LIBERTY INTERNATIONAL

Liberty International PLC
Interim report 2007

Contents

01 Chairman's comment
02 Dividends
03 Background on Liberty International
04 Interim report for the half year ended 30 June 2007 – highlights
05 Summary of investment and development properties
08 Chairman's statement and review of operations
12 Financial review
15 Underlying profit statement (unaudited)
16 Independent review report to Liberty International PLC
17 Consolidated income statement (unaudited) for the six months ended 30 June 2007
18 Consolidated balance sheet (unaudited) as at 30 June 2007
19 Consolidated statement of recognised income and expense (unaudited)
20 Consolidated statement of cash flows (unaudited)
21 Notes to the accounts (unaudited)
29 Shareholder information
30 Management structure and advisers
31 Glossary

The company's website, which contains further information, is available at www.liberty-international.co.uk

This report 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 Liberty International PLC to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Front cover
Covent Garden Estate, Central London
Back cover
Chapelfield, Norwich

Chairman's comment

"The first six months of 2007 have again demonstrated the significant underlying strength of Liberty International and its high quality business, particularly our leading position in the regional shopping centre business. In our opinion, prime regional shopping centres continue to be a very attractive sector of the UK property market on a long-term view and are currently valued on an extremely defensive basis when compared with other sectors.

We continue to have every confidence in the prospects for Liberty International and in our ability to extend the group's successful long-term track record."

Sir Robert Finch Chairman
26 July 2007

Dividends

The Directors of Liberty International PLC have proposed an interim dividend per ordinary share (ISIN GB0006834344) of 16.5p (2006 – 13.75p) payable on 4 September 2007 (see salient dates below). This dividend will be paid totally as a Property Income Distribution ("PID") and will be wholly subject to a 22 per cent withholding tax unless exemptions apply (please refer to the **Special note** below).

Dates

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

Wednesday 1 August 2007	Sterling/Rand exchange rate struck
Monday 13 August 2007	Ordinary shares listed ex-dividend on the JSE, Johannesburg
Wednesday 15 August 2007	Ordinary shares listed ex-dividend on the London Stock Exchange
Friday 17 August 2007	Record date for interim dividend in London and Johannesburg
Friday 17 August 2007	*UK shareholders only:* Last date for receipt of Tax Exemption Declaration forms to permit dividends to be paid gross
Tuesday 4 September 2007	Dividend payment day for shareholders

(Note: Payment to ADR holders will be made on 14 September 2007)

South African shareholders should note that, in accordance with the requirements of STRATE, the last day to trade cum-dividend will be Friday 10 August 2007 and that no dematerialisation or rematerialisation of shares will be possible from Monday 13 August to Friday 17 August 2007 inclusive.

No transfers between the UK and South African registers may take place from Wednesday 1 August to Sunday 19 August 2007 inclusive.

Special note:

UK shareholders: For those who are eligible for exemption from the 22 per cent withholding tax, an HM Revenue & Customs ("HMRC") Tax Exemption Declaration is available for download from the "Investors" section of the Liberty International website (www.liberty-international.co.uk) or from HMRC. Validly completed forms must be received by the UK registrars, Capita Registrars, no later than the Record Date, Friday 17 August 2007, otherwise the dividend will be paid after deduction of tax.

South African and other non-UK shareholders: South African shareholders may apply to HMRC after payment of the dividend for a refund of the difference between the 22 per cent withholding tax and the current UK/South African double taxation treaty rate of 15 per cent. Other non-UK shareholders may be able to make similar claims. Refund application forms for all non-UK shareholders are available for download from the "Investors" section of the Liberty International website (www.liberty-international.co.uk) or from HMRC. Refunds are not claimable from Liberty International, the South African Revenue Service or other national authorities, only from the UK's HMRC.

The above does not constitute advice and shareholders should seek their own professional guidance. Liberty International does not accept liability for any loss suffered arising from reliance on the above.

Background on Liberty International

Liberty International PLC is one of the UK's largest listed property companies and a constituent of the FTSE 100 Index of the UK's leading listed companies. Liberty International converted into a UK Real Estate Investment Trust (REIT) on 1 January 2007.

Liberty International owns 100 per cent of Capital Shopping Centres ("CSC"), the premier UK regional shopping centre business, and of Capital & Counties, a retail and commercial property investment and development company.

At 30 June 2007, Liberty International held £8.2 billion of total properties of which UK regional shopping centres comprised 78 per cent and retail property in aggregate 93 per cent. Assets of the group under control or joint control amounted to £10.8 billion at that date. Shareholders' funds (diluted, adjusted) amounted to £5.2 billion.

Capital Shopping Centres has interests in 14 UK regional shopping centres amounting to 12.4 million sq. ft. in aggregate including eight of the UK's top 21 regional shopping centres with a market value of £6.3 billion at 30 June 2007. CSC's largest centres are Lakeside, Thurrock; MetroCentre, Gateshead; Braehead, Renfrew, Glasgow; The Harlequin, Watford; and Manchester Arndale. CSC has three major development projects underway or with planning permission in Cardiff, Oxford and Newcastle.

Capital & Counties held assets of £1.8 billion at 30 June 2007 amounting to 7.0 million sq. ft. in aggregate. Capital & Counties has around £650 million invested in the Covent Garden area including the historic Covent Garden Market, and around £300 million in Central London, primarily through the Great Capital Partnership, a joint venture with Great Portland Estates plc. Since 30 June 2007, Capital & Counties has acquired 50 per cent of EC&O Venues (Earls Court and Olympia Group) for a sum that values the assets at approximately £375 million. Capital & Counties has interests in the USA amounting to around £350 million (2.4 million sq. ft.), predominantly comprising retail assets in California, notably the 856,000 sq. ft. Serramonte Shopping Centre, Daly City, San Francisco.

Interim report for the half year ended 30 June 2007 – highlights

		Six months ended 30 June 2007	Six months ended 30 June 2006	Year ended 31 December 2006
Net rental income	+7%	£174m	£162m	£341m
Profit before tax (underlying*)	+16%	£67m	£58m	£122m
Profit before tax		£548m	£491m	£903m
Profit for the period attributable to equity shareholders (note 1)		£500m	£352m	£1,564m
Gain on revaluation and sale of investment and development properties		£231m	£258m	£587m
Total properties		£8,172m	£7,271m	£8,232m
Net debt		£2,899m	£2,859m	£3,063m
Net assets (diluted, adjusted**)		£5,226m	£4,465m	£5,002m
Basic earnings per share		138.0p	104.7p	462.1p
Earnings per share (adjusted**)	+34%	18.8p	14.0p	33.9p
Dividend per ordinary share	+20%	16.5p	13.75p	31.0p
Basic net assets per share		1429p	966p	1308p
Net assets per share (diluted, adjusted**)***	+4%	1385p	1268p	1327p
Total return for the period**		6%	8%	18%

Note 1 Year ended 31 December 2006 included £883 million (net) tax credit from conversion to REIT status

* Before property trading, valuation and exceptional items

** See Glossary for definitions

*** Net assets per share (diluted, adjusted) would increase by 101p per share at 30 June 2007 (31 December 2006 – 98p) to 1486p (31 December 2006 – 1425p) if adjusted for notional acquisition costs

Summary of investment and development properties

	Market value		Revaluation surplus		Net rental income		
	31 December 2006 £m	30 June 2007 £m	£m	Increase	30 June 2006 £m	30 June 2007 £m	Increase
UK regional shopping centres							
Lakeside, Thurrock	1,298.6	1,339.7	37.3	2.9%			
Braehead, Glasgow	746.1	752.7	6.6	0.9%			
MetroCentre, Gateshead (60%)	615.0	658.7	27.2	4.3%			
The Harlequin, Watford	523.6	535.9	12.3	2.4%			
Victoria Centre, Nottingham	441.1	461.9	22.1	5.1%			
Chapelfield, Norwich	354.0	351.2	4.8	1.4%			
Cribbs Causeway, Bristol	311.6	313.5	2.2	0.7%			
The Potteries, Stoke-on-Trent	307.5	307.5	(0.7)	(0.2%)			
The Chimes, Uxbridge	275.0	286.9	12.0	4.4%			
The Glades, Bromley	269.5	276.6	6.0	2.1%			
Eldon Square, Newcastle upon Tyne	240.1	244.4	4.0	1.6%			
Like-for-like income	5,382.1	5,529.0	133.8	2.5%	110.2	117.0	6.1%
Arndale, Manchester	428.3	448.8	18.7	4.2%			
St. David's, Cardiff	104.3	104.7	0.5	0.5%			
Xscape, Braehead	39.4	40.7	0.4	1.1%			
Like-for-like capital	5,954.1	6,123.2	153.4	2.6%	117.8	129.3	9.7%
Redevelopments and developments	193.2	215.8	(8.2)	(3.7%)	2.7	2.0	
Disposals (MetroCentre (40%))	410.0	–	–		9.0	4.6	
Total UK regional shopping centres	6,557.3	6,339.0	145.2	2.3%	129.5	135.9	4.9%
UK non-shopping centre properties							
Like-for-like income	532.6	556.6	20.0	3.8%	11.7	10.9	(6.5%)
Like-for-like other	467.9	486.6	12.2	2.6%	0.8	10.0	
Like-for-like capital	1,000.5	1,043.2	32.2	3.2%	12.5	20.9	
Acquisitions	–	228.7	(1.2)	(0.5%)	–	1.6	
Redevelopments and developments	141.1	173.7	20.4	12.9%	1.4	2.1	
Disposals	147.9	–	–		7.1	3.0	
Total UK non-shopping centre properties	1,289.5	1,445.6	51.4	3.7%	21.0	27.6	31.4%
US properties*							
Like-for-like income	283.2	288.3	8.1	2.8%	9.4	8.1	(4.7%)
Like-for-like other	70.3	74.5	4.9	7.3%	0.7	2.0	
Like-for-like capital	353.5	362.8	13.0	3.7%	10.1	10.1	
Disposals	5.7	–	0.1		0.3	–	
Total US properties	359.2	362.8	13.1	3.8%	10.4	10.1	
Total investment properties	8,206.0	8,147.4	209.7	2.6%	160.9	173.6	7.6%

*Like-for-like per cent increases are in local currency

Summary of investment and development properties (continued)

Property analysis by use and type

	Market value			Revaluation surplus
	31 December 2006 £m	30 June 2007 £m	% of total properties	Increase
Regional shopping centres and other retail				
UK regional shopping centres	6,557.3	6,339.0	77.8%	2.3%
UK other retail	781.6	941.8	11.6%	1.1%
US regional shopping centres	123.1	125.9	1.5%	2.3%
US other retail	134.2	132.9	1.6%	5.2%
Total regional shopping centres and other retail	7,596.2	7,539.6	92.5%	2.2%
Office				
UK business space	507.9	503.8	6.2%	8.3%
US business space	67.9	69.9	0.9%	4.8%
Total office	575.8	573.7	7.1%	7.9%
Residential				
US residential	34.0	34.1	0.4%	
Total investment properties	8,206.0	8,147.4	100.0%	2.6%

Analysis of UK non-shopping centres and US properties by location and type

	Market value		Revaluation surplus		Net rental income	
	31 December 2006 £m	30 June 2007 £m	30 June 2007 £m	Increase	30 June 2006 £m	30 June 2007 £m
UK non-shopping centre properties						
Capco Covent Garden	491.5	649.9	6.8	1.1%	1.5	11.3
Capco Opportunities	276.1	316.8	30.2	10.6%	7.9	5.9
Capco London (inc. Great Capital Partnership)	323.2	276.3	14.6	5.5%	7.7	6.9
Capco Urban	198.7	202.6	(0.2)	(0.1%)	3.9	3.5
Total UK non-shopping centre properties	1,289.5	1,445.6	51.4	3.7%	21.0	27.6
US properties						
US retail	257.3	258.8	9.5	3.8%	8.4	7.4
US business space	67.9	69.9	3.0	4.8%	2.0	2.1
US residential	34.0	34.1	0.6	1.9%	–	0.6
Total US properties	359.2	362.8	13.1	3.8%	10.4	10.1
	1,648.7	1,808.4	64.5	3.7%	31.4	37.7

UK investment property valuation data

	Market value 30 June 2007 £m	Nominal equivalent yield 31 December 2006	Nominal equivalent yield 30 June 2007	Passing rent 30 June 2007 £m	Net rental income 30 June 2007 £m	ERV 30 June 2007 £m
UK regional shopping centres						
Lakeside, Thurrock	1,339.7	4.65%	4.55%			
Braehead, Glasgow	752.7	4.81%	4.81%			
MetroCentre, Gateshead	658.7	4.75%	4.62%			
The Harlequin, Watford	535.9	4.75%	4.70%			
Victoria Centre, Nottingham	461.9	4.95%	4.85%			
Arndale, Manchester	448.8	4.96%	4.86%			
Chapelfield, Norwich	351.2	5.00%	4.95%			
Cribbs Causeway, Bristol	313.5	4.74%	4.72%			
The Potteries, Stoke-on-Trent	307.5	5.00%	5.00%			
The Chimes, Uxbridge	286.9	5.00%	4.90%			
The Glades, Bromley	276.6	4.95%	4.95%			
Eldon Square, Newcastle upon Tyne	244.4	5.20%	5.10%			
St. David's, Cardiff	104.7	5.00%	4.96%			
Xscape, Braehead	40.7	6.04%	5.92%			
Like-for-like capital	6,123.2	4.83%	4.77%	236.4	129.3	302.0
Other	215.8			4.3	6.6	5.1
Total UK regional shopping centres	6,339.0	4.83%	4.78%	240.7	135.9	307.1
UK non-shopping centre properties						
Capco Covent Garden	507.8	4.56%	4.52%			
Capco Opportunities	204.4	5.75%	5.59%			
Capco Urban	166.4	5.15%	5.38%			
Capco London	164.6	5.03%	5.07%			
Like-for-like capital	1,043.2	4.96%	4.95%	43.4	20.9	61.1
Other	402.4			12.9	6.7	25.0
Total UK non-shopping centre properties	1,445.6	5.11%	4.93%	56.3	27.6	86.1

Chairman's statement and review of operations

Introduction

The first six months of 2007 have again demonstrated the significant underlying strength of Liberty International and its high quality business, particularly our leading position in the regional shopping centre business. In our opinion, prime regional shopping centres continue to be a very attractive sector of the UK property market on a long-term view and are currently valued on an extremely defensive basis when compared with other sectors.

Our first half year as a UK Real Estate Investment Trust (REIT) has seen substantial positive momentum throughout the business.

Financial results

The financial results for the six months ended 30 June 2007 compared with 2006 show underlying profit before tax increasing by 16 per cent to £67 million and adjusted earnings per share increasing by 34 per cent to 18.8p per share. This reflects underlying growth in net rental income and a low tax charge. The growth in the like-for-like net rental income in our core UK regional shopping centre business amounted to 6 per cent.

The Directors propose a 20 per cent increase in the interim dividend from 13.75p to 16.5p. This dividend will be paid entirely as a Property Income Distribution ("PID"). Our intention is that any non-PID element of the year's dividend will be attached to the final dividend. Shareholders who believe they may be entitled to a different withholding tax rate than the standard 22 per cent which is applied to the PID or who may be able to reclaim some of the withholding tax should read carefully the section on Dividends contained within the Interim Report.

Liberty International has always pursued a progressive dividend policy distributing substantially all of the group's recurring income. We have shown consistent growth over a long period from 4.5p in 1985 to 31.0p in 2006. This progressive policy will continue under REIT status but additionally we expect the 2007 dividend to include an extra increase out of the net tax savings from conversion to a REIT.

Our net asset value per share (adjusted, diluted), the standard industry measure, has increased by 6 per cent to 1385p after taking into account the 17.25p final dividend for 2006 paid in the period. This headline figure is equivalent to 1486p per share, adding back £382 million of purchasers' costs deducted from valuations, a matter on which I comment further below.

The valuation surplus for the six month period amounted to £231 million (£156 million for the three months ended 31 March 2007).

UK regional shopping centres held by Capital Shopping Centres ("CSC") increased in value in the six months by 2.6 per cent (1.9 per cent in the three months to 31 March 2007) with a substantial proportion, 40 per cent of the increase, derived from underlying rental growth. Our investment in these prime assets amounted to £6.3 billion at 30 June 2007.

Capital & Counties, our non-UK shopping centre business, has changed substantially over the last 12 months and grown through some significant transactions from £1,057 million of investment properties at 30 June 2006 to £1,808 million at 30 June 2007. We reported a healthy like-for-like valuation surplus on these assets for the six month period of 3.2 per cent in the UK and 3.7 per cent in the US (1.6 per cent and 1.5 per cent respectively for the three months ended 31 March 2007).

Overall equivalent yields, as determined by our valuers for our UK regional shopping centres were 4.77 per cent, effectively the same as 31 March 2007 and six basis points less than the 4.83 per cent used at 31 December 2006 while yields on our UK non-shopping centre business were virtually unchanged at 4.95 per cent (31 December 2006 – 4.96 per cent).

Our financial position is strong with a debt to assets ratio at 30 June 2007 of 36 per cent, £199 million of cash and £405 million of committed bank facilities.

Our borrowings are almost entirely long-term, asset-specific and non-recourse to the group. We have fixed our cost of debt for an average length of time of nearly 10 years with the fixed rates actually reducing over the hedging period. Our underlying revenue results before valuation items are not therefore sensitive to movements in short-term UK interest rates such as any movement in the base rate.

The base rate increased from 5.0 per cent at 31 December 2006 to 5.5 per cent at 30 June 2007. It is currently 5.75 per cent. However, the immediate impact of rising interest rates is in fact substantially positive for our balance sheet. We recorded a valuation surplus on the derivative financial instruments used to fix long-term debt of £251 million for the six months (£109 million for the three months ended 31 March 2007).

Overall, the mark-to-market of our debt and financial instruments at 30 June 2007 would add a further 13p before tax to our adjusted net asset value per share.

Positive business momentum

We have moved decisively to take advantage of our new REIT status which enables us to take asset management decisions without having to take account of tax on capital gains. First, we introduced GIC Real Estate from Singapore, one of the world's leading global real estate investors, as a strategic 40 per cent partner in MetroCentre, Gateshead, for a gross consideration of £426 million. Secondly, we transferred £300 million of Central London properties into a £460 million partnership with Great Portland Estates plc, pooling assets which fitted together logically and realising nearly £70 million of cash from the transaction.

We have progressed our important transformation of Capital & Counties particularly in London where we now have strategic holdings in prime locations.

Our overall development programme amounts to around £900 million of which £600 million is currently committed or with planning approval.

Capital Shopping Centres

The major St David's, Cardiff mixed-use development is now on site, construction has commenced on the third and largest phase of the redevelopment and expansion of Eldon Square, Newcastle and the Westgate, Oxford project is advancing rapidly, having received planning consent in March, with a view to starting on site next year.

Each of these three developments is of the highest quality and has an attractive risk profile, being well-anchored and extending an existing and well-established prime retail location in a leading UK city with robust demand from major retailers. Pre-lettings at both Newcastle and Cardiff are progressing in line with expectations with good demand for well-configured large fashion units.

Occupancy remained at a high level of 98.6 per cent in established UK regional shopping centres, 97.9 per cent overall including recently completed developments (31 December 2006 – 98.6 per cent and 97.7 per cent respectively). In particular Manchester Arndale, where the major 550,000 sq. ft. Northern Extension completed in Autumn 2006, is now 95 per cent committed by rental value (94 per cent at 31 March 2007).

Demand continued to be robust in other use categories such as family dining and during the first six months we have seen several new entrants to our centres. 51 tenancy changes took place in the period adding £3.5 million to annual net rental income (first six months of 2006 – 33 units, £0.6 million uplift).

The remodelled pavilion at Lakeside, renamed The Boardwalk, successfully opened in June comprising 11 restaurants overlooking Alexandra Lake together with a refurbished state of the art Vue Cinema. Initial restaurant trading has been above expectations as customers combine the advantage of longer shopping hours and attractive dining facilities.

Through focussed management of our prime assets we continually strive to offer shoppers the best all round experience – differentiating our product and ensuring we have the shopping and leisure destinations of choice.

As we have often remarked before, CSC's growth in net rental income is more correlated with rent reviews, typically every five years in the UK, than with short-term fluctuations in retail sales. Our rent review programme continues to progress satisfactorily with the bulk of rent reviews from earlier years now settled and some 11 per cent of CSC's income due for review this year.

The retail market continues to be highly competitive. However, the underlying picture in UK retail remains positive, notwithstanding the rising interest rate environment. Non-food retail sales have continued to strengthen in the UK in the first six months with the 12 month rolling annual growth rate increasing from 2.2 per cent at 31 December 2006 to 3.7 per cent at 30 June 2007 (Source: ONS).

Capital & Counties – increasing our central London presence

We are firm believers in the potential for London and its position as the growth engine for the whole UK economy. The foundation of London's prosperity is its world-leading financial services industry but additionally London is reaping substantial benefits from globalisation as its historical, cultural and residential attractions are increasingly appreciated.

Twelve months ago, Capital & Counties held £1,057 million of investment properties of which £397 million were in Central London. The business now has £1,808 million of investment properties of which £926 million are in London's West End.

That total includes £650 million invested in the iconic and historic Covent Garden estate at the heart of London's West End. This destination attracts over 40 million customer visits per annum and we see substantial scope for value adding initiatives to increase dwell time and spend through improving tenant mix and other active asset management opportunities. In the first six months of 2007, we invested around a further £150 million in Covent Garden, in particular acquiring prime retail units in the Royal Opera House block, all but completing our ownership around the historic piazza.

We are committed to elevating the world-renowned Covent Garden to provide a vibrant high quality destination for Londoners and visitors to the capital while nurturing the unique characteristics familiar to residents. Initially we are concentrating on improving the retail mix, diversity of dining, range of entertainment activities, quality of direct estate management and focus of marketing activities. In the medium term, we intend improving the public realm including enhancing access to Covent Garden, celebrating the district's heritage and providing more interesting public spaces. In the longer term, we see opportunities for refurbishing or redeveloping certain properties whilst improving the quality of use of others. We are working closely with stakeholders in Covent Garden and are making good progress with our strategic plan.

Our investment in Central London has been further augmented in the second half of the year through a transaction announced just after the end of the period, the acquisition of a half share in the £375 million Earls Court and Olympia complexes, a globally-recognised landmark London venue.

Capco Covent Garden and Capco London are two of the operating platforms of Capital & Counties formed as part of the company's reorganisation at the beginning of the year. In terms of Capital & Counties' other activities, Capco Urban has won its first major mixed use development project in Canterbury and is actively sourcing other opportunities. Capco Opportunities is making good progress in upgrading its asset mix and Capco USA continues its steady growth in California.

Strengths of Liberty International

The FTSE 350 Real Estate Index dropped 18.5 per cent in the six months ended 30 June 2007, while Liberty International's share price dropped 18 per cent from 1396p to 1145p in the same period, indicating some measure of investor uncertainty surrounding the property industry.

Strategies which may have been attractive to investors in recent years, particularly debt-driven buying on yield considerations and reliance on yield compression for capital appreciation, are less likely to be fruitful in a rising interest rate environment or a more inflationary economic background.

In these changing times, the real strengths of Liberty International are likely to emerge, including our focus, our proven ability to add value through intensive management involvement, our experience of investing through the property cycles and our financial track record. It would be helpful to set out these strengths.

First, we are a highly specialised business focussed on quality retail property, with a very strong market position in UK regional shopping centres, which constitute 78 per cent of our overall investment properties, with retail overall comprising 93 per cent:

- We are the UK's market leader in prime regional shopping centres with 14 major centres including eight of the UK's top 21 centres. We have an attractive mix of out-of-town and city centre assets. We have interests in four of the UK's eight out-of-town super-regional centres with a combined value of £3.1 billion while in-town centres in prime city locations amount to £3.2 billion.
- We have an enviable geographic spread across the UK including major cities such as Manchester, Glasgow, Newcastle, Nottingham and Cardiff as well as a strong presence in the South East of England through four of our major shopping centres, with an aggregate value of £2.4 billion, including our flagship Lakeside, Thurrock.
- The scale of our business and our use of turnover-based rents produces strong retailer relationships. Retailers appreciate that our centres provide first-rate trading locations and have confidence they will continue to be maintained to the highest standards. We encourage retailers to have flagship stores in our centres, displaying their latest formats and continually refreshing their offer to the shopping public.
- Our business has strong inflation-hedging characteristics as in the long run our ability to deliver growth in net rental income is linked to the success of retailers in our centres and the growth in their sales.
- Our pro-active management approach, particularly focussed on constantly upgrading the retail mix, enables our centres to continually improve and attract repeat visits from shoppers. Examples are the Boardwalk restaurant development at Lakeside which opened in June introducing 11 new

restaurants overlooking the lake and substantially enhancing the attraction of the centre late into the evening, while at The Glades, Bromley we are well underway with a project to link major high street units into the centre increasing its overall size.

- We have a strong shopping centre development capability. We have opened major projects in 2004 (the Red Mall extension at MetroCentre), 2005 (Chapelfield, Norwich) and 2006 (Manchester Arndale extension), in each year the largest opening event in the UK regional shopping centre industry. Through our current development programme, we aim to continue the measured expansion of our business.

Secondly, on a relative basis, valuations of prime regional shopping centres continue to be very defensive:

- Prime regional shopping centres are valued on an equivalent yield basis of around 4.75 per cent which is more conservative than other prime asset classes such as high street shops (4.0 per cent), retail parks (3.85 per cent), West End offices (3.50 per cent) and City offices (4.25 per cent) (Source: CB Richard Ellis).
- Prime regional shopping centres are very stable and resilient assets which have provided consistent growth in net rental income and capital appreciation. Their performance has shown substantially less volatility than other major UK real estate asset classes. While in the property market euphoria of the last few years, offices have outperformed retail and secondary retail has outperformed prime, we are confident that the traditional strengths of our assets will soon reassert themselves and deliver long-term outperformance as rising interest rates make life more difficult for debt-driven buyers of assets and owners of inferior properties. Our centres are well let on long leases to a wide spread of tenants and we have consistently maintained high occupancy levels.

Thirdly, shareholders should fully appreciate the basis on which our net asset value is prepared:

- Our balance sheet aggregates our individual assets at market value and ignores important elements of value, such as the considerable management expertise and experience within the group including a strong development capability and the ability to handle large and complex transactions.
- The market values take no account of the additional portfolio value of our assets which have been accumulated over a generation and could not now be assembled individually on any sensible timescale.
- Furthermore, although shareholders buying our shares only pay stamp duty at 0.5 per cent on share transactions, the assumption contained within the valuations is that our assets would be sold individually to purchasers who would pay the full 4 per cent stamp duty land tax applicable to large property transactions and other notional acquisition costs. Adjusting for this factor would increase our net asset value by £382 million, representing 101p per share over and above our published net asset value per share figure of 1385p producing a more realistic number of shareholders of 1486p.

Fourthly, through Capital & Counties, we have an excellent business which complements our regional shopping centre activities, with:

- A substantial Central London presence, through the Great Capital Partnership and our Covent Garden investment.
- An investment of scale in Covent Garden where the extent of our holdings is such that we have a degree of management influence over the area akin to ownership of a large shopping centre.
- A new and energetic management team assembled over the last 12 months which is fully capable of taking on new challenges such as the Earls Court and Olympia investment.
- An international capability, at present mostly through Capital & Counties USA where we have £363 million of predominantly retail assets on the West Coast of the USA and have delivered excellent returns to shareholders.

While our balance sheet shows total property assets of £8.2 billion, assets of the group under control or joint control amounted to £10.8 billion at 30 June 2007, giving a fuller measure of the scale of our business.

Prospects

Prime shopping centres have provided exceptional returns to shareholders over the last 15 years. We continue to have every confidence in the prospects for Liberty International and in our ability to extend the group's successful long-term track record.

Sir Robert Finch
Chairman
26 July 2007

Financial review

Liberty International recorded the following significant corporate transactions in the first half of 2007:

- Formation of a strategic partnership with GIC Real Estate realising £426 million.
- Formation of The Great Capital Partnership, a £460 million joint venture with Great Portland Estates.
- £128 million acquisition of the Royal Opera House retail units in Covent Garden.

Details of these transactions are shown in the paragraph "Transactions in the period" below.

The acquisition of a 50 per cent interest in Earls Court and Olympia Group was announced after the end of the period on 2 July 2007 and has not therefore been reflected in the financial information contained within this report. Details are set out in the paragraph "Post-period transactions" below.

Results for the half year ended 30 June 2007

The Income Statement for the half year shows continuing underlying growth with a 16 per cent increase in underlying profit before tax from £58 million to £67 million, and a 34 per cent increase in adjusted earnings per share reflecting in addition the benefit of tax savings from conversion to REIT status. Like-for-like net rental income in the group's UK regional shopping centres increased by 6.1 per cent (3.8 per cent excluding a one-off £3 million surrender premium). Like-for-like non-shopping centre net rental income fell by 6.5 per cent or £0.8 million in the UK and by 4.7 per cent in the US reflecting planned refurbishment activity, a lease expiry in the UK where the property has been subsequently re-let and a small number of tenant failures. Good progress is being made in securing new tenants or on sales where appropriate.

Gains on revaluation and sale of investment properties amounted to £231 million, including £21 million from disposals, of which £16 million came from the partial disposal of MetroCentre, Gateshead.

Quarterly underlying profit statement

A separate schedule showing the Income Statement for the quarter ended 30 June 2007 together with relevant comparative information is attached at the end of this section of the report.

Valuations

Like-for-like gains on revaluation of investment properties are summarised as follows:

	Six months ended 30 June 2007	Quarter ended 31 March 2007	Year ended 31 December 2006
UK regional shopping centres	+2.6%	+1.9%	+7.9%
UK non-shopping centre properties	+3.2%	+1.6%	+13.9%
USA	+3.7%	+1.5%	+5.8%

The related weighted average nominal equivalent yields were as follows:

	As at 30 June 2007	As at 31 March 2007	As at 31 December 2006
UK regional shopping centres	4.77%	4.78%	4.83%
UK non-shopping centre properties	4.95%	5.00%	4.96%

Of the revaluation gain on UK regional shopping centres, 60 per cent is estimated to have arisen as a result of yield shift and 40 per cent from underlying rental growth.

Net assets per share

Adjusted net assets per share increased from 1327p to 1385p, an increase of 5.7 per cent for the six month period after taking into account the final dividend for 2006 of 17.25p paid in May 2007.

Financial position

The group acquired £236 million of investment properties during the six month period and expenditure on developments and other additions amounted to £71 million. Sales of investment property with a carrying value of £573 million at 31 December 2006 generated a surplus of £21 million for the period. Net debt reduced by £164 million to £2,899 million at 30 June 2007.

The net proceeds of the transactions referred to above, combined with the £335 million of equity capital raised by way of a share placing in November 2006, represent a substantial strengthening of the group's financial position. Liberty International's financial ratios, including a debt to assets ratio of 36 per cent (31 December 2006 – 36 per cent), remain robust.

Fair value of debt and financial instruments

Long-term interest rates continued to rise during the period, with the 10 year UK interest rate swap, a reasonable proxy for our fixed rate hedging strategy, rising from 5.11 per cent at 31 December 2006 to 5.92 per cent at 30 June 2007. We recorded a surplus of £251 million on revaluation of the derivative financial instruments used to fix our long-term debt (31 March 2007 – £109 million).

The potential adjustment to net assets per share (diluted, adjusted) arising from the fair value of the group's debt and financial instruments in recent years is shown below:

	10 year £ swap %	Fair value adjustment (before tax) £m	Fair value adjustment (before tax) pence per share
31 December 2005	4.51%	(417.4)	(119)p
31 December 2006	5.11%	(240.2)	(64)p
31 March 2007	5.35%	(121.6)	(32)p
30 June 2007	5.92%	47.1	13p

The group's net borrowings at 30 June 2007 amounted to £2,899 million with £549 million of fixed rate debt and the remainder largely fixed by way of derivative financial instruments. The structure of the group's hedging instruments means that on the fixed element of our borrowings the group has a declining interest rate profile (see table below).

Interest rate swap summary

Effective after	Notional amount £m	Average rate %
1 Year	2,642	5.31
5 Years	2,818	5.10
10 Years	2,350	4.68
15 Years	2,025	4.57
20 Years	2,025	4.57
25 Years	1,550	4.38

Share buy-backs

Liberty International has shareholder approval to buy-back on-market up to 10 per cent of its shares. Although the current share price is a discount to published net asset value, we would expect only to use the buy-back power very selectively given the scale of our development programme and the long-term time horizon required to bring major shopping centre projects to fruition.

Transactions in the period

Strategic partnership with GIC Real Estate realising £426 million. Our wholly owned subsidiary, Capital Shopping Centres ("CSC"), entered into an agreement with GIC Real Estate ("GIC RE") for GIC RE to acquire a 40 per cent share in CSC's interest in the MetroCentre, Gateshead for a gross consideration of £426 million. GIC RE is the real estate investment arm of the Government of Singapore Investment Corporation and one of the world's leading global real estate investors. CSC continues to manage the MetroCentre. The transaction, which completed during the second quarter, releases capital to enable Liberty International to continue to expand its overall business.

Formation of a £460 million central London joint venture with Great Portland Estates. Our wholly owned subsidiary, Capital & Counties, announced the formation of The Great Capital Partnership, a 50:50 joint venture with Great Portland Estates plc ("GPE"), to own, manage and develop a number of Central London properties and to broaden both parties' exposure in Central London. The Great Capital Partnership had a starting value of around £460 million, with Capital & Counties contributing £299 million of investment properties and GPE contributing £162 million and making a balancing payment of £68 million in cash to Capital & Counties. The transaction completed during the second quarter. GPE is responsible for day-to-day asset management of the partnership properties. This relationship with GPE will enable us to increase our involvement in London in partnership with a first-class team.

£128 million acquisition of the Royal Opera House retail units in Covent Garden. In the first quarter Capital & Counties acquired the retail element of the Royal Opera House block in London's Covent Garden for £128 million increasing the aggregate value of our interests in Covent Garden, together with other acquisitions in the period, to £650 million. This purchase is of strategic importance to our long-term plans for Covent Garden. The retail units in the Royal Opera House block are amongst the most prime in Covent Garden and the acquisition expands our ownership to encompass the northern side of the Market and James Street which serves as the "front door" to the Covent Garden Market itself.

Post-period transactions

Acquisition of a 50 per cent interest in EC&O Venues (Earls Court and Olympia Group) Capital & Counties has acquired a 50 per cent interest in EC&O for a sum that values the assets at approximately £375–380 million. The consideration for the 50 per cent interest is approximately £54 million taking into account all assets, debt and other liabilities of the business. The partnership will own and manage Earls Court and Olympia Exhibition Centres in West London and the Brewery, Chiswell Street, London EC2, with the aim of establishing the venues as landmark leisure destinations, centred around the core businesses of exhibitions, conferences and special events whilst exploring opportunities to intensify use. The interest in EC&O is expected to be accounted for as a subsidiary in the group accounts with the results, assets and liabilities fully consolidated in the group's accounts.

Development programme

Details of the principal development projects underway or with planning permission are set out in the table below:

Development	Status	Cost to complete
Eldon Square, Newcastle (60% interest)		£80m
Phase one – restaurants and 22,000 sq. ft. retail.	Completed in October 2006.	
Phase two – bus station and 48,000 sq. ft. retail.	Bus station completed February 2007. Retail on site; expected opening Spring 2008.	
Phase three – 410,000 sq. ft. retail extension including 175,000 sq. ft. Debenhams department store.	On site July 2007. Expected opening Spring 2010.	
St David's, Cardiff 967,500 sq. ft. extension. Joint venture with Land Securities Group PLC.	On site. Expected opening Autumn 2009.	£191m
Westgate Centre, Oxford 750,000 sq. ft. refurbishment and extension. Joint venture with LaSalle Investment Management.	Detailed planning permission granted March 2007. CPO inquiry date awaited. Expected start on site 2008. Expected opening 2011.	£156m
Other developments – CSC		£58m
Other developments – Capital & Counties		£115m
Total developments underway or with planning consent		£600m

Underlying profit statement (unaudited)

	Quarter ended 30 June 2007 £m	Quarter ended 31 March 2007 £m	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m
UK shopping centres	64.1	71.8	135.9	129.5
Other commercial properties	18.2	19.5	37.7	32.2
Net rental income	82.3	91.3	173.6	161.7
Other income/(expense)	(0.1)	0.4	0.3	(0.4)
	82.2	91.7	173.9	161.3
Administration expenses	(9.6)	(7.4)	(17.0)	(15.2)
Operating profit (underlying)*	72.6	84.3	156.9	146.1
Interest payable	(43.2)	(49.7)	(92.9)	(90.7)
Interest receivable	2.1	1.3	3.4	2.9
Net finance costs (underlying)	(41.1)	(48.4)	(89.5)	(87.8)
Profit before tax (underlying)*	31.5	35.9	67.4	58.3
Tax on profit (underlying)	0.6	(0.5)	0.1	(12.1)
Profit for the period (underlying)*	32.1	35.4	67.5	46.2
Adjusted earnings per share	9.0p	9.8p	18.8p	14.0p
Profit before tax (underlying)*	31.5	35.9	67.4	58.3
Property trading profits	0.7	–	0.7	0.7
Gains on revaluation and sale of investment properties	74.5	156.3	230.8	258.0
Movement in fair value of derivative financial instruments	142.0	109.2	251.2	175.5
Exceptional finance costs	6.4	(8.3)	(1.9)	(2.0)
Profit before tax	255.1	293.1	548.2	490.5
Tax	(28.3)	(20.4)	(48.7)	(138.4)
Profit for the period attributable to equity shareholders	226.8	272.7	499.5	352.1

*before property trading, valuation and exceptional items

Independent review report to Liberty International PLC

Introduction
We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the consolidated interim balance sheet as at 30 June 2007 and the related consolidated interim statements of income, cash flows and statement of recognised income and expense for the six months then ended and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities
The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the basis set out in note 1.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

PricewaterhouseCoopers LLP
Chartered Accountants
London

26 July 2007

Notes:
(a) The maintenance and integrity of the Liberty International PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

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

Consolidated income statement (unaudited)
For the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Revenue	2	262.4	246.8	562.8
Rental income		254.9	244.2	493.1
Rental expenses		(81.3)	(82.5)	(152.5)
Net rental income	2	173.6	161.7	340.6
Other income		1.0	0.3	34.8
Gain on revaluation and sale of investment and development properties	3	230.8	258.0	586.5
		405.4	420.0	961.9
Administration expenses		(17.0)	(15.2)	(34.2)
Operating profit		388.4	404.8	927.7
Interest payable	4	(92.9)	(90.7)	(190.0)
Interest receivable		3.4	2.9	3.9
Exceptional finance costs	4	(1.9)	(2.0)	(2.0)
Change in fair value of derivative financial instruments		251.2	175.5	163.5
Net finance costs		159.8	85.7	(24.6)
Profit before tax		548.2	490.5	903.1
Taxation	5	(48.7)	(138.4)	661.0
Profit for the period attributable to equity shareholders		499.5	352.1	1,564.1
Ordinary dividends – paid and proposed		59.7	46.3	108.7
– pence per share		16.5p	13.75p	31.0p
Basic earnings per share	13	138.0p	104.7p	462.1p
Diluted earnings per share	13	133.0p	101.0p	444.0p

Adjusted earnings per share are shown in note 13.

Consolidated balance sheet (unaudited)
As at 30 June 2007

	Notes	As at 30 June 2007 £m	As at 31 December 2006 £m	As at 30 June 2006 £m
Non-current assets				
Investment and development properties	7	8,124.8	8,187.1	7,125.1
Plant and equipment		0.9	0.9	0.7
Investments		23.5	–	–
Trade and other receivables	9	221.6	81.4	61.0
		8,370.8	8,269.4	7,186.8
Current assets				
Trading properties	8	46.8	45.2	146.4
Trade and other receivables	9	128.8	113.8	70.7
Investments		–	–	14.0
Cash and cash equivalents		199.4	321.8	117.7
		375.0	480.8	348.8
Total assets		8,745.8	8,750.2	7,535.6
Current liabilities				
Trade and other payables		(263.4)	(319.5)	(186.4)
Tax liabilities		(1.4)	(2.1)	(17.1)
Borrowings, including finance leases	10	(167.9)	(43.5)	(64.8)
Derivative financial instruments		(5.5)	(4.6)	(13.1)
		(438.2)	(369.7)	(281.4)
Non-current liabilities				
Borrowings, including finance leases	10	(2,930.7)	(3,341.3)	(2,911.7)
Derivative financial instruments		(7.6)	(128.9)	(94.2)
Deferred tax provision	5	(85.0)	(40.8)	(981.1)
Other provisions		(4.8)	(4.9)	(7.7)
Other payables		(108.3)	(132.2)	(10.5)
		(3,136.4)	(3,648.1)	(4,005.2)
Total liabilities		(3,574.6)	(4,017.8)	(4,286.6)
Net assets		5,171.2	4,732.4	3,249.0
Equity				
Called up share capital and reserves	14	5,171.2	4,732.4	3,249.0

Consolidated statement of recognised income and expense (unaudited)

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Profit for the period	499.5	352.1	1,564.1
Actuarial gains on defined benefit pension schemes	–	–	0.7
Surplus on revaluation of development properties	–	17.0	–
Tax on items taken directly to equity	–	(5.1)	(4.9)
Net exchange translation differences and other movements	(0.4)	(2.2)	(4.6)
Total recognised income and expense for the period	499.1	361.8	1,555.3

A summary of changes in group equity is shown in note 14.

Consolidated statement of cash flows (unaudited)

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Cash flows from operating activities			
Operating profit	388.4	404.8	927.7
Adjustments for non-cash items:			
Unrealised net revaluation gains on investment properties	(209.7)	(234.6)	(558.5)
Unrealised gains on transfer of trading properties	–	–	(33.1)
Profit on sale of investment properties	(21.1)	(23.4)	(28.0)
Depreciation and amortisation	–	0.2	0.2
Amortisation of lease incentives and other direct costs	1.5	(0.1)	10.3
Cash flows from operations before changes in working capital	159.1	146.9	318.6
Change in trade and other receivables	(22.3)	5.5	(10.9)
Change in trading properties	(14.5)	8.4	9.7
Change in current asset investments	(23.5)	(11.0)	3.0
Change in trade and other payables	(74.0)	4.7	(0.5)
Cash generated from operations	24.8	154.5	319.9
Interest paid	(81.5)	(113.7)	(198.6)
Interest received	3.6	1.9	2.9
Tax paid	–	(8.4)	(6.6)
Cash flows from operating activities	(53.1)	34.3	117.6
Cash flows from investing activities			
Purchase and development of properties	(229.3)	(66.1)	(653.9)
Sale of property	287.3	126.0	127.3
Cash flows from investing activities	58.0	59.9	(526.6)
Cash flows from financing activities			
Issue and repurchase of shares	2.1	5.3	341.4
Borrowings drawn	130.0	471.0	902.0
Borrowings repaid	(197.0)	(472.4)	(486.0)
Equity dividends paid	(62.4)	(51.2)	(97.4)
Cash flows from financing activities	(127.3)	(47.3)	660.0
Net (decrease)/increase in cash and cash equivalents	(122.4)	46.9	251.0
Cash and cash equivalents at 1 January	321.8	70.8	70.8
Cash and cash equivalents at closing	199.4	117.7	321.8

Notes to the accounts (unaudited)

1 Basis of preparation

The Interim Report is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for 2006, which were prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union ("IFRS"), and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified and did not contain a statement made under Section 237(2) or Section 237(3) of the Companies Act 1985.

The financial information comprises the consolidated balance sheets as at 30 June 2007, 30 June 2006 and 31 December 2006 and related consolidated statements of income, cash flow and recognised income and expense and the related notes for the periods then ended hereinafter referred to as "financial information".

The financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority and the principal accounting policies set out on pages 42 and 43 of the Annual Report 2006 dated 28 February 2007 which is available on the company's website (www.liberty-international.co.uk). It has been prepared under the historical cost convention as modified by the revaluation of properties, available for sale investments and financial assets and liabilities held for trading.

2 Segmental analysis

	Six months ended 30 June 2007			
	UK shopping centres £m	Other commercial properties £m	Other activities £m	Group total £m
Revenue	199.8	62.4	0.2	262.4
Rental income	199.8	55.1	–	254.9
Rental expense	(63.9)	(17.4)	–	(81.3)
Net rental income	135.9	37.7	–	173.6
Property trading profits	–	0.7	–	0.7
Other income	–	0.1	0.2	0.3
Gain on revaluation and sale of investment and development properties	165.9	64.9	–	230.8
Segment result	301.8	103.4	0.2	405.4

	Six months ended 30 June 2006			
	UK shopping centres £m	Other commercial properties £m	Other activities £m	Group total £m
Revenue	200.4	46.4	–	246.8
Rental income	199.3	44.9	–	244.2
Rental expense	(69.8)	(12.7)	–	(82.5)
Net rental income	129.5	32.2	–	161.7
Property trading profits	0.3	0.4	–	0.7
Other income	–	0.2	(0.6)	(0.4)
Gain on revaluation and sale of investment and development properties	163.5	94.5	–	258.0
Segment result	293.3	127.3	(0.6)	420.0

Notes to the accounts (continued)

2 Segmental analysis continued

	Year ended 31 December 2006			
	UK shopping centres £m	Other commercial properties £m	Other activities £m	Group total £m
Revenue	421.1	139.2	2.5	562.8
Rental income	387.9	105.2	–	493.1
Rental expense	(115.9)	(36.6)	–	(152.5)
Net rental income	272.0	68.6	–	340.6
Property trading (losses)/profits	(0.8)	32.6	1.0	32.8
Other income	–	0.5	1.5	2.0
Gain on revaluation and sale of investment and development properties	470.7	115.8	–	586.5
Segment result	741.9	217.5	2.5	961.9

3 Gain on revaluation and sale of investment and development properties

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Gain on revaluation of investment and development properties	209.7	234.6	558.5
Gain on sale of investment properties	21.1	23.4	28.0
Income statement gain on revaluation and sale of investment and development properties	230.8	258.0	586.5

4 Finance costs

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Gross interest payable – recurring	99.4	95.2	198.6
Interest capitalised on developments	(6.5)	(4.5)	(8.6)
Interest payable	92.9	90.7	190.0
Issue costs written off on redemption of loans	1.9	2.0	2.0
Exceptional finance costs	1.9	2.0	2.0

Notes to the accounts (continued)

5 Taxation

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Current tax on profits excluding exceptional items and property disposals	0.9	17.3	29.6
Deferred tax:			
On investment and development properties	2.9	72.5	(848.1)
On derivative financial instruments	44.1	53.0	51.2
On other temporary differences	(1.0)	(5.2)	(17.6)
Deferred tax on profits excluding exceptional items and property disposals	46.0	120.3	(814.5)
Tax on profits excluding exceptional items and property disposals	46.9	137.6	(784.9)
REIT entry charge	1.8	–	154.3
Exceptional current tax	–	–	(32.2)
Tax on exceptional items and property disposals:			
– current tax	–	0.8	1.8
Exceptional tax and tax on exceptional items and property disposals	–	0.8	(30.4)
Taxation	48.7	138.4	(661.0)

Under IAS 12 (Income Taxes), provision is made for the deferred tax liability associated with the revaluation of investment properties at the corporate tax rate expected to apply to the group at the time of use. For those properties qualifying as REIT properties the relevant tax rate will be 0 per cent, for other UK properties the relevant tax rate will be 28 per cent (following the substantial enactment on 26 June 2007 of tax law to reduce the UK corporation tax rate from 30 per cent to 28 per cent) and for overseas properties the relevant tax rate will be the prevailing corporate tax rate in that country.

The deferred tax provision on the revaluation of investment properties calculated under IAS 12 is £33.8 million at 30 June 2007 (31 December 2006 – £32.1 million, 30 June 2006 – £893.5 million). This IAS 12 calculation does not reflect the expected amount of tax that would be payable if the assets were sold. The group estimates that calculated on a disposal basis the liability is £52.9 million at 30 June 2007 (31 December 2006 – £49.1 million, 30 June 2006 – £671.4 million). If upon sale the group retained all the capital allowances, which is within the control of the group, the deferred tax provision in respect of capital allowances of £31.2 million may also be released, and further capital allowances of £25.1 million may be available to reduce the amount of tax payable on sale.

Where gains such as revaluation of development properties and other assets and actuarial movements on pension funds are dealt with in reserves, any deferred tax is also dealt with in reserves.

Movements in the provision for deferred tax

	As at 31 December 2006 £m	Recognised in income £m	Recognised in equity £m	As at 30 June 2007 £m
Revaluation of investment and development properties	32.1	2.2	(0.5)	33.8
Capital allowances	31.8	0.7	(1.3)	31.2
Derivative financial instruments	(32.2)	44.1	–	11.9
Other temporary differences	9.1	(1.0)	–	8.1
Net deferred tax provision	40.8	46.0	(1.8)	85.0

Notes to the accounts (continued)

6 Dividends

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Ordinary shares			
Prior period final dividend paid of 17.25p per share (2006 – 15.25p)	62.4	51.1	51.1
Interim dividend paid of 13.75p per share	–	–	46.3
Dividends paid	62.4	51.1	97.4
Proposed dividend of 16.5p per share (30 June 2006 – 13.75p, 31 December 2006 – 17.25p)	59.7	46.3	62.4

7 Investment and development properties

	UK shopping centres £m	Other commercial properties £m	Total £m
At 31 December 2006	6,542.8	1,644.3	8,187.1
Additions	54.7	252.5	307.2
Disposals	(419.1)	(154.1)	(573.2)
Foreign exchange fluctuations	–	(6.0)	(6.0)
Surplus on valuation	145.2	64.5	209.7
At 30 June 2007	6,323.6	1,801.2	8,124.8

The group's interests in investment and development properties were valued as at 30 June 2007 and 31 December 2006 by independent external valuers in accordance with the Appraisal and Valuation Manual of RICS, on the basis of market value. Market value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller.

	As at 30 June 2007 £m	As at 31 December 2006 £m	As at 30 June 2006 £m
Balance sheet carrying value of investment and development properties	8,124.8	8,187.1	7,125.1
Adjustment in respect of head leases and incentives	22.6	18.9	1.2
Market value of investment and development properties	8,147.4	8,206.0	7,126.3

8 Trading properties

The estimated replacement cost of trading properties based on market value amounted to £51.0 million (31 December 2006 – £49.9 million, 30 June 2006 – £188.8 million).

Notes to the accounts (continued)

9 Trade and other receivables

	As at 30 June 2007 £m	As at 31 December 2006 £m	As at 30 June 2006 £m
Amounts falling due within one year:			
Rents receivable	23.7	26.1	18.1
Derivative financial instruments	7.4	7.0	2.7
Other receivables	49.7	42.3	10.7
Prepayments and accrued income	48.0	38.4	39.2
	128.8	113.8	70.7
Amounts falling due after more than one year:			
Derivative financial instruments	153.0	14.0	–
Other receivables	12.5	12.2	12.6
Prepayments and accrued income	56.1	55.2	48.4
	221.6	81.4	61.0

10 Borrowings, including finance leases

	As at 30 June 2007 £m	As at 31 December 2006 £m	As at 30 June 2006 £m
Amounts falling due within one year:			
Secured borrowings			
Bank loans and overdrafts	139.6	12.9	36.3
Commercial mortgage backed securities (“CMBS”) notes	21.7	24.2	21.8
Finance lease obligations	6.6	6.4	6.7
Amounts falling due within one year	167.9	43.5	64.8
Amounts falling due after more than one year:			
Secured borrowings – non recourse			
CMBS notes 2015	911.4	1,124.1	1,133.3
CMBS notes 2011	637.4	639.7	544.9
Bank loans 2016	511.0	512.9	460.1
Bank loan 2014	–	175.6	177.3
Bank loans 2013	251.1	251.0	–
	2,310.9	2,703.3	2,315.6
Other secured borrowings			
Debentures 2027 (30 June 2006–2021 and 2027)	225.9	225.8	230.0
Other loans	180.9	189.5	144.3
	2,717.7	3,118.6	2,689.9
Unsecured borrowings			
CSC bonds 2013	26.6	26.5	26.6
CSC bonds 2009	31.2	41.3	41.2
	2,775.5	3,186.4	2,757.7
£111.3 million 3.95% convertible bonds due 2010	110.4	108.7	107.0
Finance lease obligations	44.8	46.2	47.0
Amounts falling due after more than one year	2,930.7	3,341.3	2,911.7
Total borrowings, including finance leases	3,098.6	3,384.8	2,976.5
Cash and cash equivalents	(199.4)	(321.8)	(117.7)
Net borrowings	2,899.2	3,063.0	2,858.8

Notes to the accounts (continued)

11 Fair values of financial instruments

	As at 30 June 2007		As at 31 December 2006		As at 30 June 2006	
	Balance sheet value £m	Fair value £m	Balance sheet value £m	Fair value £m	Balance sheet value £m	Fair value £m
Debentures and other fixed rate loans						
Sterling						
C&C 5.562% debenture 2027	225.9	327.5	225.8	348.8	–	–
C&C 9.875% debenture 2027	–	–	–	–	150.0	225.2
C&C 11.25% debenture 2021	–	–	–	–	80.0	124.1
CSC 6.875% unsecured bonds 2013	26.6	26.6	26.5	25.4	26.6	25.0
CSC 5.75% unsecured bonds 2009	31.2	31.7	41.3	42.0	41.2	41.2
US dollars						
Fixed rate loans	155.3	153.4	164.0	169.1	147.1	145.6
	439.0	539.2	457.6	585.3	444.9	561.1
Floating rate and other loans	2,549.2	2,549.2	2,818.5	2,818.5	2,424.6	2,424.6
	2,988.2	3,088.4	3,276.1	3,403.8	2,869.5	2,985.7
Convertible bonds – fixed rate	110.4	160.3	108.7	195.4	107.0	150.9
Total borrowings	3,098.6	3,248.7	3,384.8	3,599.2	2,976.5	3,136.6

All other financial assets and liabilities included in the balance sheet are stated at fair values.

Derivative financial instruments

	As at 30 June 2007 £m	As at 31 December 2006 £m	As at 30 June 2006 £m
Non current assets (note 9)	153.0	14.0	–
Current assets (note 9)	7.4	7.0	2.7
Current liabilities	(5.5)	(4.6)	(13.1)
Non-current liabilities	(7.6)	(128.9)	(94.2)
	147.3	(112.5)	(104.6)

Interest rate swaps

	Notional principal		Average contracted rate	
	30 June 2007 £m	31 December 2006 £m	30 June 2007 %	31 December 2006 %
Effective after:				
1 year	2,642	3,055	5.31	5.31
5 years	2,818	3,153	5.10	5.16
10 years	2,350	2,075	4.68	4.75
15 years	2,025	1,750	4.57	4.63
20 years	2,025	1,750	4.57	4.63
25 years	1,550	1,275	4.38	4.43

Notes to the accounts (continued)

12 Capital commitments

At 30 June 2007, the group was contractually committed to £354.0 million of future expenditure for the purchase, construction, development and enhancement of investment property (31 December 2006 – £127.0 million, 30 June 2006 – £51.0 million).

13 Per share details

(a) Earnings per share

	Six months ended 30 June 2007 Number millions	Six months ended 30 June 2006 Number millions	Year ended 31 December 2006 Number millions
Weighted average ordinary shares in issue for calculation of basic earnings per share	361.9	336.2	338.5
Weighted average ordinary shares to be issued on conversion of bonds and under employee incentive arrangements	14.8	15.1	15.0
Weighted average ordinary shares in issue for calculation of diluted earnings per share	376.7	351.3	353.5

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Earnings used for calculation of basic earnings per share	499.5	352.1	1,564.1
Reduction in interest charge from conversion of bonds, net of tax	2.8	2.6	5.3
Earnings used for calculation of diluted earnings per share	502.3	354.7	1,569.4
Basic earnings per share (pence)	138.0p	104.7p	462.1p
Diluted earnings per share (pence)	133.0p	101.0p	444.0p
Earnings used for calculation of basic earnings per share	499.5	352.1	1,564.1
Add back exceptional finance costs	1.9	2.0	2.0
Add back REIT entry charge	1.8	–	154.3
Add back/(less) other exceptional tax	–	0.8	(30.4)
Less gain on revaluation and sale of investment and development properties	(230.8)	(258.0)	(586.5)
Less fair value movement on derivative financial instruments	(251.2)	(175.5)	(163.5)
Add back/(less) deferred tax in respect of investment and development properties	2.2	71.4	(787.2)
Add back deferred tax in respect of derivative financial instruments	44.1	53.0	51.2
Add back/(less) deferred tax on capital allowances	0.7	1.1	(60.9)
Less gain on transfer of trading property to investment properties, net of tax	–	–	(28.5)
Earnings used for calculation of adjusted earnings per share	68.2	46.9	114.6
Adjusted earnings per share (pence)	18.8p	14.0p	33.9p
Earnings used for calculation of adjusted earnings per share	68.2	46.9	114.6
Reduction in interest charge from conversion of bonds, net of tax	2.8	2.6	5.3
Earnings used for calculation of adjusted, diluted earnings per share	71.0	49.5	119.9
Adjusted, diluted earnings per share (pence)	18.8p	14.1p	33.9p

Notes to the accounts (continued)

13 Per share details continued

(b) Net assets

	As at 30 June 2007 £m	As at 31 December 2006 £m	As at 30 June 2006 £m
Basic net asset value	5,171.2	4,732.4	3,249.0
Fair value of derivative financial instruments (net of tax)	(135.4)	80.4	75.1
Deferred tax on revaluation surpluses	33.8	32.1	893.5
Deferred tax on capital allowances	31.2	31.8	96.7
Unrecognised surplus on trading properties (net of tax)	3.2	4.7	29.7
	5,104.0	4,881.4	4,344.0
Effect of dilution:			
On conversion of bonds	110.4	108.7	107.0
On exercise of options	11.8	12.3	14.0
Diluted, adjusted net asset value	5,226.2	5,002.4	4,465.0

(c) Shares in issue

	As at 30 June 2007 Number millions	As at 31 December 2006 Number millions	As at 30 June 2006 Number millions
Shares in issue, excluding those held by ESOP trust and treated as cancelled	362.0	361.7	336.4
Effect of dilution:			
On conversion of bonds	13.9	13.9	13.9
On exercise of options	1.4	1.5	1.9
Diluted shares in issue	377.3	377.1	352.2

(d) Convertible debt

3.95 per cent convertible bonds due 2010

At 30 June 2007, 31 December 2006 and 30 June 2006 3.95 per cent convertible bonds with a nominal value of £111.3 million were in issue.

The holders of the 3.95 per cent bonds have the option to convert their bonds into ordinary shares at any time on or up to 23 September 2010 at 800p per ordinary share. The 3.95 per cent bonds may be redeemed at par at the company's option after 14 October 2008.

14 Summary of changes in equity

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Opening shareholders' equity	4,732.4	2,933.1	2,933.1
Issue of shares	2.6	6.2	342.4
Cancellation of shares	(0.5)	(0.9)	(1.0)
	4,734.5	2,938.4	3,274.5
Total recognised income and expense for the period	499.1	361.8	1,555.3
	5,233.6	3,300.2	4,829.8
Dividends paid	(62.4)	(0.9)	(97.4)
Closing shareholders' equity	5,171.2	3,249.0	4,732.4

Shareholder information

Registrars
All enquiries concerning shares or shareholdings, including notification of change of address, queries regarding loss of a share certificate and dividend payments should be addressed to:

For shareholders registered in the UK:
Capita Registrars
The Registry, 34 Beckenham Road
Beckenham, Kent BR3 4TU
Telephone 0870 162 3100 (within UK)
+44 20 8639 2157 (outside UK)
Facsimile 020 8639 2342
Email: ssd@capitaregistrars.com
For UK shareholders with hearing difficulties:
telephone 0800 500 888
www.capitaregistrars.com

For shareholders registered in South Africa:
Computershare Investor Services 2004 (Pty) Ltd
70 Marshall Street, Johannesburg 2001
South Africa
Postal address:
PO Box 61051
Marshalltown 2107, South Africa
Telephone +27 11 370 5000
Facsimile +27 11 688 5216
www.computershare.com

For shareholders holding
American Depositary Receipts:
The Bank of New York
Investor Services
PO Box 11258
Church Street Station
New York, NY 10286-1258
Freephone number within USA:
1-888-BNY-ADRS (1-888-269-2377)
Telephone number outside USA:
+1-610-382-7836
Email: shareowners@bankofny.com
http://www.stockbny.com

Payment of dividends
Shareholders who wish to have their dividends paid directly into a bank or building society account should complete a mandate form available from the appropriate registrars.

Share price information
The latest information on the Liberty International PLC share price is available on the website www.liberty-international.co.uk

Web-based enquiry service for shareholders
Found at www.capitaregistrars.com, shareholders registered in the UK can use this service to obtain details of their shareholdings and dividends. The shareholder's surname, Investor Code (found on any correspondence from registrars) and postcode are required to use this service. Shareholders may also use this service to amend or change their address and dividend mandate details.

Share dealing
Existing UK shareholders may trade Liberty International PLC shares through Capita Share Dealing Services who provide an easy to use, real-time online, telephone and postal dealing service. www.capitadeal.com telephone: 0870 458 4577.

Electronic communication
Shareholders' consent to send or supply communications to shareholders via the company's website was received at the Annual General Meeting in April 2007. The company will now be supplying information such as the Annual and Interim Report via the website to shareholders who have consented to such communication. Shareholders will be notified by email or post when new information is available on the website.

Shareholders can at any time revoke a previous instruction in order to receive hard copies of shareholder information.

UK shareholders may register to receive communications electronically by logging on to the website of the UK Registrars (www.capitaregistrars.com) and following the instructions given to register an email address. Once registered, shareholders are sent a "Notice of Availability" email highlighting that the Annual Report, Interim Report or Notice is available for viewing on the website.

Management structure and advisers

Liberty International PLC

Sir Donald Gordon, President for Life

Chairman and Executive Directors
Sir Robert Finch, Chairman
David Fischel, Chief Executive
Aidan Smith, Finance Director
Richard Cable
Kay Chaldecott
Ian Hawksworth

Non-executive Directors
John Abel
Robin Buchanan
Patrick Burgess
Graeme Gordon (Alternate – Richard Gordon)
Ian Henderson
Lesley James
Michael Rapp
Rob Rowley
Neil Sachdev

Company Secretary
Susan Folger

General Corporate Counsel
Hugh Ford

Registered Office
40 Broadway, London SW1H 0BT
Telephone 020 7960 1200
Facsimile 020 7960 1333

Registered Number
3685527

Website
www.liberty-international.co.uk

Property Companies

Capital Shopping Centres

Kay Chaldecott, Managing Director
Peter Badcock, Director
Richard Cable, Development Director
Martin Ellis, Construction Director
Caroline Kirby, Asset Management Director

40 Broadway, London SW1H 0BU
Telephone 020 7887 4220
Facsimile 020 7887 4225
www.capital-shopping-centres.co.uk

Group Managers

Property Management
Jonathan Ainsley, Martin Breeden,
Kate Grant, Philip Wardle
Centre Management
Bob Tingle
Development & Construction
Rosemary Coles, Robert Danks,
Charles Forrester, Gavin Mitchell
Leasing
Julie Lawrence

General Managers

Braehead, Renfrew, Glasgow

www.braehead.co.uk
Peter Beagley 0141 885 1441

Chapelfield, Norwich

www.chapelfield.co.uk
Steve Bunce 01603 753340

The Chimes, Uxbridge

www.thechimes.uk.com
Tony Dunn 01895 819400

Eldon Square, Newcastle upon Tyne

www.eldon-square.co.uk
Tim Lamb 0191 261 1891

The Glades, Bromley

www.theglades.uk.com
Howard Oldstein 020 8313 9292

The Harlequin, Watford

www.theharlequin.uk.com
Michael Stevens 01923 250292

Lakeside, Thurrock

www.lakeside.uk.com
Steve Chandler 01708 860087

The Mall at Cribbs Causeway, Bristol

www.mallcribbs.com
Jonathan Edwards 0117 915 5555

Manchester Arndale

www.manchesterarndale.com
Glen Barkworth 0161 833 9851

MetroCentre, Gateshead

www.metrocentre.uk.com
Barry Turnbull 0191 493 0200

The Potteries, Stoke-on-Trent

www.potteries.uk.com
Paul Lancaster 01782 289822

St David's Centre, Cardiff

www.stdavidsshopping.co.uk
Steven Madeley 029 2039 6041

The Victoria Centre, Nottingham

www.victoriacentre.uk.com
Paul Francis 0115 912 1111

Capital & Counties

Ian Hawksworth, Managing Director
Bill Black, Executive Director
Gary Marcuccilli, Executive Director
Gary Yardley, Chief Investment Officer

40 Broadway, London SW1H 0BU
Telephone 020 7887 7000
Facsimile 020 7887 0000
www.capitalandcounties.com

Business Units

Andrew Hicks, Capco Covent Garden
Mark Imms, Capco Urban
Gary Marcuccilli, Capco Central London
Bill Black, Capco Opportunities
Caroline Vincent, Real Estate Services
Rob Mathieson, Development

Capital & Counties U.S.A. Inc.

Turner Newton, President
100 The Embarcadero, Suite 200
San Francisco, California, CA 94105 USA
Telephone 001 415 421 5100
Facsimile 001 415 421 6021

Group Treasury and Accounting

Mark Kildea, Treasurer
Kate Bowyer, Group Financial Controller
Simon Atchley, Chief Accountant

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors

Solicitors

Linklaters

Glossary

Earnings per share (adjusted)
Earnings per share adjusted for valuation and exceptional items and their tax effect, in accordance with UK property industry practice (for calculation, see note 13).

ERV (Estimated Rental Value)
The external valuers' estimates of the group's share of the current annual market rent of all lettable space.

Like-for-like income
The category of investment properties which have been owned throughout both periods without significant capital expenditure in either period, so both income and capital can be compared on a like-for-like basis.

Like-for-like capital
The category of investment properties which includes like-for-like income properties, plus those which have been owned throughout the current period but not the whole of the prior period, without significant capital expenditure in the current period, so capital values but not income can be compared on a like-for-like basis.

Net assets (diluted, adjusted)
Net assets adjusted for deferred tax in respect of revaluation surpluses and capital allowances, fair value movements on interest rate hedges, and valuation surpluses on trading properties net of tax, in accordance with UK property industry practice (for calculation, see note 13).

Net rental income
The group's share of net rents receivable as shown in the Income Statement.

Nominal equivalent yield
Effective annual yield to a purchaser from the assets individually at market value after taking account of notional acquisition costs but assuming rent is receivable annually in arrears rather than reflecting the actual rental cash flows.

Passing rent
The group's share of 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 incentives, the reclassification of certain lease payments as finance charges or any irrecoverable costs and expenses, and does not include excess turnover rent, additional rent in respect of unsettled rent reviews or sundry income such as from car parks etc.

Total return
Percentage increase in net assets per share (diluted, adjusted) after adding back dividends and, to December 2006, the REIT conversion charge.

Designed and produced by Radley Yeldar (London)

The company's website, which contains further information, is available at www.liberty-international.co.uk