cover	170%	173%
Weighted average debt maturity	6.9 years	5.9 years
Weighted average cost of debt	2.8%	2.7%
Gross debt with interest rate protection	91%	86%

The Group's policy is to eliminate substantially the medium and long-term risk arising from interest rate volatility. The Group's banking facilities are arranged on a floating rate basis but are generally swapped to fixed rate or capped using derivative contracts. At 31 December 2017 the proportion of gross debt with interest rate protection was 91 per cent (31 December 2016: 86 per cent).

The Group remains compliant with all of its debt covenants, details of which are set out on page 55, and has substantial levels of headroom against its covenants across all of its debt facilities.

At 31 December 2017 the Group had capital commitments of £61.3 million (£156.6 million at 31 December 2016) of which Covent Garden represents £19.5 million and Earls Court Properties £41.8 million (including the £30.0 million of CLSA instalments and £7.0 million in relation to Lillie Square).

	2017				2016			
	IFRS £m	Joint ventures ¹ £m	Non- controlling interest ² £m	Group share £m	IFRS £m	Joint ventures ¹ £m	Non- controlling interest ² £m	Group share £m
Capital commitments	57.3	7.0	(3.0)	61.3	149.2	18.2	(10.8)	156.6

1. Primarily Lillie Square.

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

Conditional Land Sale Agreement (“CLSA”)

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

The CLSA remains unrecognised in the consolidated financial statements of the Group as its main underlying asset (the land relating to the Estates) does not currently meet the recognition criteria under IFRS required for investment and development property. Annual payments of £15 million commenced in December 2015 and will run through to December 2019. Where amounts are paid prior to the transfer of property, they will be carried on the Group's balance sheet as prepayments against future land draw down. Of the £75 million paid to date, £15 million relates to the acquisition of two properties, held as investment and development property, and £60 million relates to options over the Estates which is held as a prepayment within other receivables. The remaining future payments totalling £30 million are disclosed as a capital commitment as referred to above.

The prepayment balance will be transferred to investment and development property once the recognition criteria of investment and development property have been met. Once this occurs, in line with the Group's accounting policy, the land will become subject to bi-annual valuation with any changes reflected in the Group's reported net asset measure.

CASH FLOW

A summary of the Group's cash flow for the year ended 31 December 2017 is presented below:

SUMMARY CASH FLOW

	2017			
	IFRS £m	Joint ventures ¹ £m	Non- controlling interest ² £m	Group share £m
Operating cash flows after interest and tax from continuing activities	(13.2)	(10.2)	(0.6)	(24.0)
Purchase and development of property, plant and equipment	(211.2)	(27.0)	12.6	(225.6)
Transactions with joint venture partners and non-controlling interests	13.3	(5.6)	0.1	7.8
Net sales proceeds from discontinued operation	226.0	–	–	226.0
Net sales proceeds from property and investments	12.6	92.0	–	104.6
Net cash flow before financing from continuing activities	27.5	49.2	12.1	88.8
Issue of shares	0.3	–	–	0.3
Financing	(18.8)	(46.3)	(10.6)	(75.7)
Dividends paid	(6.7)	–	–	(6.7)
Transactions with discontinued operation	5.4	–	–	5.4
Other	(3.8)	–	–	(3.8)
Net cash flow from continuing activities³	3.9	2.9	1.5	8.3
Net cash flow from discontinued operation	(0.2)	–	–	(0.2)
Net cash flow	3.7	2.9	1.5	8.1

1. Primarily Lillie Square.

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

3. Net cash flow is based on unrestricted cash and cash equivalents and therefore does not include the movement in Lillie Square deposits on a Group share basis of £14.6 million.

	Re-presented 2016 ¹			
	IFRS £m	Joint ventures ² £m	Non- controlling interest ³ £m	Group share £m
Operating cash flows after interest and tax from continuing activities	(41.3)	1.4	(2.5)	(42.4)
Purchase and development of property, plant and equipment	(214.2)	(41.4)	16.8	(238.8)
Transactions with joint venture partners and non-controlling interests	(12.3)	6.4	3.9	(2.0)
Net sales proceeds from property and investments	19.4	1.3	–	20.7
Net cash flow before financing from continuing activities	(248.4)	(32.3)	18.2	(262.5)
Issue of shares	0.1	–	–	0.1
Financing	160.1	31.6	(11.4)	180.3
Dividends paid	(7.5)	–	–	(7.5)
Transfers with discontinued operation	57.1	–	–	57.1
Net cash flow from continuing activities ⁴	(38.6)	(0.7)	6.8	(32.5)
Net cash flow from discontinued operation	2.6	–	–	2.6
Net cash flow	(36.0)	(0.7)	6.8	(29.9)

1. The 2016 summary cash flow has been re-presented to reflect the cash flows from continuing operations and therefore it excludes the discontinued operation of the Venues business. Net cash flows are presented on unrestricted cash on a Group share basis.

2. Primarily Lillie Square.

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

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

Operating cash outflows of £24.0 million, of which £15.0 million relates to the CLSA annual payment, have decreased from £42.4 million for the year to 31 December 2016 as a result of changes in net working capital requirements.

During the year, £170.2 million was invested at Covent Garden for the purchase of three properties and subsequent expenditure for the development of property predominantly at Floral Court. At Earls Court, total expenditure of £55.4 million comprises enablement works on ECPL land, construction of Lillie Square Phase 1, the acquisition of two properties and other subsequent expenditure.

The disposal of the Venues business resulted in a net inflow of £226 million after repayment of the £50 million drawn debt on the £100 million Olympia Exhibitions Holdings Limited loan facility, working capital adjustments and transaction related costs. The proceeds were used to reduce the Group's net debt position and will be deployed in Capco's core central London estates.

Net sales proceeds from trading property comprise of £95.9 million, Group share, for the disposal of 177 units at Lillie Square (£92.0 million) and for the sale of the final two residential units at The Beecham, Covent Garden (£3.9 million). Disposal of investment property net of payments in relation to investments resulted in proceeds of £8.7 million being received during the year.

Net borrowings repaid during the period were £75.7 million.

Dividends paid of £6.7 million reflect the final dividend payment made in respect of the 2016 financial year and the interim dividend paid in September 2017. This was lower than the previous year due to a higher take up of the scrip dividend alternative, 47 per cent versus 41 per cent in 2016.

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

	2017			
	IFRS £m	Joint ventures ¹ £m	Non- controlling interest ² £m	Group share £m
Net rental income	66.9	–	(0.7)	66.2
(Loss)/gain on revaluation and sale of investment and development property	(90.9)	0.3	62.6	(28.0)
Administration expenses	(38.8)	(0.3)	0.4	(38.7)
Net finance costs	(19.1)	(0.7)	–	(19.8)
Taxation	(6.7)	–	–	(6.7)
Other	19.4	0.7	0.4	20.5
Non-controlling interest	62.7	–	(62.7)	–
Loss for the year attributable to owners of the Parent from continuing operations	(6.5)	–	–	(6.5)
Adjustments:				
Loss on revaluation and sale of investment and development property				28.0
Other				(18.2)
Taxation on non-underlying items				4.0
Underlying earnings from continuing operations				7.3
Underlying earnings from discontinued operation				4.1
Underlying earnings				11.4
Underlying earnings per share (pence):				
From continuing operations				0.9
From discontinued operations				0.4
Underlying earnings per share (pence)				1.3
Weighted average number of shares				848.7m

1. Lillie Square and Innova Investment.

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

	Re-presented 2016 ¹			
	IFRS £m	Joint ventures ² £m	Non- controlling interest ³ £m	Group share £m
Net rental income	58.4	(0.1)	(0.4)	57.9
Loss on revaluation and sale of investment and development property	(231.2)	(0.1)	110.3	(121.0)
Administration expenses	(42.0)	(0.8)	0.9	(41.9)
Net finance costs	(19.3)	(0.2)	–	(19.5)
Taxation	19.5	–	(5.9)	13.6
Other	(17.3)	1.2	–	(16.1)
Non-controlling interest	104.9	–	(104.9)	–
Loss for the year attributable to owners of the Parent from continuing operations	(127.0)	–	–	(127.0)
Adjustments:				
Loss on revaluation and sale of investment and development property				121.0
Other				18.8
Taxation on non-underlying items				(16.7)
Underlying earnings from continuing operations				(3.9)
Underlying earnings from discontinued operation				15.7
Underlying earnings				11.8
Underlying earnings per share (pence):				
From continuing operations				(0.5)
From discontinued operation				1.9
Underlying earnings per share (pence)				1.4
Weighted average number of shares				846.5m

1. The 31 December 2016 summary income statement has been re-presented to reflect the Venues business as a discontinued operation.

2. Lillie Square and Innova Investments.

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

Income

Net rental income has increased by £8.3 million (14.4 per cent) during the year mainly as a result of the positive performance at Covent Garden (up 11.3 per cent like-for-like). Of the increase, £5.4 million has been achieved on the like-for-like portfolio as the Group continues to convert the reversionary potential into contracted rents. A further £2.9 million has been added through prior and current year acquisitions with the remaining increase resulting from the net effect of disposals and properties classified as development. At Covent Garden gross income has increased by 15.4 per cent from £52.1 million in 2016 to £60.1 million whilst ERV has increased by 9.2 per cent from £96.0 million in 2016 to £104.8 million.

Loss on revaluation and sale of investment and development property

The loss on revaluation and sale of the Group's investment and development property was £28.0 million. Covent Garden recorded a gain on revaluation of £93.4 million as a result of rental growth. The loss on revaluation at Earls Court of £121.4 million was driven by changes in valuers' assumptions and is reflective of recent evidence.

Administration expenses

Administration expenses have decreased by £3.2 million on a headline basis. The prior year included a £2.0 million credit for performance related employment costs and an assumed allocation of £4.0 million of head office costs to the Venues business. Allowing for these items, like-for-like administration expenses of £38.7 million compared with £47.9 million in 2016, a decrease of 19.2 per cent.

Net finance costs

Net finance costs have increased marginally to £19.8 million due to the higher level of average borrowings during the year.

Taxation

The total tax charge for the year, made up of both underlying tax and non-underlying tax, is £6.7 million.

Tax on underlying profits of the Group was £2.7 million, which reflects a rate in line with the current rate of UK corporation tax. The main rate of corporation tax reduced from 20 per cent to 19 per cent from 1 April 2017. The corporation tax rate will further reduce to 17 per cent from 1 April 2020.

Contingent tax, the amount of tax that would become payable on a theoretical disposal of all investment property held by the Group, was nil (31 December 2016: nil). A disposal of the Group's trading properties at their market value net of available losses would result in a corporation tax charge to the Group of £1.6 million (19.25 per cent of £8.3 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 and certain losses carried forward.

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

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

Dividends

The Board has proposed a final dividend of 1.0 pence per share to be paid on 23 May 2018 to shareholders on the register at 20 April 2018. Subject to SARB approval, the Board intends to offer a scrip dividend alternative.

Going concern

At 31 December 2017 the Group's cash and undrawn committed facilities were £690.8 million and its capital commitments were £61.3 million. With a weighted average debt maturity of 6.9 years, loan to value of 21.3 per cent and sufficient headroom against all financial covenants, there continues to be a reasonable expectation that the Company and Group will have adequate resources to meet both ongoing and future commitments for at least 12 months from the date of signing these financial statements. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the 2017 Annual Report & Accounts.

Situl Jobanputra
Chief Financial Officer

20 February 2018

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

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

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

The Executive Directors are responsible for the day-to-day operational and commercial activity across the Group and are therefore responsible for the management of business risk. The Executive Risk Committee, comprising of the Executive Directors, the General Counsel & Director of Corporate Services and the Financial Controller, is the executive level management forum for the review and discussion of risks, controls and mitigation measures. The corporate and business division risks are reviewed on a quarterly basis by the Executive Risk Committee so that trends and emerging risks can be identified and reported to the Board.

Senior management from every division and corporate function of the business identify and manage the risks for their division or function and complete and maintain a risk register. The severity of each risk is assessed through a combination of each risk's likelihood of an adverse outcome and its impact. In assessing impact, consideration is given to financial, reputational and regulatory factors, and risk mitigation plans are established. A full risk review is undertaken annually in which the risk registers are aggregated and reviewed by the Executive Risk Committee. The Directors confirm that they have completed a robust assessment of the principal risks faced by the business, assisted by the work performed by the Executive Risk Committee.

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

Since the EU Referendum, there has been economic and political uncertainty and this is expected to continue into the foreseeable future. To date, there has been no adverse impact on occupier demand for the Covent Garden estate, which has seen strong rental growth, although the valuation of residential-led development land has been impacted by the overall economic and political backdrop.

The political framework for large scale residential development has become more difficult. In the Autumn Statement government announced it will introduce planning reform that will aim for more land to become available for housing. A review is being undertaken by government, with an interim report targeted to be delivered for the Spring Statement, to evaluate the gap between planning permissions and housing starts which may result in beneficial or adverse policy change for landowners.

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

CORPORATE

Risk	Impact on strategy	Mitigation	Change in 2017
Economic conditions			
Decline in real estate valuations due to macro-economic conditions	Reduced return on investment and development property	Focus on prime assets	-
Relative attractiveness of other asset classes or locations	Higher finance costs	Regular assessment of investment market conditions including bi-annual external valuations	
Inability of the Company to adopt the appropriate strategy or to react to changing market conditions or changing consumer behaviour	Reduced profitability	Regular strategic reviews Strategic focus on creating retail destinations and residential districts with unique attributes	
Funding			
Lack of availability or increased cost of debt or equity funding	Reduced financial and operational flexibility Increased cost of borrowing Delay to development works Constrained growth, lost opportunities	Maintain appropriate liquidity to cover commitments Target longer and staggered debt maturities Consideration of early refinancing Derivative contracts to provide interest rate protection Development phasing to enable flexibility and reduce financial exposure Covenant headroom monitored and stress tested	-
Political climate			
Uncertain political climate or changes to legislation and policies	Inability to deliver business plan	Monitoring proposals and emerging policy and legislation Engagement with key stakeholders and politicians	↑ Increased uncertainty over the future political climate including the impact of the EU Referendum, general election and prospective local elections
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	↑ The threat level of a major incident occurring in London has increased during the year. We continuously review and implement improvements to our procedures to counter the threat of a major incident
People			
Inability to retain the right people and develop leadership skills within the business	Inability to execute strategy and business plan Constrained growth, lost opportunities	Succession planning, performance evaluations, training and development Long-term and competitive incentive rewards	-
Health, safety and the environment			
Accidents causing loss of life or very serious injury to employees, contractors, occupiers and visitors to the Group's properties	Prosecution for non-compliance with legislation Litigation or fines Reputational damage	Health and safety procedures across the Group Appointment of reputable contractors External consultants undertake annual audits in all locations	-
Activities at the Group's properties causing detrimental impact on the environment	Distraction of management	Adequate insurance held to cover the risks inherent in construction projects	

Risk	Impact on strategy	Mitigation	Change in 2017
Compliance with law, regulations and contracts			
Breach of legislation, regulation or contract	Prosecution for non-compliance with legislation	Appointment of external advisers to monitor changes in law or regulation	-
Inability to monitor or anticipate legal or regulatory changes	Litigation or fines Reputational damage Distraction of management	Members of staff attend external briefings to remain cognisant of legislative and regulatory changes	

PROPERTY

Risk	Impact on strategy	Mitigation	Change in 2017
Leasing			
Inability to achieve target rents or to attract target tenants due to market conditions	Decline in tenant demand for the Group's properties Reduced income	Quality tenant mix Strategic focus on creating retail destinations with unique attributes	-
Competition from other locations / formats	Expansion of yield		
Planning			
Unfavourable planning policy or legislation impacting on the ability to secure future planning approvals or consents	Impact on future land valuations	Outline planning permission already granted for the Earls Court Masterplan Engagement with local and national authorities	-
Secretary of State or Mayoral intervention or judicial review		Pre-application and consultation with key stakeholders and landowners Engagement with local community bodies	
Developments			
Decline in returns from development and impact on land valuations due to:	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	↑ Greater uncertainty over central London residential market due to macro-economic conditions and increased uncertainty over the future political climate and policy
- 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 strategic agreements (including with adjacent landowners) on acceptable terms			

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities

The statement of Directors' responsibilities has been prepared in relation to the Group's full Annual Report & Accounts for the year ended 31 December 2017. Certain parts of the Annual Report & Accounts are not included within this announcement.

We confirm to the best of our knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board on 20 February 2018

Ian Hawksworth

Chief Executive

20 February 2018

Situl Jobanputra

Chief Financial Officer

20 February 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 £m	Re-presented 2016 £m
Continuing operations			
Revenue	2	87.7	94.1
Rental income		80.0	70.7
Rental expenses		(13.1)	(12.3)
Net rental income	2	66.9	58.4
Profit on sale of trading property	3	0.9	5.6
Other income		3.8	4.6
Loss on revaluation and sale of investment and development property	4	(90.9)	(231.2)
Profit on sale of available-for-sale investments		–	0.4
Impairment of other receivables	5	(1.3)	(14.8)
Other costs	6	–	(5.0)
		(20.6)	(182.0)
Administration expenses		(38.8)	(42.0)
Operating loss		(59.4)	(224.0)
Finance income	7	0.8	0.3
Finance costs	8	(19.9)	(19.6)
Other finance income	7	11.7	10.5
Other finance costs	8	–	(5.3)
Change in fair value of derivative financial instruments		4.3	(13.0)
Net finance costs		(3.1)	(27.1)
		(62.5)	(251.1)
Share of post-tax loss from joint ventures	14	–	(0.3)
Loss before tax		(62.5)	(251.4)
Current tax		(1.7)	(1.0)
Deferred tax		(5.0)	20.5
Taxation	9	(6.7)	19.5
Loss for the year from continuing operations		(69.2)	(231.9)
Discontinued operation			
Profit for the year from discontinued operation	10	6.1	8.4
Loss for the year		(63.1)	(223.5)
Loss attributable to:			
Owners of the Parent		(0.4)	(118.6)
Non-controlling interest	15	(62.7)	(104.9)
Earnings per share attributable to owners of the Parent¹			
Basic and diluted loss per share	12	(0.1)p	(14.0)p
Earnings per share from continuing operations attributable to owners of the Parent¹			
Basic and diluted loss per share	12	(0.8)p	(15.0)p
Weighted average number of shares	12	848.7m	846.5m

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
Loss for the year		(63.1)	(223.5)
Other comprehensive expense			
Items that may be reclassified subsequently to the income statement			
Realised revaluation reserves on available-for-sale investments		–	(0.2)
Loss on cash flow hedge		–	(1.2)
Tax relating to items that may be reclassified subsequently		–	0.3
Items that will not be reclassified subsequently to the income statement			
Actuarial loss on defined benefit pension scheme		–	(1.6)
Tax relating to items that will not be reclassified		–	0.3
Total other comprehensive expense for the year		–	(2.4)
Total comprehensive expense for the year		(63.1)	(225.9)
Attributable to:			
Owners of the Parent		(0.4)	(121.0)
Non-controlling interest	15	(62.7)	(104.9)
Arising from:			
Continuing operations		(69.2)	(233.0)
Discontinued operation	10	6.1	7.1

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017 £m	2016 £m
Non-current assets			
Investment and development property	13	3,645.7	3,819.9
Plant and equipment		4.6	7.1
Investment in joint ventures	14	16.9	15.0
Derivative financial instruments	20	–	0.2
Deferred tax	21	7.8	–
Trade and other receivables	16	224.5	194.8
		3,899.5	4,037.0
Current assets			
Trading property	13	–	2.9
Trade and other receivables	16	33.1	47.8
Cash and cash equivalents	17	28.6	30.9
		61.7	81.6
Total assets		3,961.2	4,118.6
Non-current liabilities			
Borrowings, including finance leases	19	(776.2)	(827.8)
Derivative financial instruments	20	(5.5)	(13.9)
Pension liability		–	(0.9)
Deferred tax	21	–	(2.7)
Trade and other payables		(0.3)	–
		(782.0)	(845.3)
Current liabilities			
Borrowings, including finance leases	19	(0.7)	(18.5)
Other provisions		(2.0)	(2.0)
Tax liabilities		(1.8)	(1.3)
Trade and other payables	18	(69.1)	(78.3)
		(73.6)	(100.1)
Total liabilities		(855.6)	(945.4)
Net assets		3,105.6	3,173.2
Equity			
Share capital	22	212.2	211.5
Other components of equity		2,587.6	2,593.5
Equity attributable to owners of the Parent		2,799.8	2,805.0
Non-controlling interest	15	305.8	368.2
Total equity		3,105.6	3,173.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

		Equity attributable to owners of the Parent								
	Note	Share capital £m	Share premium £m	Merger reserve ¹ £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2016		210.5	211.1	425.8	10.3	0.4	2,075.9	2,934.0	468.8	3,402.8
Loss for the year		–	–	–	–	–	(118.6)	(118.6)	(104.9)	(223.5)
Other comprehensive (expense)/income										
Realised revaluation reserves on										
Available-for-sale investments		–	–	–	–	(0.2)	–	(0.2)	–	(0.2)
Loss on cash flow hedge		–	–	–	–	(1.2)	–	(1.2)	–	(1.2)
Tax relating to items that may be reclassified subsequently	21	–	–	–	–	0.3	–	0.3	–	0.3
Actuarial loss on defined benefit pension scheme		–	–	–	–	–	(1.6)	(1.6)	–	(1.6)
Tax relating to items that will not be reclassified	21	–	–	–	–	–	0.3	0.3	–	0.3
Total comprehensive expense for the year ended 31 December 2016		–	–	–	–	(1.1)	(119.9)	(121.0)	(104.9)	(225.9)
Transactions with owners										
Ordinary shares issued ²	22	1.0	4.0	–	–	–	0.9	5.9	–	5.9
Dividends	11	–	–	–	–	–	(12.7)	(12.7)	–	(12.7)
Realisation of share-based payment reserve on issue of shares		–	–	–	(5.3)	–	4.6	(0.7)	–	(0.7)
Fair value of share-based payment		–	–	–	1.1	–	–	1.1	–	1.1
Tax relating to share-based payment	21	–	–	–	–	–	(1.6)	(1.6)	–	(1.6)
Contribution from non-controlling interest	15	–	–	–	–	–	–	–	4.3	4.3
Total transactions with owners		1.0	4.0	–	(4.2)	–	(8.8)	(8.0)	4.3	(3.7)
Balance at 31 December 2016		211.5	215.1	425.8	6.1	(0.7)	1,947.2	2,805.0	368.2	3,173.2
Loss for the year		–	–	–	–	–	(0.4)	(0.4)	(62.7)	(63.1)
Total comprehensive expense for the year ended 31 December 2017		–	–	–	–	–	(0.4)	(0.4)	(62.7)	(63.1)
Transactions with owners										
Ordinary shares issued ²	22	0.7	6.0	–	–	–	(0.5)	6.2	–	6.2
Dividends	11	–	–	–	–	–	(12.7)	(12.7)	–	(12.7)
Realisation of share-based payment reserve on issue of shares		–	–	–	(1.8)	–	1.6	(0.2)	–	(0.2)
Fair value of share-based payment		–	–	–	2.0	–	–	2.0	–	2.0
Realisation of cash flow hedge		–	–	–	–	0.1	–	0.1	–	0.1
Tax relating to share-based payment	21	–	–	–	–	–	(0.2)	(0.2)	–	(0.2)
Contribution from non-controlling interest	15	–	–	–	–	–	–	–	0.3	0.3
Total transactions with owners		0.7	6.0	–	0.2	0.1	(11.8)	(4.8)	0.3	(4.5)
Balance at 31 December 2017		212.2	221.1	425.8	6.3	(0.6)	1,935.0	2,799.8	305.8	3,105.6

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 £6.0 million (2016: £0.9 million included within retained earnings) of ordinary shares issued relating to the bonus issued in lieu of cash dividends. Refer to note 13 'Dividends' for further information.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 £m	Re-presented 2016 £m
Cash flows from continuing operating activities			
Cash generated from/(used in) operations	25	5.8	(19.5)
Interest paid		(18.4)	(19.6)
Interest received		0.6	0.2
Tax paid		(1.2)	(2.4)
Net cash outflow from continuing operating activities		(13.2)	(41.3)
Net cash inflow from discontinued operating activities	10	7.6	11.8
Net cash outflow from operating activities		(5.6)	(29.5)
Cash flows from investing activities			
Purchase and development of property		(211.2)	(214.2)
Sale of property		17.1	18.5
Investment in joint venture		(1.9)	(0.5)
Proceeds from available-for-sale investments		–	0.4
Sale of discontinued operation	10	226.0	–
Sale of subsidiaries ¹		(4.5)	0.5
Loan advances from/(to) joint ventures		15.2	(11.8)
Net cash inflow/(outflow) from continuing investing activities		40.7	(207.1)
Net cash outflow from discontinued investing activities	10	(2.4)	(1.9)
Net cash inflow/(outflow) from investing activities		38.3	(209.0)
Cash flows from financing activities			
Issue of shares		0.3	0.1
Borrowings drawn		558.7	782.0
Borrowings repaid		(575.5)	(612.0)
Purchase and repayment of derivative financial instruments		(4.1)	(1.7)
Other finance costs		(2.0)	(8.2)
Cash dividends paid	11	(6.7)	(7.5)
Contribution from non-controlling interest		0.3	–
Transactions with discontinued operation ²		5.4	57.1
Net cash (outflow)/inflow from continuing financing activities		(23.6)	209.8
Net cash outflow from discontinued financing activities	10	(5.4)	(7.3)
Net cash (outflow)/inflow from financing activities		(29.0)	202.5
Net increase/(decrease) in cash and cash equivalents		3.7	(36.0)
Unrestricted cash and cash equivalents at 1 January		24.9	60.9
Unrestricted cash and cash equivalents at 31 December	17	28.6	24.9

1. Sale of subsidiaries relate to cash inflows of £0.5 million (2016: £0.5 million) related to deferred consideration on the disposal of The Brewery by EC&O Limited on 9 February 2012 and cash outflows of £5.0 million (2016: £nil) related to additional costs on the loss of control of former subsidiary Lillie Square GP Limited in 2012. Further information on the loss of control of Lillie Square GP Limited can be found in note 6 'Other Costs'.

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

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

The financial information set out in this announcement does not constitute the Group's consolidated financial statements for the years ended 31 December 2017 or 2016, but is derived from those financial statements. Statutory financial statements for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's Annual General Meeting. The external auditor has reported on those financial statements; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 of Companies Act 2006.

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

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full financial statements that comply with IFRS in March 2018.

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

The accounting policies used by the Group in these condensed financial statements are consistent with those applied in the Group's financial statements for the year to 31 December 2016, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year.

During 2017, the following accounting standards and interpretations have been adopted by the Group:

IAS 7 'Statement of Cash Flows' (amendment)

IAS 12 'Income Taxes' (amendment)

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

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

IFRS 2 'Share-based Payment' (amendment)

IFRS 9 'Financial Instruments'

IFRS 15 'Revenue from Contracts with Customers'

IFRS 16 'Leases'

IAS 28 'Investments in Associates' (amendment)

IAS 40 'Investment Property' (amendment)

Amendments to IFRS (Annual improvements cycle 2014-2016)

Amendments to IFRS (Annual improvements cycle 2015-2017)

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

IFRS 9 'Financial Instruments' modifies the classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting. There is no change to the Group in respect of classification of financial assets and liabilities and hedge accounting. All Group financial assets have been assessed for impairments under the 12 month and lifetime expected credit loss models considered by IFRS 9. The adoption of the new standard does not have a material impact on the consolidated financial statements of the Group.

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

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

Critical accounting judgements and key sources of estimation and uncertainty

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

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Critical accounting judgements and key sources of estimation and uncertainty continued

The significant areas of estimation and uncertainty are:

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

The key areas of accounting judgement are:

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

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

Discontinued operation

On 7 April 2017 the Venues business was sold. As Venues has previously been presented as a separate major line of business, its results and cash flows have been reported for the year ended 31 December 2017 as having arisen from a discontinued operation. The requirement extends to the prior period comparatives which have been re-presented where appropriate, in line with reporting requirements.

Going Concern

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

2 SEGMENTAL REPORTING

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

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

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

Management information is reported to the chief operating decision makers on a Group share basis. Outlined below is the Group share by segment:

Segment	Group share
Covent Garden	100%
Earls Court Properties	
ECPL	63%
Lillie Square	50%
Empress State	100%
Other	100%
Other	
Innova	50%
GCP	50%
Venues ¹	0%
Other	100%

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

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

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

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

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	2017					
	Covent Garden £m	Earls Court Properties £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Continuing operations						
Revenue¹	65.7	113.6	1.8	181.1	(93.4)	87.7
Rent receivable	57.7	18.2	(0.5)	75.4	0.5	75.9
Service charge income	4.1	0.3	–	4.4	(0.3)	4.1
Rental income	61.8	18.5	(0.5)	79.8	0.2	80.0
Rental expenses ²	(12.9)	(0.7)	–	(13.6)	0.5	(13.1)
Net rental income/(expense)	48.9	17.8	(0.5)	66.2	0.7	66.9
Profit on sale of trading property	0.9	13.6	–	14.5	(13.6)	0.9
Other income	–	–	2.3	2.3	1.5	3.8
Gain/(loss) on revaluation and sale of investment and development property	93.4	(121.4)	–	(28.0)	(62.9)	(90.9)
Write down of trading property	–	(0.6)	–	(0.6)	0.6	–
Impairment of other receivables	–	–	–	–	(1.3)	(1.3)
Segment profit/(loss)	143.2	(90.6)	1.8	54.4	(75.0)	(20.6)
Unallocated costs:						
Administration expenses				(38.7)	(0.1)	(38.8)
Operating profit/(loss)				15.7	(75.1)	(59.4)
Net finance costs ³				(15.5)	12.4	(3.1)
Profit/(loss) before tax				0.2	(62.7)	(62.5)
Taxation				(6.7)	–	(6.7)
Loss for the year from continuing operations				(6.5)	(62.7)	(69.2)
Discontinued operation						
Profit for the year from discontinued operation				6.1	–	6.1
Loss for the year				(0.4)	(62.7)	(63.1)
Loss attributable to:						
Owners of the Parent				(0.4)	–	(0.4)
Non-controlling interest				–	(62.7)	(62.7)
Summary balance sheet						
Total segment assets ⁴	2,565.4	1,056.0	40.8	3,662.2	275.7	3,937.9
Total segment liabilities ⁴	(773.5)	(103.1)	(9.1)	(885.7)	30.1	(855.6)
Segmental net assets	1,791.9	952.9	31.7	2,776.5	305.8	3,082.3
Unallocated assets ³				23.3	–	23.3
Net assets				2,799.8	305.8	3,105.6
Other segment items:						
Depreciation	(0.3)	(1.5)	(0.3)	(2.1)	0.2	(1.9)
Capital expenditure	(177.3)	(56.2)	(0.1)	(233.6)	15.2	(218.4)

1. IFRS total continuing revenue of £87.7 million comprises rental income of £80.0 million, proceeds from sale of trading property of £3.9 million and other income of £3.8 million.

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

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

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

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	Re-presented 2016					IFRS total £m
	Covent Garden £m	Earls Court Properties £m	Other £m	Group total £m	Consolidation adjustments £m	
Continuing operations						
Revenue ¹	71.4	20.4	2.3	94.1	–	94.1
Rent receivable	49.4	17.7	(0.4)	66.7	0.8	67.5
Service charge income	3.2	–	–	3.2	–	3.2
Rental income	52.6	17.7	(0.4)	69.9	0.8	70.7
Rental expenses ²	(11.1)	(0.9)	–	(12.0)	(0.3)	(12.3)
Net rental income/(expense)	41.5	16.8	(0.4)	57.9	0.5	58.4
Profit/(loss) on sale of trading property	5.6	(1.2)	–	4.4	1.2	5.6
Other income	–	–	2.7	2.7	1.9	4.6
Gain/(loss) on revaluation and sale of investment and development property	126.1	(247.2)	0.1	(121.0)	(110.2)	(231.2)
Write down of trading property	–	(0.4)	–	(0.4)	0.4	–
Profit on sale of available-for-sale investments	–	–	0.4	0.4	–	0.4
Impairment of other receivables	–	–	–	–	(14.8)	(14.8)
Other costs	–	(5.0)	–	(5.0)	–	(5.0)
Segment profit/(loss)	173.2	(237.0)	2.8	(61.0)	(121.0)	(182.0)
Unallocated costs:						
Administration expenses				(41.9)	(0.1)	(42.0)
Operating loss				(102.9)	(121.1)	(224.0)
Net finance costs ³				(37.7)	10.6	(27.1)
Share of post-tax loss from joint ventures				–	(0.3)	(0.3)
Loss before tax				(140.6)	(110.8)	(251.4)
Taxation				13.6	5.9	19.5
Loss for the year from continuing operations				(127.0)	(104.9)	(231.9)
Discontinued operation						
Profit for the year from discontinued operation	–	–	8.4	8.4	–	8.4
Loss for the year				(118.6)	(104.9)	(223.5)
Loss attributable to:						
Owners of the Parent				(118.6)	–	(118.6)
Non-controlling interest				–	(104.9)	(104.9)
Summary balance sheet						
Total segment assets ⁴	2,294.0	1,213.2	348.3	3,855.5	252.6	4,108.1
Total segment liabilities ⁴	(724.8)	(240.3)	(95.9)	(1,061.0)	115.6	(945.4)
Segmental net assets	1,569.2	972.9	252.4	2,794.5	368.2	3,162.7
Unallocated assets ³				10.5	–	10.5
Net assets				2,805.0	368.2	3,173.2
Other segment items:						
Depreciation	(0.2)	(1.3)	(0.7)	(2.2)	0.4	(1.8)
Capital expenditure	(153.9)	(80.2)	(1.5)	(235.6)	31.1	(204.5)

1. IFRS total continuing revenue of £94.1 million comprises rental income of £70.7 million, proceeds from sale of trading property of £18.8 million and other income of £4.6 million.

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

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

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

3 PROFIT ON SALE OF TRADING PROPERTY

	2017 £m	2016 £m
Continuing operations		
Proceeds from the sale of trading property	3.9	18.8
Cost of sale of trading property	(2.9)	(12.9)
Agent, selling and marketing fees	(0.1)	(0.3)
Profit on sale of trading property	0.9	5.6

4 LOSS ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

	2017 £m	Re-presented 2016 £m
Continuing operations		
Loss on revaluation of investment and development property	(90.8)	(231.4)
(Loss)/gain on sale of investment and development property	(0.1)	0.2
Loss on revaluation and sale of investment and development property	(90.9)	(231.2)

5 IMPAIRMENT OF OTHER RECEIVABLES

	2017 £m	2016 £m
Continuing operations		
Impairment of other receivables	1.3	14.8

Following an impairment review of amounts receivable from joint ventures by the Group, a net impairment of £1.3 million has been recognised (2016: £14.8 million). The Lillie square joint venture incurs amortisation charges on deep discount bonds that were issued to the Group and Kwok Family Interests ("KFI") which has contributed to the cumulative losses. The Group has recognised £11.7 million (2016: £10.5 million) finance income on these deep discount bonds.

During the year the amounts receivable from joint ventures were part repaid resulting in a write back of £8.2 million against amounts previously impaired. The impairment of amounts receivable from joint venture is calculated with reference to the Group's share of the cumulative losses in the Lillie Square joint venture. The carrying value of the investment is £nil (2016: £nil) in accordance with IAS 28 'Investment in Associates and Joint Ventures' ("IAS 28"). Refer to note 14 'Investment in Joint Ventures'.

Due to objective evidence existing an impairment assessment was performed in accordance with IAS 39 'Financial instruments' comparing the carrying amount of the deep discount bonds to the present value of the estimated future cash flows. This has resulted in a write down of £9.5 million which has been recorded against the deep discount bonds.

6 OTHER COSTS

On 30 August 2012, the Group completed a joint venture arrangement with KFI. The venture, to develop land interests at Lillie Square, resulted in the loss of control of the former subsidiary, Lillie Square GP Limited, and the disposal of a 50 per cent limited partnership interest in Lillie Square LP. As at 31 December 2016 additional costs associated with the transaction were incurred resulting in a loss of £5.0 million. No additional costs were incurred in 2017.

7 FINANCE INCOME

	2017 £m	2016 £m
Continuing operations		
Finance income:		
On deposits and other	0.8	0.3
Finance income	0.8	0.3
Other finance income:		
On deep discount bonds ¹	11.7	10.5
Other finance income	11.7	10.5

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

8 FINANCE COSTS

	2017 £m	2016 £m
Continuing operations		
Finance costs:		
On bank overdrafts, loans and other	22.7	20.5
On obligations under finance leases	0.5	0.5
Gross finance costs	23.2	21.0
Interest capitalised on property under development	(3.3)	(1.4)
Finance costs	19.9	19.6
Other finance costs:		
Costs of termination of bank loans and other	–	5.3
Other finance costs¹	–	5.3

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

Interest is capitalised, before tax relief, on the basis of the weighted average cost of debt of 2.8 per cent (2016: 2.7 per cent) applied to the cost of property under development during the year.

9 TAXATION

	2017 £m	Re-presented ¹ 2016 £m
Continuing operations		
Current income tax:		
Current income tax charge excluding non-underlying items	0.9	1.4
Current income tax	0.9	1.4
Deferred income tax:		
On accelerated capital allowances	1.0	0.5
On fair value of investment and development property	–	(15.6)
On fair value of derivative financial instruments	1.9	(2.4)
On Group losses	1.6	(4.7)
On other temporary differences	0.7	1.5
Deferred income tax	5.2	(20.7)
Current income tax charge on non-underlying items	0.8	–
Adjustments in respect of previous years – current income tax	–	(0.4)
Adjustments in respect of previous years – deferred income tax	(0.2)	0.2
Total income tax charge/(credit) reported in the consolidated income statement	6.7	(19.5)

1. Re-presented to reflect taxation of continuing operations. £2.7 million tax charge relating to Venues, now presented within discontinued operation (refer to note 10 'Discontinued Operation').

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.

10 DISCONTINUED OPERATION

On 7 April 2017, the Group completed the sale of Venues, its exhibition business, comprising Olympia London together with certain related property assets for a total gross cash consideration of £296.0 million. The disposal was in line with the Group strategy following the successful transition of shows from the former Earls Court Exhibition Centres to Olympia. After the repayment of debt, working capital adjustments and transaction related costs, net proceeds received were £230.2 million. Based on the net assets at the date of disposal a profit has been recognised on the sale of £2.1 million. As part of the sale, the defined benefit scheme the Group previous held was sold to the purchaser and therefore the Group has no outstanding liability in relation to the scheme.

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

	7 April 2017 £m
Investment and development property	292.8
Other non-current assets	0.8
Pension asset	1.4
Cash and cash equivalents ¹	10.8
Other current assets	8.9
Other current liabilities	(15.9)
Deferred tax	(15.7)
Borrowings	(55.0)
Net assets	228.1
Net consideration²	230.2
Profit on disposal	2.1

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

2. Sale of discontinued operation as per the consolidated statement of cash flows as at 31 December 2017 is £226.0 million. This differs to the net consideration above of £230.2 million by £4.2 million. This is due to accrued transaction costs of £0.6 million, less unrestricted cash and cash equivalents disposed of with the transaction of £4.8 million.

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

	Period ended 7 April 2017 £m	Year ended 31 December 2016 £m
Summarised income statement		
Revenue	10.2	33.3
Net rental income	7.2	23.6
Loss on revaluation of investment and development property	–	(3.8)
Administration expenses	(2.7)	(8.6)
Operating profit	4.5	11.2
Net finance costs	(0.5)	(0.1)
Profit before tax	4.0	11.1
Taxation	–	(2.7)
Profit after tax	4.0	8.4
Profit on disposal	2.1	–
Profit for the period/year from discontinued operation	6.1	8.4

Underlying earnings adjustments:

Loss on revaluation and sale of investment and development property	–	3.8
Deferred tax adjustments	–	3.4
Change in fair value of derivative financial instruments	0.1	0.1
Profit on disposal	(2.1)	–
Underlying earnings from discontinued operation	4.1	15.7

10 DISCONTINUED OPERATION CONTINUED

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

	Note	Period ended 7 April 2017 £m	Year ended 31 December 2016 £m
Summarised cash flows			
Cash flows from operating activities	25	8.0	11.8
Interest paid		(0.4)	–
Net cash inflow from operating activities		7.6	11.8
Purchase and development of property, plant and equipment		(0.1)	(1.9)
Pension funding		(2.3)	–
Net cash outflow from investing activities		(2.4)	(1.9)
Borrowings drawn		–	50.0
Purchase of derivative financial instruments		–	(0.2)
Transactions with Group by discontinued operation		(5.4)	(57.1)
Net cash outflow from financing activities		(5.4)	(7.3)
Net (decrease)/increase in unrestricted cash and cash equivalents from discontinued operation		(0.2)	2.6
Unrestricted cash and cash equivalents at 1 January		5.0	2.4
Unrestricted cash and cash equivalents at period/year end		4.8	5.0

11 DIVIDENDS

Group and Company	2017 £m	2016 £m
Ordinary shares		
Prior year final dividend of 1.0p per share (2016: 1.0p)	8.5	8.4
Interim dividend of 0.5p per share (2016: 0.5p)	4.2	4.3
Dividend expense	12.7	12.7
Shares issued in lieu of cash ¹	–	(4.3)
Bonus issue in lieu of cash dividends ²	(6.0)	(0.9)
Cash dividends paid	6.7	7.5
Proposed final dividend of 1.0p per share (2016: 1.0p)	8.5	8.5

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

2. Adjustments for bonus issue arise from those shareholders who elect to receive their dividends in scrip form prior to the declaration of dividend which occurs at the Company's Annual General Meeting and shareholders who elect to receive their shares on an evergreen basis. These shares are treated as a bonus issue and allotted at nominal value.

12 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(a) Earnings per share

	2017			Re-presented 2016		
	(Loss)/ earnings £m	Shares ¹ million	(Loss)/ earnings per share (pence)	(Loss)/ earnings £m	Shares ¹ million	(Loss)/ earnings per share (pence)
Continuing and discontinued operations attributable to owners of the Parent						
Basic loss	(0.4)	848.7	(0.1)	(118.6)	846.5	(14.0)
Dilutive effect of contingently issuable share option awards	–	0.6	–	–	0.7	–
Dilutive effect of contingently issuable deferred share awards	–	0.2	–	–	–	–
Dilutive effect of contingently issuable matching nil cost options awards	–	0.1	–	–	0.1	–
Dilutive effect of deferred bonus share option awards	–	0.6	–	–	0.7	–
Diluted loss	(0.4)	850.2	(0.1)	(118.6)	848.0	(14.0)
Continuing operations attributable to owners of the Parent						
Basic loss	(6.5)	848.7	(0.8)	(127.0)	846.5	(15.0)
Diluted loss	(6.5)	850.2	(0.8)	(127.0)	848.0	(15.0)
Discontinued operation attributable to owners of the Parent						
Basic profit	6.1	848.7	0.7	8.4	846.5	1.0
Diluted profit	6.1	850.2	0.7	8.4	848.0	1.0
Continuing operations attributable to owners of the Parent						
Basic loss	(6.5)			(127.0)		
<i>Group adjustments:</i>						
Profit on sale of trading property	(0.9)			(5.6)		
Loss on revaluation and sale of investment and development property	90.9			231.2		
Other finance costs	–			5.3		
Change in fair value of derivative financial instruments	(4.3)			13.0		
Deferred tax adjustments	2.9			(17.5)		
Non-controlling interest in respect of the Group adjustments	(62.6)			(104.6)		
<i>Joint venture adjustments:</i>						
(Profit)/loss on sale of trading property ²	(13.6)			1.2		
(Gain)/loss on revaluation and sale of investment and development property	(0.3)			0.1		
Write down of trading property	0.6			0.4		
EPRA adjusted earnings/(loss) on continuing operations³	6.2	848.7	0.7	(3.5)	846.5	(0.4)
Profit on sale of available-for-sale investments	–			(0.4)		
Other costs	–			5.0		
Deferred tax adjustments	1.1			(5.0)		
Underlying earnings/(loss) from continued operations	7.3	848.7	0.9	(3.9)	846.5	(0.5)
Underlying earnings from discontinued operation	4.1		0.4	15.7		1.9
Underlying earnings³	11.4	848.7	1.3	11.8	846.5	1.4

1. Weighted average number of shares in issue has been adjusted by 2.1 million (2016: 0.3 million) for the issue of bonus shares in connection with the scrip dividend scheme.

2. Profit/(loss) on sale of trading property relates to Lillie Square sales and includes £3.0 million (2016: £1.4 million) of marketing and selling fees on a Group share basis. Marketing fees include costs for units that have not yet completed.

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

12 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

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

(a) Earnings per share continued

	2017			2016		
	(Loss)/ earnings £m	Shares ¹ million	(Loss)/ earnings per share (pence)	Loss £m	Shares ¹ million	Loss per share (pence)
Continuing and discontinued operations attributable to owners of the Parent						
Basic loss	(0.4)	848.7	(0.1)	(118.6)	846.5	(14.0)
<i>Group adjustments:</i>						
Loss on revaluation and sale of investment and development property	90.9			235.0		
Profit on sale of available-for-sale investments	–			(0.4)		
Deferred tax adjustments	0.8			(15.6)		
Non-controlling interest in respect of the Group adjustments	(62.6)			(104.6)		
<i>Joint venture adjustment:</i>						
(Gain)/loss on revaluation of investment and development property	(0.3)			0.1		
Headline earnings/(loss)	28.4	848.7	3.3	(4.1)	846.5	(0.5)
Dilutive effect of contingently issuable share option awards	–	0.6		–	0.7	
Dilutive effect of contingently issuable deferred share awards	–	0.2		–	–	
Dilutive effect of contingently issuable matching nil cost options awards	–	0.1		–	0.1	
Dilutive effect of deferred bonus share option awards	–	0.6		–	0.7	
Diluted headline earnings/(loss)	28.4	850.2	3.3	(4.1)	848.0	(0.5)

1. Weighted average number of shares in issue has been adjusted by 2.1 million (2016: 0.3 million) for the issue of bonus shares in connection with the scrip dividend scheme.

(b) Net assets per share

	2017			2016		
	Net assets £m	Shares million	NAV per share (pence)	Net assets £m	Shares million	NAV per share (pence)
Net assets attributable to owners of the Parent	2,799.8	849.1	329.7	2,805.0	846.1	331.5
Effect of dilution on exercise of contingently issuable share option awards	–	0.6		–	0.7	
Effect of dilution on vesting of contingently issuable deferred share awards	–	0.2		–	–	
Effect of dilution on exercise of contingently issuable matching nil cost option awards	–	0.1		–	0.1	
Effect of dilution on exercise of deferred bonus share option awards	–	0.6		–	0.7	
Diluted NAV	2,799.8	850.6	329.2	2,805.0	847.6	330.9
<i>Group adjustments:</i>						
Fair value of derivative financial instruments	5.5			13.7		
Unrecognised surplus on trading property – Group	–			1.5		
Unrecognised surplus on trading property – Joint venture	31.8			46.6		
Deferred tax adjustments	1.9			11.5		
EPRA NAV	2,839.0	850.6	333.8	2,878.3	847.6	339.6
Fair value of derivative financial instruments	(5.5)			(13.7)		
Excess fair value of debt over carrying value	(9.2)			(12.4)		
Deferred tax adjustments	(1.9)			(11.5)		
EPRA NNAV	2,822.4	850.6	331.8	2,840.7	847.6	335.1

13 PROPERTY PORTFOLIO

a) Investment and development property

	Property portfolio					Tenure	
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m	Freehold £m	Leasehold £m
At 1 January 2016	1,949.5	1,606.4	295.0	4.4	3,855.3	1,796.9	2,058.4
Additions from acquisitions	85.2	4.6	–	–	89.8	75.6	14.2
Additions from subsequent expenditure	68.4	44.5	1.5	–	114.4	53.0	61.4
Disposals	–	–	–	(4.4)	(4.4)	(4.4)	–
Gain/(loss) on revaluation ¹	126.1	(357.5)	(3.8)	–	(235.2)	(45.7)	(189.5)
At 31 December 2016	2,229.2	1,298.0	292.7	–	3,819.9	1,875.4	1,944.5
Additions from acquisitions	99.2	2.1	–	–	101.3	14.5	86.8
Additions from subsequent expenditure	78.1	38.9	0.1	–	117.1	72.9	44.2
Sale of discontinued operation	–	–	(292.8)	–	(292.8)	(292.8)	–
Disposals	(6.2)	(2.7)	–	–	(8.9)	(8.9)	–
Gain/(loss) on revaluation ¹	93.4	(184.3)	–	–	(90.9)	59.4	(150.3)
At 31 December 2017	2,493.7	1,152.0	–	–	3,645.7	1,720.5	1,925.2

b) Trading property

	Property portfolio					Tenure	
	Covent Garden £m	Earls Court Properties £m	Venues £m	Other £m	Total £m	Freehold £m	Leasehold £m
At 1 January 2016	15.5	–	–	–	15.5	15.5	–
Additions from subsequent expenditure	0.3	–	–	–	0.3	0.3	–
Disposals	(12.9)	–	–	–	(12.9)	(12.9)	–
At 31 December 2016 ²	2.9	–	–	–	2.9	2.9	–
Disposals	(2.9)	–	–	–	(2.9)	(2.9)	–
At 31 December 2017 ²	–	–	–	–	–	–	–

1. Loss on revaluation of £90.9 million (2016: loss £235.2 million) is recognised in the consolidated income statement within loss on revaluation and sale of investment and development property. This loss is unrealised and relates to assets held at the end of the year.

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

13 PROPERTY PORTFOLIO CONTINUED

c) Market value reconciliation of total property

	Covent Garden £m	Earls Court Properties £m	Venues £m	Total £m
Carrying value of investment and development property at 31 December 2017¹	2,493.7	1,152.0	–	3,645.7
Adjustment in respect of fixed head leases	(6.1)	–	–	(6.1)
Adjustment in respect of tenant lease incentives	57.8	–	–	57.8
Market value of investment and development property at 31 December 2017	2,545.4	1,152.0	–	3,697.4
<i>Joint venture:</i>				
Carrying value of joint venture investment, development and trading property at 31 December 2017	–	124.7	–	124.7
Unrecognised surplus on joint venture trading property ²	–	31.8	–	31.8
	2,545.4	1,308.5	–	3,853.9
<i>Non-controlling interest adjustment:</i>				
Market value of non-controlling interest in investment, development and trading property at 31 December 2017	–	(329.4)	–	(329.4)
Market value of investment, development and trading property on a Group share basis at 31 December 2017	2,545.4	979.1	–	3,524.5

	Covent Garden £m	Earls Court Properties £m	Venues £m	Total £m
Carrying value of investment and development property at 31 December 2016	2,229.2	1,298.0	292.7	3,819.9
Carrying value of trading property at 31 December 2016	2.9	–	–	2.9
Carrying value of investment, development and trading property at 31 December 2016 ¹	2,232.1	1,298.0	292.7	3,822.8
Adjustment in respect of fixed head leases	(4.1)	–	–	(4.1)
Adjustment in respect of tenant lease incentives	45.3	–	–	45.3
Unrecognised surplus on trading property ²	1.5	–	–	1.5
Market value of investment, development and trading property at 31 December 2016	2,274.8	1,298.0	292.7	3,865.5
<i>Joint ventures:</i>				
Carrying value of joint venture investment, development and trading property at 31 December 2016	–	176.0	–	176.0
Unrecognised surplus on joint venture trading property ²	–	46.6	–	46.6
	2,274.8	1,520.6	292.7	4,088.1
<i>Non-controlling interest adjustment:</i>				
Market value of non-controlling interest in investment, development and trading property at 31 December 2016	–	(378.5)	–	(378.5)
Market value of investment, development and trading property on a Group share basis at 31 December 2016	2,274.8	1,142.1	292.7	3,709.6

1. Included within investment and development property is £3.3 million (2016: £1.4 million) of interest capitalised during the year on developments in progress.

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

13 PROPERTY PORTFOLIO CONTINUED

At 31 December 2017, the Group was contractually committed to £57.3 million (2016: £149.2 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 23 'Capital Commitments' for further information on capital commitments.

The fair value of the Group's investment, development and trading property at 31 December 2017 was determined by independent, appropriately qualified external valuers, JLL for Earls Court Properties (excluding the Empress State Building) and 15-17 Long Acre and CBRE Ltd for the remainder of the Group's property portfolio. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards. Fees paid to valuers are based on fixed price contracts.

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

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

Valuations take into account tenure, lease terms and structural condition. The inputs underlying the valuations include market rent or business profitability, likely incentives offered to tenants, forecast growth rates, yields, EBITDA, discount rates, construction costs including any site specific costs (for example Section 106), professional fees, planning fees, developer's profit including contingencies, planning and construction timelines, lease re-gear costs, planning risk and sales prices based on known market transactions for similar properties or properties similar to those contemplated for development. As at 31 December 2017 all Covent Garden properties are valued under the income capitalisation technique. The majority of Earls Court properties are valued under the residual development approach.

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

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

Most notably, within Earls Court Properties, the Empress State Building has been valued on the basis of its development potential as a residential-led scheme. The property is currently used as an office space, generating an income stream for the Group, while the process to achieve the change in use is being implemented.

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 22.

14 INVESTMENT IN JOINT VENTURES

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

At 31 December 2017, 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.

14 INVESTMENT IN JOINT VENTURES CONTINUED

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

LSJV	2017 £m	2016 £m
Summarised income statement		
Revenue	190.3	5.5
Net rental expense	–	(0.2)
Gain/(loss) on revaluation of investment and development property	0.6	(0.1)
Proceeds from the sale of trading property	190.1	5.4
Cost of sale of trading property	(156.8)	(5.1)
Agent, selling and marketing fees	(6.1)	(2.7)
Write down of trading property	(1.2)	(0.8)
Administration expenses	(4.4)	(4.8)
Finance costs ¹	(24.9)	(21.2)
Other costs	–	(0.1)
Loss for the year	(2.7)	(29.6)

1. Finance costs of £23.5 million (2016: £21.0 million) relates to the amortisation of deep discount bonds that were issued by LSJV to the Group and KFI. The bonds are redeemable at their nominal value of £263.4 million on 24 August 2019. The discount applied is unwound over the period to maturity using an effective interest rate. Finance income receivable to the Group of £11.7 million (2016: £10.5 million) is recognised in the consolidated income statement within other finance income.

LSJV	2017 £m	2016 £m
Summarised balance sheet		
Investment and development property	3.7	3.1
Other non-current assets	4.1	2.1
Trading property	245.7	349.0
Cash and cash equivalents ¹	49.8	74.2
Other current assets	0.7	5.8
Borrowings	(63.6)	(155.1)
Other non-current liabilities ²	(218.9)	(195.4)
Amounts payable to joint venture partners ³	(71.9)	(102.1)
Other current liabilities ¹	(44.8)	(74.2)
Net liabilities	(95.2)	(92.6)

Capital commitments	14.0	36.4
----------------------------	-------------	-------------

Carrying value of investment, development and trading property	249.4	352.1
Unrecognised surplus on trading property⁴	63.6	93.2
Market value of investment, development and trading property⁴	313.0	445.3

1. Includes restricted cash and cash equivalents of £30.6 million (2016: £59.7 million) relating to amounts received as property deposits that will not be available for use by LSJV until completion of building work. There is a corresponding liability of £30.6 million (2016: £59.7 million) within other current liabilities.

2. Other non-current liabilities relate to deep discount bonds. Recoverable amounts receivable by the Group, net of impairments, of £100.0 million (2016: £97.7 million) are recognised on the consolidated balance sheet within non-current trade and other receivables.

3. Amounts payable to joint venture partners relate to working capital funding advanced by the Group and KFI.

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

14 INVESTMENT IN JOINT VENTURES CONTINUED

Innova

On 29 June 2015, the Group acquired a 50 per cent interest in Innova, a joint venture arrangement with Network Rail Infrastructure Limited ("NRIL"). Total acquisition costs were £14.5 million, £2.0 million of which is contingent on achieving consent to develop specific railway sites with NRIL. The joint venture will explore opportunities for future redevelopments on and around significant railway station sites in London.

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

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

Innova	2017 £m	2016 £m
Summarised income statement		
Administration expenses	–	(0.6)
Loss for the year	–	(0.6)

Innova	2017 £m	2016 £m
Summarised balance sheet		
Other receivables	3.1	0.8
Cash and cash equivalents	1.6	0.5
Other current liabilities	–	(0.5)
Net assets	4.7	0.8

Reconciliation of summarised financial information

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

	GCP £m	LSJV £m	Innova £m	Total £m
Net assets/(liabilities) of joint ventures at 31 December 2016	0.1	(92.6)	0.8	(91.7)
Elimination of joint venture partners' interest	–	46.3	(0.4)	45.9
Cumulative losses restricted ¹	–	46.3	–	46.3
Goodwill on acquisition of joint venture ²	–	–	14.5	14.5
Carrying value at 31 December 2016	0.1	–	14.9	15.0
Net assets/(liabilities) of joint ventures at 31 December 2017	0.1	(95.2)	4.7	(90.4)
Elimination of joint venture partners' interest	–	47.6	(2.4)	45.2
Cumulative losses restricted ¹	–	47.6	–	47.6
Goodwill on acquisition of joint venture ²	–	–	14.5	14.5
Carrying value at 31 December 2017	0.1	–	16.8	16.9

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 (2016: £nil) in accordance with the requirements of IAS 28.

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

14 INVESTMENT IN JOINT VENTURES CONTINUED

Reconciliation of investment in joint ventures:

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

Investment in joint ventures	GCP £m	LSJV £m	Innova £m	Total £m
At 1 January 2016	0.1	–	14.7	14.8
Loss for the year ¹	–	(14.8)	(0.3)	(15.1)
Loss restricted ¹	–	14.8	–	14.8
Issue of equity loan notes	–	–	0.5	0.5
At 31 December 2016	0.1	–	14.9	15.0
Loss for the year ¹	–	(1.3)	–	(1.3)
Loss restricted ¹	–	1.3	–	1.3
Issue of equity loan notes	–	–	1.9	1.9
At 31 December 2017	0.1	–	16.8	16.9

1. Share of post-tax loss from joint ventures in the consolidated income statement of £nil (2016: loss of £0.3 million) comprises loss for the year of £1.3 million (2016: £15.1 million) and loss restricted totalling £1.3 million (2016: £14.8 million).

15 NON-CONTROLLING INTEREST

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

The accumulated non-controlling interest is presented below.

	2017 £m	2016 £m
At 1 January	368.2	468.8
Loss and total comprehensive expense for the year attributable to non-controlling interest	(62.7)	(104.9)
Unsecured loan notes issued to non-controlling interest	0.3	4.3
At 31 December	305.8	368.2

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 (2016: less than £0.1 million) and therefore £402.9 million (2016: £402.6 million) has been classified as equity.

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

ECPL	2017 £m	2016 £m
Summarised income statement		
Net rental income	1.8	1.2
Administrative expenses	(2.1)	(2.5)
Loss on revaluation of investment and development property	(169.2)	(298.2)
Taxation	–	15.9
Loss for the year after taxation	(169.5)	(283.6)

15 NON-CONTROLLING INTEREST CONTINUED

ECPL	2017 £m	2016 £m
Summarised balance statement		
Investment and development property	890.0	1,022.8
Cash at bank and at hand	5.4	9.4
Other current assets	0.4	1.3
Other non-current assets	0.5	0.8
Other current liabilities	(8.5)	(7.6)
Borrowings	(61.4)	(31.5)
Net assets	826.4	995.2

ECPL	2017 £m	2016 £m
Summarised cash flows		
Operating cash inflow/(outflow) after interest and tax	0.5	(4.8)
Purchase and development of property, plant and equipment	(34.0)	(45.6)
Net cash outflow before financing	(33.5)	(50.4)
Financing ¹	29.5	32.0
Net cash outflow	(4.0)	(18.4)

1. Financing comprises £0.8 million (2016: £nil) of unsecured, non-interest bearing loan notes and £28.7 million (2016: £32.0 million) of external borrowings.

16 TRADE AND OTHER RECEIVABLES

	2017 £m	2016 £m
Non-current		
Other receivables ¹	71.1	55.3
Prepayments and accrued income ²	53.4	41.8
Amounts receivable from joint ventures ³	100.0	97.7
Trade and other receivables	224.5	194.8
Current		
Rent receivable	3.3	7.9
Other receivables	16.4	14.6
Prepayments and accrued income ²	13.4	18.3
Amounts receivable from joint ventures ⁴	–	7.0
Trade and other receivables	33.1	47.8

1. Includes £60.0 million (2016: £45.0 million) payment to LBHF which forms part of the CLSA.

2. Includes tenant lease incentives of £57.8 million (2016: £45.3 million).

3. Non-current amounts receivable from joint ventures relate to deep discount bonds that were issued by LSJV to the Group. The bonds are redeemable at their nominal value of £131.7 million on 24 August 2019. This balance has been impaired by £9.5 million (2016: £nil).

4. Current amounts receivable from joint ventures comprise working capital funding advanced by the Group to LSJV and Innova. This balance has been impaired by £38.1 million (2016: £46.3 million).

17 CASH AND CASH EQUIVALENTS

	2017 £m	2016 £m
Cash at hand	8.0	8.1
Cash on short-term deposit	20.6	16.8
Unrestricted cash and cash equivalents	28.6	24.9
Restricted cash and cash equivalents ¹	–	6.0
Cash and cash equivalents	28.6	30.9

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

18 TRADE AND OTHER PAYABLES

	2017 £m	2016 £m
Rent received in advance	18.4	23.9
Accruals and deferred income	32.2	35.3
Trade payables	–	1.0
Other payables	15.4	15.6
Other taxes and social security	3.1	2.5
Trade and other payables	69.1	78.3

19 BORROWINGS, INCLUDING FINANCE LEASES

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

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

20 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Note	2017			Restated 2016		
		Carrying value £m	(Loss)/gain to income statement £m	Gain to other comprehensive income £m	Carrying value £m	Loss to income statement £m	Loss to other comprehensive income £m
Derivative financial assets		–	(0.1)	–	0.2	(2.4)	–
Total held for trading assets		–	(0.1)	–	0.2	(2.4)	–
Cash and cash equivalents	17	28.6	–	–	30.9	–	–
Other financial assets ¹	16	188.1	–	–	189.5	–	–
Total cash and other financial assets		216.7	–	–	220.4	–	–
Available-for-sale investments		–	–	–	–	–	(0.2)
Total available-for-sale investments		–	–	–	–	–	(0.2)
Derivative financial liabilities		(5.5)	4.4	–	(13.9)	(10.7)	–
Total held for trading liabilities		(5.5)	4.4	–	(13.9)	(10.7)	–
Borrowings, including finance leases	19	(776.9)	–	–	(846.3)	–	–
Other financial liabilities ²		(71.2)	–	–	(79.6)	–	–
Total borrowings and other financial liabilities		(848.1)	–	–	(925.9)	–	–

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

2. Includes trade and other payables and tax liabilities.

Fair value estimation

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

The different valuation levels are defined as follows:

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

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

Level 3: where one or more inputs to valuation are not based on observable market data. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models.

The tables below present the Group's financial assets and liabilities recognised at fair value at 31 December 2017 and 31 December 2016. There were no transfers between levels during the year.

Group	2017				2016			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial assets								
Total assets	–	–	–	–	–	0.2	–	0.2
Derivative financial liabilities								
Total liabilities	–	(5.5)	–	(5.5)	–	(13.9)	–	(13.9)

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

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

21 DEFERRED TAX

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

Deferred tax on investment and development property is calculated under IAS 12 provisions on a disposals basis by reference to the properties' original tax base cost. Elements factored into the calculation include indexation relief and the Group's holding structure. The Group's recognised deferred tax position on investment and development property as calculated under IAS 12 is £nil at 31 December 2017 (2016: £nil). The Group's contingent tax liability on investment properties, calculated on the same tax base cost as above but based on a deemed market value disposal at year end, is £nil (2016: £nil).

A disposal of the Group's trading properties at their market value as per note 13 'Property Portfolio', net of available losses, would result in a corporation tax charge to the Group of £1.6 million (19.25 per cent of £8.3 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 2016	13.7	15.6	(0.4)	(5.7)	(3.7)	19.5
Adjustments in respect of previous years	0.1	–	–	–	0.1	0.2
Recognised in income	0.8	(14.7)	(2.4)	4.8	(5.6)	(17.1)
Recognised in other comprehensive income	–	–	(0.3)	(0.3)	–	(0.6)
Recognised directly in equity	–	–	–	1.6	–	1.6
Adjustment in respect of rate change	–	(0.9)	–	–	–	(0.9)
At 31 December 2016	14.6	–	(3.1)	0.4	(9.2)	2.7
Adjustments in respect of previous years	–	–	–	–	(0.2)	(0.2)
Recognised in income	1.0	–	1.9	0.7	1.6	5.2
Recognised directly in equity	–	–	–	0.2	–	0.2
Released on discontinued operation	(12.6)	–	–	(3.1)	–	(15.7)
At 31 December 2017	3.0	–	(1.2)	(1.8)	(7.8)	(7.8)
Unprovided deferred tax assets:						
At 1 January 2017	–	(35.9)	–	–	(13.9)	
Movement during the year	–	(28.8)	–	–	5.2	
At 31 December 2017	–	(64.7)	–	–	(8.7)	

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

22 SHARE CAPITAL AND SHARE PREMIUM

Issue type	Transaction date	Issue price (pence)	Number of shares	Share capital £m	Share premium £m
At 1 January 2016			841,988,945	210.5	211.1
Scrip dividend – 2015 final	June	338	1,275,480	0.3	4.0
Scrip dividend – 2016 interim	September	293	303,831	0.1	–
Share-based payment ¹			2,553,451	0.6	–
At 31 December 2016			846,121,707	211.5	215.1
Scrip dividend – 2016 final	May	290	1,653,429	0.4	4.8
Scrip dividend – 2017 interim	September	268	443,695	0.1	1.2
Share-based payment ²			841,315	0.2	–
At 31 December 2017			849,060,146	212.2	221.1

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

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

At 20 February 2018, the Company had an unexpired authority to repurchase shares up to a maximum of 84,612,170 shares with a nominal value of £21.2 million, and the Directors had an unexpired authority to allot up to a maximum of 561,419,932 shares with a nominal value of £140.4 million of which 281,758,528 with a nominal value of £70.4 million can only be allotted pursuant to a fully pre-emptive rights issue.

23 CAPITAL COMMITMENTS

At 31 December 2017, the Group was contractually committed to £57.3 million (2016: £149.2 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Of the £57.3 million committed, £42.2 million is committed 2018 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 £75.0 million of the £105.0 million cash consideration payable under the CLSA. The residual £30.0 million will be settled in two annual instalments of £15.0 million with the next payment due on 31 December 2018.

The Group's share of joint venture capital commitments arising on LSJV amounts to £7.0 million (2016: £18.2 million).

24 CONTINGENT LIABILITIES

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

Under the terms of the CLSA the Group has certain compensation obligations relating to achieving vacant possession, which are subject to an overall cap of £55.0 million. Should any payments be made in respect of these obligations, they will be deducted from the total consideration payable to LBHF (refer to note 23 'Capital Commitments').

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

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

25 CASH FLOW INFORMATION

The table below presents the cash generated from/ used in continuing operations:

		2017 £m	Re-presented 2016 £m
Continuing operations	Note		
Loss before tax		(62.5)	(251.4)
Adjustments:			
Profit on sale of trading property	3	(0.9)	(5.6)
Loss on revaluation and sale of investment and development property	4	90.9	231.2
Profit on sale of available-for-sale investments		–	(0.4)
Impairment of other receivables	5	1.3	14.8
Other costs	6	–	5.0
Depreciation		1.9	1.4
Amortisation of tenant lease incentives and other direct costs		(2.3)	2.0
Share-based payment ¹		2.0	1.1
Finance income	7	(0.8)	(0.3)
Finance costs	8	19.9	19.6
Other finance income	7	(11.7)	(10.5)
Other finance costs	8	–	5.3
Change in fair value of derivative financial instruments		(4.3)	13.0
Change in working capital:			
Change in trade and other receivables		(32.5)	(39.6)
Change in trade and other payables		4.8	(5.1)
Cash generated from/ used in continuing operations		5.8	(19.5)

1. Includes £2.0 million (2016: £1.1 million) relating to the IFRS 2 'Share-based payment' charge.

25 CASH FLOW INFORMATION CONTINUED

The table below presents the cash generated from discontinued operation:

		Period ended 7 April 2017 £m	Year ended 31 December 2016 £m
Discontinued operation	Note		
Profit before tax	10	6.1	11.1
Adjustments:			
Loss on revaluation of investment and development property	10	–	3.8
Profit on disposal of discontinued operation		(2.1)	–
Depreciation		0.1	0.4
Finance costs		0.4	–
Change in fair value of derivative financial instruments		0.1	0.1
Change in working capital:			–
Change in trade and other receivables		1.7	(1.3)
Change in trade and other payables		1.7	(2.3)
Cash generated from discontinued operation		8.0	11.8

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

	Note	Long-term borrowings £m	Short-term borrowings £m	Derivative financial instruments £m	Total liabilities from financing activities £m
Balance at 1 January		827.8	18.5	13.9	860.2
Cash flows from financing activities					
Proceeds from loans and borrowings		558.7	–	–	558.7
Repayment of borrowings		(563.5)	(12.0)	–	(575.5)
Sale of discontinued operation		(50.0)	(6.0)	–	(56.0)
Facility fees capitalised		(2.0)	–	–	(2.0)
Termination of derivatives		–	–	(4.1)	(4.1)
Total cash flows used in financing activities		(56.8)	(18.0)	(4.1)	(78.9)
Non-cash movements from financing activities					
Sale of discontinued operation		1.1	–	–	1.1
Facility fees written off		1.4	–	–	1.4
Finance lease additions		1.8	0.2	–	2.0
Changes in fair value	20	–	–	(4.3)	(4.3)
Borrowing costs capitalised		0.9	–	–	0.9
Total non-cash flows from financing activities		5.2	0.2	(4.3)	1.1
Balance at 31 December		776.2	0.7	5.5	782.4

26 RELATED PARTY TRANSACTIONS

Transactions with Directors

	2017 £m	2016 £m
Key management compensation¹		
Salaries and short-term employee benefits	3.3	2.8
Share-based payment	1.3	0.5
	4.6	3.3

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

Transactions between the Group and its joint ventures

Transactions during the year between the Group and its joint ventures, which are related parties, are disclosed in notes 14 'Investment in Joint Ventures', 16 'Trade and other receivables' and 23 'Capital commitments'. During the year the Group recognised management fee income of £3.8 million (2016: £4.6 million) that was earned on an arm's length basis.

Property purchased by Directors of the Company

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

- In April 2014 Ian Durant, Chairman of Capital & Counties Properties PLC, together with his spouse exchanged contracts to acquire an apartment for a purchase price of £725,000, and at 31 December 2016 had paid deposits totalling £145,000. Legal completion occurred during 2017 with a net amount of £579,000 received, reflecting application of a standard legal fee incentive and a specification enhancement.
- In April 2014 Andrew Strang, a Non-executive Director of Capital & Counties Properties PLC exchanged contracts to acquire an apartment for a purchase price of £855,000, and at 31 December 2016 had paid deposits totalling £171,000. Legal completion occurred during 2017 with a net amount of £683,000 received, reflecting application of a standard legal fee incentive and a specification enhancement.
- In April 2014 Henry Staunton, a Non-executive Director of Capital & Counties Properties PLC, together with his spouse exchanged contracts to acquire an apartment for a purchase price of £1,999,000, and at 31 December 2016 had paid deposits totalling £399,800. Legal completion occurred during 2017 with a net amount of £1,596,850 received, reflecting application of a standard legal fee incentive.
- In April 2014 Situl Jobanputra, Chief Financial Officer of Capital & Counties Properties PLC, together with a family member exchanged contracts to acquire an apartment for a purchase price of £710,000, and at 31 December 2016 had paid deposits totalling £142,000. Legal completion occurred during 2017 with a net amount of £566,250 received, reflecting application of a standard legal fee incentive.
- In December 2014 Graeme Gordon, a Non-executive Director of Capital & Counties Properties PLC, exchanged contracts to acquire two apartments for £1,925,000 and £2,725,000. During construction plans were altered and the two apartments were combined into one apartment. Discussions are being undertaken to vary the terms of the contracts.
- In December 2014 Blue Lillie Limited, an entity connected to Graeme Gordon, exchanged contracts to acquire two apartments for £1,975,000 and £2,825,000. During construction plans were altered and the two apartments were combined into one apartment. Discussions are being undertaken to vary the terms of the contracts.
- Upon legal completion of the above transactions, the Directors are required to pay annual ground rent and insurance premium fees and bi-annual service charge fees. During 2017 £13,178 has been received in relation to these charges. Certain payments in relation to these charges are made in advance and £3,427 has therefore been received for 2018 as at 31 December 2017.

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

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

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

1. PROPERTY DATA AS AT 31 DECEMBER 2017

	Market value £m	Ownership
Covent Garden	2,545.4	100%
Earls Court Properties		
ECPL	560.7	63%
Lillie Square	156.5	50%
Empress State	220.0	100%
Other	41.9	100%
Earls Court Properties (Group share)	979.1	
Group share of total property	3,524.5	
<i>Investment and development property</i>	3,369.8	
<i>Trading property</i>	154.7	

2. ANALYSIS OF CAPITAL RETURN FOR THE YEAR

	Market value 31 December 2017 £m	Market value 31 December 2016 £m	Revaluation gain/(loss) ¹ 31 December 2017 £m	Increase/ (decrease)
Like-for-like capital				
Covent Garden	2,453.7	2,265.5	99.0	4.3%
Earls Court Properties	977.4	978.0	(130.7)	(11.8)%
Total like-for-like capital	3,431.1	3,243.5	(31.7)	(0.9)%
<i>Investment and development property</i>	3,276.4	3,183.8	(22.0)	(0.7)%
<i>Trading property</i>	154.7	59.7	(9.7)	(5.9)%
Non like-for-like capital				
Acquisitions	93.4	–	(5.9)	
Disposals	–	466.1	–	
Group share of total property	3,524.5	3,709.6	(37.6)	(1.1)%
<i>Investment and development property</i>	3,369.8	3,484.1	(27.9)	(0.8)%
<i>Trading property</i>	154.7	225.5	(9.7)²	(5.9)%
All property				
Covent Garden	2,545.4	2,274.8	93.4	3.9%
Earls Court Properties	979.1	1,142.1	(131.0)	(11.8)%
Venues	–	292.7	–	–
Group share of total property	3,524.5	3,709.6	(37.6)	(1.1)%

1. Revaluation gain/(loss) includes amortisation of lease incentives and fixed head leases.

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

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED) CONTINUED

3. ANALYSIS OF NET RENTAL INCOME FOR THE YEAR

	2017 £m	2016 £m	Increase/ (decrease)
Like-for-like net rental income from continuing operations			
Covent Garden	43.2	38.8	11.3%
Earls Court Properties	18.0	17.0	5.4%
Other	(0.5)	(0.5)	(15.3)%
Total like-for-like net rental income	60.7	55.3	9.8%
<i>Like-for-like investment and development property</i>	<i>60.7</i>	<i>55.3</i>	<i>9.8%</i>
<i>Like-for-like trading property</i>	<i>–</i>	<i>–</i>	<i>–</i>
Non like-for-like net rental income			
Acquisitions	0.2	–	
Developments	2.0	1.8	
Prior year acquisitions (like-for-like capital)	3.3	0.8	
Group share of total net rental income	66.2	57.9	14.4%
<i>Investment and development property</i>	<i>66.3</i>	<i>58.0</i>	<i>14.2%</i>
<i>Trading property</i>	<i>(0.1)</i>	<i>(0.1)</i>	

All property

Covent Garden	48.9	41.5	17.8%
Earls Court Properties ¹	17.8	16.8	5.5%
Other	(0.5)	(0.4)	(1.1)%
Group share of total net rental income	66.2	57.9	14.4%

1. ERV of the Empress State Building is £17.0 million.

4. ANALYSIS OF COVENT GARDEN BY USE

31 December 2017

	Initial yield (EPRA)	Nominal equivalent yield	Passing rent ² £m	Occupancy rate	Weighted average unexpired lease years	Market value £m	ERV £m	Net area million Sq ft
Retail						1,893.3	76.1	0.6
Office						293.5	15.8	0.2
Residential						127.9	3.5	0.2
Other ¹						230.7	9.4	0.1
Total	2.10%	3.56%	58.9	97.5%	7.6	2,545.4	104.8	1.1

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

2. Non-leased income of £1.3 million is added to passing rent to arrive at gross income.

CONSOLIDATED UNDERLYING PROFIT STATEMENT

For the year ended 31 December 2017

	2017 £m	Re-presented ¹ 2016 £m
Group share		
<i>Continuing operations:</i>		
Net rental income	66.2	57.9
Other income	2.3	2.7
Administration expenses	(38.7)	(41.9)
Operating profit	29.8	18.7
Finance costs	(20.6)	(19.8)
Finance income	0.8	0.3
Net finance costs	(19.8)	(19.5)
Profit/(loss) before tax	10.0	(0.8)
Taxation	(2.7)	(3.1)
Underlying earnings/(loss) from continuing operations	7.3	(3.9)
Underlying earnings from discontinued operation	4.1	15.7
Underlying earnings	11.4	11.8
<i>Underlying earnings/(loss) per share (pence):</i>		
From continuing operations	0.9	(0.5)
From discontinued operation	0.4	1.9
Underlying earnings per share (pence)	1.3	1.4
Weighted average number of shares	848.7m	846.5m

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

FINANCIAL COVENANTS

For the year ended 31 December 2017

Financial covenants on non-recourse debt

31 December 2017				
Group share	Maturity	Loan(s) outstanding at 31 December 2017 ¹ £m	LTV covenant	Interest cover covenant
Covent Garden ²	2022 – 2037	715.0	60%	120%
ECPL	2026	39.1	40%	n/a
Lillie Square	2019	31.9	75%	n/a
Total		786.0		

1. The loan values are the nominal values at 31 December 2017 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.

2. Covent Garden comprises £705 million Revolving Credit Facility ("RCF") maturing in 2022 with £165 million drawn and £550 million Private Placement unsecured notes maturing between 2024 and 2037.

DIVIDENDS

The Directors of Capital & Counties Properties PLC have proposed a final dividend per ordinary share (ISIN GB00B62G9D36) of 1.0 pence payable on 23 May 2018.

Dates

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

Sterling/Rand exchange rate struck:	9 April 2018
Sterling/Rand exchange rate and dividend amount in Rand announced:	10 April 2018
Ordinary shares listed ex-dividend on the JSE, Johannesburg:	18 April 2018
Ordinary shares listed ex-dividend on the London Stock Exchange:	19 April 2018
Record date for final dividend in UK and South Africa:	20 April 2018
Election date for scrip dividend alternative (SA) by noon:	20 April 2018
Election date for scrip dividend alternative (UK) by 5:30pm:	27 April 2018
Annual General Meeting	4 May 2018
Dividend payment date for shareholders	23 May 2018

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 17 April 2018 and that no dematerialisation of shares will be possible from 18 April 2018 to 20 April 2018 inclusive. No transfers between the UK and South Africa registers may take place from 9 April 2018 to 20 April 2018 inclusive.

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

The above dates are proposed and subject to change.

Important information for South African shareholders

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

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

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

GLOSSARY

Alternative Performance Measure (APM)

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

Capco

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

CLSA

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

Diluted figures

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

Earls Court

The London district made up of a series of residential neighbourhoods crossing the boundaries of London Borough of Hammersmith & Fulham and Royal Borough of Kensington & Chelsea.

Earls Court Masterplan

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

Earls Court Properties

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

EBITDA

Earnings before interest, tax, depreciation and amortisation.

EC1 & EC2

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

ECPL

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

EPRA

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

EPRA earnings

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

EPRA earnings per share

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

EPRA net asset value (NAV)

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

EPRA net asset value per share

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

EPRA net initial yield

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

EPRA triple net asset value (NNNAV)

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

ESB

Empress State Building.

Estimated rental value (ERV)

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

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.

IPD

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

JSE

Johannesburg Stock Exchange.

Kwok Family Interests (KFI)

Joint venture partner in the Lillie Square development.

LBHF

The London Borough of Hammersmith & Fulham.

Like-for-like property

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

Loan to value (LTV)

LTV is calculated on the basis of 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.

NAV

Net Asset Value.

NAV per share

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

Net debt

Total borrowings less cash and cash equivalents.

NIA

Net Internal Area.

Net rental income (NRI)

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

Nominal equivalent yield

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

NRIL

Network Rail Infrastructure Limited.

Occupancy rate

The ERV of let and under offer units expressed as a percentage of the ERV of let and under offer units plus ERV of un-let units, excluding units under development. This is equivalent to 100 per cent less the EPRA vacancy rate.

Opportunity Area

In September 2011 the GLA published the 'Opportunity Area Planning Frameworks Report'. Opportunity Areas are London's major reservoirs of brownfield land with significant capacity to accommodate new housing, commercial and other developments linked to existing or potential improvements to public transport accessibility. Typically, they can accommodate at least 5,000 jobs or 2,500 new homes or a combination of the two, along with other supporting facilities and infrastructure.

Passing rent

Contracted annual rents receivable at the balance sheet date. This takes no account of accounting adjustments made in respect of rent-free periods or tenant lease incentives, the reclassification of certain lease payments as finance charges or any irrecoverable costs and expenses, and does not include excess turnover rent, additional rent in respect of unsettled rent reviews or sundry income. Contracted annual rents in respect of tenants in administration are excluded.

RBKC

Royal Borough of Kensington and Chelsea.

SAICA

South African Institute of Chartered Accountants.

SARB

South African Reserve Bank.

Section 106

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

Tenant lease incentives

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

TfL

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

Total property return (TPR)

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

Total return (TR)

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

Total shareholder return (TSR)

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

Underlying earnings

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

Underlying earnings per share (EPS)

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

Weighted average unexpired lease term

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

Zone A

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

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