

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your CSDP, stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended (the "FSMA") if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.**

If you have sold or otherwise transferred all of your existing ordinary shares in Capital & Counties Properties PLC (the "**Company**" or "**Capco**", and together with its subsidiary and group undertakings, the "**Capco Group**"), please send this document as soon as possible to the purchaser or transferee, or to the CSDP, stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, these documents should not be forwarded, distributed or transmitted in, into or from any jurisdiction where to do so would violate the laws of that jurisdiction. If you have sold or otherwise transferred only part of your holdings of ordinary shares in Capco you should retain these documents and contact the CSDP, bank, stockbroker or other agent through whom the sale or transfer was effected.

This document is a circular relating to the Investment which has been prepared in accordance with the Listing Rules and approved by the Financial Conduct Authority (the "**FCA**"). This document is not a prospectus and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase or subscribe for, any securities.



## **Capital & Counties Properties PLC**

Incorporated and registered under the laws of England and Wales with registered number 07145051

### **Proposed acquisition of shares in Shaftesbury PLC**

#### **Circular to Shareholders**

**and**

#### **Notice of General Meeting**

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**This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 1 to 6 of Part I (*Letter from the Chairman of Capco*) of this document and which recommends you vote in favour of the resolution to be proposed at the General Meeting referred to below. Your attention is also drawn to the risk factors set out on pages 7 to 14 of Part II (*Risk Factors*).**

Notice of the general meeting of Capco to be held at 9.30 a.m. (London time) on 10 August 2020 at 15 Grosvenor Street, London, W1K 4QZ (the "**General Meeting**") is set out at the end of this document (the "**Notice of General Meeting**"). To be valid, a form of proxy should be completed, signed and returned in accordance with the instructions printed thereon and the Notice of General Meeting so as to be received by (for UK Shareholders) Link Asset Services or (for South African Shareholders) Computershare Investor Services Proprietary Limited (the "**Registrars**"), at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or Private Bag X9000, Saxonwold, 2132, South Africa respectively as soon as possible but in any event must arrive no later than 9.30 a.m. (London time) and 10.30 a.m. (Johannesburg time) on 6 August 2020.

## COVID-19

As a result of the COVID-19 outbreak, and in line with the legislation and guidance issued by the UK Government, it is necessary to restrict attendance at the General Meeting. Under the Corporate Insolvency and Governance Act 2020, the rights of shareholders to attend and to participate (other than by voting) in a meeting of the Company have been suspended for a temporary period beginning on 26 March 2020 and ending on 30 September 2020 due to COVID-19. As the General Meeting will be held during this period, attendance at the General Meeting will be limited to the minimum number of persons to ensure the General Meeting is quorate and to conduct the business of the meeting in line with the Company's Articles of Association. Shareholders are asked not to attend the meeting as it will be a closed meeting to which shareholders will not be permitted.

Shareholders are therefore invited to submit any questions they may wish to have answered by sending an email to [feedback@capitalandcounties.com](mailto:feedback@capitalandcounties.com) or calling on +44 (0)20 3214 9170 and a response will be provided directly.

As the situation is evolving, the Company is continuing to monitor UK Government measures and NHS advice and guidance in respect of COVID-19 and if it becomes necessary to make further changes to the arrangements for the General Meeting, shareholders will be notified via the website ([www.capitalandcounties.com/investors](http://www.capitalandcounties.com/investors)) and announcements on the RNS and SENS.

Shareholders are advised to vote in advance of the General Meeting, either electronically or by appointing the Chair of the General Meeting as a proxy to vote on their behalf in accordance with the instructions set out below, prior to the relevant deadline set out below. Due to the restrictions on attendance at the General Meeting, it is important that the Chair of the General Meeting is appointed as a proxy, rather than any other person including the Chairman of the Company, to ensure that the vote is counted. South African shareholders are however reminded of the current postal delays being experienced in South Africa if they wish to submit hard copy proxy forms.

A member who would (other than during the temporary period affected by the Corporate Insolvency and Governance Act 2020) be entitled under the Companies Act 2006 to attend and vote is entitled to appoint one or more proxies to vote instead of him or her. Given the restrictions on attendance at the General Meeting, it is strongly recommended that members appoint the Chair of the General Meeting as their proxy. If you appoint more than one proxy, each proxy must be appointed to exercise the rights attached to a different share or shares held by you. In order to be valid, a form of proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be returned by one of the methods set out in the Notice of General Meeting.

If you have any questions about this document, the General Meeting or the completion and return of a form of proxy, please contact the Registrars. For Link Asset Services, please contact between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding public holidays in England and Wales) on 0371 664 0391 (from the United Kingdom), or +44 (0) 371 664 0391 (from outside the United Kingdom), or email Link Asset Services at [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk). Calls will be charged at the local rate. Calls outside the United Kingdom will be charged at the applicable international rate. For Computershare Investor Services Proprietary Limited, please contact between 8.30 a.m. and 5.30 p.m. (Johannesburg time) Monday to Friday (excluding public holidays) on +27 (0)11 370 5000 or 086 1160 933 (from outside the South Africa, international rates apply). Please note that calls may be monitored or recorded and the Registrars cannot provide financial, legal or tax advice on the merits of the Investment.

N.M. Rothschild & Sons Limited ("**Rothschild & Co**"), which is authorised and regulated in the United Kingdom by the FCA, is acting as financial adviser and UK sponsor exclusively for the Company and no-one else in connection with the Investment and will not regard any other persons as its client in relation to the Investment and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Rothschild & Co, nor for providing advice in connection with the Investment or any other matter or arrangement referred to in this document.

Merrill Lynch International ("**BofA Securities**"), which is authorised by the PRA in the United Kingdom and regulated by the FCA and the PRA in the United Kingdom, is acting as financial adviser and corporate broker to the Company, and Merrill Lynch South Africa Proprietary Limited t/a BofA Securities ("**BofA Securities SA**"), which is regulated by the Johannesburg Stock Exchange, which exchange is regulated by the Financial Sector Conduct Authority and the Prudential Authority of South Africa, is acting as JSE sponsor to the Company and, in each case, for no one else in connection with the Investment and will not be responsible to anyone other than the Company for providing the protections afforded to the respective clients of BofA Securities and BofA Securities SA, nor for providing advice in relation to the Investment or any other matter or arrangement referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Rothschild & Co or BofA Securities or BofA Securities SA by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of Rothschild & Co, BofA Securities, BofA Securities SA or any of their respective subsidiaries, branches or affiliates accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of this document, including its accuracy, completeness or for any other statement made or purported to be made by either of them, or on their behalf, in connection with Capco or the Investment. Each of Rothschild & Co, BofA Securities, BofA Securities SA and their respective subsidiaries, branches and affiliates accordingly disclaim all and any duty, liability and responsibility whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement or otherwise.

This document is dated 21 July 2020.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

### Timetable

Each of the times and dates in the table below are indicative only and may be subject to change.

<u>Event</u>	<u>Time and Date</u>
Announcement of the Investment	30 May 2020
Record date for SA Shareholders to be recorded in the SA Register in order to receive this document	10 July 2020
Publication of this document and the Notice of General Meeting	21 July 2020
Posting of this document and the Notice of General Meeting	22 July 2020
Last day to trade to determine eligible SA Shareholders that may vote on the Resolution to be put to the General Meeting	28 July 2020
Voting record date for SA Shareholders	5.00 p.m. (Johannesburg time) on 31 July 2020
Latest time and date for receipt of forms of proxy	9.30 a.m. (London time) / 10.30 a.m. (Johannesburg time) on 6 August 2020
Voting record date for UK Shareholders	6.30 p.m. (London time) on 6 August 2020
General Meeting	9.30 a.m. (London time) / 10.30 a.m. (Johannesburg time) on 10 August 2020
Publication of results of General Meeting via RNS and SENS	As soon as practicable after the conclusion of the General Meeting
Expected date of Completion of the Second Tranche	13 August 2020

- (1) The times and dates set out in the expected timetable of principal events above and mentioned throughout this document may be adjusted by the Company, in which event details of the new times and dates will be notified to the FCA, the London Stock Exchange and, where appropriate, Shareholders by way of a simultaneous RNS and SENS announcement.
- (2) SA Shareholders should note that as transactions in SA Shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three business days after such trade. Therefore, SA Shareholders who acquire Capco Shares after close of trade on 28 July 2020 will not be eligible to vote on the Resolution to be put to the General Meeting.

## IMPORTANT INFORMATION

### 1. FORWARD-LOOKING STATEMENTS

Certain statements contained in this document, which include, but are not limited to, statements in respect of the Investment or the future business, financial condition and results of operations of Capco and/or the Capco Group as enlarged by the Investment (the "**Enlarged Group**"), constitute "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "seek", "may", "could", "outlook" and similar statements of a future or forward-looking nature. By their nature, all forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements may be affected by a number of variables which are or may be beyond the control of Capco and which could cause actual results or trends to differ materially, including, but not limited to, domestic and global economic and business conditions (including as a result of the impact of the COVID-19 pandemic); market-related risks such as fluctuations in interest rates; the policies and actions of governmental and regulatory authorities; the effect of competition, inflation and deflation; the effect of legislative, fiscal, tax and regulatory developments; the effect of volatility in the equity, capital and credit markets on profitability; a decline in credit ratings of Capco and/or Shaftesbury; the effect of operational risks; and a decline in turnover, rental income or the value of all or part of Capco's or Shaftesbury's respective property portfolios. Any forward-looking statement contained in this document is based on past or current trends and/or activities of Capco and/or Shaftesbury and should not be taken as a representation that such trends or activities will continue in the future. Forward-looking statements are not guarantees of future performance. As a result, undue reliance should not be placed on forward-looking statements. Each forward-looking statement contained in this document speaks only as at the date of this document. Except as required by applicable law, including the Listing Rules, MAR and the Disclosure Guidance and Transparency Rules, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any changes in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Any information contained in this document on the price at which shares or other securities in Capco and/or Shaftesbury have been bought or sold in the past, or on the yield on such shares or other securities, should be not be relied upon as a guide to future performance.

The statements above relating to forward-looking statements should not be construed as a qualification of the statement as to the sufficiency of working capital set out in paragraph 10 of Part V (*Additional Information*) of this document.

### 2. MARKET AND INDUSTRY DATA

Certain information in this document has been sourced from third parties. Where information in this document has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

All information contained in this document which has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

All references to market data, industry statistics and forecasts and other information in this document consist of estimates based on data and reports compiled by industry professionals, organisations, analysts, publicly available information or the Company's own knowledge of its sales and markets.

### 3. INFORMATION RELATING TO SHAFTESBURY

Capco and its advisers have not had access to non-public information or documentation of Shaftesbury and, accordingly, have been unable to perform any such due diligence on such information or documentation. All information relating to Shaftesbury and its group has been sourced from publicly available information and has not been subject to comment or verification by Shaftesbury or the relevant member of its group or their respective directors.

## **4. SOURCES AND PRESENTATION OF FINANCIAL INFORMATION**

### **4.1 Sources and presentation of financial information relating to Capco**

Unless specified otherwise, the financial information relating to the Capco Group as at and for the year ended 31 December 2019 has been extracted without adjustment from the published, audited financial statements of the Capco Group as at and for the year ended 31 December 2019.

### **4.2 Sources and presentation of financial information relating to Shaftesbury**

The financial information relating to Shaftesbury as at and for the year ended 30 September 2019 has been extracted without adjustment from the published, audited consolidated financial statements relating to Shaftesbury as at and for the year ended 30 September 2019. The financial information relating to Shaftesbury as at and for the six months ended 31 March 2020 has been extracted without adjustment from the published interim consolidated financial statements relating to Shaftesbury as at and for the six months ended 31 March 2020.

The information relating to Shaftesbury's share price has been extracted from Factset.

### **4.3 Enlarged Group financial information**

The Investment will be reported as an investment in an equity instrument in the Capco Group's financial statements.

## **5. PRO FORMA FINANCIAL INFORMATION**

In this document, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited financial information contained in Part III (*Unaudited Pro Forma Statement of Net Assets for the Enlarged Group*) of this document. The unaudited pro forma statement of net assets of the Enlarged Group contained in Section A of Part III (*Unaudited Pro Forma Statement of Net Assets for the Enlarged Group*) illustrates the effect of the Investment, assuming Completion of the Second Tranche, on the net assets of the Capco Group as if the Investment had occurred on 31 December 2019.

The unaudited pro forma financial information is for illustrative purposes only. Because of its nature, the unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the actual financial position of Capco or the Enlarged Group. The unaudited pro forma financial information does not purport to represent the financial position of Capco or the Enlarged Group expected to be achieved in the future.

## **6. PRESENTATION OF CERTAIN KEY PERFORMANCE INDICATORS**

This document contains certain key performance indicators for the Shaftesbury Group that are supplementary measures that are not required by, or presented in accordance with, International Financial Reporting Standards as adopted by the European Union ("**IFRS**") or other generally accepted accounting principles. Certain key performance indicators are EPRA performance measures, which are a set of standard disclosures for the property industry, as defined by the European Public Real Estate Association ("**EPRA**") in its best practice recommendations, and are used to assist comparability of performance with other listed real estate companies in Europe.

The key performance indicators contained in this document are not measures of performance under IFRS and are supplementary measures and should not be considered in isolation from, or as a substitute for, measures presented in accordance with IFRS. In addition, the relevant key performance indicators presented for Shaftesbury may not be comparable to similarly titled measures presented by other businesses, as such businesses may define and calculate such measures differently. Accordingly, undue reliance should not be placed on the key performance indicators contained in this document.

### **6.1 Non-IFRS financial measures used presented for Shaftesbury**

#### **6.1.1 EPRA NAV per share**

EPRA NAV per share of Shaftesbury is calculated to include the potential dilutive effect of share options outstanding at the balance sheet date and include the increase in shareholders' equity that would arise on the exercise of those options and to exclude deferred tax liabilities.

£ million	As at 31 March 2020		
	Net assets (£ million)	Number of ordinary shares (million)	Net asset value per share (pence)
<b>Basic</b>	<b>2,691.7</b>	<b>307.4</b>	<b>876</b>
Dilutive effect of share options	0.4	0.4	
<b>Diluted</b>	<b>2,692.1</b>	<b>307.8</b>	<b>875</b>
Deferred tax <sup>(1)</sup>	11.1		3
<b>EPRA NAV</b>	<b>2,703.2</b>	<b>307.8</b>	<b>878</b>

(1) Includes Shaftesbury's 50% share of deferred tax and fair value of secured term loans in its joint venture.

## 7. NO PROFIT FORECASTS OR ESTIMATES

No statement in this document is intended as a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings or earnings per share ("EPS") for Capco or Shaftesbury or the Enlarged Group, as applicable, for the current or future financial years, would necessarily match or exceed the historical published earnings or EPS for Capco or Shaftesbury, as applicable.

## 8. ROUNDING

Certain data in this document, including financial, statistical and operational information, has been rounded. As a result of such rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data and percentages in tables may not add up to 100 per cent. In addition, certain percentages presented in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not confirm exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

## 9. CURRENCY

The financial statements for Capco and Shaftesbury have been prepared in pounds sterling. All references to "pound", "pounds", "pound sterling", "sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom.

## 10. INCORPORATION BY REFERENCE

Certain information in relation to Capco is incorporated by reference in this document, as set out in paragraph 13 of Part V (*Additional Information*).

Other than as indicated in paragraph 13 of Part V (*Additional Information*), the contents of Capco's and Shaftesbury's websites or any hyperlinks accessible from those websites do not form part of this document and Shareholders should not rely on them.

## 11. CERTAIN DEFINED TERMS

Certain terms used in this document, including capitalised terms and certain technical terms, are defined and explained in Part VI (*Definitions*) of this document.

Reference to any statute or statutory provision includes a reference to that statute or statutory provision as from time to time amended, extended or re-enacted.



## **DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS**

<b>Directors</b>	Henry Staunton, Chairman Ian Hawksworth, Chief Executive Situl Jobanputra, Chief Financial Officer Michelle McGrath, Executive Director Anthony Steains, Senior Independent Non-Executive Director Charlotte Boyle, Independent Non-Executive Director Jonathan Lane OBE, Independent Non-Executive Director
<b>Company Secretaries</b>	Ruth Pavey Leigh McCaveny
<b>Registered office of the Company</b>	15 Grosvenor Street London United Kingdom W1K 4QZ
<b>Lead financial adviser and UK sponsor to the Company</b>	Rothschild & Co New Court St Swithin's Lane London EC4N 8AL
<b>Financial adviser and corporate broker to the Company</b>	BofA Securities 2 King Edward Street London EC1A 1HQ
<b>JSE sponsor to the Company</b>	BofA Securities SA The Place 1 Sandton Drive Sandton, 2196 South Africa
<b>Legal advisers to the Company</b>	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG
<b>Reporting Accountants</b>	Deloitte LLP 1 New Street Square London EC4A 3HQ
<b>Registrars</b>	UK: Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU SA: Computershare Investor Services Proprietary Limited Rosebank Towers 15 Biermann Avenue Rosebank South Africa

## PART I

### LETTER FROM THE CHAIRMAN OF CAPCO



Incorporated and registered under the laws of England and Wales with registered number 07145051  
whose registered office is 15 Grosvenor Street, London, W1K 4QZ, United Kingdom

#### *Directors:*

Henry Staunton, Chairman

Ian Hawksworth, Chief Executive

Situl Jobanputra, Chief Financial Officer

Michelle McGrath, Executive Director

Anthony Steains, Senior Independent Non-Executive Director

Charlotte Boyle, Independent Non-Executive Director

Jonathan Lane OBE, Independent Non-Executive Director

21 July 2020

Dear Shareholder

### **Proposed acquisition of shares in Shaftesbury PLC**

#### **1. INTRODUCTION**

On 30 May 2020, Capco announced that it had agreed to acquire, from a discretionary trust established by Samuel Tak Lee, a 26.3 per cent. shareholding in Shaftesbury across two tranches for total consideration of approximately £436 million, at a price of 540 pence per Shaftesbury share, representing a discount of 13.9 per cent. to the closing Shaftesbury share price on 29 May 2020.

The Investment comprises the acquisition of approximately 64.4 million shares for £347.7 million in cash, representing 20.94 per cent. of Shaftesbury's shares, which completed on 3 June 2020 (the "**First Tranche**") and the proposed acquisition of a subsequent tranche of approximately 16.3 million shares for £88.2 million in cash, representing 5.31 per cent. of Shaftesbury's shares (the "**Second Tranche**"). The acquisition of the Second Tranche, when aggregated with the First Tranche, constitutes a Class 1 transaction for the purposes of the Listing Rules and is therefore conditional on approval of Shareholders.

I am writing to give you further details of the Investment, including the background to and reasons for it, to explain why your Board considers it to be in the best interests of Capco and to seek your approval for the acquisition of Second Tranche of the Investment.

Completion of the acquisition of the Second Tranche is conditional upon your approval due to the size of the Investment, when the Second Tranche is aggregated with the First Tranche, relative to that of Capco. Your approval will be sought at a General Meeting to be held at 15 Grosvenor Street, London, W1K 4QZ at 9.30 a.m. (London time) on 10 August 2020. The notice convening the General Meeting is set out at the end of this document.

## **2. BACKGROUND TO AND REASONS FOR THE INVESTMENT**

Capco is positioned as a strongly capitalised prime central London real estate investment trust ("REIT") centred around its world-class Covent Garden estate. Capco entered 2020 looking forward to the next phase of growth for the business from a position of financial strength.

Whilst COVID-19 has had a significant impact on the Capco Group's customers and business in the near term, the Capco Board continues to believe in the resilience and long-term fundamentals of prime central London and in particular the West End.

The Investment represents a unique opportunity to acquire a significant stake in an exceptional mixed-use real estate portfolio. Similar to Capco's world-class estate at Covent Garden, Shaftesbury's portfolio in the heart of London's West End has been characterised by careful strategic assembly and creative asset management over the long term. Sizeable stakes in such portfolios in central London are rarely available and the Investment represents a unique opportunity.

### ***Attractive investment and entry price relative to historic levels and the Board's view of the future long-term prospects for prime central London***

Whilst the impact of COVID-19 has put downward pressure on share prices and the likely trajectory of property valuation levels across the central London real estate sector, the price paid represents:

- A discount of 44.9 per cent. versus Shaftesbury's last 12 month share price high of 979.5 pence on 23 October 2019
- A discount of 38.5 per cent. versus Shaftesbury's last reported EPRA NAV per share of 878 pence as at 31 March 2020

The Board believes the Investment is at an attractive valuation, with an implied price of approximately £1,200 per square foot and a yield of 3.3 per cent. based on Shaftesbury's 2019 total dividend of 17.7 pence per share.

### ***Consistent with Capco's strategy to invest in complementary opportunities on or near the Covent Garden estate***

The Capco Group continues to maintain a disciplined approach to capital allocation, assessing the merits of all capital decisions including investment in owned assets, development and repositioning opportunities, accretive acquisitions on or near the Covent Garden estate, disposal of non-strategic assets and shareholder returns as appropriate.

The Investment is consistent with this strategy, and Capco's deployment of capital to date, to grow its central London property investment business, centred around the Covent Garden estate.

Shaftesbury's portfolio is one which Capco has a strong appreciation for based on the Capco management team's own track record and experience of operating a prime central London real estate portfolio.

### ***Acquisition of the Second Tranche on similarly attractive terms to the First Tranche***

The acquisition of the Investment was the result of a competitive process with the Sellers seeking a buyer for their full 26.3 per cent. stake in Shaftesbury. Capco was able to deliver sufficient certainty on its proposal by structuring the Investment in two tranches, with the First Tranche representing 20.94 per cent. of Shaftesbury's shares, completing on 3 June 2020.

The Board believes that the acquisition of the Second Tranche represents an acquisition on similarly attractive terms to the First Tranche, at a price of 540 pence per Shaftesbury share.

Completion of the Second Tranche would increase Capco's shareholding in Shaftesbury from 20.94 per cent. to 26.3 per cent. Completion of the Second Tranche would also result in a corresponding increase to the financial effects of the First Tranche, as detailed in paragraph 6 of this Part I below.

### ***Capco maintains a strong balance sheet with access to significant liquidity***

At 31 December 2019, under IFRS, total Capco Group cash was £153 million with a further £210 million of deferred consideration to be received from the Earls Court sale. On a pro forma basis and assuming Completion of the acquisition of the Second Tranche, as at 31 December 2019 the Enlarged Group would have had a LTV ratio of 33.24 per cent. and a net debt to gross assets ratio

of 24.55 per cent., as more fully described in Part III (*Unaudited Pro Forma Statement of Net Assets for the Enlarged Group*).

The Investment is being funded fully through the £705 million Covent Garden revolving credit facility (the "**Covent Garden RCF**"), of which £255 million remains available for drawdown, and the existing cash resources of the Capco Group.

The unaudited pro forma statement at Part III (*Unaudited Pro Forma Statement of Net Assets for the Enlarged Group*) does not include a payment of £90 million received on 12 March 2020 as early payment of part of the £210 million of deferred consideration to be received from the Earls Court sale. In addition, the Capco Group is due to receive a further £120 million of proceeds from the sale of Earls Court, of which £105 million is due at the end of 2020 and £15 million is due in December 2021.

Given the capital deployed towards the Investment, the Board has decided not to complete the return of £100 million to shareholders through the share buyback programme announced earlier this year, under which £12 million had been returned to shareholders prior to being suspended in March 2020.

### 3. INFORMATION ON SHAFTESBURY

Shaftesbury is a real estate investment trust which invests exclusively in the heart of London's West End. Shaftesbury has a wholly-owned portfolio valued at £3.5 billion as at 31 March 2020 (30 September 2019: £3.8 billion) and is a constituent of the FTSE-250 Index. The use of Shaftesbury's portfolio is focused on food, beverage and leisure (38 per cent. of estimated rental value ("**ERV**") of Shaftesbury's wholly-owned portfolio at 31 March 2020) and retail (31 per cent.), and is located mainly in Carnaby, Seven Dials and Chinatown, but also includes substantial ownerships in East and West Covent Garden, Soho and Fitzrovia.

Shaftesbury's portfolio, extending to 15.2 acres, comprises 607 restaurants, cafés, pubs and shops, extending to 1.1 million sq. ft., 0.4 million sq. ft. of offices and 616 apartments. In addition, Shaftesbury holds a 50 per cent. interest in the Longmartin Joint Venture, which has a long leasehold interest, extending to 1.9 acres, in St Martin's Courtyard in Covent Garden.

### 4. FINANCIAL INFORMATION ON SHAFTESBURY

The following table sets out the prevailing share price for Shaftesbury on the last business day of each of the six months prior to the date of this document and on the Latest Practicable Date:

Date	Share price <sup>(1)</sup> (pence)	Imputed value of First Tranche (£ million)	Imputed value of Second Tranche (£ million)	Imputed value of Investment (£ million)
31 January 2020 .....	899	578.8	146.9	725.7
28 February 2020 .....	798	513.5	130.3	643.7
31 March 2020 .....	618	397.6	100.9	498.5
30 April 2020 .....	600	386.3	98.0	484.3
29 May 2020 .....	627	403.7	102.4	506.1
30 June 2020 .....	528	339.6	86.2	425.8
17 July 2020 .....	497	320.0	81.2	401.2

(1) Source: Factset

The following table sets out the amounts of the dividends paid by Shaftesbury for each of the periods indicated:

	Interim dividend (pence)	Final dividend (pence)	Total dividend (paid) (pence)
Financial year ended 30 September 2017 ...	7.9	8.1	16.0
Financial year ended 30 September 2018....	8.3	8.5	16.8
Financial year ended 30 September 2019 ...	8.7	9.0	17.7

Shaftesbury has a policy of long-term, progressive growth in dividends. In light of COVID-19, Shaftesbury announced on 24 March 2020 that it had taken the decision to not declare an interim dividend and that the dividend position for the full year will be kept under review.

## 5. FINANCING OF THE INVESTMENT

The consideration for the Investment was approximately £436 million in cash in total, comprising £347.7 million for the First Tranche and £88.2 million for the Second Tranche. The Investment is being funded fully through a drawdown from the £705 million Covent Garden RCF and the existing cash resources of the Capco Group.

## 6. FINANCIAL EFFECTS OF THE INVESTMENT

On a pro forma basis and assuming Completion of the acquisition of the Second Tranche, as at 31 December 2019 the Enlarged Group would have had a LTV ratio of 33.24 per cent. and a net debt to gross assets ratio of 24.55 per cent., as more fully described in Part III (*Unaudited Pro Forma Statement of Net Assets for the Enlarged Group*).

The Investment will be reported as an investment in an equity instrument in the Capco Group's financial statements.

On a pro forma basis and assuming Completion of the acquisition of the Second Tranche, the Enlarged Group would have had net assets of £2,535.6 million as at 31 December 2019, as more fully described in Part III (*Unaudited Pro Forma Statement of Net Assets for the Enlarged Group*).

Shaftesbury has a wholly-owned portfolio valued at £3.5 billion as at 31 March 2020 (30 September 2019: £3.8 billion). Following the Investment, Capco will be entitled to receive dividend payments to the extent made by Shaftesbury.

There are special rules that apply where a REIT receives Property Income Distributions ("**PIDs**"), i.e. distributions from the qualifying property rental business, from another REIT. The REIT receiving the PID is required to distribute all of the PID it receives as part of its own PID, with no ability to retain any part of that PID. Therefore, for so long as both the Capco Group and the Shaftesbury Group qualify as REITs, the whole of any PID received by the Capco Group from Shaftesbury will need to be distributed as part of the Capco Group's PID.

The Investment is being funded fully through a drawdown from the £705 million Covent Garden RCF and the existing cash resources of the Capco Group, which will result in higher net interest expenses for the Capco Group. Shareholders will benefit from the receipt of any future dividends paid by Shaftesbury.

On 24 March 2020 Shaftesbury announced that it would not be declaring an interim dividend at the half year and that the dividend position for the full year will be kept under review. There can be no assurance that Shaftesbury will maintain its dividend at historical levels.

## 7. CURRENT TRADING OF THE CAPCO GROUP

Capco released its trading statement in respect of the six months ended 30 June 2020 today. The full text of the trading statement is set out in Part IV of this document.

## 8. TERMS OF THE INVESTMENT

On 30 May 2020, Capco and the Sellers entered into a sale and purchase agreement in relation to 64.4 million shares, representing 20.94 per cent. of Shaftesbury shares (the "**First SPA**"), constituting a Class 2 transaction for the purposes of the Listing Rules. The consideration under the First SPA was satisfied at completion by a payment in cash to the Sellers of £347.7 million.

On 30 May 2020, Capco and the Sellers also entered into a second sale and purchase agreement in relation to 16.3 million shares, representing 5.31 per cent. of Shaftesbury shares (the "**Second SPA**").

Completion of the Second Tranche under the Second SPA is subject to and can only occur upon satisfaction of a Capco shareholder approval condition. The consideration under the Second SPA will be satisfied at completion by a payment in cash to the Sellers of £88.2 million. The transaction under the Second SPA will not proceed to completion, and the Second SPA will automatically terminate, if the shareholder approval condition is not satisfied on or before 22 August 2020. Subject to satisfaction of the condition, completion of the Second SPA is anticipated to occur by the end of August 2020.

Further details of the terms of the Second SPA are set out in paragraph 8.1.2 of Part V (*Additional Information*).

Capco acquired the shares under the First SPA, and will be acquiring the shares under the Second SPA, on behalf of three wholly-owned subsidiaries (Newco 678A Limited, Newco 678B Limited and Newco 678C Limited), such that Capco will hold the legal title only to all of the shares and each wholly-owned subsidiary (which will beneficially own the shares, and any dividends paid under them) will own the beneficial title to less than 10 per cent. of the shares in Shaftesbury. As a result of this holding structure each wholly-owned subsidiary will be directly and indirectly entitled to dividend, capital and voting rights in respect of less than 10 per cent. of the shares in Shaftesbury. It is intended that the legal title to the shares comprising the Investment will be transferred to the relevant wholly-owned subsidiary in due course, once a CREST account for each subsidiary has been established.

This structure is as a result of the REIT regime currently in force under which Shaftesbury may become subject to an additional tax charge if it fails to take reasonable steps to avoid paying a dividend to, or in respect of, a corporate shareholder, where the beneficial owner of that dividend is itself beneficially entitled, directly or indirectly, to 10 per cent. or more of Shaftesbury's dividends or share capital or that controls, directly or indirectly, 10 per cent. or more of the voting rights in Shaftesbury (a "**Shaftesbury Substantial Shareholder**"). The articles of association of Shaftesbury contain typical REIT provisions to avoid the situation where dividends may become payable to a Shaftesbury Substantial Shareholder, including the ability to withhold dividend payments to such shareholders or require the transfer of shares by such a shareholder.

## **9. GENERAL MEETING**

Completion of the Second Tranche is conditional upon Shareholders' approval being obtained at the General Meeting. Accordingly, you will find set out at the end of this document a notice convening a General Meeting to be held at 15 Grosvenor Street, London, W1K 4QZ at 9.30 a.m. (London time) on 10 August 2020 at which the Resolution will be proposed to approve the Second Tranche of the Investment.

The Resolution, which will be proposed at the General Meeting as an ordinary resolution, is to approve the Second Tranche and to authorise the Directors to take all steps necessary or desirable to complete the Second Tranche contemplated by the Second SPA. In order for the Resolution to be passed, more than half of the votes cast at the General Meeting must be in favour of the Resolution.

The full text of the Resolution is included in the Notice of General Meeting, which is set out at the end of this document.

The Company is calling the General Meeting on not less than 14 clear days' notice pursuant to the authority granted to it at its Annual General Meeting held on 1 May 2020. On 8 April 2020, the FCA published a Statement of Policy aimed at assisting companies required to hold general meetings under the Listing Rules. To address the challenges faced by listed companies during the COVID-19 pandemic, the FCA has temporarily modified the Listing Rules with regards to Class 1 transactions and the requirement to hold a general meeting.

Pursuant to these modifications to the Listing Rules, the FCA may grant the Company a dispensation from holding the General Meeting if, prior to the date of the General Meeting, the Company obtains written undertakings from Shareholders holding more than 50 per cent. of the Company's issued share capital confirming that they approve of the Second Tranche and would vote in favour of the Resolution at the General Meeting, if that meeting were to be held.

If the Company obtains undertakings from Shareholders holding more than 50 per cent. of the Company's issued share capital prior to the date of the General Meeting such that the FCA grants the Company a dispensation from holding the General Meeting, the Company will make a regulatory

announcement of this fact, in which case it will be confirmed that the Company will not proceed with the General Meeting and the Second Tranche of the Investment would proceed to Completion shortly after the date of that announcement.

**Shareholders are nevertheless urged to complete and return a form of proxy for the General Meeting as soon as possible** as, for the avoidance of doubt, if sufficient written undertakings are not received from Shareholders prior to the General Meeting, the General Meeting to approve the Second Tranche will be held in accordance with the Notice of General Meeting.

#### **10. ACTION TO BE TAKEN**

It is important that you vote electronically on the Resolution or complete, sign and return a form of proxy.

To be valid, your online votes or the form of proxy must be lodged with the Registrars by not later than 9.30 a.m. (London time) and 10.30 a.m. (Johannesburg time) on 6 August 2020 or, if the meeting is adjourned, no later than 48 hours before the time fixed for the adjourned meeting. Hard copy proxy forms are not enclosed with this document, however these are available on request from the appropriate Registrar.

If you hold your ordinary shares in CREST, and you wish to appoint a proxy through the CREST electronic proxy appointment service, please see the notes to the Notice of General Meeting.

#### **11. FURTHER INFORMATION**

Your attention is drawn to the further information contained in Part II (*Risk Factors*) to Part V (*Additional Information*) of this document. Shareholders should read the whole of this document and not rely solely on information surmised in this letter.

#### **12. FINANCIAL ADVICE**

The Board has received financial advice from Rothschild & Co and BofA Securities in relation to the Investment. In providing their financial advice to the Board, Rothschild & Co and BofA Securities have relied upon the Board's commercial assessment of the Investment.

#### **13. RECOMMENDATION**

The Board believes the Investment to be in the best interests of Capco and its Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution, as the Directors intend to do in respect of their own beneficial holdings.

As at the Latest Practicable Date, the Directors' beneficial holdings amount in aggregate to 1,204,106 Capco Shares, representing approximately 0.14 per cent. of the existing ordinary share capital of Capco in issue.

Yours faithfully



Henry Staunton  
Chairman

## PART II

### RISK FACTORS

*A number of factors affect the business, results of operations, financial condition, cash flows and prospects of Capco and, following Completion of the Investment, will affect the Enlarged Group. This section describes the risk factors considered by the Directors to be material risk factors in relation to the Investment, or which will be material new risk factors to Capco as a result of the Investment, or which are existing material risk factors to Capco which will be impacted by the Investment. If any of the following risks actually materialise, the Enlarged Group's business, financial condition, results of operations, cash flows or prospects could be materially adversely affected and the value of the Capco Shares could decline. The risks described below are not the only risks faced and should be used as guidance only. Additional risks not presently known to the Directors or that the Directors currently deem immaterial may also, whether individually or cumulatively, have a material adverse effect on Capco's business, financial condition, results of operations, cash flows or prospects, or following the Investment, that of the Enlarged Group, and could negatively affect the price of the Capco Shares. Shareholders could lose all or part of their investment.*

*The information included herein is based on information available as at the date of this document and, except as requested by the FCA or required by the Listing Rules, MAR, the Disclosure Guidance and Transparency Rules or any other applicable law, will not be updated. Any forward-looking statements are made subject to the reservations specified under the heading "Forward-looking statements" of the section of this document entitled "Presentation of Information".*

*Shareholders should consider carefully the risks and uncertainties described below, together with all other information contained in this document (including any information incorporated into this document by reference) before deciding whether or how to vote in respect of the Resolution at the General Meeting.*

#### **1. MATERIAL RISKS RELATING TO THE INVESTMENT**

##### **1.1 *Completion of the acquisition of Second Tranche is subject to Shareholder approval which, if not satisfied, would result in the acquisition of the Second Tranche not proceeding.***

Completion of the acquisition of the Second Tranche is subject to and conditional upon approval by Shareholders passing the Resolution at the General Meeting or Capco otherwise satisfying the requirement for Shareholders' approval under Listing Rule 10. There can be no assurance that this condition will be satisfied, and if this condition is not satisfied by the Longstop Date the Second SPA will automatically terminate. If Completion does not occur, the Investment will comprise only the First Tranche and Capco will not obtain the full benefits that it anticipates it would otherwise obtain from the Investment including the Second Tranche.

##### **1.2 *The value of the Investment, including the Second Tranche, may remain below the agreed consideration.***

The consideration paid by Capco pursuant to the First SPA was £347.7 million in cash, and the consideration to be paid by Capco pursuant to the Second SPA is £88.2 million in cash, in each case at a price of 540 pence per Shaftesbury share, representing a discount of 13.9 per cent. to the closing price on 29 May 2020 (the business day prior to announcement of the Investment). The closing Shaftesbury share price as at the Latest Practicable Date was 497 pence per Shaftesbury share, representing a decrease from the price of 540 pence per Shaftesbury share under the First SPA and the Second SPA, as a result of which the imputed value of the First Tranche and the Second Tranche was £320.0 million and £81.2 million, respectively. The Second SPA does not contain a price adjustment mechanism and, therefore, if the Shaftesbury share price remains below 540 pence per Shaftesbury share prior to Completion then at Completion the value of the Second Tranche will be less than the consideration to be paid by Capco pursuant to the Second SPA. Furthermore, Capco does not have any right to terminate the Second SPA in relation to the occurrence of any adverse event prior to Completion. Accordingly, if the value of the Second Tranche is less than the



consideration to be paid by Capco, then the net assets of Capco would be reduced, which could have an adverse impact on the business, financial condition and prospects of the Enlarged Group.

**1.3 *Capco has had no access to any non-public information of Shaftesbury and has limited contractual protection in relation to the Investment.***

The Investment comprises the acquisition of shares in Shaftesbury and the Sellers exercise no operational control over the business of Shaftesbury. Capco and its advisers have not had access to non-public information or documentation of Shaftesbury and, accordingly, the Investment has been made solely on the basis of publicly available information and there can be no assurance that the due diligence conducted by Capco will have revealed all material facts and financial information, including with respect to potential liabilities, necessary to evaluate fully the Investment. Furthermore, no business warranties in respect of Shaftesbury have been given by the Sellers under the First SPA or the Second SPA, nor does Capco have any right to terminate the Second SPA in relation to the occurrence of any adverse event prior to Completion. Accordingly, Capco may not have recourse against, or otherwise be able to recover from, any person in relation to losses suffered as a result of the Investment, and such losses may have a material adverse impact on the Enlarged Group's results of operations, financial condition and prospects.

**1.4 *As a result of the Investment, the indebtedness and financial leverage of Capco has increased.***

In connection with the Investment, members of the Capco Group have drawn down £450 million from the Covent Garden RCF to satisfy the consideration for the acquisitions of the First Tranche and the Second Tranche. As a result, the Investment has increased the overall indebtedness and financial leverage of the Enlarged Group, which will result in increased repayment commitments and borrowing costs. This increase in indebtedness and leverage could limit the Capco Group's commercial and financial flexibility, causing it to reprioritise the uses to which its capital is put. Therefore, depending on the level of the Capco Group's borrowings and prevailing interest rates, this could result in reduced funds being available for the Capco Group's expansion, dividend payments and other general corporate purposes.

**2. MATERIAL NEW RISKS OF THE CAPCO GROUP AS A RESULT OF THE INVESTMENT**

**2.1 *The value of the Investment may fluctuate and is determined by factors outside of Capco's control.***

As a result of the Investment, Capco holds through the First Tranche, and following Completion will hold through the Second Tranche, shares in Shaftesbury that are publicly traded on the Main Market of the London Stock Exchange. The market price of Shaftesbury shares may be volatile and subject to wide fluctuations. Accordingly, the market value of the Investment may fluctuate as a result of a variety of factors, including, but not limited to, Shaftesbury's operating results, financial position or performance or prospects.

In addition, the market price of shares in Shaftesbury at any point in time may be influenced by a number of other factors, only some of which may pertain to Shaftesbury while other factors, such as the operations and share price performance of other companies that investors may consider comparable to Shaftesbury and speculation about Shaftesbury in the press or investment communities, may be outside Shaftesbury's control.

Equity market conditions may affect the value of Shaftesbury's shares regardless of the financial or operating performance of Shaftesbury. Equity market conditions are affected by many factors, such as general macro-economic and political conditions, the impact of the COVID-19 pandemic and public policy and governmental responses thereto, terrorist activity, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards the property market and the supply and demand of capital.

The value of Shaftesbury's shares is impacted by the level of demand or anticipated level of demand for Shaftesbury's shares, which may be reduced by the size of Capco's and/or other

shareholders' interests in Shaftesbury with a corresponding impact on the liquidity of Shaftesbury shares, which may have an adverse impact on the value of the Investment. Furthermore, an offering or sale by Shaftesbury or any material shareholder in Shaftesbury of shares or other financial instruments in Shaftesbury, or the public perception that any such an offering or sale may occur, could have an adverse impact on the market price of Shaftesbury's shares.

Accordingly, the market price of Shaftesbury's shares and the value of the Investment may not reflect the underlying value of Shaftesbury's portfolio. A decline in the value of the Investment could have a material adverse effect on the Capco Group's business, results of operations and financial condition.

Capco does not have any right to dispose of any part of the Investment at a predetermined price. Accordingly, Capco will only be able to realise some or all of the Investment through the sale of Shaftesbury shares at a price influenced by the market price, which may be at a lower value than the consideration paid for the Investment.

**2.2 *Shaftesbury may decide in the future to offer additional shares or securities convertible into Shaftesbury shares, which may result in the dilution of Capco's interest in Shaftesbury or require Capco to obtain additional funding to participate in any such offering.***

Shaftesbury's ability to execute its strategy depends on its access to an appropriate balance of equity and debt financing. Shaftesbury may decide in the future to offer additional shares or other securities convertible into Shaftesbury's shares, which may result in the dilution of Capco's interest in Shaftesbury if Capco is not able to, or does not, participate in any such offering to an extent sufficient to maintain its pro rata interest in Shaftesbury. In order to participate in an offering by Shaftesbury of additional shares or other securities convertible into Shaftesbury shares, Capco may require additional funding and the availability of any future funding to participate in any such offering, whether obtained through debt or equity financing, is not certain. Should Capco seek to issue additional Capco Shares to obtain additional funding then this could dilute the interests of existing Shareholders and/or have an adverse impact on the market price of Capco Shares. Should Capco seek to take on additional borrowings to finance participation in any such offering by Shaftesbury then this could increase the cost of or limit the Capco Group's ability to obtain additional borrowings, which in turn could have a material adverse effect on the Enlarged Group's business, results of operations and financial conditions.

**2.3 *Capco will own a minority stake in a listed company and its ability to influence Shaftesbury will be limited.***

As a result of the Investment, Capco will own a minority interest of 26.3 per cent. of Shaftesbury's shares immediately following Completion or, if Completion does not occur, Capco will own (through the First Tranche) a minority interest of 20.94 per cent. of Shaftesbury's shares. In either case, the Investment will represent a material proportion of the Capco Group's value but Capco's ability to influence the strategic direction of Shaftesbury, or its financial or operating performance, will be limited. As a result of the Investment, Capco will be a "related party" of Shaftesbury for the purposes of Listing Rule 11, but the terms of the Investment do not provide Capco with any contractual rights in relation to the control or management of Shaftesbury's business. Accordingly, Capco's influence is limited to the extent of its voting power over matters requiring approval of Shaftesbury's shareholders. The interests of other shareholders in Shaftesbury may not always be aligned with those of Capco. Furthermore, if Completion does not occur, Capco's interest in Shaftesbury's shares will be below the threshold required for Capco to unilaterally block a special resolution of Shaftesbury's shareholders.

Capco does not, and following Completion, will not exercise financial or operational control of Shaftesbury's business. The operational and business risks faced by the Shaftesbury Group are similar to those faced by the Capco Group, but the steps taken to address such risk and the response to any such risks that occur are outside of the control of Capco. Such risks for the Shaftesbury Group may include:

- it may not be able to accurately predict or respond to changing consumer trends, market conditions or competition, or fail to anticipate changes in occupier profitability;
- it may lose existing tenants, be unable to find replacements, and restructure tenants' rental payments;
- it may breach its loan covenants and be unable to obtain covenant waivers;
- it may be adversely affected by local, regional, national and EU policies, laws and regulations;
- its business could be disrupted by the interruption or failure of, or cyber-attacks on, the Shaftesbury Group's information technology systems;
- it may be exposed to risks relating to the performance of third party suppliers, agents, contractors and consultants;
- it may suffer reputational damage with local stakeholders and communities; and
- it may fail to meet its environmental, social and governance responsibility objectives.

Any failure by the Shaftesbury Group to successfully develop and manage its business and/or the occurrence of any negative financial or operational events could have a material adverse effect on the value of the Investment, and on Capco's ability to realise value from the Investment.

#### 2.4 ***There are risks associated with the REIT status of the Shaftesbury Group.***

As a REIT, the Shaftesbury Group is subject to the prevailing rules and restrictions of the REIT regime and sanctions for breach of those rules and restrictions, which may include additional tax charges and exclusion from the REIT regime.

There can be no guarantee that the Shaftesbury Group will retain its REIT status, nor can it guarantee continued compliance with all of the REIT conditions. If the Shaftesbury Group fails to remain qualified as a REIT, it will be subject to UK corporation tax or income tax on some or all of its property rental income and chargeable gains on the sale of properties or shares in property rich companies, which would reduce the amount available to distribute to investors.

There is a risk that the REIT regime may cease to apply in some circumstances. HMRC may require the Shaftesbury Group to exit the REIT regime if:

- it regards a breach of conditions or failure to satisfy the conditions relating to the REIT status of Shaftesbury or the Shaftesbury Group, or an attempt to obtain a tax advantage, as sufficiently serious;
- Shaftesbury or the Shaftesbury Group has committed a certain number of breaches in a specified period; or
- HMRC has given members of the Shaftesbury Group at least two notices in relation to the avoidance of tax within a 10-year period.

Future changes in legislation may also cause the Shaftesbury Group to lose its REIT status. Any such impact on the Shaftesbury Group may indirectly effect the value of the Investment, thereby impacting the Capco Group.

### 3. **MATERIAL RISKS OF THE CAPCO GROUP IMPACTED AS A RESULT OF THE INVESTMENT**

#### 3.1 ***The COVID-19 outbreak, together with the temporary closure of all non-essential properties and stores in the UK, has had and may continue to have a material adverse effect on the Capco Group and the Shaftesbury Group.***

The COVID-19 pandemic spread globally in 2020, causing the UK government to impose unprecedented restrictions to mitigate the spread of the virus, including quarantines, closures

and travel restrictions. In particular, "lockdown" and "social distancing" measures were implemented (and some measures remain) to prevent gatherings in public spaces. These restrictions have had a material adverse effect on the Capco Group's and the Shaftesbury Group's businesses by causing the temporary closure of the vast majority of the retail and food and beverage ("F&B") outlets operated by tenants of the Capco Group and the Shaftesbury Group (and therefore a severe reduction in footfall and sales), a significant drop in tourism to the UK and an acute decline in economic activity in the UK.

The full extent of the impacts of the COVID-19 outbreak are unknown, evolving and likely to continue for some time. The COVID-19 outbreak and related impacts have had (and are expected to continue to have) a material adverse effect on the valuations of the properties of the Capco Group and the Shaftesbury Group. In addition, the outbreak and related impacts will have had (and are expected to continue to have) a material adverse effect on the Capco Group's and Shaftesbury Group's net rental income. The COVID-19 outbreak has also negatively impacted (and is expected to continue to negatively impact) the businesses of many of the tenants of the Capco Group and the Shaftesbury Group and in some cases has undermined (and may in the future undermine) their ability to meet their lease payment obligations, or to extend or renew their leases with the Capco Group or the Shaftesbury Group. In addition, the restrictions imposed on international travel have prevented, and are expected to continue to prevent or substantially reduce the number of, overseas tourists from visiting the properties of the Capco Group and the Shaftesbury Group, adversely affecting footfall and sales at such properties.

Any future further lockdown, social distancing or other preventative measures which may be implemented as a result of COVID-19 could further adversely affect the Capco Group, the Shaftesbury Group and their respective tenants.

Over the longer term, the COVID-19 outbreak and related impacts could result in significant changes to consumer behaviour. Footfall and sales may remain subdued for a significant period as tenants impose social distancing measures and consumers are more cautious about visiting the properties of the Capco Group and the Shaftesbury Group.

Furthermore, the COVID-19 outbreak and related impacts are expected to cause a recession in the UK. A significant increase in unemployment is likely to lead to lower consumer spending and a decline in GDP, further negatively impacting the Capco Group and the Shaftesbury Group.

All of the risks relating to COVID-19 described above could adversely affect the Capco Group's or the Shaftesbury Group's ability to maintain or grow rental income and could have an adverse impact on the value of the properties of the Capco Group and the Shaftesbury Group, and the Capco Group's or the Shaftesbury Group's business, reputation, financial condition and/or results of operations. Any such impact on the Shaftesbury Group may affect the value of the Investment, thereby increasing the impact of the risk on the Capco Group beyond its own properties.

**3.2 *A deterioration in global or UK economic conditions could impact UK real estate markets, resulting in a decrease in the value of the Capco Group's and the Shaftesbury Group's properties or their respective rental income, which could have an adverse impact on the Capco Group's business and financial condition.***

The Capco Group's business and the Shaftesbury Group's business are subject to inherent risks arising from general macro-economic conditions in the UK and globally, both generally and as they specifically affect property companies. The impact of such macro-economic conditions on the Shaftesbury Group could have an impact on the Capco Group as a result of the effect of such conditions on the value of the Investment.

The Capco Group and the Shaftesbury Group are each subject to the risks of ownership and management of property in Central London and are particularly exposed to the condition of the UK economy, including interest rates, exchange rates, levels of unemployment, house prices and consequential fluctuations in consumers' disposable income. In addition, a deterioration in the macro-economic environment or the relative attractiveness of other asset classes could result in widening yields. Furthermore, property markets, historically, have

tended to operate on a cyclical basis – any investments, divestments and/or speculative developments which are made by the Capco Group or the Shaftesbury Group at the wrong time in an economic cycle could lead to the loss of value or underperformance by the Capco Group or the Shaftesbury Group relative to their competitors. Such economic and market conditions could adversely affect the value of the Capco Group's and the Shaftesbury Group's properties and valuations could fall. Since the Capco Group and the Shaftesbury Group both operate in the real estate sector, any deterioration in the property markets may have an adverse impact on both the Capco Group and the Shaftesbury Group.

Furthermore, the UK's withdrawal from the EU could have a material adverse effect on the Capco Group's or the Shaftesbury Group's business, financial condition, results of operations and prospects. In October 2019, a withdrawal agreement (the "**Withdrawal Agreement**") setting out the terms of the UK's exit from the European Union, and a political declaration on the framework for the future relationship between the UK and EU was agreed between the UK and EU governments. The Withdrawal Agreement, which became effective on 31 January 2020, includes the terms of a transition period until 31 December 2020, during which time the UK and the European Commission will continue to negotiate the terms of a trading arrangement which will apply following the end of the transition period. Until the UK officially exits the EU, EU laws and regulations will continue to apply in the UK.

There is no guarantee that the terms of such arrangement will be ratified by the UK and EU governments prior to the end of the transition period. If the UK and the EU do not agree an extension to the transition period, the trading relationship between the UK and the EU will be governed by World Trade Organisation rules from 31 December 2020, unless a trading arrangement is agreed and ratified.

If the transition period ends with no trading arrangement in place, there may be a significant deterioration in the macro-economic conditions of the UK economy of the UK's legal, political and economic relationship with the EU. Such macroeconomic effects may include, but are not limited to increased foreign exchange volatility (in particular, a weakening of the pound sterling and the euro against other leading currencies), decreases in global stock indices, decreased consumer confidence and gross domestic product in the UK. Any such deterioration could result in further reductions in property valuations and negative investor sentiment towards retail and commercial property markets. The financial performance of the tenants of the Capco Group or the Shaftesbury Group, particularly those in the UK who rely on imports or sales to tourists, or those who employ EU nationals, could also be significantly impacted if fiscal or other restrictions on the free movement of goods (including customs duties, import tariffs or other restrictions on trade) and labour are implemented or if there is any significant reduction in tourism to the UK (whether due to the introduction of visa restrictions, mandatory quarantines or for any other reason). If the revenue of the tenants of the Capco Group or the Shaftesbury Group decreases, their decisions to renew leases, as well as their ability to pay their rent, may be affected, which could reduce the occupancy levels and rental values at the Capco Group's or the Shaftesbury Group's properties and adversely impact their respective business, results of operations, financial condition and prospects.

All of these factors may adversely affect the Capco Group's or the Shaftesbury Group's ability to maintain or grow rental income and could have an adverse impact on the value of the Capco Group's or the Shaftesbury Group's properties and the Capco Group's or the Shaftesbury Group's business, reputation, financial condition and/or results of operations. Any such impact on the Shaftesbury Group may affect the value of the Investment, thereby increasing the impact of the risk on the Capco Group beyond its own business.

### **3.3 *Some of the Capco Group's and the Shaftesbury Group's tenants are exposed to the changes and challenges facing the retail and F&B sector.***

Many of the tenants who occupy properties in the Capco Group's and the Shaftesbury Group's respective portfolios are exposed to the broader changes and challenges facing many businesses in the retail and F&B sectors. The Capco Group derives a substantial portion of its rental income from retail and F&B tenants whose revenues are exposed to reduced consumer spending in periods of economic uncertainty. Approximately 48 per cent.

of the income from the Capco Group's investment properties was from the retail sector and 25 per cent. of the income from the Capco Group's investment properties was from the F&B sector, as at 31 December 2019. The Shaftesbury Group also derives a substantial proportion of its rental income from retail and F&B tenants. Approximately 30 per cent. of the income from the Shaftesbury Group's wholly-owned investment properties was from the retail sector and 40 per cent. of the income from the Shaftesbury Group's wholly-owned investment properties was from the F&B sector, for the six months ended 31 March 2020.

The underlying performance of retail and F&B tenants is influenced by a number of factors, including availability of credit for consumers and businesses, the level of consumer spending, business and consumer confidence and the attractiveness of London and Covent Garden for employers and as a visitor and tourist destination. A deterioration in each of these is beyond the Capco Group's or the Shaftesbury Group's control and could negatively affect retail and F&B sales in particular, leading to tenants no longer being able to pay rent and/or requesting different rent paying arrangements, a higher level of business failures and difficulties for new tenants in raising start-up capital. This, in turn, may impact the Capco Group's or the Shaftesbury Group's ability to secure new tenants, retain existing tenants for its properties and/or generate revenue from its retail, F&B and office properties, whilst actual tenant failure, and general economic factors, especially in periods of economic uncertainty, could also result in substantial decreases in the Capco Group's or the Shaftesbury Group's rental income.

Consumer behaviour is driven by the wider UK economy and its impact on consumer confidence, which may decline. Certain businesses in the retail and F&B sectors, including a limited number of the Capco Group's tenants, have recently been the subject of administrations, company voluntary arrangements or other processes relating to their solvency or financial stability. If any of the foregoing were to affect the Capco Group's or the Shaftesbury Group's tenants, it could result in delays or reductions in receipt of rental and other contractual payments, an inability to collect such payments, the termination of a tenant's lease or the failure of a tenant to vacate a property, all of which could hinder or delay the sale or re-letting of a property.

At the same time, many retailers have developed online retail platforms to complement their store networks. The increasing significance of online purchases by consumers and the evolving omni-channel sales strategies pursued by retailers continue to blur the distinction between retail locations and formats, which may lead to reduced demand from tenants to lease properties, including at the Capco Group's or the Shaftesbury Group's locations, for their store networks.

Any or all of these factors could reduce tenant demand for the Capco Group's or the Shaftesbury Group's properties and/or adversely affect the Capco Group's or the Shaftesbury Group's ability to maintain or grow rental income and could have an adverse impact on the value of the Capco Group's and the Shaftesbury Group's properties. Any such impact on the Shaftesbury Group may affect the value of the Investment, thereby increasing the impact of the risk on the Capco Group beyond its own properties.

**3.4     *The concentration of the Capco Group's properties and the Shaftesbury Group's properties in Central London means that the Capco Group will have increased exposure to external events affecting Central London beyond the control of the Capco Group or the Shaftesbury Group.***

The majority of the Capco Group's properties and the Shaftesbury Group's properties are concentrated in Central London. As a result of this concentration, the Capco Group will have increased exposure to events that threaten visitor security or health and safety or lead to public transport disruption and any other events that might otherwise adversely affect the desirability or popularity of Central London as a location or destination. The popularity or status of Central London as a domestic and an international tourist destination, a global and financial business centre and/or as a place for investment in residential property could be adversely impacted by, among other things:

- the occurrence of events such as terrorist attacks, air traffic restrictions, cyber-attacks, an outbreak of an infectious disease (such as COVID-19) or any other serious public health concern or natural disaster which could result in a reduction of demand for the Capco Group's or the Shaftesbury Group's retail and F&B premises, offices and residential properties. Furthermore, actual or threatened terrorist attacks or war could damage infrastructure or inhibit or prevent access to Central London and could discourage consumers, including international tourists, from visiting Central London and discourage businesses from choosing Central London offices;
- significant and sustained public transport disruption, a detrimental change to local or national transport policy, including the current restrictions imposed on international travel, or limits on capacity at London's stations or airports could reduce the volume of visitors to Central London, negatively affecting the trading conditions for the Capco Group's or the Shaftesbury Group's properties, which could result in a decline in occupancy levels and tenant demand for the Capco Group's or the Shaftesbury Group's properties;
- if London's status as a global financial and business centre were damaged or diminished, tenant demand for space in Central London and demand for residential property could decrease, reducing the ability of the Capco Group or the Shaftesbury Group to let vacant space, leading to decreases in lease rents and causing property values in Central London to decrease; and
- currency exchange rate movements or volatility could affect the volume of overseas visitors to Central London, or the relative attractiveness of London as a leisure destination for UK-based visitors, compared with other overseas cities. This may lead to a decrease in visitor numbers and spending and a decrease in overseas investment in London. In addition, if sterling strengthens against other currencies, it may also become less expensive for UK-based visitors to visit overseas cities, which could lead to a decline in domestic visitor numbers and spending in Central London.

Any of the foregoing could result in the Capco Group's or the Shaftesbury Group's properties no longer being perceived as attractive, convenient, geographically well-located and safe, and make it more difficult to maintain footfall levels at the Capco Group's or the Shaftesbury Group's properties. This could adversely affect the Capco Group's or the Shaftesbury Group's ability to maintain or grow rental income and could have an adverse impact on the value of the Capco Group's or the Shaftesbury Group's properties and the Capco Group's or the Shaftesbury Group's business, reputation, financial condition and/or results of operations. Any such impact on the Shaftesbury Group may affect the value of the Investment, thereby increasing the impact of the risk on the Capco Group beyond its own properties.

### PART III

#### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS FOR THE ENLARGED GROUP

##### Section A: Unaudited Pro Forma Statement of Net Assets for the Enlarged Group

The unaudited pro forma statement of net assets as at 31 December 2019 for the Enlarged Group set out in Section A of this Part III has been prepared on the basis of the notes set out below to illustrate the effect of the Investment, assuming Completion of the Second Tranche, on the net assets of the Capco Group as if the Investment had occurred on 31 December 2019.

The unaudited pro forma financial information has been prepared in accordance with Listing Rule 13.3.3R and in a manner consistent with the accounting policies adopted by Capco in preparing its audited consolidated financial statements for the year ended 31 December 2019.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the actual financial position of Capco or the Enlarged Group. It does not purport to represent what the Enlarged Group's financial position actually would have been if the Investment had been completed on the dates indicated, nor is it indicative of the results that may or may not be expected to be achieved in the future.

The unaudited pro forma financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

		Adjustments		
	Capco Group as at 31 December 2019 Audited	First Tranche acquisition	Second Tranche acquisition	Unaudited pro forma Enlarged Group as at 31 December 2019
	Note 1	Note 2	Note 3	Note 4
	£m	£m	£m	£m
<b>Non-current assets</b>				
Investment and development property	2,545.5	-	-	2,545.5
Property, plant and equipment	5.7	-	-	5.7
Investment in joint ventures	0.3	-	-	0.3
Investment in equity instruments	-	412.1 (a)	88.2 (a)	500.3
Deferred tax	6.6	-	-	6.6
Trade and other receivables	248.8	-	-	248.8
	<b>2,806.9</b>	<b>412.1</b>	<b>88.2</b>	<b>3,307.2</b>
<b>Current assets</b>				
Trade and other receivables	139.4	-	-	139.4
Cash and cash equivalents	153.1	98.9 (d)	(91.1) (c)	160.9
	<b>292.5</b>	<b>98.9</b>	<b>(91.1)</b>	<b>300.3</b>
<b>Total assets</b>	<b>3,099.4</b>	<b>511.0</b>	<b>(2.9)</b>	<b>3,607.5</b>
<b>Non-current liabilities</b>				
Borrowings, including finance leases	(555.3)	(450.0) (b)	-	(1,005.3)
Derivative financial instruments	(3.6)	-	-	(3.6)
	<b>(558.9)</b>	<b>(450.0)</b>	<b>-</b>	<b>(1,008.9)</b>



<b>Current liabilities</b>			
Borrowings, including finance leases	(1.6)	-	(1.6)
Tax liabilities	(2.1)	-	(2.1)
Trade and other payables	(59.3)	-	(59.3)
	(63.0)	-	(63.0)
<b>Total liabilities</b>	<b>(621.9)</b>	<b>(450.0)</b>	<b>(1,071.9)</b>
<b>Net assets</b>	<b>2,477.5</b>	<b>61.0</b>	<b>2,535.6</b>
<b>Pro forma LTV ratio (note 5.a.)</b>			<b>33.24%</b>
<b>Pro forma Net debt to gross assets ratio (note 5.b.)</b>			<b>24.55%</b>

Notes:

The unaudited pro forma statement of net assets as at 31 December 2019 has been compiled on the following basis:

- The Capco Group's financial information as at 31 December 2019 has been extracted, without material adjustment, from the audited Capco annual results for the year ended 31 December 2019.
- The adjustment reflects the First Tranche acquisition of approximately 64.4 million shares, representing 20.94 per cent. of Shaftesbury's shares, which completed on 3 June 2020.
  - The shares were acquired at 540 pence per share, amounting to £347.7 million, but carried at fair value of 640 pence per share based on the closing share price on 3 June 2020, amounting to £412.1 million.
  - The acquisition was funded fully through the £705.0 million Covent Garden revolving credit facility with £450.0 million drawn.
  - £3.4 million of transaction related costs have been incurred.
  - The adjustment to cash and cash equivalents comprises:

	<b>£m</b>
Revolving credit facility drawdown (Note 2.b.)	450.0
Less: Purchase consideration paid (Note 2.a.)	(347.7)
Less: Acquisition costs paid (Note 2.c.)	(3.4)
<b>Total</b>	<b>98.9</b>

- The adjustment reflects the proposed Second Tranche acquisition of approximately 16.3 million shares at 540 pence per share, amounting to £88.2 million, representing 5.31 per cent. of Shaftesbury's shares. As the fair value exercise for the Second Tranche has not been completed at the date of this document, this adjustment is reflected at cost.
  - The acquisition will be funded by the previous £450.0 million drawn on the £705.0 million Covent Garden revolving credit facility (Note 2.b).
  - £2.9 million of transaction related costs will be incurred.
  - The adjustment to cash and cash equivalents comprises:

	<b>£m</b>
Purchase consideration paid (Note 3)	(88.2)
Less: Acquisition costs paid (Note 3.b.)	(2.9)
<b>Total</b>	<b>(91.1)</b>

4. No adjustments have been made to reflect the trading or other transactions of the Capco Group since 31 December 2019 including updated valuations as at 30 June 2020 or £90 million deferred proceeds received in March 2020 from the sale of Earls Court.

5. The pro forma LTV ratio and net debt to gross assets ratios are calculated as follows:

<b>(a) Pro forma LTV:</b>	<b>Unaudited pro forma Group as at 31 December 2019</b>
	<b>£m</b>
Borrowings, including finance leases – non current	1,005.3
Borrowings, including finance leases – current	1.6
<i>Total Borrowings</i>	<u>1,006.9</u>
Less: Cash and cash equivalents	<u>(160.9)</u>
<b>Net Debt (A)</b>	<b>846.0</b>
<b>Investment and development property (B)</b>	<b>2,545.5</b>
<b>Pro forma LTV ratio (A/B)</b>	<b>33.24%</b>
 <b>(b) Pro forma net debt to gross assets:</b>	 <b>Unaudited pro forma Group as at 31 December 2019</b>
	<b>£m</b>
<b>Net Debt (A)</b>	<u><b>846.0</b></u>
<b>Total assets</b>	<b>3,607.5</b>
Less: Cash and cash equivalents	<u>(160.9)</u>
<b>Gross assets (C)</b>	<b>3,446.6</b>
<b>Pro forma net debt to gross assets ratio (A/C)</b>	<b>24.55%</b>

**Section B: Accountant's Report on Unaudited Pro Forma Statement of Net Assets for the Enlarged Group**

**Deloitte.**

Deloitte LLP  
1 New Street Square  
London  
EC4A 3HQ

The Board of Directors  
on behalf of Capital & Counties Properties PLC  
15 Grosvenor Street  
London  
W1K 4QZ  
United Kingdom

N.M. Rothschild & Sons Limited  
New Court  
St Swithin's Lane  
London  
EC4N 8AL

21 July 2020

Dear Sirs/Mesdames,

Capital & Counties Properties PLC (the "**Company**")

We report on the pro forma financial information (the "**Pro forma financial information**") set out in Section A of Part III of the class 1 circular dated 21 July 2020 (the "**Class 1 Circular**"), which has been prepared on the basis described in the notes, for illustrative purposes only, to provide information about how the Investment might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2019. This report is required by the Commission delegated regulation (EU) 2019/980 (the "**Prospectus Delegated Regulation**") as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that requirement and for no other purpose.

**Responsibilities**

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Pro forma financial information in accordance with Annex 20 sections 1 and 2 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex 20 section 3 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Class 1 Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a

result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the Class 1 Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

### **Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

Deloitte LLP

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients.*

## **PART IV**

### **CURRENT TRADING OF THE CAPCO GROUP**

The information in this Part IV has been reproduced from Capco's trading statement in respect of the six months ended 30 June 2020, which was published today.

### **CAPITAL & COUNTIES PROPERTIES PLC ("CAPCO")**

#### **TRADING UPDATE AND PUBLICATION OF CIRCULAR**

Capco today releases a trading update and further to the announcement on 30 May 2020, intends to publish a circular on the proposed acquisition of a stake in Shaftesbury PLC. Financial information below represents unaudited figures for the six months ended 30 June 2020, and Capco's interim results for this period will be released on 12 August 2020.

- The Company is confident in the long-term resilience, attractiveness of and prospects for prime central London, in particular the West End
- Covent Garden is a pedestrianised open air environment and is well positioned as lock down measures ease and consumers return to central London
- Additional streets around the Piazza have been pedestrianised, allowing for greater freedom of movement and increased al fresco dining across the estate
- As a responsible, long-term owner of the estate, Capco has been working with local communities and continues to provide assistance to local charity partners in the West End
- The majority of retail and dining concepts on the Covent Garden estate have reopened
- Capco has provided support to retail and hospitality customers experiencing cash flow pressures, with rental agreements being adjusted on a case by case basis to include deferrals and turnover-linked arrangements where appropriate
- Covent Garden total property value of £2.2 billion, a decrease of 17 per cent. since 31 December 2019
- Acquisition of 20.94 per cent. stake in Shaftesbury PLC completed with a further 5.31 per cent. agreed subject to shareholder approval
- Strong balance sheet with loan to property value of 32 per cent., net debt to gross assets ratio of 26 per cent. and £616 million of cash and undrawn facilities
- £90 million of deferred consideration from the Earls Court sale received in March 2020, with a further £105 million expected to be received later this year and £15 million due in 2021

#### **Covent Garden property valuation**

As at 30 June 2020, Covent Garden total property value was £2.2 billion, representing a 17 per cent. like-for-like decrease (31 December 2019: £2.6 billion). Substantially all of the valuation movement relates to the retail, leisure and F&B (food and beverage) portfolio which represents 75 per cent. of total property value. (Portfolio value by use represented by retail 52 per cent., F&B 20 per cent., office 16 per cent., residential 9 per cent. and leisure 3 per cent.). The main contributors were a 12 per cent. (like-for-like) decline in ERV to £95.5 million, yield expansion of 17 basis points to 3.82 per cent. (equivalent basis) and other movements including the valuer's assumption on loss of near-term income (£31 million).

#### **Supporting the re-opening of retail and hospitality tenants**

On 23 March 2020 the majority of retail and F&B tenants closed across the estate. Throughout this period of COVID-19 uncertainty, Capco's priority has been the health and safety of its people, customers and visitors.

As a long-term investor in the estate, Capco took early action ensuring the safety and security of Covent Garden whilst also providing support on a case by case basis to customers experiencing

cash flow challenges as a result of COVID-19. This supports the reopening of stores during this period of significant disruption, ensuring the business is well positioned to benefit from a recovery and prosper over the medium-term. Bespoke solutions have been agreed which include rent deferrals, rent-free periods and other arrangements reflecting the position of each customer. For certain tenants which are experiencing short-term cash flow issues, rental agreements will be linked to turnover for the second half of the year in exchange for other provisions such as lease extensions.

98 per cent. of Q1 2020 rents were collected. Rent collection for the March (Q2) and June (Q3) quarter rent dates have been significantly lower than normal levels with 44 per cent. collected for the second quarter and 27 per cent. for the third quarter. Overall 71 per cent. of rent has been collected in the first six months of the year compared to 99 per cent. for the equivalent period in 2019.

#### Quarterly rent collection summary

	<b>Gross rents £m</b>	<b>Received £m</b>	<b>Collected %</b>	<b>Alternative arrangements %</b>	<b>Outstanding %</b>
Q1	16.2	15.9	98%	-	2%
Q2	16.9	7.5	44%	53%	3%
<b>H1 2020</b>	<b>33.1</b>	<b>23.4</b>	<b>71%</b>	<b>27%</b>	<b>2%</b>
Q3 2020	17.9	4.8	27%	67%	6%

The majority of retail and hospitality customers on the estate have reopened or are set to reopen imminently. Whilst initial indicators are encouraging, the trading environment remains challenging. It is too early to predict when footfall will return to previous levels whilst physical office occupancy remains significantly reduced, and with the ongoing travel restrictions and fragile consumer sentiment.

#### Operational performance and leasing update

Capco began the year with a strong leasing pipeline however activity levels were affected significantly by the pandemic from early February onwards. 22 leasing transactions completed with a rental value of £2.7 million (H1 2019: £13.0 million).

During this challenging period a small number of tenants have entered into administration representing £3.0 million of passing rent. EPRA vacancy has increased by 0.9 percentage points to 4.1 per cent. (31 December 2019: 3.2 per cent.). Approximately 12 per cent. of ERV is in or is held for development or refurbishment (31 December 2019: 8 per cent.). Opportunities will be taken to ensure that the best possible tenant line-up is maintained across the estate. Notwithstanding the significant disruption to the occupational market, leasing interest in the Covent Garden estate has been encouraging.

Since the announcement of Capco's 2019 results, Bucherer's expansion in the Royal Opera House Arcade is underway and its opening is on track for later this year, while Ganni has opened its new flagship on Floral Street and will be joined by American Vintage later in the year. Jewellery brand Vashi is the latest signing on James Street for a new London flagship store while Bubblewrap and Belgian chocolatier Neuhaus have both agreed terms to open in the Market Building.

Covent Garden offers a welcoming open air environment for visitors. Capco is implementing a number of marketing initiatives and collaborating with stakeholders to promote Covent Garden and the West End, encouraging a return of footfall to normal levels over time.

Capco continues to engage directly with the consumer offering differentiated experiences. Covent Garden now hosts a new al fresco, socially distanced dining area on the Piazza. With many of the area's restaurants open for take away, it provides the opportunity for visitors to dine outside in the heart of the West End.

In partnership with Westminster City Council, there are additional pedestrianised streets in the Covent Garden area to allow for greater freedom of movement and use of outdoor space. Newly

pedestrianised streets include Henrietta Street, Floral Street, Maiden Lane and Tavistock Street alongside extended car-free hours for the Piazza and King Street. Further to this, there are additional outdoor seating areas across these streets for our restaurants, providing approximately 200 incremental outdoor covers.

Capco remains confident in its tenant mix, continuing to focus on concepts with strong financial covenants, differentiated offerings, successful multi-channel programmes, close customer relationships and brands that recognise the value of high-profile locations with a complementary leisure and dining offering.

As a responsible, long-term owner of the estate, Capco has been working with local communities and continues to provide assistance to local charity partners in the West End. Financial aid has been provided to COVID-19 funds supporting homelessness, food banks, the elderly as well as hospitality and retail foundations.

### **Strong liquidity and balance sheet position**

The financial information below represents unaudited figures as at 30 June 2020:

- Group loan to property value of 32<sup>1</sup> per cent. (31 December 2019: 16 per cent.), reflecting property value and net debt as at 30 June 2020
- Group net debt to gross assets of 26<sup>1</sup> per cent. (31 December 2019: 15 per cent.), taking into account the value of the investment in Shaftesbury shares, as at 30 June 2020
- Group undrawn facilities and cash of £616 million (31 December 2019: £895 million)
- Group net debt of £721 million (31 December 2019: £442 million)
- Capital commitments of £93 million (includes £88 million in respect of second tranche of Shaftesbury shares) (31 December 2019: £14 million)
- Weighted average cost of debt of 2.6 per cent. (31 December 2019: 3.0 per cent.)
- Weighted average debt maturity of 4.4 years (31 December 2019: 4.9 years)
- There is significant headroom against the LTV covenant position, and interest cover covenant waivers in respect of the current financial year have been agreed with Covent Garden group lenders to address interruption to near-term income.

1. Before £88 million investment in the second tranche of Shaftesbury shares payable in August 2020 (subject to shareholder approval) and receipt of a further £105 million of deferred consideration from the sale of Earls Court expected later this year (with the balance of £15 million due in 2021).

### **Acquisition of shareholding in Shaftesbury PLC**

As announced on 30 May 2020, Capco agreed to acquire a 26.3 per cent. shareholding in Shaftesbury across two tranches ("the Investment") for total consideration of £436 million, at a price of 540 pence per Shaftesbury share.

The Investment comprises the acquisition of 64.4 million shares for £347.7 million in cash, representing 20.94 per cent. of Shaftesbury's shares, which completed on 3 June 2020 (the "First Tranche") and the proposed acquisition of a subsequent tranche of approximately 16.3 million shares for £88.2 million in cash, representing 5.31 per cent. of Shaftesbury's shares (the "Second Tranche").

Capco expects to publish a shareholder circular later today in respect of the acquisition of the Second Tranche, which when aggregated with the First Tranche, constitutes a Class 1 transaction for the purposes of the Listing Rules and is therefore conditional on approval by shareholders at the General Meeting to be held on 10 August 2020.

The Shaftesbury Investment is a unique opportunity to acquire a significant stake in an exceptional mixed-use real estate portfolio, adjacent to Capco's world-class Covent Garden estate. It represents an attractive investment and entry price relative to historical levels and the Board's view of the future long-term prospects for prime central London. The Investment is consistent with Capco's strategy to invest in complementary opportunities on or near the Covent Garden estate.

**Earls Court deferred proceeds**

£90 million of deferred consideration from the Earls Court sale was received in March 2020. In addition, a further £105 million of deferred consideration is expected to be received later this year with the balance of £15 million due in 2021.

**Lillie Square (50:50 joint venture)**

The completion of Phase 2 continues with 66 units handed over in the first half of this year, representing £81 million of cash proceeds received (£40 million Capco share).

A further 120 units remain in Phase 2, of which 93 have been pre-sold representing approximately £120 million of further proceeds (£60 million Capco share). The property valuation of the Lillie Square joint venture as at 30 June 2020 was £138 million (Capco share), a slight decline (like-for-like) against the 31 December 2019 valuation of £177 million.



## PART V

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

The Company and the Directors, whose names are set out in paragraph 3 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. THE COMPANY AND REGISTERED OFFICE

The Company was incorporated and registered in England and Wales on 3 February 2010 as a public limited company limited by shares with the name Capital & Counties Properties PLC and the registered number 07145051.

The Company is domiciled in the United Kingdom with its registered office and principal place of business at 15 Grosvenor Street, London, W1K 4QZ. The telephone number of the Company's registered office is +44 (0) 20 3214 9150.

The principal legislation under which the Company operates is the Companies Act 2006 and the regulations made thereunder.

#### 3. DIRECTORS

The Directors of the Company and their functions are as follows:

Henry Staunton	Chairman
Ian Hawksworth	Chief Executive
Situl Jobanputra	Chief Financial Officer
Michelle McGrath	Executive Director
Anthony Steains	Senior Independent Non-Executive Director
Charlotte Boyle	Independent Non-Executive Director
Jonathan Lane, OBE	Independent Non-Executive Director

#### 4. DIRECTORS' INTERESTS

Save as disclosed in this paragraph 4, none of the Directors, nor their immediate families or connected persons, have any interests (beneficial or non-beneficial) in the share capital of the Company or its subsidiaries.

Save as disclosed in this paragraph 4 of this Part V (*Additional Information*), no other person involved in the Investment has an interest which is material to the Investment.

##### 4.1 Directors' shareholdings

The beneficial interests in the shares of the Company for each Director as at the Latest Practicable Date are set out in the table below. The shares which are included in these holdings are those held beneficially by the Director, their spouse or dependant family members, shares held within individual savings accounts, personal equity plans or pensions, shares that are subject to a holding period, such as deferred bonus, and vested but unexercised awards.

Interests as at the Latest Practicable Date		
<b>Director</b>	<b>No.</b>	<b>% of total issued share capital</b>
Ian Hawksworth	820,604	0.096
Situl Jobanputra	62,500	0.007
Michelle McGrath	20,000	0.002
Henry Staunton	250,000	0.029
Charlotte Boyle	10,052	0.001
Jonathan Lane, OBE	40,950	0.005
Anthony Steains	-	-
<b>Total</b>	<b>1,204,106</b>	<b>0.140%</b>

Taken together, the combined percentage interest of the Directors in the voting rights in respect of the issued ordinary share capital of Capco at the Latest Practicable Date was less than one per cent. The Directors have no interest in the shares of Capco's subsidiaries.

## 4.2 Directors' share interests

### *Performance share plan*

Capco operates a performance share plan (the "**PSP**") for the Executive Directors under which awards of shares or nil-cost options are made at the discretion of the Remuneration Committee.

PSP awards vest on the third anniversary of the date of grant, and are subject to a two-year post-vesting holding period. The vesting of awards is subject to continued employment and Capco's performance over a three-year performance period.

The PSP is subject to malus and clawback at the discretion of the Remuneration Committee.

### *Deferred bonus*

Executive Directors are eligible to participate in an annual bonus plan operated by Capco. The annual bonus is settled in cash and shares: where an annual bonus earned exceeds 100 per cent. of salary, the portion that exceeds 100 per cent. of salary is deferred in Capco shares or nil-cost options for three years under the PSP without further performance conditions but subject to risk of forfeiture should an Executive Director leave Capco in certain circumstances.

### *Summary of Executive Directors' interests in shares and share schemes*

Details of Executive Directors' share scheme interests (excluding 2019 deferred bonus), including information on share awards that were exercised or vested as at the Latest Practicable Date, are set out in the tables below.

Overview:

<b>Executive Director</b>	<b>Shares held</b>	<b>Nil-cost option awards in respect of deferred bonus</b>	<b>Nil-cost option awards and approved options, subject to performance conditions</b>	<b>Total</b>
Ian Hawksworth	820,604	368,853	2,799,557	3,989,014
Situl Jobanputra	62,500	211,436	1,796,722	2,070,658
Michelle McGrath	20,000	N/A	877,762	897,762

Outstanding awards made under the PSP:

<b>Year granted</b>	<b>Option price (pence) (if any)</b>	<b>No. of share awards held at the Latest Practicable Date</b>	<b>Exercisable during or between</b>
<b>Ian Hawksworth</b>			
2017	Nil	29,528	2020-2027
2018	Nil	789,483	2021-2028
2018	Nil	102,153	2021-2028
2019	Nil	897,584	2022-2029
2019	Nil	44,722	2022-2029
2020	Nil	1,112,490	2023-2030
2020	Nil	192,450	2023-2030
<b>Situl Jobanputra</b>			
2018	Nil	486,111	2021-2028
2018	Nil	58,289	2021-2028
2019	Nil	571,848	2022-2029
2019	Nil	28,986	2022-2029
2020	Nil	738,763	2023-2030
2020	Nil	124,161	2023-2030
<b>Michelle McGrath</b>			
2018	Nil	148,643	2021-2028
2019	Nil	202,680	2022-2029
2019	241.76	12,409	2022-2029
2020	Nil	514,030	2023-2030

## 5. DIRECTORS' SERVICE CONTRACTS

### 5.1 Executive Directors

Executive Directors are appointed under one-year rolling service contracts. The service contracts may be terminated by either party giving one year's notice to the other. It is the Company's policy that payments in lieu of notice should not exceed the Director's current salary and benefits (including pension contributions) for the notice period. Details of the service contracts entered into are set out below.

	<b>Commencement date</b>	<b>Notice period by the Company (months)</b>
Ian Hawksworth	17 May 2010	12 months
Situl Jobanputra	1 January 2017	12 months
Michelle McGrath	26 February 2020	12 months

All of the Executive Directors were re-elected (or in Michelle McGrath's case, elected) by ordinary resolution at the annual general meeting of Capco on 1 May 2020.

### 5.2 Non-executive Directors

The Non-executive Directors do not have service contracts but instead have letters of appointment. The letters of appointment of the Non-executive Directors are reviewed by the Board annually and contain a one-month notice period. The Chairman's letter of appointment contains a three-month notice period. Details of the current letters of appointment are set out below.

	<b>Date of appointment</b>	<b>Notice period by the Company (months)</b>
Henry Staunton	2 June 2010	3 months
Anthony Steains	1 March 2016	1 month
Charlotte Boyle	1 October 2017	1 month
Jonathan Lane, OBE	1 March 2019	1 month

All of the Non-executive Directors were re-elected by ordinary resolution at the annual general meeting of Capco on 1 May 2020. The Non-executive Directors do not receive any pension, bonus or long-term incentive benefits from the Company.

## 6. SIGNIFICANT SHAREHOLDERS

As at the Latest Practicable Date, the following persons had notified the Company of an interest which represents 3 per cent. or more of the voting share capital of the Company who, directly or indirectly, is interested in 3 per cent. or more of the ordinary shares of Capco, and the amount of such person's interest, is as follows:

Shareholder	Interest as at the Latest Practicable Date	
	No. of Ordinary Shares	% of total issued share capital
Norges Bank	127,656,465	14.99
Foord Asset Management (Pty) Ltd	68,269,494	8.02
Blackrock Inc.	62,556,255	7.35
Public Investment Corporation SOC Limited	42,370,771	4.98
Investec Asset Management (PTY) Ltd and Investec Asset Management Ltd	41,951,373	4.93
Old Mutual plc	41,548,620	4.88
STC International Limited and Novatrust Limited	38,142,153	4.48
Madison International Realty	33,994,434	3.99

Save as disclosed in this paragraph 6, the Company is not aware of any interest which represents an interest in the Company's share capital or voting rights which is notifiable under the Disclosure Guidance and Transparency Rules.

## 7. RELATED PARTY TRANSACTIONS

Save as disclosed in the information incorporated by reference into this document referred to in paragraph 13 of this Part V (*Additional Information*), no member of the Capco Group entered into any transactions with related parties during the years ended 31 December 2019, 2018 and 2017. For further information, see:

- Note 31 of the noted to the audited consolidated financial statements for Capco for the year ended 31 December 2019 which can be found at pages 137 and 138 of the Capco Annual Report 2019;
- Note 32 of the noted to the audited consolidated financial statements for Capco for the year ended 31 December 2018 which can be found at pages 128 and 129 of the Capco Annual Report 2018; and
- Note 32 of the noted to the audited consolidated financial statements for Capco for the year ended 31 December 2017 which can be found at pages 132 and 133 of the Capco Annual Report 2017.

For the period from and including 1 January 2020 and the Latest Practicable Date, there were no related party transactions entered into by any member of the Capco Group, other than ordinary course management fee income and payments made by directors in respect of their properties at Lillie Square.

## 8. MATERIAL CONTRACTS

### 8.1 The Capco Group

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Capco Group: (i) within the two years immediately preceding the date of this document which are or may be, material; or (ii) which contain any provision under which any member of the Capco Group has any obligation or entitlement which is material to the Capco Group as at the date of this document:

#### 8.1.1 The First SPA

##### *Parties*

On 30 May 2020, Capco and the Sellers entered into a sale and purchase agreement pursuant to which Capco agreed to acquire the shares in the First Tranche from the Sellers.

##### *Timing and completion*

Completion of the acquisition under the First SPA occurred on 3 June 2020 and resulted in Capco holding a 20.94 per cent. shareholding in Shaftesbury.

##### *Consideration*

The consideration of a cash sum of £347,674,566.60 (representing 540 pence per Shaftesbury share) was satisfied by Capco and settled via CREST on the completion date.

##### *Warranties and limitations on liability*

The Sellers have given fundamental title and capacity warranties in favour of Capco under the First SPA. The Sellers' liability in relation to such warranties is limited to the amount of the total consideration for the acquisition of the First Tranche.

Capco has given fundamental capacity warranties in favour of the Sellers under the First SPA. Capco's liability in relation to such warranties is limited to the amount of the total consideration for the acquisition of the First Tranche.

The time limit for all claims under the First SPA will be two years from the date of the First SPA.

##### *Governing law and jurisdiction*

The First SPA and any dispute or claim arising out of or in connection with it (including non-contractual disputes or claims) is governed by English law and subject to the exclusive jurisdiction of the English courts.

#### 8.1.2 The Second SPA

##### *Parties*

On 30 May 2020, Capco and the Sellers entered into a sale and purchase agreement pursuant to which Capco conditionally agreed to acquire the Second Tranche Shares from the Sellers.

##### *Timing and conditions*

Completion is conditional upon the approval of the acquisition of the Second Tranche (as a Class 1 transaction under the Listing Rules) by Shareholders passing the Resolution at the General Meeting, or by Capco otherwise satisfying the requirement for shareholder approval under Chapter 10 of the Listing Rules (the "**Condition**").

Completion shall take place following the satisfaction of the Condition.

The acquisition of the Second Tranche will not proceed, and the Second SPA will be terminated, if the Condition has not been satisfied on or before the earlier of: (i) the date that is 12 weeks after the date of the Second SPA (22 August 2020); and

(ii) the date on which the Capco Directors alter, modify or revoke their unanimous recommendation to the Shareholders to vote in favour of the Resolution (or such later date as the parties may agree) (the "**Longstop Date**").

#### *Consideration*

The consideration of a cash sum of £88,218,849.60 (representing 540 pence per Shaftesbury share) is to be satisfied by Capco and settled via CREST on Completion.

#### *Termination*

The Second SPA will terminate automatically in the following circumstances:

- if the Condition has not been satisfied on or before the Longstop Date; or
- if Completion does not take place on the agreed completion date, being the third business day following satisfaction of the Condition (or such other time as the parties may agree).

#### *Warranties and limitations on liability*

The Sellers have given fundamental title and capacity warranties in favour of Capco under the Second SPA. The Sellers' liability in relation to such warranties is limited to the amount of the total consideration for the acquisition of the Second Tranche.

Capco has given fundamental capacity warranties in favour of the Sellers under the Second SPA. Capco's liability in relation to such warranties is limited to the amount of the total consideration for the acquisition of the Second Tranche.

The time limit for all claims under the Second SPA will be two years from Completion.

#### *Covenants until Completion*

The Second SPA includes customary restrictions on the Sellers transferring or otherwise encumbering the Second Tranche Shares pending Completion, and further restrictions on dealings by the Sellers in the Second Tranche Shares following satisfaction of the Condition and before Completion. If Shaftesbury calls a shareholder meeting before the Condition is satisfied at which resolutions are put to shareholders in respect of an issue or allotment of ordinary shares, or (in the context of a rights issue) rights to ordinary shares, exceeding 10 per cent. of Shaftesbury's issued share capital, the Sellers will exercise the voting rights attached to the Second Tranche Shares in respect of such resolutions as directed by Capco. Additionally, certain anti-dilution protections apply in the event Shaftesbury announces a rights issue or pays or declares an extraordinary cash dividend prior to Completion.

#### *Governing law and jurisdiction*

The Second SPA and any dispute or claim arising out of or in connection with it (including non-contractual disputes or claims) is governed by English law and subject to the exclusive jurisdiction of the English courts.

### **8.1.3 UK sponsor's engagement letter**

Capco and Rothschild & Co have entered into the sponsor's engagement letter dated 18 June 2020 which sets out the terms on which Capco has appointed Rothschild & Co to act as UK sponsor in connection with the publication of the Circular.

The engagement letter contains warranties from Capco in favour of Rothschild & Co in relation to the preparation and contents of the Circular. In addition, Capco has agreed to indemnify Rothschild & Co in respect of certain liabilities they might incur in respect of the provision of services in relation to the Investment. The liability of Capco under the engagement letter is unlimited by time and amount.

Capco agreed to pay Rothschild & Co's properly incurred costs and expenses (including any applicable VAT) in respect of the Investment.

#### 8.1.4 **JSE sponsor's engagement letter**

Capco and BofA Securities have entered into an engagement letter dated 16 July 2020 which sets out the terms on which Capco has appointed BofA Securities to act as financial adviser and corporate broker to Capco in respect of the Investment, and to procure the provision of sponsor services of BofA Securities' affiliate, BofA Securities SA, which will act as JSE sponsor in connection with the Circular.

Capco has agreed to indemnify BofA Securities and its affiliates (including BofA Securities SA) in respect of certain liabilities they might incur in respect of the provision of services in relation to the Investment. The liability of Capco under the engagement letter is unlimited by time and amount.

Capco has agreed to pay BofA Securities and BofA Securities SA's reasonably incurred costs and expenses (including any applicable VAT) in respect of the Investment.

#### 8.1.5 **£705 million revolving credit facility agreement**

Covent Garden Group Holdings Limited is party to a £705 million revolving credit facility agreement dated 18 December 2015 as borrower with HSBC Bank plc acting as agent and The Royal Bank of Scotland plc, BNP Paribas, London Branch, Barclays Bank plc, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, Bank of China Limited, London Branch, Wells Fargo N.A., London Branch and Abbey National Treasury Services Plc as original lenders, defined above as the Covent Garden RCF. On 21 June 2016, Capco Covent Garden Limited novated its rights and obligations as borrower under the Covent Garden RCF to Covent Garden Group Holdings Limited (taken with its subsidiaries from time to time, the "**Covent Garden Holdings Group**").

##### *Purpose, maturity, fees and currency*

The facility is available for refinancing financial indebtedness of the Covent Garden Holdings Group, financing the acquisition of leasehold, heritable and freehold property interests and general corporate purposes of the Covent Garden Holdings Group. The facility is available for utilisation until 18 November 2022 and the final maturity date is 19 December 2022.

The annual rate of interest is LIBOR plus a margin. A commitment fee is payable quarterly on each lender's undrawn commitments under the facility. In addition, utilisation fees are payable depending on tiered level of borrowings under the facility. An upfront arrangement fee was paid on entering into the facility agreement an extension fee was paid when the final maturity date was extended to 19 December 2022 and there is an annual agency fee payable.

##### *Financial covenants*

The Covent Garden RCF includes a number of financial covenants. The primary covenants relate to:

- a maximum restriction on consolidated net borrowings as a percentage of investment property value (the LTV ratio) which is set at 60 per cent.; and
- a minimum requirement of net operating income as a percentage of interest costs (known as the interest cover ratio) which is set at 120 per cent.

The remaining covenants relate to a maximum restriction on secured borrowings as a percentage of property value, location of acquired properties and other non-financial measures.

##### *Waiver*

COVID-19 has had, and is anticipated to have, an impact on the net operating income measured for the purposes of the financial covenants. On 24 June 2020, the lenders agreed to waive the interest cover ratio in respect of the six month measurement period ending on 30 June 2020 and the 12 month measurement period ending on 31 December 2020. In consideration for that waiver, Covent Garden Holdings Group agreed to a liquidity requirement during the waiver period.

#### *Events of default*

The facility agreement contains certain customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including non-payment, breach of the financial covenants described above and a cross-default of debt of the Covent Garden Holdings Group (excluding indebtedness of certain single purpose entities in the group) in aggregate in excess of £20 million. The occurrence of an event of default which is continuing would allow the lenders to, amongst other things, upon written notice to the borrower, accelerate all or part of the outstanding loans, cancel the commitments and declare all or part of the loans payable on demand.

### **8.1.6 Loan note purchase agreements**

Covent Garden Holdings Group has issued the following loan notes:

- on 16 December 2014, the £75 million Series A Notes due 16 December 2024 and the £75 million Series B Senior Notes due 16 December 2026;
- on 14 November 2016, the £125 million Series A Senior Notes due 14 November 2026 and the £50 million Series B Senior Notes due 14 November 2028; and
- on 31 August 2017, the £57.5 million Series A Senior Notes due 31 August 2024, the £50 million Series B Senior Notes due 31 August 2027, the £35 million Series C Senior Notes due 31 August 2029, the £37.5 million Series D Senior Notes due 31 August 2032, the £35 million Series E Senior Notes due 31 August 2033 and the £10 million Series F Senior Notes due 31 August 2037,

(together, the "**Loan Notes**").

#### *Purpose and coupons*

Proceeds of the Loan Notes were to be applied by the issuer to the repayment of existing financial indebtedness and for its general corporate purposes. The Loan Notes were issued with a range of coupons between 2.28 per cent. and 3.68 per cent., giving a blended cost of borrowing of below 2.92 per cent.

#### *Financial covenants*

The Loan Notes are subject to the following financial covenants: (i) maximum restriction on consolidated net borrowings as a percentage of property value; (ii) minimum net operating income to interest cover; and (iii) maximum restriction on secured borrowings as a percentage of property value.

The remaining covenants relate to location of acquired properties, (in the Loan Notes issued in 2014 only) a restriction on the value of properties which are held in joint ventures and other non-financial measures.

#### *Waiver*

COVID-19 has had, and is anticipated to have, an impact on the net operating income measured for the purposes of the financial covenants. On 16 July 2020, the holders of the Loan Notes agreed to waive the interest cover ratio in respect of the six month measurement period ending on 30 June 2020 and the 12 month measurement period ending on 31 December 2020. In consideration for that



waiver, Covent Garden Holdings Group agreed to a liquidity requirement for the waiver period.

#### *Events of default*

The Loan Notes are subject to customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including non-payment, breach of the financial covenants described above and a cross-default to debt of the issuer or a material subsidiary of the issuer in excess of £20 million.

The occurrence of an event of default which is continuing would allow the noteholders to, amongst other things, by notice or notices to the issuer declare all notes then outstanding to be immediately due and payable.

The amount payable on an event of default would, subject to the terms and conditions of the Loan Notes, be the unpaid principal amount then outstanding (together with interest thereon to the prepayment date) and, in certain circumstances, a combination of a make-whole amount based on the discounted value of remaining scheduled payments and such amounts as may be payable to close out any associated hedging arrangement which a noteholder has entered into in respect of the Loan Notes.

### **8.1.7 Sale and Purchase Agreement for Earls Court**

On 15 November 2019 Capco entered into a sale and purchase agreement with subsidiaries of Stichting Depositary APG Strategic Real Estate Pool and Delancey Real Estate Asset Management Limited (on behalf of its client fund) for the sale of Capco's interests in Earls Court (excluding Lillie Square) for £425 million. The sale completed on 29 November 2019.

#### *Consideration and guarantee*

Payment of the consideration will be made to Capco on a phased basis; £120 million remains outstanding, of which £105 million is due at the end of 2020 and £15 million is due in December 2021. Further consideration may be payable to Capco in limited circumstances. The obligations of the buyers under the agreement are indirectly guaranteed by APG and Delancey.

#### *Capco retained liability*

Capco gave customary warranty protection to the buyers under the contract. Capco's aggregate liability in respect of all warranty claims is limited to claims notified within two years of completion (or seven years for tax claims), and is capped at £1, save for fraud on the part of Capco.

Capco gave certain indemnities in respect of possible historical liabilities of the target group. Such indemnities do not increase Capco's liability in respect of any retained liability which it already carries as a result of previously owning the interests in Earls Court.

Capco also entered into a customary tax deed in respect of the transaction, under which it grants various protections to the buyers should certain tax liabilities arise.

## **8.2 The Second Tranche Shares**

No contracts (not being contracts entered into in the ordinary course of business) have been entered into: (i) within the two years immediately preceding the date of this document which are or may be, material; or (ii) which contain any provision under which there is an obligation or entitlement which is material specifically to the Second Tranche Shares as at the date of this document, other than the Second SPA which governs the acquisition of the Second Tranche Shares by Capco and which is summarised at paragraph 8.1.2 of this Part V.

## **9. LITIGATION**

### **9.1 The Capco Group**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Capco is aware) which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Capco Group's financial position or profitability.

### **9.2 The Second Tranche Shares**

There are no governmental, legal or arbitration proceedings relating specifically to the Second Tranche Shares (including any such proceedings which are pending or threatened of which Capco is aware) which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Capco Group's financial position or profitability.

## **10. WORKING CAPITAL**

### **10.1 Working capital statement**

The Company is of the opinion that, taking into account the facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

### **10.2 Impact of COVID-19**

In preparing the working capital statement, the Company is required to identify, define and consider a reasonable worst case scenario. This has involved making certain assumptions regarding the potential evolution of the COVID-19 pandemic and its potential impact on the Capco Group in that reasonable worst case scenario.

### **10.3 COVID-19 reasonable worst case assumptions**

COVID-19 has had, and is anticipated to have, a significant impact on the Capco Group's near-term performance. In determining the potential impact resulting from COVID-19, the Directors' projections take into account current social distancing and lockdown measures and other policy measures introduced by the UK government in response to COVID-19. This results in the following COVID-19 related assumptions underpinning the working capital statement:

10.3.1 Rent concessions provided to a range of tenants, focussing particularly on the retail, F&B and leisure sectors combined with extended voids and tenant failures will lead to a substantial reduction in net rental income during the forecast period. The Directors' reasonable worst case projections represent a reduction in forecast net rental income (including impairment of tenant incentive balances and impact of lease modifications) of approximately 50 per cent. over the 12 month period following the date of this document, with this reduction weighted towards the first half of this period, compared to the Directors' pre-COVID-19 projections.

10.3.2 A cumulative decline in property valuations of approximately 35 per cent. in the 12 months following the date of this document compared to the recorded valuations as at 31 December 2019.

10.3.3 A gradual recovery in business and consumer sentiment, including the implementation over time of further easing measures in relation to COVID-19 and avoiding a further period of severe and prolonged disruption.

### **10.4 Basis of working capital statement**

The working capital statement in this document has been prepared in accordance with the ESMA Recommendations relating to working capital statements, and the technical

supplement to the FCA Statement of Policy published 8 April 2020 relating to the COVID-19 crisis.

## **11. SIGNIFICANT CHANGES**

### **11.1 The Capco Group**

There has been no significant change in either the financial position or financial performance of the Capco Group since 31 December 2019, the date to which the last published audited financial statements were prepared, other than:

11.1.1 the payment of £347.7 million in cash in consideration for the First Tranche; and

11.1.2 as set out in the trading update contained in Part IV of this document the Capco Group's financial position and performance have been negatively impacted by COVID-19, in particular:

- as at 30 June 2020, Covent Garden total property value was £2.2 billion, representing a 17 per cent. decrease (like-for-like) (31 December 2019: £2.6 billion);
- rental collection for March 2020 (Q2) and June 2020 (Q3) quarter rent dates have been significantly lower than normal levels, a small number of tenants have entered administration and, where appropriate, rental agreements have been adjusted on a case by case basis to include deferrals and turnover-linked and other arrangements; and
- as at 30 June 2020 Capco Group net debt was £721 million (31 December 2019: £442 million).

### **11.2 The Second Tranche Shares**

11.2.1 The share price of Shaftesbury was 497 pence per share on 17 July 2020, being the Latest Practicable Date. This represents a decline of 19.5 per cent. compared to Shaftesbury's share price of 618 pence per share as at the close of 31 March 2020, the date to which the last published interim financial statements of the Shaftesbury Group were prepared, and a decline of 20.7 per cent. compared to Shaftesbury's share price of 627 pence per share as at 29 May 2020, being the last dealing day prior to the date of the announcement of the Investment.

11.2.2 The imputed value of the First Tranche and the Second Tranche as at the Latest Practicable Date was £320.0 million and £81.2 million, respectively, as compared to £397.6 million and £100.9 million on 31 March 2020, the date to which the last published interim financial statements of the Shaftesbury Group were prepared, and £403.7 million and £102.4 million on 29 May 2020, being the last dealing day prior to the date of the announcement of the Investment.

## **12. CONSENTS**

Deloitte LLP has given and has not withdrawn its written consent to the inclusion in this document of its report on the Unaudited Pro Forma Financial Information in Section B of Part III (*Unaudited Pro Forma Financial Information of Net Assets of the Enlarged Group*) in the form and context in which it is included.

Rothschild & Co has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they are included.

Each of BofA Securities and BofA Securities SA have given and have not withdrawn their respective written consents to the inclusion in this document of references to their names in the forms and contexts in which they are included.

13. **INCORPORATION BY REFERENCE**

The following documents, which have been approved, filed with or notified to the FCA, and which are available for inspection in accordance with paragraph 14 of this Part V, contain information about Capco which is relevant to this document:

- Capco Annual Report 2019
- Capco Annual Report 2018
- Capco Annual Report 2017

The table below sets out the sections of these documents which are incorporated by reference in, and form part of, this document, and only the parts of the documents identified in the table below are incorporated by reference in, and form part of, this document. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this document. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this document.

Except as indicated below, information contained on the Company's website or the contents of any website accessible from hyperlinks on the Company's website are not incorporated into and do not form part of this document.

<b>Reference Document</b>	<b>Information incorporated by reference into this document</b>	<b>Page number(s)</b>
Capco Annual Report 2019	Note 31 of the notes to the audited consolidated financial statements for the year ended 31 December 2019	137-138
Capco Annual Report 2018	Note 32 of the notes to the audited consolidated financial statements for the year ended 31 December 2018	128-129
Capco Annual Report 2017	Note 32 of the notes to the audited consolidated financial statements for the year ended 31 December 2017	132-133

14. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection on Capco's website ([www.capitalandcounties.com/investors](http://www.capitalandcounties.com/investors)) and may, subject to COVID-19 restrictions and guidance followed by Capco, be physically inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of Capco up to and including the date of the General Meeting:

- 14.1.1 the Memorandum and Articles of Association of the Company;
- 14.1.2 the consent letters referred to in paragraph 12 above;
- 14.1.3 the report of Deloitte LLP set out in Part III (*Unaudited Pro Forma Financial Information of Net Assets of the Enlarged Group*) of this document;
- 14.1.4 the Second SPA;
- 14.1.5 the annual reports containing the audited consolidated financial information of Capco for the financial years ended 31 December 2019, 2018 and 2017; and
- 14.1.6 this document.

This document is dated 21 July 2020.

## PART VI

### DEFINITIONS

The following definitions apply throughout this document, unless stated otherwise:

<b>"Board" or "Directors"</b>	the directors of the Company whose names appear in Part I ( <i>Letter from the Chairman of Capco</i> )
<b>"BofA Securities"</b>	Merrill Lynch International incorporated in England and Wales with registered number 02312079 and whose registered office address is 2 King Edward Street, London EC1A 1HQ, acting in its capacity as financial adviser and corporate broker
<b>"BofA Securities SA"</b>	Merrill Lynch South Africa Proprietary Limited t/a BofA Securities incorporated in South Africa with registered number 1995/001805/07 and whose registered office address is The Place, 1 Sandton Drive, Sandton, 2196, South Africa, acting in its capacity as JSE sponsor
<b>"Capco" or "Company"</b>	Capital & Counties Properties PLC
<b>"Capco Group"</b>	the Company and all of its subsidiary and group undertakings
<b>"Capco Shares"</b>	ordinary shares of £0.25 each in the capital of the Company
<b>"certificated" or "in certificated form"</b>	a share or other security which is not in uncertificated form
<b>"Completion"</b>	completion of the proposed acquisition of the Second Tranche pursuant to the Second SPA
<b>"Covent Garden Holdings Group"</b>	Covent Garden Group Holdings Limited
<b>"Covent Garden RCF"</b>	Covent Garden revolving credit facility
<b>"COVID-19"</b>	Coronavirus disease 2019
<b>"CSDP"</b>	a person that holds in custody and administers securities or an interest in securities and that has been accepted in terms of the Financial Markets Act by a central securities depository as a participant in that central securities depository or a "participant", as defined in the Financial Markets Act
<b>"Disclosure Guidance and Transparency Rules"</b>	the disclosure guidance and transparency rules made by the FCA under Part 6 of the FSMA
<b>"EPS"</b>	earnings per share
<b>"Enlarged Group"</b>	the Capco Group following Completion
<b>"EPRA"</b>	European Public Real Estate Association
<b>"EU"</b>	the European Union
<b>"Executive Directors"</b>	Ian Hawksworth Situl Jobanputra Michelle McGrath

<b>"FCA"</b>	the Financial Conduct Authority
<b>"Financial Markets Act"</b>	the South African Financial Markets Act No. 19 of 2012
<b>"First SPA"</b>	the sale and purchase agreement relating to the First Tranche
<b>"First Tranche"</b>	the acquisition by the Company of 64,384,179 ordinary shares of £0.25 each in Shaftesbury which completed on 3 June 2020
<b>"FSMA"</b>	the Financial Services and Markets Act 2000 (as amended)
<b>"General Meeting"</b>	the general meeting to be held at 9.30 a.m. (London time) on 10 August, or any adjournment thereof
<b>"HMRC"</b>	Her Majesty's Revenue and Customs
<b>"Investment"</b>	the proposed acquisition of the Second Tranche, together with the acquisition of the First Tranche, or if Completion does not occur, the acquisition of the First Tranche
<b>"JSE"</b>	JSE Limited (Registration number 2005/022939/06), a public company duly registered and incorporated with limited liability under the company laws of South Africa, licensed to operate an exchange under the Financial Markets Act, or the securities exchange operated by that company, as the context may require
<b>"IFRS"</b>	International Financial Reporting Standards as adopted by the European Union
<b>"Latest Practicable Date"</b>	17 July 2020 (being the latest practicable date prior to the publication of this document)
<b>"Listing Rules"</b>	the listing rules of the FCA made pursuant to Part 6 of the FSMA, as amended from time to time
<b>"Loan Notes"</b>	the loan notes issued by Covent Garden Holdings Group as summarised in paragraph 8.1.6 of Part V ( <i>Additional Information</i> ) of this document
<b>"London Stock Exchange"</b>	London Stock Exchange plc
<b>"Longstop Date"</b>	the longstop date under the Second SPA, being the earlier of: (i) the date that is 12 weeks after the date of the Second SPA (22 August 2020); or (ii) the date on which the Capco Directors alter, modify or revoke their unanimous recommendation to the Shareholders to vote in favour of the Resolution (or such later date as the parties may agree)
<b>"LTV"</b>	loan to value
<b>"MAR"</b>	the Market Abuse Regulation (2014/596/EU), and its various implementing and delegated regulations
<b>"NAV"</b>	net asset value
<b>"Non-executive Directors"</b>	Henry Staunton Anthony Steains

	Charlotte Boyle Jonathan Lane OBE
<b>"Notice of General Meeting"</b>	the notice for the General Meeting as set out on pages 41 to 44 of this document
<b>"PIDs"</b>	Property Income Distributions
<b>"PSP"</b>	performance share plan
<b>"Registrars"</b>	Link Asset Services and Computershare Investor Services Proprietary Limited
<b>"REIT"</b>	real estate investment trust
<b>"Remuneration Committee"</b>	Henry Staunton Anthony Steains Charlotte Boyle Jonathan Lane OBE
<b>"Resolution"</b>	the ordinary resolution to approve the Second Tranche to be proposed at the General Meeting, the full text of which is set out in the Notice of General Meeting at the end of this document
<b>"RNS"</b>	the Regulatory News Service of the London Stock Exchange
<b>"Rothschild &amp; Co"</b>	N.M. Rothschild & Sons Limited
<b>"SA" or "South Africa"</b>	the Republic of South Africa
<b>"SA Register" or "South African Register"</b>	the branch register of members of the Company in South Africa
<b>"SA Share" or "South African Share"</b>	a holder of Capco Shares which are registered on the SA Register
<b>"SA Shareholders" or "South African Shareholders"</b>	a holder of SA Shares
<b>"Second SPA"</b>	the sale and purchase agreement relating to the Second Tranche, described in paragraph 8.1.2 of Part V ( <i>Additional Information</i> ) of this document
<b>"Second Tranche"</b>	the proposed acquisition by the Company of the Second Tranche Shares
<b>"Second Tranche Shares"</b>	16,336,824 ordinary shares of £0.25 each in Shaftesbury
<b>"Securities Act"</b>	the United States Securities Act of 1933, as amended
<b>"Sellers"</b>	PEL (UK) Limited, Orosi (UK) Limited and Orosi (UK) 2 Limited (which are each indirectly owned by Veloqx (Jersey) Limited as trustee of the Veloqx settlement (a discretionary trust established by Samuel Tak Lee for the benefit of himself and his immediate family))
<b>"SENS"</b>	the Stock Exchange News Service of the JSE



<b>"Shareholder"</b>	a holder of Capco Shares
<b>"Shaftesbury"</b>	Shaftesbury PLC
<b>"Shaftesbury Group"</b>	Shaftesbury and its subsidiary undertakings
<b>"Strate"</b>	Strate Proprietary Limited (registration number 1998/022242/07), a private company incorporated in accordance with the laws of South Africa, which is a registered central securities depository and which is responsible for the electronic settlement system used by the JSE
<b>"uncertificated" or "in uncertificated form"</b>	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST or Strate and title to which may be transferred by means of CREST or by Strate, as the case may be
<b>"UK" or "United Kingdom"</b>	the United Kingdom of Great Britain and Northern Ireland
<b>"UK Register"</b>	the branch register of members of the Company in the UK
<b>"UK Share"</b>	a holder of Capco Shares which are registered on the UK Register
<b>"UK Shareholders"</b>	a holder of UK Shares

**CAPITAL AND COUNTIES PROPERTIES PLC**  
**(the "Company")**

**NOTICE OF GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a General Meeting of the Company will be held at 9.30 a.m. (London time) on 10 August 2020 at 15 Grosvenor Street, London, W1K 4QZ to consider and, if thought fit, pass the following Resolution as an ordinary resolution:

**ORDINARY RESOLUTION**

THAT the proposed acquisition of 16,336,824 ordinary shares by the Company of Shaftesbury PLC pursuant to the Second SPA (as defined in the circular to shareholders dated 21 July 2020, a copy of which has been produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification only (the "**Circular**")), in the manner and on the terms and conditions of the Second SPA, be and is hereby approved and that the Directors be and are hereby authorised to take all such steps as may be necessary or desirable in relation thereto and to carry the same into effect with such modifications, variations, revisions or amendments (providing such modifications, variations or amendment are not of a material nature) as they shall deem necessary or desirable.

BY ORDER OF THE BOARD  
Leigh McCaveny  
Company Secretary  
21 July 2020

15 Grosvenor Street, London, W1K 4QZ  
Registered in  
England No. 07145051

**NOTES**

1. As a result of the COVID-19 outbreak, and in line with the legislation and guidance issued by the UK Government, it is necessary to restrict attendance at the General Meeting. Under the Corporate Insolvency and Governance Act 2020, the rights of shareholders to attend and to participate (other than by voting) in a meeting of the Company have been suspended for a temporary period beginning on 26 March 2020 and ending on 30 September 2020 due to COVID-19. As the General Meeting will be held during this period, attendance at the General Meeting will be limited to the minimum number of persons to ensure the General Meeting is quorate and to conduct the business of the meeting in line with the Company's Articles of Association. Shareholders are asked not to attend the meeting as it will be a closed meeting to which shareholders will not be permitted.
2. Shareholders are therefore invited to submit any questions they may wish to have answered by sending an email to [feedback@capitalandcounties.com](mailto:feedback@capitalandcounties.com) or calling on +44 (0)20 3214 9170 and a response will be provided directly.
3. As the situation is evolving, the Company is continuing to monitor UK Government measures and NHS advice and guidance in respect of COVID-19 and if it becomes necessary to make further changes to the arrangements for the General Meeting, shareholders will be notified via the website ([www.capitalandcounties.com/investors](http://www.capitalandcounties.com/investors)) and announcements on the RNS and SENS.
4. Shareholders are advised to vote in advance of the General Meeting, either electronically or by appointing the Chair of the General Meeting as a proxy to vote on their behalf in accordance with the instructions set out below, prior to the relevant deadline set out below. Due to the restrictions on attendance at the General Meeting, it is important that the Chair of the General Meeting is appointed as a proxy, rather than any other person including the Chairman of the Company, to ensure that the vote is counted. South African Shareholders are however reminded of the current postal delays being experienced in South Africa if they wish to submit hard copy proxy forms.

5. A member who would (other than during the temporary period affected by the Corporate Insolvency and Governance Act 2020) be entitled under the Companies Act 2006 to attend and vote is entitled to appoint one or more proxies to vote instead of him or her. Given the restrictions on attendance at the General Meeting, it is strongly recommended that members appoint the Chair of the General Meeting as their proxy. If you appoint more than one proxy, each proxy must be appointed to exercise the rights attached to a different share or shares held by you. In order to be valid, a form of proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be returned by one of the following methods:

**FOR MEMBERS ON THE UNITED KINGDOM SECTION OF THE REGISTER:**

- Electronically through the registrar's website: [www.signalshares.com](http://www.signalshares.com).
- In hard copy form by post, by courier or by hand to Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 9ZA, United Kingdom. Hard copy forms can be requested by calling 0371 664 0300. If you are outside the United Kingdom, please call +44 (0) 371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. - 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.
- For CREST members, by utilising the procedure set out below under the heading "FOR CREST MEMBERS ONLY".

**FOR MEMBERS ON THE SOUTH AFRICAN SECTION OF THE REGISTER:**

- To the South African Registrar by fax to +27 (0)11 688 5238 or by email to [proxy@computershare.co.za](mailto:proxy@computershare.co.za).
- For members holding their ordinary shares in the Strate system via a CSDP or broker, by providing the proxy voting instruction to the CSDP or broker (as applicable). Shareholders on the South African Register who hold their shares in certificated form with an email address on record will be able to cast their proxy votes online. A link to the online proxy form and a security pin will be forwarded to eligible shareholders by email from Computershare.
- In hard copy form by post, by courier or by hand to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132) South Africa. Hard copy forms can be requested by calling +27 (0)11 370 5000.

Members holding their shares in the Strate system via a CSDP or broker must advise their CSDP or broker if they wish for a proxy to represent them at the General Meeting. Their CSDP or broker will issue them with the necessary letter of representation to be represented at the General Meeting. Given the restrictions on attendance at the General Meeting, it is strongly recommended that members appoint the Chair of the General Meeting as their proxy. If members wish to cast their votes, they should provide their CSDP or broker with their voting instructions. In the absence of such instructions, their CSDP or broker will be obliged to vote in accordance with the instructions contained in the custody agreement or mandate between them and their CSDP or broker.

To be valid, proxies must be received by the Company's registrar no later than 9.30 a.m. (London time) and 10.30 a.m. (Johannesburg time) on 6 August 2020 (48 hours before the time of the General Meeting) or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting. Where shares are held by a CSDP or broker, proxy voting instructions must be provided in sufficient time to permit the CSDP or broker to advise the South African registrar no later than 48 hours before the time of the General Meeting or any adjournment thereof. Please contact your CSDP or broker for advice as to any earlier final dates for lodgement.

6. **For members on the UK section of the Register:** The Company specifies that only those shareholders registered on the register of members of the Company as at 6.30 p.m. (London time) on 6 August 2020 shall be entitled to vote on the Resolution to be put to the aforesaid General Meeting in respect of the number of shares registered in their name at that time or,

if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (as the case may be). In each case, changes to entries on the register of members after such time shall be disregarded in determining the rights of any person to vote on the Resolution to be put to the meeting.

**For members on the South African Register:** The Company specifies that only those shareholders registered on the South African Register as at 5.00 p.m. (Johannesburg time) on 31 July 2020 shall be entitled to vote on the Resolution to be put to the aforesaid General Meeting in respect of the number of shares registered in their name at that time or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (as the case may be). In each case, changes to entries on the register of members after such time shall be disregarded in determining the rights of any person to vote on the Resolution to be put to the meeting.

7. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("**nominated persons**"). Nominated persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
8. Holders of shares are entitled to vote on the Resolution to be put to the General Meeting of the Company. The total number of issued shares in the Company on 17 July 2020, which is the last practicable date before the publication of this document, is 851,083,643. There are no shares held in treasury. Therefore, the total number of votes exercisable as at 17 July 2020 is 851,083,643. On a vote by show of hands every member who is present has one vote. On a poll vote every member who is present in person or by proxy has one vote for every ordinary share of which he or she is the holder. It is proposed that the Resolution to be put to the meeting will be voted on by poll and not by show of hands. A poll reflects the number of voting rights exercisable by each member and so the Board considers it a more democratic method of voting. It is also in line with recommendations made by the Shareholder Voting Working Group and Paul Myners in 2004. The results of the poll will be published on the Company's website and notified to the Financial Conduct Authority once the votes have been counted and verified.
9. Any corporation which is a member can appoint one or more corporate representatives who may exercise on such corporation's behalf all of its powers as a member provided that they do not do so in relation to the same shares.
10. A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at [www.capitalandcounties.com/investors](http://www.capitalandcounties.com/investors).
11. Members may not use any electronic address provided in either this Notice of General Meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

**For CREST members only:**

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the General Meeting to be held on 10 August 2020 and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**EUI**") specifications and must contain the information required for such instructions, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a

previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this Notice of General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to it by other means. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.





