PRESS RELEASE

09 MARCH 2021

CAPITAL & COUNTIES PROPERTIES PLC ("CAPCO")

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Prime central London REIT centred around Covent Garden, well-positioned to benefit from recovery over time

Henry Staunton, Chairman of Capco, commented:

"2020 was an extraordinary year with significant market uncertainty. Capco's support to its people, customers and broader Covent Garden community ensures the business is well-positioned to benefit from a recovery and prosper over time. We remain focused on responsible stewardship, disciplined capital management and are committed to delivering long-term value for shareholders from our unique portfolio of West End focused investments."

Ian Hawksworth, Chief Executive of Capco, commented:

"Capco's financial strength has allowed us to support our customers and business partners whilst taking advantage of market opportunities during an unprecedented year which significantly impacted rents and property valuations. As a long-term investor we are optimistic about the enduring appeal of Covent Garden and London's West End and are confident that Capco is well-positioned to benefit from London's economic recovery."

Key financials

- Equity attributable to owners of the Parent of £1.8 billion (2019: £2.5 billion)
- EPRA NTA 212 pence per share, a decrease of 28 per cent (2019: 293 pence per share)
- Total property value £1.9 billion, a decrease of 26 per cent (like-for-like) (2019: £2.8 billion)
- Group net debt to gross assets ratio of 28 per cent (2019: 15 per cent)
- Underlying earnings per share -0.7 pence (2019: 1.0 pence per share)

Covent Garden, a landmark estate positioned for future value creation

- Covent Garden total property value of £1.8 billion, a decrease of 27 per cent (like-for-like) since 31 December 2019
- ERV decreased by 22 per cent (like-for-like) to £81 million (2019: £108 million) and equivalent yield of 3.91 per cent (2019: 3.65 per cent)
- Reported net rental income down 74 per cent to £16 million against December 2019 and underlying net rental income down 30 per cent (like-for-like) to £44 million
- EPRA vacancy is 3.5 per cent (2019: 3.2 per cent)
- Capco continues to provide support to retail and hospitality customers on a short-term basis, with rental agreements being adjusted case-by-case to include deferrals and turnover-linked arrangements
- Encouraging indicators upon reopening following easing of measures in the second half of 2020
- 65 new leases and renewals, representing £6.2 million of contracted income were agreed during the year
- Continuing to attract high quality brands including Tiffany & Co., Vashi, The Gentlemen Baristas and Arc'teryx
- Public realm improvements including pedestrianisation and 500 al fresco dining covers, enhancing trading prospects
- Completed the sale of the Wellington block for £76.5 million, in line with June 2020 valuation

Committed to sustainability and innovating to meet customer needs

- New commitment to achieve Net Zero Carbon by 2030
- A new Environment, Sustainability and Community ("ESC") Board Committee has been established
- Net Zero Carbon Pathway to be published in 2021
- Additional pedestrianisation of streets around the Piazza further improving air quality
- Assistance provided to COVID-19 funds supporting homelessness, food banks and the elderly as well as hospitality and retail foundations.

Acquisition of significant stake in Shaftesbury PLC

- Unique opportunity to acquire a significant stake in a company with an exceptional mixed-use portfolio of c.600 buildings across the West End
- £501 million invested, resulting in a shareholding of 25.2 per cent
- Represents a compelling investment and entry point at an implied value of approximately £1,200 per square foot
- Consistent with Capco's strategy to invest in complementary opportunities on or near Covent Garden

Maintaining a strong balance sheet with significant financial flexibility

- Covent Garden net debt £352 million (2019: £555 million) and loan to value ratio of 19 per cent (30 June 2020: 36 per cent) (2019: 21 per cent)
- Significant headroom against the LTV covenant position, and interest cover covenant waivers agreed for 2021
- Group net debt of £710 million (2019: £442 million) and net debt to gross assets of 28 per cent
- Access to Group liquidity comprising undrawn facilities and cash of £1 billion (2019: £895 million), and capital commitments of £2 million (2019: £14 million)
- Weighted average maturity on drawn debt of over 5 years (2019: 7.3 years) and average cost of debt of 2.6 per cent (2019: 3.0 per cent)
- The Directors have decided not to propose a dividend for 2020 (2019: 1.5 pence per share)

Other investments

- £195 million of deferred consideration from the Earls Court sale was received with the final payment of £15 million due later this year
- Completion of Lillie Square Phase 2 with 94 units handed over this year, representing £116 million of net proceeds (£58 million Capco share)

KEY FINANCIALS

	2020	2019
Equity attributable to owners of the Parent	**£1,760m**	£2,478m
Equity attributable to owners of the Parent per share	**206.8p**	290.0p
-27.2% Total return in 2020 (2019: -9.6%)		
EPRA net tangible assets	**£1,806m**	£2,506m
EPRA net tangible assets per share	**212.1p**	292.9p
Dividend per share	**–**	1.5p
-24.4% Total property return in 2020 (2019: -5.4%)		
Property market value[1]	**£1,942m**	£2,774m
Net rental income from continuing operations[2]	**£15.8m**	£61.2m
Loss for the year attributable to owners of the Parent	**-£702.7m**	-£253.6m
Headline loss per share	**-1.3p**	-2.2p
Basic loss per share[3]	**-82.5p**	-29.7p
Underlying (loss)/earnings per share[4]	**-0.7p**	1.0p

1. On a Group share basis. Refer to Property Data on page 73 for the Group's percentage ownership of property.
2. On a Group share basis. Refer to note 2 "Segmental Reporting" on page 43.
3. From continuing and discontinued operations. Refer to note 12 "Earnings per share and Net Assets Per Share" on page 53.
4. From continuing and discontinued operations. Refer to note 3 'Underlying Earnings' on page 46.

ENQUIRIES

Capital & Counties Properties PLC:

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

Media enquiries:

UK: Hudson Sandler	Michael Sandler	+44 (0)20 7796 4133
SA: Instinctif	Frederic Cornet	+27 (0)11 447 3030

A presentation will take place today at 08.30am through a webcast on the Group's website www.capitalandcounties.com followed by analyst Q&A.

A copy of this announcement is available for download from our website at www.capitalandcounties.com and hard copies can be requested via the website or by contacting the Company (feedback@capitalandcounties.com or telephone +44 (0)20 3214 9170).

CHAIRMAN’S STATEMENT

Overview

2020 was an extraordinary year, with significant market uncertainty and challenging trading conditions for Capco and many of its customers due to the pandemic. As a responsible long-term investor in central London real estate, Capco has prioritised the health and safety of its people, customers and visitors. I am proud of our response to the pandemic, which would not have been possible without the hard work of our employees and service providers, and I thank them for their commitment.

Capco’s strong financial position enabled the Group to take decisive action to support our customers as well as take advantage of market opportunities, including the acquisition of a 25.2 per cent interest in Shaftesbury PLC (“Shaftesbury”). Capco has further strengthened its financial flexibility through disposals and financing initiatives. There is continued market uncertainty in 2021, however we are confident in the long-term prospects for the West End, in particular Covent Garden. Through our long-term vision, entrepreneurial culture and implementation of strategy, we have positioned the business competitively to benefit from a recovery.

COVID-19 response

Capco took decisive action to ensure 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. Extensive security and cleaning measures were implemented across the Covent Garden estate. In collaboration with stakeholders, Capco has made enhancements to public realm, including the pedestrianisation of additional streets during 2020 and the provision of al fresco dining to create a welcoming open air environment. We were encouraged by the response to these initiatives, which saw footfall and sales rebuilding well, prior to the implementation of further restrictions in December 2020.

Capco worked closely with local communities to provide assistance to charity partners in the West End, including providing financial aid to COVID-19 funds supporting homelessness, food banks and the elderly as well as hospitality, retail and cultural foundations. Capco’s support to its customers and broader Covent Garden community will position the business to benefit from a recovery and prosper over time.

It has been an unprecedented year for all our colleagues. The work required during 2020 to support our customers and position the business competitively to benefit from recovery has required significant effort from employees across the business, and the Board would like to thank each of them for their contribution and commitment. Capco did not furlough any of its employees, nor did it take up any other direct government support measures.

Sustainability

Our purpose is to invest in and create world-class places, focusing on central London. Using our vision, long-term approach and responsible stewardship, we deliver economic and social value and generate benefits for our stakeholders. Capco has renewed its approach to environment, sustainability and community initiatives supported by a Board Committee as well as a new “ESC” strategy with a commitment to achieve Net Zero Carbon by 2030. We will publish a detailed pathway to Net Zero Carbon during 2021, but given the urgency of tackling climate change, we make the 2030 commitment now. Our activities are underpinned by a commitment to the highest standards of health and safety and ethical practices, focusing our activities on areas including improving air quality, delivering best in class heritage environmental performance and responsible and sustainable development practices in renewing our existing buildings.

Financial performance and position

The COVID-19 pandemic has had a material impact on the financial performance of the Group in 2020. Capco’s total shareholder return for the year, which comprises share price performance plus the dividends paid during the year, is -44 per cent. Total return for the year, which represents the change in net assets plus the dividends paid during the year, is -27 per cent. The total value of Capco’s property portfolio has declined by 26 per cent on a like-for-like basis to £1.9 billion.

Challenging occupier and investment market conditions resulting from the pandemic have had a negative impact on property valuations and rental values. Covent Garden recorded a 27 per cent like-for-like decline in property valuation and a 30 per cent like-for-like decline in underlying net rental income. In view of disruption to customer cash flows, Capco has provided support to its customers where appropriate. This aligns with our objective to maintain the vibrant consumer offer at Covent Garden and support the long-term value of the estate.

Capco takes a prudent approach to financial management and the Board implemented a number of actions early in the year in response to the COVID-19 pandemic, including cancellation of the £100 million share buyback programme and suspension of the dividend. During the year Capco raised over £700 million through disposals, including the Wellington block, and financing activities, maintaining its disciplined approach to capital management.

Capco’s capital management decisions have enhanced its financial flexibility, providing a more appropriate funding balance across the Group while providing access to substantial levels of liquidity. The Group has modest capital commitments and a net debt to gross assets ratio of 28 per cent. There is substantial headroom against the Covent Garden loan to value covenant with a loan to value ratio of 19 per cent. Waivers have been agreed with the Covent Garden lending banks and noteholders in relation to the interest cover covenant for June and December 2021.

Whilst there has been some upward pressure on certain costs as a result of the pandemic, a number of efficiencies have been implemented, including consolidating the business in one office at Covent Garden.

Given current market conditions and the significant uncertainties, the Board has taken the decision to not declare a dividend for 2020. The Company will recommence dividend payments as soon as it is appropriate.

Investment in Shaftesbury PLC

Capco has continued to implement its strategy of investing in complementary opportunities on or near the Covent Garden estate. In May 2020, Capco agreed to acquire a significant shareholding in Shaftesbury across two tranches for total consideration of £436 million. On 22 October 2020, Capco participated in a capital raising by Shaftesbury and invested a further £65 million resulting in a 25.2 per cent interest in Shaftesbury. This shareholding represents a compelling investment which the Board believes will generate long-term value for Capco shareholders.

Other investments

Other investments include a joint venture interest in the Lillie Square development. The handover of Phase 2 apartments continued during the year, with a total of 94 units representing £116 million of net cash proceeds (£58 million Capco share) completed during the year. £195 million of deferred consideration from the Earls Court sale was received with the final payment of £15 million due later this year.

The Board

The Board continues to keep its composition under review, to ensure that we have the appropriate mix of skills and experience to deliver Capco's strategy as a prime central London focused REIT. Capco embraces diversity with 43 per cent gender and ethnic diversity on our Board, an increase from 20 per cent in 2019, recognising that diversity of experience and perspective can bring benefits across the business.

In February 2020, we were delighted to appoint Michelle McGrath, who had been a senior executive with the Company for six years, most recently as Director of Covent Garden, to the Board as an Executive Director. Michelle has played an important role in leading the asset management and investment teams of the Covent Garden portfolio. As I reported last year, Gerry Murphy and Andrew Strang retired from the Board during 2020, and we thank each of them for their service to the Company.

Following the establishment of the Board ESC Committee chaired by Charlotte Boyle, Jonathan Lane will become Chairman of the Remuneration Committee following the 2021 AGM, and Charlotte Boyle will step down from that role on the same date, remaining a member of the Remuneration Committee.

Six of the Company's Directors invested in shares during the year, demonstrating the Board's continued confidence in the long-term success of the Company.

Board oversight

Throughout 2020 the Board received regular updates from the Executive Directors, which ensured the Non-executive Directors were kept informed on a regular basis on developments relating to Capco's response to the COVID-19 pandemic, its impact on the business and management actions. Although the Board was unable to meet face to face for much of the year, through technology we maintained our regular programme of Board meetings and updates, and found the virtual Board Room to be very effective. The Executive Directors ensured that the Board received updates on the views of a range of stakeholders including shareholders, local communities, partners, lenders and government. In addition, Charlotte Boyle has been invited to attend Capco's ESC Executive Committee meetings, which ensures that the views of employees are clearly heard by the Board.

Voting on AGM resolutions

At Capco's 2020 Annual General Meeting, the Company's new Remuneration Policy was approved, however the Company received significant shareholder votes against three resolutions. The Remuneration Committee has engaged with shareholders to understand the reasons for these votes, and has made a number of commitments in respect of the implementation of the Directors' Remuneration Policy to accommodate the feedback received from shareholders. These commitments are explained within the 2020 Directors' Remuneration Report.

At the General Meeting held on 10 August 2020, although the resolution seeking approval for the second tranche of investment in Shaftesbury PLC was passed, Capco received a significant shareholder vote against the resolution. The Company has engaged with shareholders to understand the reasons for these votes, and also notes that selected corporate governance and shareholder advisory bodies focused on short-term share price movements, rather than the long-term strategic rationale for the investment. Discussions with shareholders indicate a strong level of support for the investment. The Board thanks the Company's shareholders for their engagement on these matters.

Looking ahead

Capco's strong financial position and experienced management have enabled us to take a proactive approach across the estate to protect long-term value, take advantage of market opportunities and position the business to return to growth and prosperity as the market recovers. We thank our customers, our employees and business partners for the determination and resilience they have shown throughout this period.

There are many challenges ahead, however the Group is well-positioned to navigate through this period of uncertainty. We remain focused on responsible stewardship, and disciplined capital management, and are committed to delivering long-term value for shareholders from our unique portfolio of West End focused investments.

Henry Staunton

Chairman

8 March 2021

CHIEF EXECUTIVE'S REVIEW

Overview

2020 was a very challenging year, COVID-19 has had a major impact on the valuation of Covent Garden as well as causing significant disruption to near-term income. However, our strong financial position enabled us to take proactive decisions to protect the long-term value of our Covent Garden estate, take advantage of market opportunities and position the business to return to growth and prosperity.

Throughout this period of COVID-19 uncertainty Capco has prioritised the health and safety of our people, customers and visitors. We have continued to innovate and collaborate with stakeholders to position the estate for recovery as restrictions are lifted and the West End gets back to business.

Our objective is to maintain a strong customer line-up ensuring a world-class estate for the longer term through supporting our customers on a case-by-case basis and generating new leasing activity underlining the unique offer of Covent Garden for the occupational market. Whilst conditions are challenging today, these actions will support our business to benefit from a gradual recovery.

Throughout 2020, we continued to engage with our audiences through multi-channel marketing activities with an extensive digital outreach programme and estate marketing initiatives, as well as investment in high quality public realm. This included the temporary pedestrianisation of additional streets and provision of over 500 additional outdoor covers enhancing the overall customer experience. We have been encouraged by the response to these initiatives. Covent Garden was one of the most vibrant districts of central London with footfall and sales building prior to the current restrictions being imposed in December 2020.

Capco has developed its extensive ESC agenda, supported by a new Board Committee, and has committed to achieve Net Zero Carbon by 2030. This commitment today recognises that a detailed plan for our heritage estate will be published in 2021, but is made in the knowledge that tackling the challenges of climate change requires action now. Capco is focused on responsible stewardship promoting a cleaner, greener estate through enhanced air quality, greening, and energy and waste management initiatives.

Over the course of 2020, we reshaped the organisation providing roles of responsibility and leadership to a number of employees reflective of our dynamic and entrepreneurial culture. We also completed the move to our new head office in Covent Garden which has allowed us to bring efficiencies and reduce our cost base. I would like to thank every employee for the commitment and resilience demonstrated through this challenging year.

Capco is financially strong with access to substantial liquidity, enabling the business to withstand the immediate impact of COVID-19 whilst taking advantage of opportunities commensurate with strategy, including the acquisition of an interest of 25.2 per cent in Shaftesbury PLC.

Purpose, strategy and capital allocation

Our purpose is to invest in and create world-class places, focusing on central London. Using our vision, long-term approach and responsible stewardship, we deliver economic and social value and generate benefits for our stakeholders.

Capco has assembled the Covent Garden portfolio over a period of 14 years. As a long-term steward of the Covent Garden estate, Capco has utilised creative asset management and investment to establish a world-class estate rich in heritage and culture in the heart of London's West End. Covent Garden's scale and concentrated ownership would be incredibly difficult to replicate making it a scarce and valuable real estate investment.

The Group is well-positioned financially and with a strategic focus on Covent Garden and the West End. Capco's investment strategy is to invest in complementary opportunities on or near the Covent Garden estate. Capco's ambitious and creative culture encourages value creation opportunities whilst maintaining cost and capital discipline.

Substantially all of the Company's property value is within the Covent Garden business, with the portfolio currently independently valued at £1.8 billion. In addition, the Company has an investment in Shaftesbury PLC valued at £552 million at 31 December 2020. Shaftesbury PLC is a real estate investment trust which invests exclusively in London's West End. Capco has a track record of accretive investment and aggregation of ownership in the West End and it is intended that opportunities to expand our ownership in the area will be pursued in line with ambitions to grow the business.

Each capital decision is assessed on its merits including investment in owned assets, development and repositioning opportunities, accretive acquisitions on or near the Covent Garden estate, opportunistic investments in London, the disposal of non-strategic assets and distributions to shareholders as appropriate.

The Group raised over £700 million in 2020 through disposals and financing activities, maintaining its disciplined approach to capital management. Capco disposed of the Wellington block for £76.5 million and received £195 million deferred consideration from the sale of Earls Court, as well as £58 million (Capco share) of net disposal proceeds received during the year in the Lillie Square joint venture.

Financing activities included a £275 million exchangeable bond and a £125 million secured loan which enhance Capco's strong financial position and provide a more appropriate funding balance across the investments of the Group. Group net debt to gross assets is 28 per cent, whilst Covent Garden's loan to value ratio is 19 per cent and net debt is £352 million. The Board has set balance sheet leverage parameters of up to 40 per cent as represented by the net debt to gross assets ratio. Interest cover covenant waivers in respect of 2021 have been agreed with the Covent Garden lenders to address interruption to near-term income.

Following the sale of Earls Court, Capco has continued to reduce administration costs and is now on track to achieve its underlying run rate of £20 million in 2021.

Given current market conditions and the significant uncertainties, the Board has taken the decision to not declare a dividend for 2020. The Company will recommence dividend payments as soon as it is appropriate. Our ambition is to generate attractive returns for our shareholders over the long-term through investment in central London real estate.

Valuation and performance

The total property valuation of the Group declined by 26 per cent (like-for-like) in the year to 31 December 2020 to £1.9 billion. Against a challenging retail and F&B/hospitality backdrop, Covent Garden declined by 27 per cent (like-for-like) to £1.8 billion, principally driven by movements in ERV which decreased by 22 per cent (like-for-like) and a widening in the equivalent yield of 28 basis points to 3.91 per cent.

As a consequence of the unprecedented operating conditions, underlying net rental income decreased by 30 per cent like-for-like compared with December 2019. There was positive occupational demand at the beginning of the year but this was significantly interrupted from late February onwards. Nevertheless 65 new leases and renewals representing £6.2 million of rental income completed in the year including the introduction of 14 new brands. EPRA vacancy remains stable at 3.5 per cent however across the West End there is greater pressure on customers, which together with a difficult leasing market, is anticipated to have a negative impact on occupancy levels over 2021.

Capco's investment at Lillie Square decreased in value by 9 per cent (like-for-like) to £115 million at 31 December 2020.

The decline in the valuation of the property portfolio has resulted in EPRA net tangible assets declining by 28 per cent over the year to 212 pence per share.

Property valuations

	Market Value 2020 £m	**Market Value 2019 £m**	Valuation Change Like-for-Like[1]
Covent Garden	**1,825**	**2,596**	-27.3%
Other[2]	**117**	**178**	-9.1%
Group share of total property[3]	**1,942**	**2,774**	-26.4%

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

2 Includes Capco's interest in the Lillie Square joint venture and Lillie Square Holdings Group.

3 A reconciliation of carrying value of investment, development and trading property to the market value is shown in note 13 'Property Portfolio'.

CBRE has undertaken an independent valuation of the Covent Garden estate. The total valuation of the estate is £1,825 million and represents the aggregated value of the individual properties, with no reflection of any additional estate premium which potential investors may ascribe to the concentrated and comprehensive nature of ownership within the estate. The predominantly freehold nature, concentrated ownership, scale of the estate as well as the portfolio mix may lead prospective purchasers to regard certain parts of the portfolio, for example by street, to have a greater value than the aggregate of the individual property values.

New leasing activity and estate animation

Capco remains confident in its customer mix, continuing to focus on concepts with 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.

Contemporary luxury jewellery brand Vashi signed a long-term lease on James Street for a new London flagship store, which is set to open in 2021. This new opening joins established luxury brands Tiffany & Co., which agreed terms in December 2020 for a new lease, and Bucherer, which has continued with expansion plans at the Royal Opera House Arcade opening in 2021. Peloton continues the fit out of its European flagship training studio and retail store on Floral Street, joining Ganni and American Vintage which opened stores earlier in the year.

Notwithstanding current disruption to business activity, four new brands opened in December 2020 including streetwear store Kick Game, Belgian chocolatiers Neuhaus, British heritage brand Mackintosh, and vegan cookie concept Floozie Cookie. A number of new dining concepts have been introduced to the estate, including acclaimed restaurant Darjeeling Express, The Gentlemen Baristas and al fresco bar NaNas. The latest additions further enhance Covent Garden's attractiveness as a dining destination.

Capco continued to implement its clear estate marketing strategy focusing on its digital capabilities, partnering with retail and dining brands as well as cultural partners to introduce engaging pop-ups and events to promote Covent Garden and the West End. Activities included an open air cinema on Covent Garden's Piazza in the summer and an immersive LEGO installation on the East Piazza for the Christmas trading period. Capco's focused digital strategy continues to drive consumer engagement, with an extensive digital-first programme centred around 'Covent Garden at Home' content, delivering aspects of the estate virtually to consumers via an enhanced website.

Covent Garden positioned for growth

Capco has transformed the Covent Garden estate into a prime district in the heart of London's West End. The portfolio comprises 526 units of shops and restaurants as well as offices, hotels, museums and residential assets. Across the estate, 50 per cent of the value is represented by retail, 21 per cent by F&B use, 15 per cent office, 10 per cent residential and 4 per cent leisure.

London is one of the world's greatest cities with a long track record of attracting talent, visitors and investment from around the world. Covent Garden is a global destination with one of the world's strongest retail and dining line-ups, in a heritage setting, competitively positioned as a global brand. Its differentiated offer has consistently delivered an attractive environment for over 40 million visitors every year. The consumer mix in 2019 represented approximately 40 per cent international, 40 per cent Londoners and 20 per cent domestic with the pedestrian flow across the estate continuing to evolve.

COVID-19 restrictions and social distancing measures imposed by government have had and continue to have, a material adverse effect on normal patterns of footfall across the estate. Advice to avoid unnecessary travel, together with reduced physical office occupancy, closure of non-essential retail, hospitality and leisure venues for extended periods and limitations on international leisure and business travel have had a dramatic impact on footfall and trade.

We are encouraged by the response to marketing initiatives and appreciative of the determination, creativity and enthusiasm of our customers. The enduring appeal of Covent Garden was seen by recovery in footfall and trade following the easing of measures in the second half of 2020.

High quality global locations are key to retailers and F&B concepts when selecting sites around the world. Retailers continue to adapt to changes in consumer shopping behaviour and evolve their physical retail offers to place more emphasis on customer experience, service and flagship retailing with better digital engagement. Capco offers a unique customer experience, utilising the historic Piazza through events and cultural installations to drive global estate recognition. We will continue to innovate at Covent Garden and to support our customers whilst evolving the mix. Covent Garden's strong fundamentals and enduring appeal give us confidence in the long-term prospects of the business.

Other investments

Our investment in Shaftesbury PLC is a unique opportunity to own a significant stake in an exceptional mixed-use real estate portfolio, adjacent to Capco's world-class Covent Garden estate. Capco aims to maximise the strategic and economic value of its investment which was made at an attractive entry price with an implied value of approximately £1,200 per square foot and we believe will generate long-term value for Capco shareholders. The investment is consistent with Capco's strategy to invest in complementary opportunities on or near the Covent Garden estate.

£195 million of deferred consideration from the sale of Earls Court was received in 2020, with the balance of £15 million expected in November 2021. The Lillie Square joint venture continues to progress. Handover of units sold in Phase 1 is complete, with a small number of units available. 94 Phase 2 units have been handed over representing net proceeds of £116 million (£58 million Capco share). A further 92 units remain in Phase 2, of which 60 have been pre-sold; should they all complete this will generate approximately £70 million of further proceeds (£35 million Capco share).

Sustainability, Environment and Stakeholders

Capco has developed its extensive ESC agenda, supported by a new Board Committee, and committed to achieve Net Zero Carbon by 2030. We are focused on responsible stewardship, promoting a cleaner, greener estate through enhanced air quality, greening and energy and waste management initiatives. We seek to generate positive outcomes for our stakeholders and the community, upholding high standards of professional ethics and corporate governance whilst encompassing a dynamic, inclusive and diverse corporate culture.

The heritage of Covent Garden is incredibly important to the West End; therefore Capco took decisive action to ensure the safety and security of the estate when government lockdown measures were announced. Being a good neighbour is important to us and we have refocused our community programme to prioritise initiatives and charity partners in Covent Garden. This includes the provision of financial aid to COVID-19 funds supporting homelessness, food banks and the elderly as well as hospitality and retail foundations.

In partnership with Westminster City Council, there were additional pedestrianised streets in the Covent Garden area for an extended period during 2020, as well as additional outdoor seating areas for our restaurants, providing approximately 500 temporary incremental outdoor covers across 20 al fresco dining locations.

Our People

We reshaped the organisation this year through the simplification of the Group, providing our talented and diverse workforce opportunities for leadership and responsibility. Our employees are key to our business which promotes a culture of creative passion for Covent Garden to allow employees to reach their potential whilst creating value for our stakeholders.

Technology has enabled the business to continue to operate remotely. Effective communication and keeping everyone connected have been vital to managing this challenging period. We supported our employees through regular town halls, business updates and seminars focusing on well-being initiatives including nutrition, exercise and mental health awareness.

Outlook

We are optimistic that the enduring appeal of Covent Garden will drive a recovery of footfall and trade over the course of this year and next. Operating conditions will remain difficult for our customers which is anticipated to lead to enhanced levels of vacancy and further adjustments in valuation and rental levels. However our immediate priority is focused on making sure our customers reopen successfully. Getting office workers back will help the economy move towards more normal levels of activity. There is a clear roadmap for our retailers and restaurateurs to build trade. The upcoming easing of restrictions and the reopening of hospitality, retail and leisure activities will lead to a gradual return of domestic footfall.

We continue to seek efficiencies across the business and remain disciplined in the allocation of our capital. We will continue to focus on responsible stewardship, implementing our ESC strategy and working to achieve our Net Zero Carbon target by 2030. Our actions in 2020 ensure the business is very well-positioned to benefit from the economic recovery. We are confident in the future of the West End and the long-term value of our unique portfolio of investments.

Ian Hawksworth

Chief Executive

8 March 2021

STRATEGIC REPORT

COVENT GARDEN

A world-class destination

The Covent Garden estate represents a carefully assembled portfolio in the heart of London's West End, comprising retail, dining, leisure and cultural space complemented by high quality offices and residential apartments. Through creative asset management and disciplined investment, Covent Garden has been established as an exceptional mixed-use portfolio of approximately 1.1 million square feet of lettable space, across 75 buildings and 526 units. Covent Garden provides a broad range of unit sizes, ensuring it attracts a wide spectrum of retail and F&B occupiers.

Capco has transformed Covent Garden into a global destination having curated one of the strongest retail and dining line-ups in the world in a heritage setting, positioning Covent Garden competitively as a global brand. Occupiers across all uses are more discerning than ever and in particular, retail and hospitality value more than the location alone. Capco's approach focuses on the creation of brand value, the understanding of consumer behaviour and trends and crucially how these interplay with heritage, culture and experience within a sustainable vision for the estate.

Supporting the reopening of retail and hospitality customers

Capco began the year with a strong leasing pipeline and growth in sales and footfall, however activity levels were significantly affected by the pandemic. By 23 March 2020 the majority of retail and F&B (food and beverage) customers closed across the estate. Throughout this period of COVID-19 uncertainty, Capco has prioritised the health and safety of its people, customers and visitors.

The heritage of Covent Garden is incredibly important. Capco therefore took early action to ensure the safety of the estate with additional security deployed to protect residential homes and commercial premises. Working with our customers, Capco implemented social distancing protocols across the estate, including marked queuing systems, social distancing signage and enhanced cleaning regimes, including hand sanitiser stations. Capco has been encouraged by the resilience and creativity of our customers through this challenging period.

As a long-term investor in the estate, Capco has provided support on a case-by-case basis to customers experiencing cash flow challenges as a result of COVID-19. Bespoke solutions have been agreed which include rent deferrals, rent-free periods and other arrangements reflecting the position of each customer. For certain customers, rental agreements were linked to turnover for the second half of the year in exchange for other provisions including lease extensions and greater landlord flexibility. Against a backdrop of significant market uncertainty and challenging trading conditions, Capco continues to provide support to customers where appropriate. Capco continues to maintain regular engagement with its customers, offering assistance to provide confidence to our customers to resume trading as restrictions are eased.

Understanding customers' businesses has always been part of Capco's leasing approach and this year Capco has engaged in several hundred direct discussions with its customers. Customers were requested to provide detailed business information which was analysed on a case-by-case basis and bespoke solutions agreed. The objective is to maintain a strong customer line-up ensuring a world-class estate for the longer term and whilst conditions are challenging today, these actions will support the business to benefit from a recovery over time.

After extended periods of closure, the vast majority of retailers reopened during the summer and again in December, adapting their operations to ensure effective social distancing measures were in place and many have adopted revised trading hours to reflect footfall patterns. The overwhelming response from customers and the consumer drove the vibrancy of the estate which continued to offer the Covent Garden experience with ongoing activities through brand partnerships across the Piazza. The enduring appeal of Covent Garden remains, with an encouraging recovery in footfall and trade following the easing of measures in the second half of 2020. The current government restrictions remain in place and are expected to ease over the coming months.

Performance

The valuation of the estate decreased by 27 per cent like-for-like to £1.8 billion over the year. Substantially all of the valuation movement relates to the retail, leisure and F&B portfolio which represents 75 per cent of total property value. The main contributors were a 22 per cent (like-for-like) decline in ERV to £80.8 million, expansion in the equivalent yield of 28 basis points to 3.91 per cent and the valuer's assumption on loss of near-term income (£27 million).

65 leasing transactions with a rental value of £6.2 million (2019: £17.4 million) completed during the year, 29 per cent below 31 December 2019 ERV (excluding seven short-term lettings). Of the 65 leasing transactions, 43 took place in the second half of the year.

Underlying net rental income was £44.1 million for the year, down 30 per cent (like-for-like) compared to 2019. During this challenging period a small number of tenants have entered into administration, representing £4 million of passing rent.

The leasing market has been disrupted as a result of COVID-19 with some occupiers seeking more flexible arrangements rather than committing to longer term leases until there is better visibility, however Covent Garden continues to attract high quality brands and operators. At 31 December 2020, EPRA vacancy was 3.5 per cent (31 December 2019: 3.2 per cent). Approximately 6.5 per cent of ERV is in or is held for development or refurbishment (31 December 2019: 4.6 per cent (adjusted for the sale of the Wellington block)). Whilst EPRA vacancy has been stable, the disrupted trading environment combined with a difficult leasing market is anticipated to have a negative impact on occupancy levels over 2021.

In view of recent and ongoing restrictions to trading activity, support continues to be provided to our customers on a case-by-case basis. Overall, 62 per cent of rent has been collected for 2020. As an update to levels previously announced, 47 per cent of December rents (in respect of Q1 2021) have been collected. Rent collection levels for previous periods have continued to increase, with 2020 quarter collections at 53 per cent, 45 per cent and 53 per cent for Q2 to Q4 2020. Capco's retail and hospitality customers have had significantly reduced income following the national lockdown during the Christmas trading period, which traditionally has been an important source of revenue and provided liquidity through the slower first quarter of the year. The gradual return to more normal rent collection levels will be connected to the recovery in footfall and sales.

Retail

Capco's emphasis on the consumer is essential to ensuring that the estate is positioned as a leading destination for visitors. Retail space represents 50 per cent of the portfolio by value. Capco continues to focus on concepts relevant to the consumer and highly productive categories such as jewellery, gifting, accessories, fashion, cosmetics, fitness and well-being. The increasing significance of online purchases by consumers and the evolving omni-channel sales strategies pursued by retailers underpin the importance for brands in choosing leading global destinations.

Capco has always taken a creative approach to leasing, providing high quality concepts the opportunity to trade on the estate, often with turnover arrangements, which have transitioned into longer term occupation. The new concepts introduced to the estate during 2020 include both long and shorter-term arrangements, providing the opportunity for both Capco and the customer to benefit from a recovery over time. Given the highly productive nature of the categories and concepts on the Covent Garden estate these arrangements are expected to deliver value when more normal trading conditions return.

Although occupational demand has reduced, Covent Garden continues to attract high quality brands and operators. Luxury jewellery brand Vashi signed a long-term lease on James Street for a new London flagship store which is set to open in 2021. This new opening joins established luxury brands Tiffany & Co., which agreed terms in December 2020 for a new lease, and Bucherer, which has continued with expansion plans in a larger unit at the Royal Opera House Arcade opening in 2021.

Luxury Belgian chocolatier Neuhaus opened a new store in the iconic Market Building, selling handcrafted, artisanal chocolates. Peloton continues the fit out of its European flagship training studio and retail store on Floral Street joining Ganni and American Vintage which opened stores earlier in the year.

Kick Game opened on James Street in December offering designer styles in sneakers and streetwear, including limited edition sneakers from brands such as Off-White, Yeezy, Supreme and the DIOR collaboration. Traditional British coatmakers Mackintosh opened a new store on James Street and apparel brand Arc'teryx agreed terms in January 2021 to open a store on Long Acre.

Dining

Introducing high quality innovative food concepts has been central to the dining strategy for Covent Garden. The estate offers a diverse range of dining experiences, from casual to premium, and is one of London's best dining destinations. The majority of restaurants focus on quality and experience, often with an all-day offer, with many brands choosing Covent Garden as their first physical global or UK presence rather than standard chain restaurants. Restaurateurs tend to invest significant capital fitting out, therefore, leases tend to be longer than for retail units. Dining space represents 21 per cent of the portfolio by value.

A number of new dining concepts have been introduced to the estate, including acclaimed restaurant Darjeeling Express which has taken the space formerly occupied by Carluccios. Headed by celebrated chef Asma Khan, the restaurant offers an all-day casual deli menu alongside a newly launched tasting menu.

The dining offering on James Street continues to evolve with the introduction of vegan cookie brand Floozie Cookie, from former Claridge's Pastry Chef Kimberly Lin. The all-vegan restaurant, which opened in December, serves Lin's signature "stuffed cookies" alongside plant based hot chocolates and milks. Bubblewrap has also opened joining the host of dining concepts across the estate providing casual treats for the consumer.

Al fresco garden bar NaNas has signed a new long-term lease for a bar and restaurant overlooking the Piazza and will provide an all-day food and drinks menu inspired by French-Lebanese heritage. The Gentlemen Baristas has signed a new flagship restaurant on Henrietta Street. These were both summer pop-ups which have converted into longer term opportunities.

The latest introductions further enhance Covent Garden's attractiveness as a dining destination. The Big Mamma Group is scheduled to open its new restaurant during the year on Henrietta Street.

Office

Covent Garden is a prime office location underpinned by the appeal of the overall estate and its excellent connectivity. There is a significant working population in the district which provides consumers for the hospitality and retail sectors.

Covent Garden has a contemporary office portfolio ranging from warehouses to newly refurbished space, offering both multi-tenanted and single occupancy workspace. The portfolio contains a variety of spaces, from boutique offices to 10,000 square foot open plans and attracts financial services, technology, creative industries and SMEs. Joining the existing line-up, global co-working space provider WeWork completed its fit out during 2020 and opened at 22 Long Acre. Office space represents 15 per cent of the portfolio by value. Occupants are attracted to the estate environment, which includes high quality retail and F&B options in the surrounding area as well as offering a secure environment.

As a result of the pandemic, office utilisation has been low in 2020 in line with other locations in central London. COVID-19 has accelerated existing trends of a growing demand for 'plug and play' space on flexible lease terms in the London office market. Furthermore, remote working may change the way offices are used once the recovery begins, which may result in a change to space requirements.

Residential

Covent Garden is established as a premium residential address. Residential space represents 10 per cent of the portfolio by value and comprises 213 units. Generally there is strong leasing demand for residential accommodation across the estate with a high incidence of leases that renew at the end of the term, however this year there has been an increased level of vacancy across the portfolio with many overseas residents in particular not renewing tenancies.

Investment activity

Capco continues its disciplined approach to capital allocation. In October 2020, Capco completed the sale of the Wellington block to The Portfolio Club for £76.5 million (before costs) which was in line with the property valuation as at 30 June 2020. The sale price represented a capital value per square foot of approximately £1,100 for an undeveloped site. The Portfolio Club, a joint venture between APG and London Central Portfolio, is a new lifestyle hospitality brand in prime central London locations. The Wellington block is a freehold island site located on the south east corner of Covent Garden comprising six separate properties and has recently received planning consent to develop a 146-room hotel with retail and restaurant space. The innovative owner operators have plans to redevelop the Wellington block into a contemporary hotel which will further contribute to Covent Garden's position as a world-class destination. Vacant possession of the property has been secured over the majority of the site and the ERV of the properties as at 30 June 2020 was £4.2 million.

Capco has a strong balance sheet and access to significant liquidity to take advantage of market opportunities. Capco's extensive knowledge of the district, close network of contacts and proven track record mean Capco is often the best positioned to acquire properties, frequently off-market. There are a number of properties on or around the estate being actively tracked for acquisition and repositioning opportunities. There are also active asset management and refurbishment initiatives across the estate. 3 Henrietta Street has been transformed into an F&B townhouse with terms agreed with The Gentlemen Baristas. Refurbishment of 29-30 Maiden Lane is complete with Big Mamma's restaurant set to open later this year.

Consumer engagement and positioning a world-class estate

Capco engages actively with its audiences through multi-channel marketing activities such as events, brand partnerships and digital outreach. Covent Garden has a significant social media presence and is established as one of the most highly engaged retail destinations globally through Instagram, Facebook and Twitter.

During 2020, Capco continued to engage directly with the consumer throughout lockdown periods with a digital outreach programme centred around 'Covent Garden at Home' content, bringing elements of the estate home to consumers via an enhanced website.

Capco continues to implement its consumer focused marketing strategy and is collaborating closely with occupiers and stakeholders to promote Covent Garden and the West End, encouraging a gradual recovery of trade and footfall over time. A number of initiatives were delivered to support the reopening of the estate in the summer including floating a rainbow above the Market Building, suspending 'Thank You NHS' flags on King Street and an art installation by British graphic artist Anthony Burrill entitled 'Love Hope & Joy'.

With many of the area's restaurants open for take away, Covent Garden hosted an al fresco, socially distanced dining area on the Piazza providing the opportunity for visitors to dine outside in the heart of the West End. As part of the ongoing cultural programming for the estate, Capco partnered with the Royal Opera House in September to offer a free open air cinema on the Piazza, providing a unique experience for visitors to enjoy al fresco culture.

A number of initiatives were delivered over the Christmas period providing an inviting festive setting for the consumer, including daily snowfall in front of the iconic 60 foot Christmas tree on the Piazza. Covent Garden hosted an immersive LEGO installation on the East Piazza as well as the estate's first ever Mulled Wine Festival with 25 dining concepts participating.

Sustainability, environment and stakeholder engagement

Capco has renewed its commitment to environmental, sustainability and community initiatives, launching a new ESC strategy, supported by a Board Committee. Capco aims to minimise the impact of our activities on the environment and has committed to achieve Net Zero Carbon by 2030.

Capco works closely with stakeholders and collaborates on key estate initiatives, including public realm, to further enhance the customer experience and accessibility of the estate. It seeks to minimise the impact of operations on the environment by employing an active approach to air quality, congestion, environmental and sustainability issues, and implementing initiatives that improve the quality of the environment for all, such as pedestrianisation and increasing greenery.

One of Covent Garden's key differentiators is its largely pedestrianised nature. For a period during 2020, in partnership with Westminster City Council, Capco made enhancements to the public realm by introducing additional pedestrianised streets in the Covent Garden area to allow for greater freedom of movement and use of outdoor space. Newly pedestrianised streets included Henrietta Street, Floral Street, Maiden Lane and Tavistock Street alongside extended car-free hours for the Piazza and King Street. Further to this, there were additional outdoor seating areas across these streets for our restaurants, providing over 500 incremental outdoor covers across over 20 al fresco dining spots.

Capco has been working closely with local communities and continues to provide assistance to charity partners in the West End. Capco is one of the founding sponsors of the Covent Garden food bank. Financial aid has been provided to COVID-19 funds supporting homelessness, food banks and the elderly, as well as hospitality and retail foundations.

During November 2020, in partnership with charity Only A Pavement Away which works alongside Crisis, Capco ran a charity auction with prizes from shops and restaurants from across the Covent Garden estate including a one-to-one cooking masterclass with Darjeeling Express' Asma Khan, and exclusive dining experiences at Red Farm, Din Tai Fung and The Gentlemen Baristas. All proceeds were donated to the charity to help purchase and distribute over 2,000 thermal refillable flasks for those most in need during the festive season.

Future priorities

Capco will continue to take a proactive approach to creative asset management and investment across the estate to protect long-term value and take advantage of market opportunities. Capco's immediate priority is focused on supporting our customers to reopen successfully. There are challenges in the near-term with operating conditions for our customers remaining difficult, which is anticipated to lead to enhanced levels of vacancy. However Capco's decisive actions taken in 2020 position the estate to benefit from a recovery and to prosper over time.

Further to this, Capco will continue to invest in the estate and expand its ownership through acquisitions. Capco is committed to consumer engagement, aiming to continue enhancing the customer environment and develop an extensive ESC agenda. Further to our Net Zero Carbon 2030 commitment, a detailed pathway will be published during the course of 2021. We will continue to focus on our commitments to air quality, greening and waste management, alongside charitable support and community engagement as a responsible owner.

Other investments

Ownership of 25.2% Shaftesbury PLC shares

In May 2020, Capco agreed to acquire a significant shareholding in Shaftesbury across two tranches for total consideration of £436 million, at a price of 540 pence per Shaftesbury share. The investment comprised 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 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 published a shareholder circular on 21 July 2020 in respect of the acquisition of the Second Tranche, which, when aggregated with the First Tranche, constituted a Class 1 transaction for the purposes of the Listing Rules and was therefore conditional on approval by shareholders at the General Meeting. Shareholder approval was granted on 10 August 2020.

In October 2020, Shaftesbury announced its intention to raise up to £307 million of gross proceeds through a firm placing, placing and open offer and an offer for subscription (the "Capital Raising"). Capco committed to subscribe for £65 million of new Shaftesbury shares at the placing price of 400 pence, resulting in a shareholding in Shaftesbury following completion of the Capital Raising of 25.2 per cent (96.97 million shares). Capco's weighted average entry price (before associated costs) for its investment in Shaftesbury is 517 pence per share at a cost of £501 million.

The Shaftesbury investment is a unique opportunity to acquire a significant stake in an exceptional mixed-use real estate portfolio of approximately 600 buildings, adjacent to Capco's world-class Covent Garden estate. Shaftesbury PLC is a real estate investment trust which invests exclusively in London's West End. It represents a compelling investment and entry price with an implied value of approximately £1,200 per square foot, which the Directors believe will generate long-term value for Capco shareholders. The investment is consistent with Capco's strategy to invest in complementary opportunities on or near the Covent Garden estate.

Earls Court deferred proceeds

£195 million of deferred consideration from the Earls Court sale was received in 2020 with the balance of £15 million due in November 2021. Proceeds have been used to reduce borrowings under the Covent Garden revolving credit facility.

Lillie Square

Capco owns 50 per cent of the Lillie Square joint venture, a one million square foot (GEA) residential development located in West London. The development can deliver a total of over 600 private homes plus 200 affordable homes across three phases.

The property valuation as at 31 December 2020 was £115 million (Capco share), a 9 per cent decline (like-for-like) against the 31 December 2019 valuation of £177 million. In addition, Capco owns £2 million of other related assets adjacent to the Lillie Square estate. Net debt was £1.8 million (£0.9 million Capco share) at 31 December 2020.

Development of Lillie Square is well-progressed. Handover of 227 Phase 1 units is complete, with a small number of units available. The completion of Phase 2 continues with 94 units handed over, representing £116 million of net proceeds (£58 million Capco share). Six contracts, representing approximately £8 million in value, have been rescinded resulting in non-completion of pre-sold units. 92 units remain in Phase 2, of which 60 have been pre-sold; should they all complete this will generate approximately £70 million of further proceeds (£35 million Capco share). This includes the previously announced bulk sale of 49 units and 31 car parking spaces representing £66 million (£33 million Capco share).

FINANCIAL REVIEW

The COVID-19 pandemic has had a material impact on the financial results of the Group in the year, as demonstrated by the 27.3 per cent like-for-like decline in the independent property valuation of the Covent Garden portfolio and a 74.2 per cent reduction in the Group's net rental income (30.3 per cent on an underlying basis), primarily due to additional impairment charges in the year. Levels of cash collection have reduced significantly with rent collection for the year significantly lower than normal levels with 62 per cent collected for the year. Collection for the first quarter of 2021 stands at 47 per cent compared with 98 per cent for the first quarter of 2020.

Overall EPRA NTA (net tangible assets) per share decreased by 27.6 per cent during the year, from 292.9 pence at 31 December 2019 to 212.1 pence. Combined with the 1.0 pence per share dividend paid to shareholders during the year, the total return for the year is -27.2 per cent. Total shareholder return for the year, reflecting the movement in the share price from 262 pence to 145 pence, together with the value of dividends, was -44.3 per cent.

The underlying loss from continuing activities was £6.2 million compared with underlying earnings of £9.5 million for 2019, driven primarily by the reduction in net rental income.

Rental income

In view of disruption to business and consumer activity, bespoke support has been provided to customers on a case-by-case basis, which includes rent deferrals, rent-free periods and other arrangements reflecting the position of each customer. For many retail and food & beverage customers, rental agreements have been linked to turnover for the second half of 2020 in exchange for other provisions such as insertion of landlords flexibility, lease extensions and enhanced sharing of data. The accounting treatment for customer support, which results in divergence between net rental income on a reported and cash flow basis, can be summarised as follows:

- In relation to rent deferrals, the rental income is recognised as normal with the deferred rent receivable balance remaining in trade receivables until settled. The balance is assessed for impairment at each balance sheet reporting date.
- Rent-free periods provided during a lease term are generally considered to constitute a lease modification under IFRS 16 with the rental income recalculated based on the revised consideration over the remaining lease term, in line with current accounting practice for tenant lease incentives. The balance will be assessed for impairment at each reporting date. On entering into a lease modification any initial direct costs associated with the lease, including surrender premia previously paid to outgoing customers, are derecognised and charged against income.
- Turnover-linked rents are recorded in the period in which they are earned.

Gross rental income decreased by £2.6 million to £75.8 million, a 3.3 per cent reduction compared with 2019. Net rental income has reduced by £45.4 million compared with 2019, driven largely by:

- £16.7 million of derecognition of initial direct costs associated with entering into lease modifications;
- £11.1 million impairment of tenant lease incentives;
- £14.0 million of bad debt expense. This represents an increase in bad debt expense of £12.4 million from 2019.

The lease modification costs and impairment of tenant lease incentives of £27.8 million are excluded from underlying net rental income as they are at levels not experienced in the past nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude. On an underlying basis, net rental income has reduced by £17.6 million to £43.6 million, driven predominantly by the increase in bad debt expense.

Balance sheet

The property valuation of the Covent Garden estate has decreased by 27.3 per cent (like-for-like) to £1,825 million as a result of a 22.2 per cent decline in ERV to £80.8 million, expansion in the equivalent yield of 28 basis points to 3.91 per cent and other movements including the valuer's assumption on loss of near-term income over the next six to 12 months of £27 million.

Despite the impact of COVID-19, the Group is well-positioned with a clear focus to grow its property investment business centred around the West End, supported by a strong financial position. With net debt to gross assets of 28 per cent and access to substantial cash and undrawn facilities, currently £1 billion, the Group has the ability to withstand market volatility, capitalise on investment opportunities and deliver long-term value creation.

The Company's strong financial position enabled it to complete the acquisition of a significant stake in Shaftesbury PLC ("Shaftesbury") during the year. The initial acquisition was completed over two tranches in June and August 2020 for £436 million. A further £65 million was invested through participation in a capital raising by Shaftesbury which completed in November 2020. As a result of these transactions, the Company has a shareholding of 25.2 per cent in Shaftesbury represented by 96,971,003 shares at a weighted in-price (before costs) of 517 pence per share.

During the year, £400 million of capital was raised through the issuance of exchangeable bonds and a secured loan, both having reference to the investment in Shaftesbury. The £275 million of exchangeable bonds, exchangeable for shares of Shaftesbury or cash at the Company's election, carry a cash coupon of two per cent per annum and are redeemable at par in March 2026. The exchangeable bonds benefit from a pledge over approximately 10.0 per cent of shares in Shaftesbury. The

£125 million secured loan has a maturity of three years, is secured against shares in Shaftesbury and is at an interest rate broadly in line with the Group's weighted average cost of debt.

In March 2020, £90 million of deferred consideration was received in relation to the sale of Earls Court and an additional £105 million was received in November 2020. A final payment of £15 million from the sale is due in November 2021.

Proceeds from the financing activities and disposals, including the sale of the Wellington block for £76.5 million, were used to reduce the amount of drawn borrowings under the Covent Garden revolving credit facility.

Phase 2 of Lillie Square completed with 94 units handed over during the year, generating net proceeds of £58 million (Capco share). 92 units remain in Phase 2, of which 60 have been pre-sold; should they all complete this will generate approximately £70 million of further proceeds (£35 million Capco share). This includes the bulk sale of 49 units representing £66 million (£33 million Capco share). Six contracts, representing approximately £8 million in value, have been rescinded resulting in non-completion of pre-sold units. The joint venture had net debt of £1.8 million as at year end (Capco share: £0.9 million).

Basis of preparation

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

The Group uses Alternative Performance Measures ("APMs"), financial measures which are not specified under IFRS, to monitor the performance of the business. These include a number of the key financials shown on page 2. Many of the APMs included are based on the EPRA Best Practice Recommendations reporting framework, which aims to improve the transparency, comparability and relevance of published results of public real estate companies in Europe. With effect from 1 January 2020, EPRA net asset value ("EPRA NAV") and EPRA triple net asset value ("EPRA NNNAV") have been replaced by three new net asset valuation metrics, being EPRA Net Reinstatement Value ("EPRA NRV"), EPRA Net Tangible Assets ("EPRA NTA") and EPRA Net Disposal Value ("EPRA NDV"). EPRA NTA is considered to be the most relevant measure for the Group's operating activity and is the primary measure of net asset value, replacing the metric EPRA NAV previously reported. These measures have been adopted with the comparator year shown in EPRA measures on page 69.

One of the key performance measures the Group uses is underlying earnings. The Group considers the presentation of underlying earnings to be useful supplementary information as it removes unrealised and certain other items and therefore better represents the recurring, underlying performance of the business. Items that are excluded are net valuation gains or losses (including profits or losses on disposals), fair value changes, impairment charges, net refinancing charges, costs of termination of derivative financial instruments and other non-recurring costs and income. Given the scale of the rental support provided to tenants during the course of the year, the non-cash lease modification expenses and impairment of incentives totalling £27.8 million are highly material and at levels not experienced in the past nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude. Accordingly, they have been excluded from underlying earnings. Underlying earnings is reported on a Group share basis.

A summary of EPRA performance measures and key Group measures included within these condensed financial statements is shown in EPRA measures on page 69.

Internally the Board focuses on and reviews information and reports prepared on a Group share basis, which includes the Group's share of joint ventures, as this represents the economic value attributable to the Company's shareholders. In order to align with the way the Group is managed this financial review presents the financial position, performance and cash flow analysis on a Group share basis.

Discontinued operation

On 29 November 2019, the Group completed the sale of its interests in Earls Court, excluding Lillie Square, to APG and Delancey (on behalf of its client fund) for £425 million. As Earls Court Properties represented a major line of business, its results and cash flows have been reported in the comparator period 1 January 2019 to 29 November 2019 as having arisen from a discontinued operation. Further information on the disposal of the Earls Court Properties business is set out in note 10 'Discontinued Operation'.

FINANCIAL PERFORMANCE

The Group presents underlying earnings and underlying earnings per share on a Group share basis. The Group considers this presentation to provide useful information as it removes unrealised and certain other items and therefore better represents the recurring, underlying performance of the business.

SUMMARY INCOME STATEMENT

	2020		
Continuing operations	**Group share £m**	**Joint ventures[1] £m**	**IFRS £m**
Net rental income[2]	15.8	0.1	15.9
Loss on revaluation and sale of investment and development property	(693.3)	0.2	(693.1)
Change in fair value of listed equity investment	50.9	–	50.9
Administration expenses[3]	(31.5)	0.5	(31.0)
Net finance costs	(23.8)	0.2	(23.6)
Taxation	1.0	–	1.0
Other[4]	1.1	(24.9)	(23.8)
Loss for the year attributable to owners of the Parent from continuing operations	(679.8)	(23.9)	(703.7)
Adjustments[5]:			
Net rental income – non-underlying			27.8
Loss on revaluation and sale of investment and development property			693.1
Change in fair value of listed equity investment			(50.9)
Administration expenses – non-underlying			6.5
Other			22.5
Taxation on non-underlying items			(1.5)
Underlying loss from continuing operations			(6.2)
Underlying earnings from discontinued operations			–
Underlying loss			(6.2)
Underlying loss per share (pence):			
From continuing operations			(0.7)
From discontinued operation			–
Underlying loss per share (pence)			(0.7)
Weighted average number of shares			852.0m

1. Lillie Square and Innova Investment.
2. Net rental income includes £27.8 million of non-underlying expenses in relation to lease modification and impairment of tenant incentives. Underlying net rental income, excluding these items, is £43.6 million.
3. Administration expenses includes £6.5 million of non-underlying transaction related costs primarily related to the acquisition of the Shaftesbury investment which are non-recurring in nature.
4. Includes other costs, impairment of other receivables and other finance income.
5. Further details regarding the EPRA and Company specific adjustments are disclosed within note 12 ‘Earnings Per Share and Net Assets Per Share'.

SUMMARY INCOME STATEMENT CONTINUED

Continuing operations	2019 Group share £m	Joint ventures[1] £m	IFRS £m
Net rental income	61.2	(0.1)	61.1
Loss on revaluation and sale of investment and development property	(43.3)	–	(43.3)
Administration expenses[2]	(42.6)	(0.8)	(43.4)
Net finance costs	(20.9)	0.2	(20.7)
Taxation	(1.0)	–	(1.0)
Other[3]	(18.3)	3.3	(15.0)
Loss for the year attributable to owners of the Parent from continuing operations	(64.9)	2.6	(62.3)
Adjustments[4]:			
Loss on revaluation and sale of investment and development property			43.3
Administration expenses – non-underlying			9.7
Other			16.6
Taxation on non-underlying items			2.2
Underlying earnings from continuing operations			9.5
Underlying loss from discontinued operations			(0.5)
Underlying earnings			9.0
Underlying earnings per share (pence):			
From continuing operations			1.1
From discontinued operation			(0.1)
Underlying earnings per share (pence)			1.0
Weighted average number of shares			855.5m

1. Lillie Square and Innova Investment.
2. Administrative expenses includes £9.7 million of non-underlying transaction related costs primarily related to the proposed demerger and which are non-recurring in nature.
3. Includes other income, impairment of other receivables and other finance income.
4. Further details regarding the EPRA and Company specific adjustments are disclosed within note 12 'Earnings Per Share and Net Assets Per Share'.

Net rental income

	2020			2019		
	Group share £m	**Joint ventures[1] £m**	**IFRS £m**	Group share £m	Joint ventures[1] £m	IFRS £m
Rental income	**75.8**	**(1.9)**	**73.9**	78.4	(0.8)	77.6
Property and service charge expenses	**(18.2)**	**2.0**	**(16.2)**	(15.6)	0.7	(14.9)
Bad debt expenses	**(14.0)**	**–**	**(14.0)**	(1.6)	–	(1.6)
Underlying net rental income	**43.6**	**0.1**	**43.7**	61.2	(0.1)	61.1
Impairment of tenant lease incentives	**(11.1)**	**–**	**(11.1)**	–	–	–
Lease modification expenses	**(16.7)**	**–**	**(16.7)**	–	–	–
Net rental income	**15.8**	**0.1**	**15.9**	61.2	(0.1)	61.1

1. Lillie Square.

Overall rental income has reduced by £2.6 million, a 3.3 per cent reduction, to £75.8 million from £78.4 million. During the year a small number of tenants have entered administration representing £4.0 million of passing rent. In addition, due to market conditions there was a £1.0 million reduction in marketing and non lease income. Rental income includes £9.7 million (net) of non-cash tenant lease incentives reflecting the tenant support provided in the year.

Property expenses have increased by £2.6 million reflecting increased void costs across Covent Garden and Lillie Square as well as £1.2 million of additional costs which have been incurred in the year for increased security, cleaning and protective equipment for the Covent Garden estate.

Net rental income has been impacted significantly in the year due to the disruption caused by COVID-19. Overall reported net rental income has reduced by £45.4 million from £61.2 million to £15.8 million.

Included in the 2020 net rental income is £16.7 million of lease modification expenses reflecting the derecognition of initial direct costs associated with entering into lease modifications with tenants. Due to the impact of COVID-19 on our customers, with increased failures and challenging market conditions, an assessment of the tenant lease incentives held on balance sheet has resulted in a £11.1 million impairment being recorded in 2020. Both of these items represent significant non-cash items for the year.

Further impairment analysis has been undertaken on the recoverability of rent receivables representing outstanding rent, service charge, deferrals and other lease charges. As at 31 December 2020 the rent receivable balance was £34.7 million. Based on this assessment, the balance sheet position has been impaired by £12.4 million reflecting 36 per cent of the gross balance (43 per cent net) being provided against with the majority of this relating to the retail and F&B sector. Additional cash collateral and guarantors are held and if included in the assessment, 73 per cent of the net balance has been covered against. Including bad debt write-offs in the year the total charge to net rental income is £14.0 million. Within this charge is £4.3 million representing provisions made against £10.6 million of the total rent receivable balance related to quarterly rent due on 25 December 2020 which reflects income for the period 25 December 2020 to 24 March 2021. The majority of this income has not been recognised in rental income but is held on balance sheet as rent in advance within current liabilities. However, a provision for the expected credit loss is required to be recorded in net rental income and therefore creates a mismatch in the period between recognised rental income and impairment of the rent receivable.

Loss on revaluation and sale of investment and development property

The loss on revaluation and sale of the Group's investment and development property was £693.3 million. The loss is predominantly as a result of a 22.2 per cent (like-for-like) decline in ERV, an outward yield movement of 28 basis points resulting in an equivalent yield of 3.91 per cent, and other movements including the valuer's assumption on loss of near-term income over the next six to 12 months of £27 million.

Administration expenses

	2020			2019		
	Group share £m	**Joint ventures[1] £m**	**IFRS £m**	Group share £m	Joint ventures[1] £m	IFRS £m
Depreciation	**1.5**	**–**	**1.5**	1.3	–	1.3
Administration expenses	**23.5**	**(0.5)**	**23.0**	31.6	0.8	32.4
Underlying administration expenses	**25.0**	**(0.5)**	**24.5**	32.9	0.8	33.7
Transaction-related costs	**6.5**	**–**	**6.5**	9.7	–	9.7
Administration expenses	**31.5**	**(0.5)**	**31.0**	42.6	0.8	43.4

1. Lillie Square.

Administration expenses have decreased by £11.1 million from £42.6 million to £31.5 million. Underlying administration costs, excluding the impact of £6.5 million of transaction-related costs incurred in the year, were £25.0 million representing a like-for-like reduction of £7.9 million. In the prior period, £9.7 million of costs associated with the potential demerger were incurred.

The Group is targeting underlying administration costs of no more than £20 million for the 2021 financial year, and notwithstanding disruption to business activity caused by COVID-19 and certain upward cost pressures, progress towards this has been made through 2020. This includes consolidation of the Company's operations to one office location within the Covent Garden estate.

Net finance costs

Net finance costs increased by £2.9 million to £23.8 million, due to additional interest expense following a drawdown of £450 million under the revolving credit facility in May 2020. Interest costs have been offset in part by additional interest income due to higher levels of cash being held on deposit.

Taxation

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

Consistent with the Group's policy of complying with relevant tax obligations and its goal in respect of its stakeholders, the Group maintains a constructive and open working relationship with HMRC which regularly includes obtaining advance clearance on key transactions where the tax treatment may be uncertain. The Group maintains a low risk rating from HMRC.

As a UK REIT, the Group is exempt from UK corporation tax on income and gains from qualifying activities. As a minimum, 90 per cent of the income arising from qualifying activities is required to be distributed as a Property Income Distribution ("PID") to the shareholders of the Group. Non-REIT activities, such as disposals of trading property, are subject to UK corporation tax in the normal way. A tax charge can arise for the Group at 19 per cent if the minimum PID requirement is not met within 12 months of the end of the period. The Group did not pay a PID in 2020 in relation to income arising on qualifying activities during its first REIT period from 9 December 2019 to 31 December 2019, for which a £0.1 million tax charge arose.

The UK REIT provisions also require a group to satisfy certain tests to maintain its REIT status. The Group satisfied all REIT requirements needed to maintain REIT status throughout 2020. The UK REIT provisions can impose a UK tax charge on the Group if certain interest cover tests are not met. HMRC has indicated that it is not within the intention of the REIT regime to issue a tax charge in relation to these interest cover tests, where it can be established that COVID-19 is the reason for a breach. As this was the case for the period to 31 December 2020 the Group does not anticipate a tax charge arising.

The tax credit of £1.0 million in the income statement comprises current tax credit of £0.8 million in relation to prior periods and deferred tax credit of £0.2 million in relation to share-based payments and derivative financial instruments. The main rate of corporation tax remained unchanged at 19 per cent throughout the year.

A disposal of the Group's trading properties at their market value, before the utilisation of carried forward available losses, would result in a UK corporation tax charge to the Group of £0.4 million (19 per cent of £2.2 million).

Whilst the Group is a REIT, it is subject to a number of taxes and certain sector specific charges in the same way as non-REIT companies. The Group is committed to paying its fair share of tax including liabilities arising from stamp duty land tax, employment taxes, irrecoverable VAT, and corporation tax on non-REIT income.

The provisions of IAS 12 provide for the recognition of a deferred tax asset where it is probable there will be future taxable profit against which a deductible temporary difference can be utilised. As a result of the application of this provision, the Group has not recognised the deferred tax asset on certain losses carried forward.

Dividends

Given current market conditions and the significant uncertainties due to COVID-19, the Board has taken the decision to not declare a year end dividend. The Company will recommence dividend payments as soon as it is considered appropriate.

FINANCIAL POSITION

At 31 December 2020 the Group's EPRA NTA was £1.8 billion (31 December 2019: £2.5 billion) representing 212.1 pence per share (31 December 2019: 292.9 pence).

SUMMARY ADJUSTED BALANCE SHEET

	2020		
	Group share £m	**Joint ventures[1] £m**	**IFRS £m**
Investment, development and trading property	**1,908.8**	**(113.0)**	**1,795.8**
Financial assets at fair value through profit and loss	**551.8**	**–**	**551.8**
Net debt	**(710.4)**	**(5.1)**	**(715.5)**
Other assets and liabilities[2]	**42.9**	**84.7**	**127.6**
Net assets attributable to owners of the Parent	**1,793.1**	**(33.4)**	**1,759.7**
Adjustments:			
Fair value of derivative financial instruments			**7.2**
Fair value adjustment of financial instruments – exchangeable bond option			**5.5**
Unrecognised surplus on trading property			**2.2**
Revaluation of other non-current assets			**33.4**
Deferred tax adjustments			**(2.2)**
EPRA net tangible assets			**1,805.8**
EPRA net tangible assets per share (pence)[3]			**212.1**

1. Primarily Lillie Square.
2. IFRS includes amounts receivable from joint ventures which eliminate on a Group share basis.
3. Adjusted, diluted number of shares in issue at 31 December 2020 was 851.5 million.

	2019		
	Group share £m	Joint ventures[1] £m	IFRS £m
Investment, development and trading property	2,706.8	(161.3)	2,545.5
Net debt	(441.8)	38.0	(403.8)
Other assets and liabilities[2]	222.1	113.7	335.8
Net assets attributable to owners of the Parent	2,487.1	(9.6)	2,477.5
Adjustments:			
Fair value of derivative financial instruments			3.6
Unrecognised surplus on trading property			15.9
Revaluation of other non-current assets			9.6
Deferred tax adjustments			(0.8)
EPRA net tangible assets			2,505.8
EPRA net tangible assets per share (pence)[3]			292.9

1. Primarily Lillie Square.
2. IFRS includes amounts receivable from joint ventures which eliminate on a Group share basis.
3. Adjusted, diluted number of shares in issue at 31 December 2019 was 855.5 million.

Investment, development and trading property

The Group share of investment, development and trading property carrying value has decreased from £2,706.8 million at 31 December 2019 to £1,908.8 million. This movement primarily comprises capital expenditure and acquisitions of £27.3 million, offset by disposals of £131.5 million at Lillie Square and the Wellington block at Covent Garden, a revaluation loss of £692.4 million and write-down of trading property of £1.4 million. Capital expenditure of £19.1 million at Covent Garden relates to a number of smaller projects and the Lillie Square spend of £7.1 million was in relation to final construction and fit-out of Phase 2 of the development which completed during the first half of 2020.

The IFRS loss on revaluation of investment and development property was £692.2 million which relates predominantly to the Covent Garden portfolio. The portfolio valuation reduced by 27.3 per cent like-for-like with substantially all of this movement relating to the retail, leisure and F&B portfolio which represents 75 per cent of total property value. The main drivers for the valuation loss were a 22.2 per cent (like-for-like) decline in ERV to £80.8 million, expansion in the equivalent yield of 28 basis points to 3.91 per cent and other movements including the valuer's assumption on loss of income over the next six to 12 months of £27 million.

The unrecognised surplus on trading property declined by £13.7 million, and together with the revaluation on investment and development property the total revaluation loss was £686.7 million, representing a 26.4 per cent decrease in value, which compares to the MSCI Capital Return for the equivalent period of a 6.3 per cent loss.

Total property return for the year was -24.4 per cent. The MSCI Total Return Index recorded a 1.0 per cent loss for the corresponding period.

Trading property is carried on the consolidated balance sheet at the lower of cost and net realisable value, therefore valuation surpluses on trading property are not recorded. Any unrecognised surplus is however reflected within the EPRA net tangible assets measure. At 31 December 2020, the unrecognised surplus on trading property was £2.2 million (31 December 2019: £15.9 million) which arises solely on the Group's share of trading property at Lillie Square.

Financial assets at fair value through profit or loss

During the year the Group acquired 97.0 million shares representing a 25.2 per cent shareholding in Shaftesbury PLC ("the Investment"). The acquisition of 80.7 million shares took place in June and August 2020 for £435.9 million reflecting an acquisition share price of 540 pence per share. An additional 16.3 million shares were acquired for £65.0 million through participation in the capital raising of Shaftesbury at a price of 400 pence per share. The acquisition and further investment were funded from cash resources and drawdown of committed facilities. The gain in fair value of listed equity investment of £50.9 million reflects the difference in the blended investment price of 517 pence per share and the share price at the reporting date of 569 pence per share (which represents a discount of 15 per cent to the pro forma NTA per share of Shaftesbury at its year end of 30 September 2020 of 672 pence per share).

Debt and gearing

The Group maintains a strong financial position with significant resilience and flexibility, targeting diversified sources of funding, an appropriate level of leverage, headroom against debt covenants, access to substantial liquidity, limited capital commitments, a balanced debt maturity profile and hedging against movements in interest rates.

The Group's cash and undrawn committed facilities at 31 December 2020 were £1,010.2 million (31 December 2019: £895.2 million). A reconciliation between IFRS and Group share is shown below:

	2020			2019		
	Group share £m	**Joint ventures[1] £m**	**IFRS £m**	Group share £m	Joint ventures[1] £m	IFRS £m
Cash and cash equivalents	**375.8**	**(10.7)**	**365.1**	170.6	(17.5)	153.1
Undrawn committed facilities	**634.4**	**(59.4)**	**575.0**	724.6	(9.6)	715.0
Cash and undrawn committed facilities	**1,010.2**	**(70.1)**	**940.1**	895.2	(27.1)	868.1

1. Primarily Lillie Square.

Net debt increased by £268.6 million to £710.4 million in the year, principally as a result of a total investment in shares of Shaftesbury of £501 million offset in part by receipts from sales. Disposal proceeds included the receipt of £194.7 million of deferred consideration on the Earls Court sale, £76.5 million on sale of the Wellington block and £58 million of completed sales from the handover of 94 units at Lillie Square.

During the year, £400 million of financing activity related to the investment in Shaftesbury was completed through an exchangeable bond issue and a secured loan. During November 2020, £275 million of exchangeable bonds were issued at a coupon of two per cent per annum redeemable at par in March 2026. The proceeds were used to reduce borrowings under the Covent Garden revolving credit facility. In December 2020, a three-year secured loan of £125 million was completed with the proceeds being reflected within the Group cash balance at year end. Subsequent to this, the proceeds have been used in part to further reduce borrowings under the Covent Garden revolving credit facility.

The gearing measure most widely used in the industry is loan to value ("LTV"), however in order to address the fact that LTV does not take into account the value of the shareholding in Shaftesbury, the Group focusses on net debt to gross assets which stood at 27.5 per cent at 31 December 2020. This is comfortably within the Group's limit of no more than 40 per cent.

	2020	2019
Net debt to gross assets	**27.5%**	14.7%
Loan to value – Covent Garden debt covenant	**19.3%**	21.3%
Interest cover – Group	**76.1%**	130.8%
Interest cover – Covent Garden debt covenant	**53.8%**	292.7%
Weighted average debt maturity – drawn and undrawn facilities	**4.1 years**	4.9 years
Weighted average debt maturity – drawn facilities	**5.4 years**	7.3 years
Weighted average cost of debt	**2.6%**	3.0%
Gross debt with interest rate protection	**100%**	100%

The Group's policy is to eliminate substantially the medium and long-term risk arising from interest rate volatility. The Group's banking facilities are arranged on a floating rate basis but are generally swapped to fixed rate or capped using derivative contracts. At 31 December 2020 the proportion of gross debt with interest rate protection was 100 per cent (31 December 2019: 100 per cent). £565 million of the revolving credit facility was undrawn at year end and subsequent to year end increased to £675 million undrawn due to a reduction in the outstanding balance with proceeds received from the secured loan.

The principal financial covenants within the Covent Garden debt are to maintain a loan to value ratio of not more than 60 per cent and an interest cover ratio of at least 120 per cent. Based on the current loan to value position under the Covent Garden debt, there is substantial headroom with the ability for property valuations to fall by a further 68 per cent. Due to the impact on reported net rental income of COVID-19, the interest cover covenant has not been met for the year ended 31 December 2020. A waiver had previously been agreed with the Covent Garden lenders in relation to this period and in view of the anticipated ongoing impact of the pandemic on 2021 net rental income, the waivers have been extended to also cover the six month period ending 30 June 2021 and the year ending 31 December 2021.

At 31 December 2020 the Group had capital commitments of £2.2 million (£13.6 million at 31 December 2019), comprising £0.8 million for Covent Garden and £1.4 million for Lillie Square.

The net debt of the Lillie Square joint venture at 31 December 2020 was £0.9 million (Capco 50 per cent share) and it is currently anticipated that the bank facility will be repaid in advance of its maturity in May 2021 or that the facility will be extended.

	2020			2019		
	Group share	**Joint ventures[1]**	**IFRS**	Group share	Joint ventures[1]	IFRS
	£m	**£m**	**£m**	£m	£m	£m
Capital commitments	**2.2**	**(1.4)**	**0.8**	13.6	(6.6)	7.0

1. Primarily Lillie Square.

CASH FLOW

A summary of the Group's cash flow for the year ended 31 December 2020 is presented below:

SUMMARY CASH FLOW

	2020		
	Group share £m	Joint ventures[1] £m	IFRS £m
Operating cash flows after interest and tax from continuing activities	**(51.7)**	**(3.1)**	**(54.8)**
Purchase and development of property, plant and equipment	**(31.0)**	**7.1**	**(23.9)**
Transactions with joint venture partners	**1.6**	**1.6**	**3.2**
Net sales proceeds from discontinued operations	**194.1**	**–**	**194.1**
Net sales proceeds from property and investments	**134.5**	**(57.5)**	**77.0**
Equity investment acquisition	**(500.9)**	**–**	**(500.9)**
Net cash flow before financing	**(253.4)**	**(51.9)**	**(305.3)**
Financing	**488.8**	**51.2**	**540.0**
Share buyback	**(11.8)**	**–**	**(11.8)**
Dividends paid	**(4.6)**	**–**	**(4.6)**
Other	**(6.3)**	**–**	**(6.3)**
Net cash flow[2]	**212.7**	**(0.7)**	**212.0**

1. Primarily Lillie Square.
2. Net cash flow is based on unrestricted cash and cash equivalents and therefore does not include the movement in Lillie Square deposits on a Group share basis of £7.5 million.

	2019		
	Group share £m	Joint ventures[1] £m	IFRS £m
Operating cash flows after interest and tax from continuing activities	(1.4)	(5.4)	(6.8)
Purchase and development of property, plant and equipment	(126.5)	32.1	(94.4)
Transactions with joint venture partners and non-controlling interests	(0.8)	(0.7)	(1.5)
Net sales proceeds from discontinued operation	156.6	–	156.6
Net sales proceeds from subsidiaries	(0.1)	–	(0.1)
Net sales proceeds from property	84.3	(4.7)	79.6
Net cash flow before financing from continuing activities	112.1	21.3	133.4
Issue of shares	0.5	–	0.5
Financing	25.5	(25.5)	–
Dividends paid	(9.5)	–	(9.5)
Other	(1.8)	–	(1.8)
Net cash flow from continuing activities[2]	126.8	(4.2)	122.6
Net cash flow from discontinued operation	(2.0)	–	(2.0)
Net cash flow	124.8	(4.2)	120.6

1. Primarily Lillie Square.
2. Net cash flow is based on unrestricted cash and cash equivalents and therefore does not include the movement in Lillie Square deposits on a Group share basis of £4.1 million.

Operating cash outflows of £51.7 million are as a result of net working capital requirements impacted in particular by the reduced cash rental collections in the period leading to increased rent receivable balance, the payment of administration, interest and transaction related costs as well as a reduction in payables due to the payment of transaction-related costs for the sale of Earls Court accrued as at the prior year end. The Company is currently assessing whether it may be entitled to claim for loss of income from business interruption insurance up to a maximum amount of £10 million.

During the year, £19.1 million was invested at Covent Garden for capital expenditure on a number of small projects. At Lillie Square, £7.1 million was incurred in relation to the construction and fit-out of Phase 2.

The handover of 94 units of Phase 2 at Lillie Square generated £57.5 million (Group share) of net sales proceeds from property. Funds were used partly to repay £51.2 million (Group share) of the Lillie Square debt. At Covent Garden the Wellington block disposal generated gross proceeds of £76.5 million.

£194.7 million of deferred consideration from the Earls Court sale was received in March and November 2020. The payment of £89.7 million in March was received on an accelerated basis based on certain contractual triggers being satisfied. A working capital adjustment of £0.6 million was refunded to the purchaser.

£500.9 million cash outflow was incurred on the investment in a 25.2 per cent shareholding in Shaftesbury. This was funded from cash resources and drawdown of the Covent Garden revolving credit facility.

An additional £400 million of debt was raised in the year via the issuance of £275 million exchangeable bonds and a £125 million secured loan. Proceeds from these financings together with those from Earls Court deferred consideration and disposal of the Wellington block were used to reduce borrowings under the Covent Garden revolving credit facility or held as cash.

As announced on 26 February 2020, the Group undertook a share buyback programme with the intention of returning up to £100 million to shareholders. £11.8 million was returned to shareholders before the decision was made to suspend the programme in March 2020 due to the uncertainty of COVID-19 and then not to complete the programme following the acquisition of the shareholding in Shaftesbury.

Dividends paid of £4.6 million reflect the final dividend payment made in respect of the 2019 financial year. This was lower than the previous year due to a higher level of take-up of the scrip dividend alternative, 46 per cent versus 12 per cent in 2019.

IFRS cash and cash equivalents increased by £212.0 million to £365.1 million.

Going concern

Further information on the going concern assessment is set out in note 1 to the condensed financial statements.

At 31 December 2020 the Group had cash and undrawn committed facilities of £1,010.2 million and its capital commitments were £2.2 million. The Covent Garden loan to value ratio was 19 per cent compared with a covenant level of 60 per cent and covenant waivers have been agreed with the Covent Garden lenders in relation to interest cover for the period up to and including 31 December 2021. During the remainder of the going concern period (being the first half of 2022) there is projected to be headroom against the interest cover covenant in a severe but plausible downside scenario.

There continues to be a reasonable expectation that the Group will have adequate resources to meet both ongoing and future commitments for at least 12 months from the date of signing these condensed financial statements. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the 2020 Annual Report & Accounts.

Situl Jobanputra

Chief Financial Officer

8 March 2021

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The Executive Directors are responsible for the day-to-day commercial and operational activity across the Group and are therefore responsible for the management of business risk. The Executive Risk Committee, comprising the Executive Directors, the Group Legal Director, the Group Financial Controller and the Director of Sustainability and Technology, is the executive level management forum for the review and discussion of risks, controls and mitigation measures. The corporate and business division risks are reviewed at least three times a year by the Executive Risk Committee so that trends and emerging risks can be identified and reported to the Board.

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

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

The COVID-19 pandemic has brought about unprecedented challenges and disruption to the broader economy, our customers and business. Understanding the effects of the crisis and the impact on our business and the market remains critical and the Board continues to monitor this carefully.

COVID-19 has resulted in a significant reduction in levels of footfall and activity across the Covent Garden estate, significantly lower levels of local and international travel, lower level of office occupiers and changing customer and consumer behaviour due to government restrictions imposed. The significant reduction in visitor numbers and store revenues for our customers has led to a large number of them experiencing cash flow pressures and, in turn, reduced rental collection rates. Challenging occupation and investment market conditions, particularly in retail and F&B sector, have had a negative impact on property valuations, and rental values and income.

The long-term impact of COVID-19 on future demand for and use of lettable space, evolution of consumer behaviour (including an acceleration of trends in online shopping) and travel patterns could have further implications for the real estate market and our portfolio. In view of the unpredictable nature of the pandemic, the evolution of policy measures and government guidance will be monitored closely together with the impact of related emerging risks.

During the course of the COVID-19 pandemic, the Company has prioritised the health and safety of its people, customers and visitors, while working co-operatively and in a co-ordinated manner with stakeholders to protect and promote Covent Garden and the West End, encouraging a return of footfall to more normalised levels over time.

A COVID-19 steering group committee was established in March 2020 to help co-ordinate the Company's response to the pandemic. The steering group, led by the Chief Executive and comprised of senior management and those responsible for key areas of operational activity, plus additional groups set up to monitor and manage the impact of COVID-19 on the business, meets regularly to discuss issues surrounding COVID-19 and the impact on the business, and approve decisions and actions promptly. In addition, the leadership team across the business has discussed relevant matters as a group on a very regular basis since March 2020. The Board receives weekly updates and has convened regular additional meetings as required, in order to provide appropriate oversight and governance. In recent weeks the committee has been focused on plans to prepare for an easing of lockdown restrictions, reopening of the Covent Garden estate in a safe manner and ensuring the business is fully prepared to support stakeholders during this transition. Our risk assessment on COVID-19 has led to us to conclude that COVID-19 is not a separate principal risk but rather an overarching risk which has a significant impact on all of our principal risks. Across the business we have seen an intensification in our principal risks as a result of COVID-19 and our focus has been on implementing appropriate measures on a timely basis to mitigate this impact. Included within the description of each principal risk is a summary of the impact of COVID-19 and additional mitigating actions taken.

In recent years the UK has experienced heightened economic and political uncertainty after voting to leave the EU from 31 January 2020 and completing the transaction period on 31 December 2020. Uncertainty remains in particular in relation to international trade arrangements and the overall impact on the UK economy. As a result there may be continued volatility in consumer, occupier and broader corporate behaviour and decision-making.

Whilst the impact on our business and the market remains uncertain, the Board continues to monitor this carefully and has assessed risks to the business that may result. The main areas that may affect the Group directly are:

- the impact on the London and UK economy, including exchange rate volatility and potential disruption in the financial markets
- the impact on current and prospective customers, for instance management of their inventory, labour issues, tariffs or other barriers, and the impact on consumer demand (for example due to travel disruption) leading to reduced rents and capital values

During the period, the Group acquired a 25.2 per cent shareholding in Shaftesbury PLC ("the Investment"). Due to the listed nature of the Investment, the market price of Shaftesbury PLC shares may be volatile and subject to wide fluctuations as a result of a variety of factors, including, but not limited to, Shaftesbury PLC operating results, financial position, performance or prospects.

Although the Group owns a minority interest, the Investment represents a material proportion of the Group's value and certain of the Group's financing has reference to the share price. The terms of our investment do not provide us with the ability to influence the strategic direction of Shaftesbury PLC, or its financial or operating performance, as our influence is limited to the extent of our voting power over matters requiring approval of Shaftesbury PLC's shareholders. The interests of other shareholders in Shaftesbury PLC may not always be aligned with those of the Group.

The operational and business risks faced by Shaftesbury PLC are similar to those faced by the Group which are set out in the tables below, but the steps taken to address and respond to any such risks by Shaftesbury PLC are outside of the control of the Group.

Climate change was previously considered an emerging risk. Recognising the potential impact of climate change on the business, it has been determined that climate change is a principal risk in its own right reflecting the growing requirements for action.

A summary of the potential impacts on our principal risks as well as the measures we have put in place to mitigate these impacts is set out in the tables below.

Emerging risks

The Group monitors its emerging risks and considers mitigating actions which the Group currently deploys and could deploy with regards to these emerging risks. Emerging risks include the longer-term implications of COVID-19 including on consumer behaviour and changes to the way in which real estate will be used in the future, including how lease arrangements are structured, as well as changes to tax and economic policy impacting real estate (including capital gains, VAT and other sales taxes, stamp duty and business rates).

CORPORATE

Risk	Impact on strategy	Mitigation	Change in 2020
Economic conditions			
Decline in real estate valuations due to macro-economic conditions Decline in fair value of listed investments held Relative attractiveness of other asset classes or locations Inability of the Group to adopt the appropriate strategy or to react to changing market conditions or changing consumer behaviour	Reduced return on investment and development property Reduced return on listed investments Higher finance costs Reduced profitability	Focus on prime assets Regular assessment of investment market conditions including bi-annual external valuations Regular strategic reviews Strategic focus on creating retail-led destinations and residential districts with unique attributes	↑

COVID-19 impact and measure to mitigate

Impact:

COVID-19 has resulted in high levels of macro-economic and market uncertainty and volatility. This uncertainty combined with a significant reduction in footfall due to government action has led to a reduction in rental income and property valuations.

Restrictions on international and local travel have had a significant impact on footfall and business activity on the estate, leading to customer's liquidity issues.

The Group focuses on prime assets in the West End of London primarily in the retail and hospitality sector. Due to travel restrictions and changing consumer behaviour the geographical and asset class concentration risk of asset valuation and rents has been increased.

The increased risk of an economic downturn as a result of COVID-19 could further impact demand for space, and result in changes to lease structures, and therefore the valuation of our assets and rental income.

Measures to mitigate:

We remain in regular dialogue with our customers to understand their financial position and provide support where needed. Rental support has been provided 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.

The Group remains in regular dialogue with local authorities to understand future plans and work constructively to position the estate in the best possible manner to benefit from a recovery and prosper over the medium term including implementing al fresco dining where appropriate.

The Group has had a long-term focus on maintaining a strong balance sheet, with sufficient liquidity, and continues to do so to ensure it is able to withstand market volatility and take advantage of opportunities. This has been supported by an additional £400 million of financing raised in the year from different sources and related to the Shaftesbury PLC investment via exchangeable bonds and a secured loan.

Limited business interruption insurance is held by the Group and is currently being assessed for applicability to the COVID-19 impacts up to a maximum of £10 million.

Extensive forecasting, stress testing and modelling of various scenarios has been undertaken, including sensitivities arising from the COVID-19 pandemic to help plan for future impacts on the business.

Risk	Impact on strategy	Mitigation	Change in 2020
Funding			
Lack of availability or increased cost of debt or equity funding	Reduced financial and operational flexibility Increased cost of borrowing Delay to development works Constrained growth, lost opportunities	Maintain appropriate liquidity to cover commitments Target longer and staggered debt maturities, and diversified sources of funding Consideration of early refinancing Covenant headroom monitored and stress tested Derivative contracts to provide interest rate protection Development phasing to enable flexibility and reduce financial exposure	↑

COVID-19 impact and measure to mitigate

Impact:

Reduction in net rental income and property valuation as well as increased finance costs as a result of COVID-19 has increased the risk of the Group having limited headroom against or not meeting its financial covenants.

Measures to mitigate:

Funding, debt and treasury metrics are monitored on a continual basis with a focus on preserving liquidity and capital. Extensive forecasting, stress testing and modelling of various scenarios has been undertaken, including sensitivities arising from the COVID-19 pandemic to help monitor any impact on debt covenants.

Due to the impact of COVID-19 on the Group's net rental income, the Covent Garden interest cover covenant has not been met for the year ended 31 December 2020, however waivers are in place with the lenders. Due to the continued anticipated impact of the pandemic during the course of 2021 waivers have been agreed for the interest cover covenant for the period up to and including 31 December 2021.

In determining the potential impact of COVID-19, the Group has assessed a "severe but plausible" downside scenario which takes into account UK government restrictions in response to the pandemic. Details of this analysis are set out in note 1 to the accounts and the financial statements have been prepared on a going concern basis.

£400 million of capital has been raised in the year related to the Shaftesbury PLC investment via exchangeable bonds and a secured loan to further diversify sources of funding.

Political climate			
Uncertain political climate or changes to legislation and policies Disruption from completing the transition period of leaving the EU could result in an adverse impact on business and consumer confidence, increase material costs and reduce labour supply	Inability to deliver business plan Reduced rental income and/or capital values as customers could suffer staff shortages, increased import prices, longer lead times and lower availability of stock	Monitoring proposals and emerging policy and legislation Engagement with key stakeholders and politicians Diversified occupiers with limited exposure to any one customer	↑

COVID-19 impact and measure to mitigate

Impact:

The economic and political uncertainty around legislation and policy changes has been heightened due to the global impact of COVID-19 with potential long-term impacts. In addition Brexit remains a risk with disruption likely.

Measures to mitigate:

As part of our annual budgeting and forecasting process we have considered the impact of changes to legislation and policies from COVID-19 and Brexit and continue to monitor this in light of the current situation.

Catastrophic external event			
Such as a terrorist attack, health pandemic or cyber security crime	Diminishing London's status Heightened by concentration of investments Reduced rental income and/or capital values Business disruption or damage to property Reputational damage	Terrorist insurance On-site security Health and safety policies and procedures Close liaison with police, National Counter Terrorism Security Office (NaCTSO) and local authorities Regular training	↑

COVID-19 impact and measure to mitigate

Impact:

The COVID-19 pandemic is a global crisis which has brought about unprecedented challenges and disruptions to our customers and visitor numbers in the near-term.

Measures to mitigate:

The Group's priority throughout the pandemic has been the health and safety of the Group's people, customers and visitors. Additional cleaning and security measures have been implemented and deployed across the Group's estate and offices and other initiatives have been pursued including pedestrianisation to enable social distancing.

With all employees working from home, a review of cyber security has been performed to ensure appropriate controls are in place and ensure all employees remain vigilant to potential risks.

Risk	Impact on strategy	Mitigation	Change in 2020
People			
Inability to retain and recruit the right people and develop leadership skills within the business	Inability to execute strategy and business plan Constrained growth, lost opportunities	Succession planning, performance evaluations, training and development Long-term and competitive incentive rewards	–

COVID-19 impact and measure to mitigate

Impact:

In response to COVID-19, all employees have been working from home to a large extent since March 2020. This has presented certain working-level, management and infrastructure challenges.

There remains a risk of mass illness across employees, management or service providers which would disrupt the day-to-day activities of the Group's business and running of the estate.

Measures to mitigate:

Risk assessments were performed for all employees to ensure they are well equipped and able to work from home effectively.

Government guidance has been followed with regular contact with staff to ensure well-being.

Revised team communication strategies have been implemented to ensure managers can adequately supervise and support employees working from home.

The Group's offices have been made COVID-secure in readiness for a return to normal working practices.

Government guidelines will be followed as employees return to normal working practices including rotas to enable physical distancing.

Business continuity plans for both employees and service providers, including introduction of external resources if required, and other policies have been reviewed together with HR policies, technology and communication where appropriate.

Recruiting and on-boarding policies have been adjusted where necessary to ensure that the business is able to continue to attract, develop and retain the best possible resources.

We continue to carefully monitor employees' mental and physical well-being and the health and safety of our employees and service providers remains a top priority. Risk assessments for returning to the office have been undertaken with all employees.

Risk	Impact on strategy	Mitigation	Change in 2020
Health and safety			
Accidents causing loss of life or very serious injury to employees, contractors, occupiers and visitors to the Group's properties	Prosecution for non-compliance with legislation Litigation or fines Reputational damage Distraction of management	Health and safety procedures across the Group Appointment of reputable contractors External consultants undertake annual audits in all locations Adequate insurance held to cover the risks inherent in construction projects	↑

COVID-19 impact and measure to mitigate

Impact:

The COVID-19 pandemic resulted in various closures of all non-essential retail and F&B premises and required employees to work from home. Health and safety risks and new guidelines and legislation have been taken into account across the business.

Measures to mitigate:

We have worked closely with our customers to safely and securely close non-essential retail and F&B premises and will work with our customers to support reopening as required by government guidance. We have also ensured the health and safety of our residential customers through measures such as increased cleaning of communal areas and closure of certain facilities.

As the lockdown restrictions are eased, and occupancy and footfall levels on the estate increase, efforts will be focused on ensuring that the estate is well-prepared for the safe return of customers and visitors.

Health and safety protocols have been implemented across all of the Group's assets and offices. This includes signage and measures across the estate and throughout our offices to keep customers, visitors and employees aware and safe.

Certain areas of the estate were pedestrianised to ensure safe social distancing can be maintained.

Risk	Impact on strategy	Mitigation	Change in 2020
Compliance with law, regulations and contracts			
Breach of legislation, regulation or contract Inability to monitor or anticipate legal or regulatory changes Exit from REIT regime due to non-compliance with REIT requirements	Prosecution for non-compliance with legislation Litigation or fines Reputational damage Distraction of management	Appointment of external advisers to monitor changes in law or regulation Members of staff attend external briefings to remain cognisant of legislative and regulatory changes	↑

COVID-19 impact and measures to mitigate

Impact:

Measures to respond to COVID-19 include the imposition of new legislation, regulations and requirements for our people, customers and visitors, which have an impact on matters such as recoverability of rents, health and safety and other matters.

Reduced rental income as a result of COVID-19 has made it more challenging for the Group to meet the REIT requirements, without some dispensation from HMRC.

Measures to mitigate:

The COVID-19 steering group, plus additional groups set up to monitor and manage the impact of COVID-19 on the business, has been meeting regularly to review emerging legislation and requirements and regularly communicated these to the business and employees, ensuring timely implementation.

Formal protocols have been put in place and communicated across the various stakeholder groups to ensure everyone is aware of the new legislation and requirements.

We remain in close communication with HMRC regarding our REIT status, the Group's ability to comply with the requirements and the approach which HMRC will take in relation to a breach of the REIT conditions resulting from COVID-19.

Risk	Impact on strategy	Mitigation	Change in 2020
Climate change			
Physical impact on our assets from rising temperatures or other extreme climate-related event such as flooding Transitional challenge of increasing and more onerous compliance and reporting requirements, as well as retrofitting, insuring or leasing our assets in a heritage environment on an appropriate whole life carbon basis Inability to keep pace with customer and consumer demand for proactive action to manage and mitigate climate-related risk	Reduced capital values or business disruption, reduced income through disruption Increased operating costs to meet reporting and target metrics and compliance. Increased capital costs of retrofitting, or inability to resolve listed building or planning challenges, leads to buildings becoming carbon stranded Reduced income through lower rents and longer void periods due to reduced customer demand	Board and management ESC Committees established to manage climate-related risks and opportunities with appointment of Director Sustainability and Technology Net Zero Carbon commitment for 2030 and full asset by asset review to be completed in 2021 as part of Net Zero Carbon pathway. Continued engagement with planning stakeholders to preserve heritage buildings, while enhancing environmental performance Pro-active customer and consumer engagement programme and setting of appropriate climate-related targets on both development and operations	New risk for 2020

COVID-19 impact and measure to mitigate

Impact:

Reduced ability to access the estate to implement planned carbon reduction measures.

Reduced customer engagement on environmental matters due to focus on their own COVID-19 related business challenges.

Measures to mitigate:

Long term planning and mobilisation of asset by asset carbon mitigation strategy and continued implementation of appropriate measures where still on site.

A bespoke approach to COVID-19 support has been undertaken by the Group with its customers, which will encourage climate-related engagement following lifting of current restrictions.

PROPERTY

Risk	Impact on strategy	Mitigation	Change in 2020
Leasing and asset management			
Inability to achieve target rents or to attract target customers due to market conditions Competition from other locations/formats	Decline in customer demand for the Group's properties Reduced income and increased vacancy Reduced return on investment and development property	Quality customer mix Strategic focus on creating mixed-use destinations with unique attributes	↑

COVID-19 impact and measures to mitigate

Impact:

The majority of retail and F&B customers were closed for business or operated on a very restricted basis between March and June 2020, and subsequently through tiered restrictions and subsequent lockdown periods which have continued into 2021. This has had a significant impact on leasing activity, rent collection and resulted in some customers going into administration leading to additional voids on the estate.

Evolving lease structures may also have an impact on underlying property valuations and rental income.

COVID-19 has affected suppliers and their business activities, which could lead to delays or inability to provide some services.

Measures to mitigate:

As a long-term investor in the estate, the Group took early action to ensure 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.

Bespoke solutions have been agreed which include rent deferrals, rent-free periods and other arrangements reflecting the financial position of each customer.

For certain customers which are experiencing short-term cash flow issues, rental agreements have been linked to turnover for certain periods in exchange for other provisions such as lease extensions.

We have a focused reopening strategy in place and through active asset management our main objective is to assist our customers to return as the lockdown measures continue to ease, ensuring the business is well-positioned to benefit from a recovery and prosper over time.

We continuously engage with our suppliers to understand their ability to meet our demands during this challenging time.

Risk	Impact on strategy	Mitigation	Change in 2020
Planning and development			
Unfavourable planning policy, legislation or action impacting on the ability to secure planning approvals or consents Decline in returns from development due to market conditions or increased construction costs or delays	Impact on land valuations and realisation Lower development returns due to lower sales proceeds, higher costs or delay	Engagement with local and national authorities Pre-application and consultation with key stakeholders and landowners Engagement with local community bodies Focus on prime assets Regular assessment of market conditions and development strategy Business strategy based on long-term returns Professional teams in place to manage costs and deliver programme	↑

COVID-19 impact and measure to mitigate

Impact:

Given the broad implications and evolving nature of the pandemic and its economic implications, there is an increased risk of misalignment of objectives with stakeholders and business partners.

Delays in development due to government restrictions on how building contracts operate on-site during COVID-19.

Changes to planning regulations with the amendment to The Town and Country Planning Regulations 2020, from September 2020 allowing for flexibility in change in use of commercial units. Higher than anticipated reductions in sales prices as a result of the pandemic might deliver lower returns on units not yet completed.

Planning and development (continued)

COVID-19 impact and measure to mitigate

Measures to mitigate:

The Group maintains strong relationships and regular, open and constructive dialogue with stakeholders.

Work at Lillie Square halted for a short period in line with government guidelines during 2020. Once operations recommenced social distancing procedures were followed and monitored to ensure the completion of Phase 2. Subsequently 94 units have been handed over successfully. Future handovers will be closely monitored in line with government guidelines.

We continue to consider different market scenarios in light of evolving market circumstances.

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities

The statement of Directors' responsibilities has been prepared in relation to the Group's full Annual Report & Accounts for the year ended 31 December 2020. Certain parts of the Annual Report & Accounts are not included within this announcement.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

We confirm to the best of our knowledge:

- the Group consolidated condensed financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and

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

Signed on behalf of the Board on 8 March 2021

Ian Hawksworth

Chief Executive

8 March 2021

Situl Jobanputra

Chief Financial Officer

8 March 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	**2020 £m**	2019 £m
Continuing operations			
Revenue	2	**73.0**	79.4
Rental income	2	**73.9**	77.6
Rental expenses[1]	4	**(58.0)**	(16.5)
Net rental income	2	**15.9**	61.1
Other (costs)/income		**(1.0)**	1.8
Loss on revaluation and sale of investment and development property	5	**(693.1)**	(43.3)
Change in fair value of financial assets through profit or loss	15	**50.9**	–
Impairment of investments and other receivables	6	**(28.2)**	(21.0)
		(655.5)	(1.4)
Administration expenses		**(31.0)**	(43.4)
Operating loss		**(686.5)**	(44.8)
Finance income	7	**0.5**	0.5
Finance costs	8	**(24.1)**	(21.2)
Other finance income	7	**20.5**	11.9
Other finance costs	8	**(0.6)**	–
Change in fair value of derivative financial instruments	16	**(14.5)**	(5.2)
Net finance costs		**(18.2)**	(14.0)
		(704.7)	(58.8)
Share of post-tax loss from joint ventures	14	**–**	(2.5)
Loss before tax		**(704.7)**	(61.3)
Current tax		**0.8**	(2.1)
Deferred tax		**0.2**	1.1
Taxation	9	**1.0**	(1.0)
Loss for the year from continuing operations		**(703.7)**	(62.3)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	10	**1.0**	(245.5)
Loss for the year		**(702.7)**	(307.8)
Loss attributable to:			
Owners of the Parent		**(702.7)**	(253.6)
Non-controlling interest		**–**	(54.2)
Earnings per share attributable to owners of the Parent[2]			
Basic and diluted loss per share		**(82.5)p**	(29.7)p
Earnings per share from continuing operations attributable to owners of the Parent[2]			
Basic and diluted loss per share	12	**(82.6)p**	(7.3)p
Weighted average number of shares	12	**852.0m**	855.5m

1. Included in rental expenses is £25.1 million (2019: £1.6 million) of expected credit loss relating to bad debt expense in relation to rent receivables and impairment of tenant lease incentives. Rental expenses also include £16.7 million of lease modification expenses. See note 4 ‘Rental Expenses’ for further information.

2. Earnings per share from the discontinued operation are shown in note 12 ‘Earnings per Share and Net Assets per Share’.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020 £m**	2019 £m
Loss for the year		**(702.7)**	(307.8)
Total comprehensive income/(expense) for the year		**(702.7)**	(307.8)
Attributable to:			
Owners of the Parent		**(702.7)**	(253.6)
Non-controlling interest		**–**	(54.2)
Arising from:			
Continuing operations		**(703.7)**	(62.3)
Discontinued operation	10	**1.0**	(245.5)

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	**2020 £m**	2019 £m
Non-current assets			
Investment and development property	13	**1,795.8**	2,545.5
Property, plant and equipment		**4.4**	5.7
Investment in joint ventures	14	**0.3**	0.3
Financial assets at fair value through profit or loss	15	**551.8**	–
Deferred tax	22	**6.8**	6.6
Trade and other receivables	17	**118.2**	248.8
		2,477.3	2,806.9
Current assets			
Trade and other receivables	17	**65.7**	139.4
Cash and cash equivalents	18	**365.1**	153.1
		430.8	292.5
Total assets		**2,908.1**	3,099.4
Non-current liabilities			
Borrowings, including lease liabilities	20	**(1,079.0)**	(555.3)
Derivative financial instruments	16	**(22.5)**	(3.6)
		(1,101.5)	(558.9)
Current liabilities			
Borrowings, including lease liabilities	20	**(1.6)**	(1.6)
Tax liabilities		**(1.0)**	(2.1)
Trade and other payables	19	**(44.3)**	(59.3)
		(46.9)	(63.0)
Total liabilities		**(1,148.4)**	(621.9)
Net assets		**1,759.7**	2,477.5
Equity			
Share capital	23	**212.8**	213.6
Other components of equity		**1,546.9**	2,263.9
Equity attributable to owners of the Parent		**1,759.7**	2,477.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

		Equity attributable to owners of the Parent							
	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve[1] £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2020		**213.6**	**228.9**	**–**	**367.6**	**6.0**	**(0.4)**	**1,661.8**	**2,477.5**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(702.7)**	**(702.7)**
Total comprehensive expense for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(702.7)**	**(702.7)**
Transactions with owners									
Ordinary shares issued[2]	23	**0.7**	**3.3**	**–**	**–**	**–**	**–**	**–**	**4.0**
Share buyback	23	**(1.5)**	**–**	**1.5**	**–**	**–**	**–**	**(11.8)**	**(11.8)**
Dividends	11	**–**	**–**	**–**	**–**	**–**	**–**	**(8.5)**	**(8.5)**
Realisation of merger reserve[1]		**–**	**–**	**–**	**(53.9)**	**–**	**–**	**53.9**	**–**
Realisation of share-based payment reserve on issue of shares		**–**	**–**	**–**	**–**	**(0.9)**	**–**	**0.8**	**(0.1)**
Fair value of share-based payment		**–**	**–**	**–**	**–**	**1.3**	**–**	**–**	**1.3**
Total transactions with owners		**(0.8)**	**3.3**	**1.5**	**(53.9)**	**0.4**	**–**	**34.4**	**(15.1)**
Balance at 31 December 2020		**212.8**	**232.2**	**1.5**	**313.7**	**6.4**	**(0.4)**	**993.5**	**1,759.7**

1. Represents non-qualifying consideration received by the Group following the share placing in May 2014 and previous share placements. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration and therefore will not form part of distributable reserves as they form part of linked transactions. Realised merger reserve relates to the Wellington block disposed of in the year as the properties were originally acquired using proceeds from the share placements. In the prior year the realised merger reserve related to properties held in Earls Court Properties and Floral Court that were disposed of during 2019.

2. Share premium includes £3.3 million of ordinary shares issued relating to the bonus issue in lieu of cash dividends. Refer to note 11 'Dividends' for further information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

		Equity attributable to owners of the Parent								
	Note	Share capital £m	Share premium £m	Merger reserve[1] £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2019		212.7	225.6	421.8	8.6	(0.6)	1,868.1	2,736.2	247.4	2,983.6
Loss for the year		–	–	–	–	–	(253.6)	(253.6)	(54.2)	(307.8)
Total comprehensive expense for the year ended 31 December 2019		–	–	–	–	–	(253.6)	(253.6)	(54.2)	(307.8)
Transactions with owners										
Ordinary shares issued[2]	23	0.9	3.3	–	–	–	(0.4)	3.8	–	3.8
Dividends	11	–	–	–	–	–	(12.7)	(12.7)	–	(12.7)
Realisation of merger reserve[1]		–	–	(54.2)	–	–	54.2	–	–	–
Realisation of share-based payment reserve on issue of shares		–	–	–	(3.5)	–	6.2	2.7	–	2.7
Fair value of share-based payment		–	–	–	0.9	–	–	0.9	–	0.9
Realisation of cash flow hedge		–	–	–	–	0.2	–	0.2	–	0.2
Contribution from non-controlling interest		–	–	–	–	–	–	–	1.0	1.0
Derecognition of non-controlling interest at disposal		–	–	–	–	–	–	–	(194.2)	(194.2)
Total transactions with owners		0.9	3.3	(54.2)	(2.6)	0.2	47.3	(5.1)	(193.2)	(198.3)
Balance at 31 December 2019		**213.6**	**228.9**	**367.6**	**6.0**	**(0.4)**	**1,661.8**	**2,477.5**	**–**	**2,477.5**

1. Represents non-qualifying consideration received by the Group following the share placing in May 2014 and previous share placements. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration and therefore will not form part of distributable reserves as they form part of linked transactions. Realised merger reserve relates to properties held in Earls Court Properties and Floral Court that were disposed of during the year, as the properties were originally acquired using proceeds from the share placements.
2. Share premium includes £3.2 million of ordinary shares issued relating to the bonus issue of shares in lieu of cash dividends. Refer to note 11 'Dividends' for further information.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	**2020 £m**	2019 £m
Cash flows from operating activities			
Cash (utilised)/generated from operations	26	**(32.3)**	1.7
Interest paid		**(22.7)**	(20.2)
Interest received		**0.5**	0.5
Tax paid		**(0.3)**	(1.4)
Net cash outflow from continuing operating activities		**(54.8)**	(19.4)
Net cash outflow from discontinued operating activities	26	**–**	(2.2)
Net cash outflow from operating activities		**(54.8)**	(21.6)
Cash flows from investing activities			
Purchase and development of property		**(23.9)**	(94.4)
Sale of property		**76.8**	79.6
Sale of discontinued operation	10	**194.1**	168.9
Sale of subsidiaries[1]		**0.2**	0.2
Acquisition of listed equity investment		**(500.9)**	–
Loan advances to/(from) joint ventures		**3.2**	(1.5)
Net cash (outflow)/inflow from continuing investing activities		**(250.5)**	152.8
Net cash outflow from discontinued investing activities	10	**–**	(4.8)
Net cash (outflow)/inflow from investing activities		**(250.5)**	148.0
Cash flows from financing activities			
Issue of shares		**–**	0.5
Share buyback		**(11.8)**	–
Borrowings drawn	26	**930.0**	105.0
Borrowings repaid	26	**(390.0)**	(105.0)
Principal element of lease payment		**(0.9)**	(0.9)
Purchase and repayment of derivative financial instruments		**(5.4)**	(0.9)
Cash dividends paid	11	**(4.6)**	(9.5)
Net cash inflow/(outflow) from continuing financing activities		**517.3**	(10.8)
Net cash inflow from discontinued financing activities	10	**–**	5.0
Net cash inflow/(outflow) from financing activities		**517.3**	(5.8)
Net increase in cash and cash equivalents		**212.0**	120.6
Unrestricted cash and cash equivalents at 1 January		**153.1**	32.5
Unrestricted cash and cash equivalents at 31 December	18	**365.1**	153.1

1. Sale of subsidiaries includes deferred consideration of £0.2 million (2019: £0.2 million) relating to the disposal of The Brewery by EC&O Limited on 9 February 2012.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

The financial information set out in this announcement does not constitute the Group's consolidated financial statements for the years ended 31 December 2020 or 2019, but is derived from those financial statements. Statutory financial statements for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's Annual General Meeting. The external auditor has reported on those financial statements; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 of Companies Act 2006.

The Group's consolidated condensed financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006. While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IAS in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and complies with the disclosure requirements of the Listing Rules of the UK Financial Conduct Authority, this announcement does not itself contain sufficient information to comply with IASs and IFRSs. The Group expects to publish full financial statements that comply with IFRS in March 2021.

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

The accounting policies used by the Group in these condensed financial statements are consistent with those applied in the Group's financial statements for the year to 31 December 2019, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year.

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for annual periods that begin on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these condensed financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

IAS 1 'Presentation of Financial Statements' (amendment) (Definition of material)

IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (amendment) (Definition of material)

IFRS 3 'Business Combinations' (amendment) (Definition of a business)

IFRS 7 'Financial Instruments: Disclosures' (amendment) (Interest Rate Benchmark Reform)

IFRS 9 'Financial Instruments' (amendment) (Interest Rate Benchmark Reform)

IFRS 16 'Leases' (amendment) (COVID-19 related Rent Concessions)

Amendments to IFRS (Annual improvements cycle 2015-2017)

At the date of approval of the consolidated condensed financial statements the following standards and interpretations which have not been applied in these condensed financial statements were in issue but not effective, and in some cases have not been adopted for use in the European Union pursuant to Regulation (EC) No 1606/2002:

IAS 1 'Presentation of Financial Statements' (amendment) (Classification of Liabilities as Current and Non-Current)

IFRS 3 'Business Combinations' (amendment) (Reference to Conceptual Framework)

IAS 16 'Property, Plant and Equipment' (amendment) (Proceeds before Intended Use)

IFRS 10 and IAS 28 (amendments) (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (Onerous contracts – Cost of fulfilling a contract)

Amendments to IFRS (Annual improvements cycle 2018-2020)

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

Going concern

Taking account of current market conditions and significant uncertainties resulting from COVID-19, the Directors continue to assess the impact of the pandemic on the business in particular focusing on the appropriateness of adopting the going concern basis in preparing the consolidated condensed financial statements. The Group's going concern assessment covers the period to 30 June 2022, being a period of at least 12 months from the date of authorisation of these consolidated condensed financial statements (the "going concern period").

The Group's conservative base case assumes a gradual recovery in business and consumer sentiment, including the implementation over time of easing measures in relation to COVID-19. A recovery in footfall and sales has been assumed from the second half of 2021 onwards, driven by the vaccination programme and restrictions being eased enabling non-essential retail and hospitality operators to reopen. The outlook for international travel remains uncertain, however it is anticipated that footfall and sales return to pre COVID-19 levels by the end of 2023.

Severe but plausible downside scenario

In determining the potential impact of COVID-19, the Group has also assessed a "severe but plausible" downside scenario which takes into account current and potential further UK Government restrictions in response to the pandemic. This includes the following key assumptions:

- Rent concessions, including turnover–linked arrangements over the near term, continue to be provided to a range of tenants, focusing particularly on the retail, F&B and leisure sectors combined with extended voids and further tenant failures, leading to a substantial reduction in forecast net rental income over the going concern period. The rental concessions provided to tenants, notably rent free periods, create a divergence between cash collected and reported net rental income as rent-free periods are amortised over the lease term. These assumptions have also been factored into the expected credit loss assessment.
- Declines in rental values, the impact of which will be seen through lease breaks, expiries or defaults, along with a widening of yields, result in further reduced asset values and a significant reduction in rental income.

The Group has a strong balance sheet with net debt to gross assets of 28 per cent and access to cash and undrawn facilities of £1 billion as at 31 December 2020. As at the year end, the Covent Garden group had net debt of £352 million and there is substantial headroom against the Covent Garden loan to value covenant with a loan to value ratio of 19 per cent. The Covent Garden debt matures between 2022 and 2037, with the December 2022 maturity relating to the revolving credit facility which is substantially undrawn. No material debt facilities are due to mature during the going concern period, no new financing is assumed during the going concern period and existing facilities are assumed to remain available.

The Group has long-term relationships with its lenders, and the Directors believe that the Group's lenders will continue to view the Group as a well-positioned customer throughout the going concern period. The Group's financial resources are expected to be sufficient to cover forecast property operating costs, administrative expenses, finance and other costs over the going concern period. The Covent Garden debt facilities have two principal financial covenants, being a loan to value ratio of up to 60 per cent and interest cover of at least 120 per cent. Each of these is tested as at or in respect of the six months ending 30 June and the 12 months ending 31 December.

The independent property valuation could withstand a further 68 per cent decline during the going concern period before a breach of the LTV covenant, absent any mitigating actions which the Group may take. Due to the anticipated impact on reported net rental income of COVID-19, a waiver of the interest cover covenant has been agreed with the Covent Garden lenders in relation to the period up to and including 31 December 2021, in addition to that already in place for 31 December 2020. During the remainder of the going concern period (being the first half of 2022) there is projected to be headroom against the interest cover covenant even in the severe but plausible scenario. Mitigating actions, including those within the Group's control such as reducing certain discretionary expenses and/or finance costs, would provide further substantial headroom.

Conclusion

Based on their analysis the Directors are satisfied that there is a reasonable expectation that the Group will be able to meet its ongoing and future commitments for at least 12 months from the date of approval of the consolidated condensed financial statements and have therefore resolved that the condensed financial statements be prepared on a going concern basis.

Critical accounting judgements and key sources of estimation and uncertainty

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

The significant areas of estimation and uncertainty are:

Property valuation: The most significant area of estimation and uncertainty in the consolidated condensed financial statements is in respect of the valuation of the property portfolio, where external valuations are obtained.

The fair value of the Group's investment, development and trading property at 31 December 2020 was determined by independent, appropriately qualified external valuers CBRE for the Covent Garden estate and JLL for Lillie Square. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards.

As various inputs used in the valuation calculations are based on assumptions, property valuations are inherently subjective and subject to a degree of uncertainty. Our external valuers have made a number of assumptions as outlined within note 13 'Property Portfolio' in forming their opinion on the valuation of our investment and trading properties and although these assumptions are in accordance with the RICS Valuation Professional Standards, if any prove to be incorrect, it may mean that the value of the Group's properties differs from their valuation reported in the condensed financial statements, which could have a material effect on the Group's financial position.

Impairment of trade receivables: COVID-19 has caused significant operational and financial challenges to our tenants and as a result tenant default risk has increased with rent collections significantly impacted. In view of disruption to business and consumer activity, bespoke support has been provided to customers on a case-by-case basis, which includes rent deferrals, rent-free periods and other arrangements reflecting the position of each customer.

Assumptions are involved in the calculation of the impairment provision, using the expected credit loss model within IFRS 9, in respect of rent receivable balances outstanding at the period end. The expected credit loss rates are based on forward-looking information as well as historical evidence of collection with the Q2 to Q4 2020 quarterly collection statistics providing nine months of information as an indication of the COVID-19 trading period. However, in the current market, with greater uncertainty, additional information has been reviewed in calculating the expected credit loss. All tenants are allocated a risk rating, as determined by management, and provided a rating of maximum, high, medium and low risk. Maximum risk tenants, which account for 10 per cent of the commercial portfolio, are predominantly in the retail and F&B sector. The classification is developed by taking into consideration information on the tenant's credit rating, current financial position, historical trading performance, historical default rate and the current impact of COVID-19 on the operational performance of the business.

In assessing the provision the Group identifies risk factors associated by sector (food and beverage, retail, office, leisure and residential) and the type of rent receivable outstanding (rent arrears, service charge, insurance, other). In determining the provision on a tenant-by-tenant basis, the Group considers both recent payment history and future expectations of the tenant's ability to pay or possible default in order to recognise an expected credit loss allowance. Based on sector and rent receivable type a provision is provided in additional to full provision for maximum risk tenants or known issues.

The provision for expected credit loss against rent receivables is £12.4 million (2019: £1.4 million) and is included within the rent receivable balance included in note 17 'Trade and Other Receivables'. An overall expense has been recorded through net rental income of £14.0 million (2019: £1.6 million) reflecting the rent receivables derecognised in the year for tenant failures or tenants who have vacated as well as the movement on the balance sheet provision. The year end balance sheet provision is £12.4 million.

Retail and F&B represents approximately 75 per cent of the Group's portfolio and have been the sectors most impacted by COVID-19 and government restrictions, with these sectors making up over 85 per cent of the rent receivable balance. Tenants classified as maximum risk have been provided in full. High and medium risk tenants within the retail and F&B sectors represented 52 per cent of the overall provision and the Group have effectively provided for 44 per cent of the arrears. If the expected credit loss was increased by ten per cent the provision would increase by £0.5 million, and including low risk tenants would increase this to £0.7 million. If the expected credit loss was reduced by ten per cent the provision would decrease by £0.7 million and including low risk tenants would reduce the provision by £0.9 million.

The key areas of accounting judgement are:

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

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

New accounting policies

New accounting policies adopted during the year ended 31 December 2020 are set out below:

Investments and other financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

For assets measured at fair value through profit or loss, gains and losses will be recorded in profit or loss.

Purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets at fair value through profit or loss comprise listed equity investments. The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains or losses in the statement of profit or loss as applicable.

Borrowings
Compound financial instruments issued by the Group comprise exchangeable bonds that are convertible into shares of another entity. The exchangeable bonds are bifurcated into a liability and embedded derivative option component on initial recognition. The carrying value of the liability at initial recognition is the difference between the fair value of the entire instrument as a whole and the embedded derivative's fair value. Any directly attributable transaction costs are allocated to each component in proportion to their initial carrying amounts. The issue costs apportioned to the embedded derivative are recognised immediately in the income statement.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. Any transaction costs apportioned to the liability is included in the carrying amount and recognised over the contractual life of the liability using the effective interest rate method.

Interest related to the financial liability is recognised in profit or loss. The embedded derivative is measured at fair value with the fair value adjustment accounted for directly through profit or loss.

2 SEGMENTAL REPORTING

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

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

– Covent Garden;

– Other comprises the Shaftesbury Investment, Innova, The Great Capital Partnership, Earls Court Properties (up until disposal on 29 November 2019) and other head office companies and investments, including the payment of internal rent;

– Lillie Square represents the Group's interests in Lillie Square and a number of smaller properties in the adjacent area.

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

Segment	Group share
Covent Garden	**100%**
Other	
Other, including the investment in Shaftesbury	**100%**
Innova	**50%**
GCP	**50%**
Earls Court Properties[1]	**0%**
Lillie Square	
Lillie Square joint venture	**50%**
Lillie Square Holding Group	**100%**

1. Earls Court Properties represented the Group's interest in the Earls Court area comprising properties held in ECPL and EC Properties LP. ECPL was 63 per cent owned until 29 November 2019. EC Properties LP was 100 per cent owned until 29 November 2019. Subsequent to this the Group share ownership in ECPL and EC Properties LP is nil.

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

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

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

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	2020					
Continuing operations	**Covent Garden £m**	**Other £m**	**Lillie Square £m**	**Group total £m**	**Consolidation adjustments £m**	**IFRS total £m**
Rental income	73.9	–	1.9	75.8	(1.9)	73.9
Proceeds from sale of trading property	–	–	64.9	64.9	(64.9)	–
Other costs	–	(0.4)	–	(0.4)	(0.5)	(0.9)
Revenue	73.9	(0.4)	66.8	140.3	(67.3)	73.0
Rent receivable	68.8	–	0.2	69.0	(0.2)	68.8
Service charge income	5.1	–	1.7	6.8	(1.7)	5.1
Rental income	73.9	–	1.9	75.8	(1.9)	73.9
Property and service charge expenses	(15.8)	(0.4)	(2.0)	(18.2)	2.0	(16.2)
Bad debt expenses	(14.0)	–	–	(14.0)	–	(14.0)
Underlying net rental income/(expense)	44.1	(0.4)	(0.1)	43.6	0.1	43.7
Lease modification and impairment of tenant lease incentives	(27.8)	–	–	(27.8)	–	(27.8)
Net rental income/(expense)	16.3	(0.4)	(0.1)	15.8	0.1	15.9
Profit on sale of trading property	–	–	8.9	8.9	(8.9)	–
Write down of trading property	–	–	(1.4)	(1.4)	1.4	–
Other costs	–	(0.5)	–	(0.5)	(0.5)	(1.0)
Loss on revaluation and sale of investment and development property	(692.6)	–	(0.7)	(693.3)	0.2	(693.1)
Impairment of investments and other receivables	–	–	–	–	(28.2)	(28.2)
Change in fair value of financial asset at fair value through profit or loss	–	50.9	–	50.9	–	50.9
Segment (loss)/profit	(676.3)	50.0	6.7	(619.6)	(35.9)	(655.5)
Unallocated costs:						
Administration expenses				(31.5)	0.5	(31.0)
Operating loss				(651.1)	(35.4)	(686.5)
Net finance costs[1]				(29.7)	11.5	(18.2)
Loss before tax				(680.8)	(23.9)	(704.7)
Taxation				1.0	–	1.0
Loss for the year from continuing operations				(679.8)	(23.9)	(703.7)
Discontinued operation						
Profit for the year from discontinued operation				1.0	–	1.0
Loss for the year				(678.8)	(23.9)	(702.7)
Loss attributable to:						
Owners of the Parent				(678.8)	(23.9)	(702.7)
Summary balance sheet						
Total segment assets[2]	2,209.6	586.8	137.1	2,933.4	(46.8)	2,886.6
Total segment liabilities[2]	(740.5)	(408.3)	(12.9)	(1,161.7)	13.4	(1,148.3)
Segmental net assets	1,469.1	178.5	124.2	1,771.7	(33.4)	1,738.3
Unallocated assets[1]				21.4	–	21.4
Net assets				1,793.1	(33.4)	1,759.7
Other segment items:						
Depreciation	(0.3)	(1.2)	–	(1.5)	–	(1.5)
Capital expenditure	(19.1)	–	(8.1)	(27.2)	7.0	(20.2)

1. Represents Group cash held outside of the Covent Garden group. The Group operates a central treasury function which manages and monitors the Group's finance income and costs on a net basis and a portion of the Group's cash balances.
2. Total segmental assets and total segmental liabilities exclude loans between and investments in Group undertakings.

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	2019					
	Covent Garden £m	Other £m	Lillie Square £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Rental income	77.6	–	0.8	78.4	(0.8)	77.6
Proceeds from sale of trading property	–	–	5.1	5.1	(5.1)	–
Other income	–	0.9	–	0.9	0.9	1.8
Revenue	77.6	0.9	5.9	84.4	(5.0)	79.4
Rent receivable	72.7	–	0.2	72.9	(0.2)	72.7
Service charge income	4.9	–	0.6	5.5	(0.6)	4.9
Rental income	77.6	–	0.8	78.4	(0.8)	77.6
Property and service charge expenses	(14.5)	(0.3)	(0.8)	(15.6)	0.7	(14.9)
Bad debt expenses	(1.6)	–	–	(1.6)	–	(1.6)
Net rental income/(expense)	61.5	(0.3)	–	61.2	(0.1)	61.1
Profit on sale of trading property	–	–	0.9	0.9	(0.9)	–
Other income	–	0.9	–	0.9	0.9	1.8
Loss on revaluation and sale of investment and development property	(43.3)	–	–	(43.3)	–	(43.3)
Impairment of other receivables	–	(15.0)	–	(15.0)	(6.0)	(21.0)
Write down of trading property	–	–	(0.4)	(0.4)	0.4	–
Segment profit/(loss)	18.2	(14.4)	0.5	4.3	(5.7)	(1.4)
Unallocated costs:						
Administration expenses				(42.6)	(0.8)	(43.4)
Operating loss				(38.3)	(6.5)	(44.8)
Net finance costs[1]				(25.6)	11.6	(14.0)
Share of post-tax loss from joint ventures				–	(2.5)	(2.5)
Loss before tax				(63.9)	2.6	(61.3)
Taxation				(1.0)	–	(1.0)
Loss for the year from continuing operations				(64.9)	2.6	(62.3)
Discontinued operation						
Loss for the year from discontinued operation				(245.5)	–	(245.5)
Loss for the year				(310.4)	2.6	(307.8)
Loss attributable to:						
Owners of the Parent				(256.2)	2.6	(253.6)
Non-controlling interest				(54.2)	–	(54.2)
Summary balance sheet						
Total segment assets[2]	2,617.8	223.7	189.7	3,031.2	(84.9)	2,946.3
Total segment liabilities[2]	(600.9)	(20.0)	(76.3)	(697.2)	75.3	(621.9)
Segmental net assets	2,016.9	203.7	113.4	2,334.0	(9.6)	2,324.4
Unallocated assets[1]				153.1	–	153.1
Net assets				2,487.1	(9.6)	2,477.5
Other segment items:						
Depreciation	(0.2)	(1.1)	–	(1.3)	–	(1.3)
Capital expenditure[3]	(94.3)	(6.1)	(32.2)	(132.6)	28.5	(104.1)

1. The Group operates a central treasury function which manages and monitors the Group's finance income and costs on a net basis and the majority of the Group's cash balances.
2. Total segmental assets and total segmental liabilities exclude loans between and investments in Group undertakings. Total segment assets for Other includes £200.8 million which is the discounted balance of the deferred consideration from the sale of Earls Court Properties which is receivable in two equal instalments, 12 months and 24 months after completion.
3. Capital expenditure for Other includes £6.1 million relating to Earls Court Properties which was disposed of on 29 November 2019.

3 UNDERLYING EARNINGS

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

One of the key performance measures the Group uses is underlying earnings. The Group considers the presentation of underlying earnings to be useful supplementary information as it removes unrealised and certain other items and therefore represents the recurring, underlying performance of the business. Items that are excluded are net valuation gains/losses (including profits/losses on disposals), fair value changes, impairment charges, net refinancing charges, costs of termination of derivative financial instruments and other non-recurring costs and income.

Due to the impact of COVID-19 the calculation of underlying earnings has been reviewed and it has been determined to remove the impairment of tenant incentives and lease modification expenses recorded in rental expenses from underlying earnings. The £16.7 million lease modification expenses comprise directly attributable lease costs previously held on balance sheet and amortised in accordance with IFRS 16.These non-cash costs have been incurred as a result of the Group providing rental support to its tenants during the COVID-19 pandemic and written off in the current period in accordance with our accounting policy. The £11.1 million costs relate to impairment of tenant incentives in respect of tenants who have entered administration or are experiencing significant disruption to cash flows.

Given the scale of the rental support provided to tenants in 2020 these non-cash lease modification expenses and impairment of incentives are highly material and at levels not experienced in the past nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude. Accordingly they have been excluded from underlying profit on that basis, as disclosed in our APM policy. Details of all APMs used by the Group are set out in the APM section on page 68.

Internally, the Board focuses on and reviews information and reports prepared on a Group share basis, which includes the Group's share of joint ventures. Underlying earnings is reported on a Group share basis.

The calculation of underlying earnings per share, reconciled to the IFRS loss for the year, is set out below:

Continuing operations	Note	**2020 £m**	2019 £m
Net rental income		**43.6**	61.2
Other (costs)/income		**(0.5)**	0.9
Administration costs		**(25.0)**	(32.9)
Operating profit		**18.1**	29.2
Finance costs		**(24.3)**	(21.4)
Finance income		**0.5**	0.5
Net finance costs		**(23.8)**	(20.9)
(Loss)/profit before tax		**(5.7)**	8.3
Taxation		**(0.5)**	1.2
Underlying (loss)/earnings from continuing operations		**(6.2)**	9.5
Underlying loss from discontinued operations	10	**–**	(0.5)
Underlying (loss)/earnings		**(6.2)**	9.0
Underlying (loss)/earnings per share from continuing operations (pence)		**(0.7)**	1.1
Underlying loss per share from discontinued operations (pence)		**–**	(0.1)
Underlying (loss)/earnings per share (pence)		**(0.7)**	1.0
Weighted average number of shares in issue	12	**852.0m**	855.5m

Reconciliation to IFRS:

Underlying (loss)/ earnings from continuing operations		**(6.2)**	9.5
Adjustment to reconcile to IFRS:			
Lease modification expense	4	**(16.7)**	–
Impairment of tenant lease incentives	4	**(11.1)**	–
Loss on revaluation and sale of investment and development property	5	**(693.1)**	(43.3)
Impairment of investments and other receivables	6	**(28.2)**	(21.0)
Transaction related administration expenses		**(6.5)**	(9.7)
Other finance income	7	**20.5**	11.9
Other finance costs	8	**(0.6)**	–
Change in fair value of derivative financial instruments	16	**(14.5)**	(5.2)
Change in fair value of financial asset at fair value through profit or loss	15	**50.9**	–
Taxation		**1.5**	(2.2)
Other		**0.3**	(2.3)
Loss for the year from continuing operations		**(703.7)**	(62.3)

4 RENTAL EXPENSES

Continuing operations	2020 £m	2019 £m
Property expenses[1]	**11.1**	10.0
Service charge costs	**5.1**	4.9
Bad debt expenses	**14.0**	1.6
Total property outgoings	**30.2**	16.5
Lease modification expenses[2]	**16.7**	–
Impairment of tenant lease incentives[2]	**11.1**	–
Rental expenses	**58.0**	16.5

1. Included in property expenses for the current year is £1.2 million of COVID-19 related security, cleaning and equipment costs.
2. Lease modification expenses and impairment of tenant lease incentives have been excluded from underlying earnings. See note 3 'Underlying Earnings' for further details.

5 LOSS ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

Continuing operations	2020 £m	2019 £m
Loss on revaluation of investment and development property	**692.2**	41.1
Loss on sale of investment and development property	**0.9**	2.2
Loss on revaluation and sale of investment and development property	**693.1**	43.3

6 IMPAIRMENT OF INVESTMENT AND OTHER RECEIVABLES

Continuing operations	2020 £m	2019 £m
Impairment of investments and other receivables	**28.2**	21.0

Following an impairment review of amounts receivable from joint ventures by the Group, a net impairment of £28.2 million (2019: £ 21.0 million) has been recognised. The impairment of £28.2 million (2019: £21.0 million) consisted of £28.2 million (2019: £8.5 million) in relation to the Lillie Square joint venture and £nil (2019: £12.5 million) in relation to the Group's investment in the Innova joint venture.

The Lillie Square joint venture is in a net liability position. It incurs amortisation charges on deep discount bonds that were issued to the Group and KFI which has contributed to the cumulative losses. The Group has recognised £11.3 million (2019: £11.3 million) finance income on these deep discount bonds. Although the Group's investment in the Lillie Square joint venture has been previously fully impaired and the Group's carrying value of investment in Lillie Square is £nil, the Group has issued funding to the joint venture in the form of a working capital loan and deep discount bonds.

An impairment assessment was performed in accordance with IFRS 9 'Financial Instruments' comparing the carrying amount of the loan and deep discount bonds to the present value of the estimated future cash flows from the joint venture. This has resulted in a write down of £28.2 million (2019: £8.5 million) during the year, of which £3.1 million has been recognised against the working capital loan (2019: £1.2 million) and £25.1 million against the deep discount bonds (2019: £7.3 million).

The key assumptions made in the impairment assessment were the cash flows to be generated over the project life and the timing thereof. In terms of IFRS 9 requirements the Group applied a pre-tax discount rate of 12 per cent, being the historical effective interest rate on the deep discount bonds to the cash flows which are in line with the strategic plan of the joint venture. As a result, the Group concluded that the recoverable amounts were not greater than the carrying amounts and an impairment was required.

A sensitivity analysis was performed to consider the impact of reasonably possible changes to the assumptions. By way of illustration, a delay to the timing of the cash flows as a result of COVID-19 and other market conditions by an additional six months would have resulted in an impairment charge of £32.3 million. Alternatively, a reduction to net cash flows of five per cent would have resulted in an impairment of £31.9 million.

Impairment of amounts receivable from joint ventures recognised by the Group of £28.2 million (cumulative £103.7 million) and the finance income on the Lillie Square deep discount bonds of £11.3 million have been calculated based on the requirements under IFRS 9 'Financial Instruments'. The accounting for the Group's deep discount bonds differs from the Lillie Square joint venture based on a difference arising in the application of derecognition guidance under IFRS 9 'Financial Instruments', which is different for financial assets and financial liabilities. An amendment to the terms of the deep discount bonds in 2018 resulted in a derecognition of the financial liability in the Lillie Square joint venture and a new financial liability being recognised based on the revised terms of the bond. The application of the derecognition guidance in IFRS 9 to the financial asset recognised by the Group for the deep discount bonds resulted in a modification to the carrying value of the balance rather than derecognition. Had the Group recognised a new financial asset based on the revised terms of the bond in 2018, the current year impairment of the deep discount bonds from the joint venture would have been £nil (cumulative £59.5 million) and the finance income on the deep discount bonds would have been £6.9 million, compared to £11.3 million in the year. The total current year difference between the financial asset accounting by the Group and the financial liability accounting by the joint venture is adjusted from EPRA adjusted earnings and EPRA net assets per share measures to reflect the accounting mismatch between the two treatments.

7 FINANCE INCOME

Continuing operations	2020 £m	2019 £m
Finance income:		
On deposits and other	**0.5**	0.5
Finance income	**0.5**	0.5
Other finance income:		
On deep discount bonds[1]	**11.3**	11.3
On deferred consideration[2]	**9.2**	0.6
Other finance income	**20.5**	11.9

1. Excluded from the calculation of underlying earnings as deep discount bonds eliminate on a Group share basis due to the Lillie Square joint venture having the corresponding finance cost.
2. Excluded from the calculation of underlying earnings as the deferred consideration relates to the proceeds from the sale of Earls Court Properties during the prior year.

8 FINANCE COSTS

Continuing operations	2020 £m	2019 £m
On bank facilities and loan notes	**22.4**	20.4
On exchangeable bonds[1]	**0.9**	–
On obligations under lease liabilities	**0.8**	0.8
Finance costs	**24.1**	21.2
Other finance costs:		
Exceptional finance charges[2]	**0.6**	–
Other finance costs	**0.6**	–

1. Includes £0.3 million of transaction costs.
2. Excluded from the calculation of underlying earnings as the charges relate to non-recurring costs in connection with debt covenant waivers during the year. These charges have been classified as non-underlying as they do not represent the recurring, underlying performance of the Group.

9 TAXATION

Continuing operations	2020 £m	2019 £m
Current income tax:		
Current income tax charge excluding non-underlying items	–	1.4
Current income tax	–	1.4
Deferred income tax:		
On accelerated capital allowances	**0.1**	(3.4)
On fair value of derivative financial instruments	**(1.5)**	(0.9)
On Group losses	**0.4**	3.2
On other temporary differences	**0.8**	0.3
Deferred income tax	**(0.2)**	(0.8)
Adjustments in respect of previous years – current income tax	**(0.8)**	0.7
Adjustments in respect of previous years – deferred income tax	–	(0.3)
Total income tax (credit)/charge reported in the consolidated income statement	**(1.0)**	1.0

As a UK REIT, the Group is exempt from UK corporation tax on income and gains from qualifying activities. Non-qualifying activities are subject to UK corporation tax.

As a REIT, Capco must distribute at least 90 per cent of the Group's income profits from its tax-exempt property rental business and 100 per cent of the Group's UK REIT investment profits, by way of a dividend, which is known as a Property Income Distribution (PID). A corporation tax charge will arise for the Group at 19 per cent if the minimum PID requirement is not met within 12 months of the end of the period. Further details regarding the PID is set out in note 11 'Dividends'.

Tax arising on items recognised in other comprehensive income is also reflected within other comprehensive income. This includes deferred tax on movements on the cash flow hedge. Tax arising on items recognised directly in equity is reflected in equity. This includes deferred tax on an element of the share-based payment.

Tax on discontinued operations is £nil (2019: £1.2 million). As disclosed within note 10 'Discontinued Operation' the prior year charge relates to tax adjustments in respect of previous years.

Finance Act 2016 set the main rate of UK corporation tax at 19 per cent from 1 April 2017, reducing to 17 per cent from 1 April 2020. As announced in the UK Budget on 11 March 2020 and substantively enacted on 17 March 2020, the main rate of UK corporation tax will remain unchanged at 19 per cent. This has been reflected in the consolidated condensed financial statements.

10 DISCONTINUED OPERATION

On 29 November 2019, the Group sold its interests in Earls Court, excluding Lillie Square, to APG and Delancey (on behalf of its client fund) for £425 million. As Earls Court Properties represented a major line of business, its results and cash flows have been reported for the period 1 January 2019 to 29 November 2019 as having arisen from a discontinued operation.

Profit/(loss) from discontinued operation after tax included in the consolidated income statement:

	2020 £m	2019 £m
Profit/(loss) from discontinued operation after tax		
Earls Court Properties	–	(151.3)
Profit/(loss) on disposal of discontinued operation	**1.0**	(10.2)
IFRS 5 impairment of discontinued operation	–	(84.0)
Profit/(loss) from discontinued operation after tax	**1.0**	(245.5)
Attributable to:		
Owners of the Parent	**1.0**	(191.3)
Non–controlling interest	–	(54.2)

10 DISCONTINUED OPERATION CONTINUED

Earls Court Properties

On 29 November 2019, the Group completed the sale of its interest in Earls Court Properties (excluding Lillie Square) for a total gross cash consideration of £425.0 million, on a cash-free and debt-free basis. The disposal was in line with the Group's strategy of monetising investments at Earls Court over time with a focus on growing its central London property investment business, centred around Covent Garden. After adjusting for net debt, working capital adjustments, transaction-related costs and other completion items, net proceeds received were £145.3 million. Based on the net assets at the date of disposal, after the deduction of an IFRS 5 impairment, a loss of £10.2 million was recognised on the sale.

The balance of the consideration of £210.4 million was receivable in two equal instalments 12 months and 24 months after completion. It was agreed that the deferred payments receivable by the Group would be accelerated to the extent that payments made by Capco to the London Borough of Hammersmith and Fulham pursuant to the CLSA were refunded to the purchaser after completion and as a result Capco received an accelerated payment in respect of the deferred consideration of £89.7 million in March 2020. The first instalment of the deferred consideration of £105.0 million was received in November 2020 with the balance of £15.3 million due November 2021.

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

	29 November 2019 £m
Investment and development property	**623.7**
Other non-current assets	**0.4**
Cash and cash equivalents	**9.2**
Other current assets	**0.7**
Other current liabilities	**(2.2)**
Borrowings	**(71.5)**
Net assets	**560.3**
Non-controlling interest	**(194.4)**
Net identifiable assets and liabilities disposed of	**365.9**
Net consideration on completion[1]	**(145.3)**
Deferred consideration	**(210.4)**
Loss on disposal of discontinued operation	**10.2**

1. Cash consideration received on completion was £174.7 million. This differs to net consideration above by £29.4 million due to transaction-related costs of £17.9 million, working capital adjustments of £1.3 million and discounting of the deferred consideration of £10.2 million.

10 DISCONTINUED OPERATION CONTINUED

Earls Court Properties continued

The Earls Court Properties results, which have been included in the income statement as part of the discontinued operation, were:

Summarised income statement	**Year ended 31 December 2020 £m**	Period ended 29 November 2019 £m
Revenue	–	3.6
Net rental income	–	3.1
Loss on revaluation and sale of investment and development property	–	(151.6)
Administration expenses	–	(4.0)
Operating loss	–	(152.5)
Loss from discontinued operation before tax	–	(152.5)
Taxation	–	1.2
Loss from discontinued operation after tax[1]	–	(151.3)
IFRS 5 impairment of discontinued operation	–	(84.0)
Profit/(loss) on disposal of discontinued operation[2]	**1.0**	(10.2)
Profit/(loss) on disposal and IFRS 5 impairment of discontinued operation	**1.0**	(94.2)
Profit/(loss) for the period from discontinued operation after tax	**1.0**	(245.5)

Attributable to:		
Owners of the Parent	**1.0**	(191.3)
Non-controlling interest	**–**	(54.2)
Underlying earnings/(loss) from discontinued operation		
Profit/(loss) for the period from discontinued operation	**1.0**	(191.3)
Group adjustments:		
Loss on revaluation and sale of investment and development property	**–**	151.6
Profit/(loss) on disposal and IFRS 5 impairment of discontinued operation	**(1.0)**	94.2
Non-controlling interest in respect of the Group adjustments	**–**	(55.0)
Underlying profit/(loss) from discontinued operation	**–**	(0.5)

1. Consists of £nil (2019: £97.1 million) attributable to owners of the Parent and £nil (2019: £54.2 million) attributable to non-controlling interest.

2. Relates to working capital adjustments in the current year.

10 DISCONTINUED OPERATION CONTINUED

The following table summarises the consideration received, the net cash flow and loss arising on the disposal of the Earls Court Properties business:

	2020 £m	2019 £m
Headline consideration	–	425.0
Net debt[1]	–	(39.6)
Working capital and related adjustments[2]	**(0.6)**	(0.3)
	(0.6)	385.1
Deferred consideration	**194.7**	(210.4)
Cash consideration received on completion[3]	**194.1**	174.7
Group share of cash transferred with disposal group	–	(5.8)
Net cash consideration	**194.1**	168.9

1. Net debt represents the Group share of external debt and cash held on disposal.

2. Current year amount relates to post-completion adjustments on working capital refunded to the purchaser.

3. Cash consideration received on completion of the disposal in 2019 was £174.7 million. Current year cash consideration received represents the accelerated payment of £89.7 million which was received in March 2020 in respect of payments made by Capco to the London Borough of Hammersmith and Fulham pursuant to the CLSA that was refunded by the purchaser after completion and the first instalment of the deferred consideration of £105.0 million which was received in November 2020.

The Earls Court Properties cash flows, which have been included in the statement of cash flows as a discontinued operation, were:

Summarised cash flows	**Year ended 31 December 2020 £m**	Period ended 29 November 2019 £m
Net cash outflow from discontinued operating activities	–	(2.2)
Purchase and development of property, plant and equipment	–	(7.9)
Sale of property	–	3.1
Net cash outflow from discontinued investing activities	–	(4.8)
Borrowings drawn	–	4.0
Contribution from non-controlling interest	–	1.0
Net cash inflow from discontinued financing activities	–	5.0
Net movement in unrestricted cash and cash equivalents	–	(2.0)
Unrestricted cash and cash equivalents at 1 January	–	8.0
Unrestricted cash and cash equivalents at period end	–	6.0

11 DIVIDENDS

	2020 £m	2019 £m
Ordinary shares		
Prior year final dividend of 1.0p per share (2019: 1.0p)	**8.5**	8.5
Interim dividend of nil pence per share (2019: 0.5p)	**–**	4.2
Dividend expense	**8.5**	12.7
Bonus issue in lieu of cash dividends[1]	**(3.9)**	(3.2)
Cash dividends paid	**4.6**	9.5
No final dividend had been proposed for 2020 (2019: 1.0p per share)	**–**	8.5

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

As a REIT, Capco must distribute at least 90 per cent of the Group's income profits from its tax-exempt property rental business and 100 per cent of the Group's UK REIT investment profits, by way of a dividend, which is known as a Property Income Distribution (PID). These distributions can be subject to withholding tax at 20 per cent. Dividends from profits of the Group's taxable residual business are non-PID and will be taxed as an ordinary dividend. A corporation tax charge will arise for the Group at 19 per cent if the minimum PID requirement is not met within 12 months of the end of the period.

The Group did not pay a PID in 2020 in relation to income arising on qualifying activities during its first REIT period from 9 December 2019 to 31 December 2019, for which a £0.1 million tax charge arose. While a decision has not been made on whether the Group will pay a PID in 2021 in relation to income arising on qualifying activities in 2020, such a tax charge would be less than £0.1 million.

12 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(a) Weighted average number of ordinary shares

	2020 £m	2019 £m
Number of ordinary shares in issue[1]	**852.0**	855.5
Adjustments:		
Dilutive effect of contingently issuable share option awards[2]	**0.3**	0.7
Dilutive effect of contingently issuable deferred share awards[2]	**0.1**	0.5
Adjusted, diluted number of ordinary shares in issue	**852.4**	856.7

1. Weighted average number of shares in issue for 2019 has been adjusted by 2.5 million (2019: 1.6 million) for the issue of bonus shares in connection with the scrip dividend scheme.
2. The dilutive effect of contingently issuable share option awards were not included in the calculation of diluted earnings per share for the year ended 31 December 2020 because they are anti-dilutive. These options could potentially dilute basic earnings per share in the future.

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

Continuing and discontinued operations attributable to owners of the Parent	2020 £m	2019 £m
Continuing operations		
Loss used for calculation of basic and diluted loss per share	**(703.7)**	(62.3)
Basic and diluted loss per share (pence)	**(82.6)**	(7.3)
Discontinued operation		
Earnings/(loss) used for calculation of basic and diluted earnings/(loss) per share	**1.0**	(191.3)
Basic and diluted earnings/(loss) per share (pence)[1]	**0.1**	(22.4)

2. EPRA Earnings per share is disclosed in Table 1 of the EPRA measures on page 69.

12 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

(c) Headline earnings per share

Headline earnings per share is calculated in accordance with Circular 1/2019 issued by the South African Institute of Chartered Accountants ("SAICA"), a requirement of the Group's Johannesburg Stock Exchange ("JSE") listing. This measure is not a requirement of IFRS.

	2020			2019		
	(Loss)/ earnings £m	**Shares[1] million**	**(Loss)/ earnings per share (pence)**	(Loss)/ earnings £m	Shares[1] million	(Loss)/ earnings per share (pence)
Continuing and discontinued operations attributable to owners of the Parent						
Basic loss	**(702.7)**	**852.0**	**(82.5)**	(253.6)	855.5	(29.7)
Group adjustments:						
Loss on revaluation and sale of investment and development property	**693.1**			194.9		
Deferred tax adjustments	**–**			0.3		
Current tax adjustments	**(0.6)**			–		
Non-controlling interest in respect of the Group adjustments	**–**			(54.2)		
(Profit)/loss on disposal and IFRS 5 impairment of discontinued operation	**(1.0)**			94.2		
Joint venture adjustments:						
Loss on revaluation and sale of investment and development property	**0.2**			–		
Headline loss	**(11.0)**	**852.0**	**(1.3)**	(18.4)	855.5	(2.2)
Dilutive effect of contingently issuable share option awards	**–**	**0.3**		–	0.7	
Dilutive effect of contingently issuable deferred share awards	**–**	**0.1**		–	0.5	
Diluted headline loss	**(11.0)**	**852.4**	**(1.3)**	(18.4)	856.7	(2.2)

1. Weighted average number of shares in issue has been adjusted by 2.5 million (2019: 1.6 million) for the issue of bonus shares in connection with the scrip dividend scheme.

12 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

(d) Net assets per share

	2020 £m	2019 £m
Number of ordinary shares in issue	**851.1**	854.3
Adjustments:		
Dilutive effect of contingently issuable share option awards	**0.3**	0.7
Dilutive effect of contingently issuable deferred share awards	**0.1**	0.5
Adjusted, diluted number of ordinary shares in issue	**851.5**	855.5

	2020			2019		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to owners of the Parent	**1,759.7**	**1,759.7**	**1,759.7**	2,477.5	2,477.5	2,477.5
Diluted NAV	**1,759.7**	**1,759.7**	**1,759.7**	2,477.5	2,477.5	2,477.5
Group adjustments:						
Revaluation of other non-current assets[1]	**33.4**	**33.4**	**33.4**	9.6	9.6	9.6
Unrecognised surplus on trading property – joint venture	**2.2**	**2.2**	**2.2**	15.9	15.9	15.9
Diluted NAV at Fair Value	**1,795.3**	**1,795.3**	**1,795.3**	2,503.0	2,503.0	2,503.0
Fair value of derivative financial instruments[2]	**7.2**	**7.2**	**–**	(3.6)	(3.6)	–
Fair value adjustment of financial instruments – bond option	**5.5**	**5.5**	**–**	–	–	–
Real Estate Transfer Tax	**124.5**	**–**	**–**	171.6	–	–
Excess fair value of debt over carrying value[3]	**–**	**–**	**(37.1)**	–	–	(1.7)
Deferred tax adjustments	**(2.2)**	**(2.2)**	**–**	0.8	0.8	–
NAV	**1,930.3**	**1,805.8**	**1,758.2**	2,677.4	2,505.8	2,501.3
Diluted number of shares	**851.5**	**851.5**	**851.5**	855.5	855.5	855.5
NAV per share (pence)	**226.7**	**212.1**	**206.5**	312.9	292.9	292.4

1. This relates to the impairment under IFRS 9 of amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture. Further details are disclosed within note 6 'Impairment of Investments and Other Receivables'.
2. This relates to the fair value of interest rate collars. Further details are disclosed within note 16 'Derivative Financial Instruments'.
3. Includes fair value of exchangeable bond option component included under derivative liabilities as disclosed in note 16 'Derivative Financial Instruments'.
4. EPRA NRV, NTA and NDV are alternative performance measures that are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA) to provide a transparent and consistent basis to enable comparison between European property companies. See Alternative Performance Measures and EPRA measures on pages 68 to 72.

13 PROPERTY PORTFOLIO

a) Investment and development property

	Property portfolio			Tenure	
	Covent Garden £m	**Other[1] £m**	**Total £m**	**Freehold £m**	**Leasehold £m**
At 1 January 2019	2,565.6	769.9	3,335.5	1,522.1	1,813.4
Additions from acquisitions	74.9	–	74.9	69.2	5.7
Additions from subsequent expenditure	19.4	9.8	29.2	15.6	13.6
Disposals	(74.8)	(2.9)	(77.7)	(15.6)	(62.1)
Sale of discontinued operation	–	(623.7)	(623.7)	(124.7)	(499.0)
Loss on revaluation[2]	(41.1)	(151.6)	(192.7)	(24.9)	(167.8)
At 31 December 2019	**2,544.0**	**1.5**	**2,545.5**	**1,441.7**	**1,103.8**
Additions from acquisitions	–	**1.1**	**1.1**	–	**1.1**
Additions from subsequent expenditure	**19.1**	–	**19.1**	**14.7**	**4.4**
Disposals	**(77.7)**	–	**(77.7)**	**(77.5)**	**(0.2)**
Loss on revaluation	**(691.7)**	**(0.5)**	**(692.2)**	**(344.2)**	**(348.0)**
At 31 December 2020	**1,793.7**	**2.1**	**1,795.8**	**1,034.7**	**761.1**

1. Included in 'Other' in the prior year is the Group's interest in Earls Court Properties which was disposed of on 29 November 2019. Details of the disposals are set out in note 10 'Discontinued Operation'.

2. Loss on revaluation of £192.7 million in 2019 includes a loss on revaluation of £151.6 which relates to Earls Court Properties for the period prior to disposal which was included in the loss from discontinued operation in the consolidated income statement. The remainder of the loss, relating to continuing operations, is recognised in the consolidated income statement within loss on revaluation and sale of investment and development property.

b) Market value reconciliation of total property

	Covent Garden £m	**Other £m**	**Total £m**
Carrying value of investment and development property at 31 December 2020	**1,793.7**	**2.1**	**1,795.8**
Adjustment in respect of fixed head leases	**(6.1)**	–	**(6.1)**
Adjustment in respect of tenant lease incentives	**37.5**	–	**37.5**
Market value of investment and development property at 31 December 2020	**1,825.1**	**2.1**	**1,827.2**
Joint venture:			
Group share of carrying value of joint venture investment, development and trading property at 31 December 2020	–	**113.0**	**113.0**
Group share of unrecognised surplus on joint venture trading property[1]	–	**2.2**	**2.2**
Market value of investment, development and trading property on a Group share basis at 31 December 2020	**1,825.1**	**117.3**	**1,942.4**

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

13 PROPERTY PORTFOLIO CONTINUED

	Covent Garden £m	Other £m	Total £m
Carrying value of investment, development and trading property at 31 December 2019	2,544.0	1.5	2,545.5
Adjustment in respect of fixed head leases	(6.1)	–	(6.1)
Adjustment in respect of tenant lease incentives	57.7	–	57.7
Market value of investment, development and trading property at 31 December 2019	2,595.6	1.5	2,597.1
Joint venture:			
Group share of carrying value of joint venture investment, development and trading property at 31 December 2019	–	161.2	161.2
Group share of unrecognised surplus on joint venture trading property[1]	–	15.9	15.9
Market value of investment, development and trading property on a Group share basis at 31 December 2019	2,595.6	178.6	2,774.2

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

At 31 December 2020, the Group was contractually committed to £0.8 million (2019: £7.0 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 24 'Capital Commitments' for further information on capital commitments.

The fair value of the Group's investment, development and trading property at 31 December 2020 was determined by independent, appropriately qualified external valuers, CBRE for the Covent Garden estate and JLL for Lillie Square. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards. Fees paid to valuers are based on fixed price contracts.

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

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

Valuations take into account tenure, lease terms and structural condition. The inputs underlying the valuations include market rent or business profitability, likely incentives offered to tenants, forecast growth rates, yields, discount rates, construction costs including any site specific costs (for example Section 106), professional fees, planning fees, developer's profit including contingencies, planning and construction timelines, lease re-gear costs, planning risk and sales prices based on known market transactions for similar properties or properties similar to those contemplated for development. As at 31 December 2020 all Covent Garden properties are valued under the income capitalisation technique.

Due to the impact of COVID-19 CBRE have included an assumption on loss on near-term income over the next six to 12 months of £27 million. There has been no other change in the valuation methodology used as a result of COVID-19.

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

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

There are often restrictions on both freehold and leasehold property which could have a material impact on the realisation of these assets. The most significant of these occur when planning permission is required or when a credit facility is in place. These restrictions are factored into the property's valuation by the external valuer. Refer to disclosures surrounding property risks on page 30.

14 INVESTMENT IN JOINT VENTURES

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

At 31 December 2020, joint ventures comprise the Lillie Square joint venture ("LSJV"), Innova Investment ("Innova") and The Great Capital Partnership ("GCP").

LSJV

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

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

LSJV	2020 £m	2019 £m
Summarised income statement		
Revenue	**133.6**	11.8
Net rental (expense)/income	**(4.1)**	–
Proceeds from the sale of trading property	**129.8**	10.2
Loss on revaluation of investment and development property	**(0.5)**	–
Cost of sale of trading property	**(106.1)**	(7.6)
Agent, selling and marketing fees	**(2.1)**	(0.8)
Write down of trading property	**(2.8)**	(0.7)
Administration expenses	**0.1**	(0.6)
Finance costs[1]	**(14.3)**	(13.4)
Loss for the year after taxation	**–**	(12.9)

1. Finance costs includes £13.9 million (2019: £13.2 million) which relates to the amortisation of deep discount bonds that were issued by LSJV to the Group and KFI. The bonds are redeemable at their nominal value of £276.1 million on 24 August 2021. The discount applied is unwound over the period to maturity using an effective interest rate. Finance income receivable to the Group of £11.3 million (2019: £11.3 million) is recognised in the consolidated income statement within other finance income.

LSJV	2020 £m	2019 £m
Summarised balance sheet		
Investment and development property	**3.3**	3.7
Other non-current assets	**6.4**	4.6
Trading property	**222.7**	318.9
Cash and cash equivalents[1]	**20.4**	33.9
Borrowings	**(11.2)**	(110.9)
Other non-current liabilities[2]	**–**	(252.9)
Amounts payable to joint venture partners[3]	**(77.5)**	(74.8)
Other current liabilities[2]	**(283.5)**	(41.9)
Net liabilities	**(119.4)**	(119.4)
Capital commitments	**2.8**	13.3
Carrying value of investment, development and trading property	**226.0**	322.6
Unrecognised surplus on trading property[4]	**4.4**	31.7
Market value of investment, development and trading property[4]	**230.4**	354.3

1. Includes restricted cash and cash equivalents of £10.9 million (2019: £26.0 million) relating to amounts received as property deposits that will not be available for use by LSJV until completion of building work. There is a corresponding liability of £10.9 million (2019: £26.0 million) within other current liabilities.

2. Other non-current liabilities in the prior year relate to deep discount bonds. The current year balance of £266.8 million is included under other current liabilities as the bonds are redeemable at their nominal value of £276.1 million on 24 August 2021. Recoverable amounts receivable by the Group, net of impairments, of £85.0 million (2019: £98.4 million) are recognised on the consolidated balance sheet within non-current trade and other receivables.

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

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

14 INVESTMENT IN JOINT VENTURES CONTINUED

Innova

On 29 June 2015, the Group acquired a 50 per cent interest in Innova, a joint venture arrangement with Network Rail Infrastructure Limited. The joint venture will explore opportunities for future redevelopments on and around significant railway station sites in London.

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

The summarised balance sheet of Innova are presented below. There were no movements through the income statement during the year.

Innova	2020 £m	2019 £m
Summarised balance sheet		
Cash and cash equivalents	**0.9**	0.9
Other current liabilities	**(0.5)**	(0.5)
Net assets	**0.4**	0.4

Reconciliation of summarised financial information

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

	GCP £m	LSJV £m	Innova £m	Total £m
Net assets/(liabilities) of joint ventures at 31 December 2019	0.1	(119.4)	0.4	(118.9)
Elimination of joint venture partners' interest	–	59.7	(0.2)	59.5
Cumulative losses restricted[1]	–	59.7	–	59.7
Carrying value at 31 December 2019	0.1	–	0.2	0.3
Net assets/(liabilities) of joint ventures at 31 December 2020	**0.1**	**(119.4)**	**0.4**	**(118.9)**
Elimination of joint venture partners' interest	**–**	**59.7**	**(0.2)**	**59.5**
Cumulative losses restricted[1]	**–**	**59.7**	**–**	**59.7**
Carrying value at 31 December 2020	**0.1**	**–**	**0.2**	**0.3**

1. Cumulative losses restricted represent the Group's share of losses in LSJV which exceed the Group's investment in the joint venture. As a result the carrying value of the investment in LSJV is £nil (31 December 2019: £nil) in accordance with the requirements of IAS 28.

Reconciliation of investment in joint ventures

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

Investment in joint ventures	GCP £m	LSJV £m	Innova £m	Total £m
At 1 January 2019	0.1	–	17.2	17.3
Loss for the year[1]	–	(6.4)	(2.5)	(8.9)
Loss restricted[1]	–	6.4	–	6.4
Impairment of goodwill	–	–	(14.5)	(14.5)
At 31 December 2019	**0.1**	–	**0.2**	**0.3**
At 31 December 2020	**0.1**	**–**	**0.2**	**0.3**

1. The prior year share of post-tax loss from joint ventures in the consolidated income statement of £2.5 million comprises the loss for the year of £8.9 million and loss restricted totalling £6.4 million. No loss was reported in the current year.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at fair value through profit or loss include the following:

	2020 £m	2019 £m
Non-current assets		
Listed equity securities[1]	**551.8**	–

1. Listed equity securities comprise 97.0 million shares in Shaftesbury held at the 31 December 2020 closing share price of 569 pence per share.

During the year, the following gain was recognised in profit or loss:

Profit or loss	2020 £m	2019 £m
Fair value gain on financial assets at fair value through profit or loss	**50.9**	–

16 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative liabilities	2020 £m	2019 £m
Non-current		
Interest rate collars	**7.2**	3.6
Derivative liability – exchangeable bonds[1]	**15.3**	–
Derivative financial liabilities	**22.5**	3.6

1. Details of exchangeable bonds issued during the year are set out in note 20 'Borrowings'.

During the year, the following fair value movement on derivative financial liabilities was recognised in profit or loss:

Profit or loss	2020 £m	2019 £m
Fair value loss on interest rate collars	**9.0**	5.2
Fair value loss on derivative liability – exchangeable bonds	**5.5**	–
Change in fair value of derivative financial instruments	**14.5**	5.2

17 TRADE AND OTHER RECEIVABLES

	2020 £m	2019 £m
Non-current		
Other receivables[1]	**0.1**	99.1
Prepayments and accrued income[2]	**33.1**	51.3
Amounts receivable from joint ventures[3]	**85.0**	98.4
Trade and other receivables	**118.2**	248.8
Current		
Rent receivable[4]	**22.3**	4.3
Other receivables[1]	**31.0**	118.6
Prepayments and accrued income[2]	**12.4**	16.5
Trade and other receivables	**65.7**	139.4

1. Includes £15.1 million (2019: £200.8 million) which represents the discounted balance of the deferred consideration in respect of the Earls Court disposal, which was receivable in two tranches in November 2020 and 2021. During 2020 a payment of £89.7 million in respect of payments made by Capco to the London Borough of Hammersmith and Fulham pursuant to the CLSA was refunded, while the repayment of the first tranche of £105.0 million was received in November 2020.
2. Includes tenant lease incentives, comprising surrender premia paid and incentives offered to new tenants, of £37.5 million (2019: £57.7 million).
3. Amounts receivable from joint ventures relate to deep discount bonds that were issued by LSJV to the Group. The nominal value of the bonds including accrued interest of £144.5 million has been impaired by £25.1 million in the current year (cumulative £59.5 million). Working capital funding has been advanced to LSJV from the Group for £44.2 million (2019: £41.1 million) which has been impaired in full in both years. The deep discount bonds are due for repayment in August 2021 but it is the intention of the Group, and joint venture partner, that the deep discount bonds will be restructured, extending the maturity past the end of 2021, and therefore they are presented as non current.
4. Rent receivable is shown net of bad debt provision of £12.4 million (2019: £1.4 million).

18 CASH AND CASH EQUIVALENTS

	2020 £m	2019 £m
Cash at hand	**1.5**	1.1
Cash on short-term deposits	**363.6**	152.0
Cash and cash equivalents	**365.1**	153.1

19 TRADE AND OTHER PAYABLES

	2020 £m	2019 £m
Rent in advance	**15.5**	15.9
Accruals	**12.1**	23.6
Other payables	**13.9**	17.7
Other taxes and social security	**2.8**	2.1
Trade and other payables	**44.3**	59.3

20 BORROWINGS, INCLUDING LEASE LIABILITIES

	2020						
	Carrying value £m	**Secured £m**	**Unsecured £m**	**Fixed rate £m**	**Floating rate £m**	**Fair value £m**	**Nominal value £m**
Current							
Lease liability obligations	**1.6**	**0.7**	**0.9**	**1.6**	**–**	**1.6**	**1.6**
Borrowings, including lease liabilities	**1.6**	**0.7**	**0.9**	**1.6**	**–**	**1.6**	**1.6**
Non-current							
Bank loans	**262.2**	**123.4**	**138.8**	**–**	**262.2**	**265.0**	**265.0**
Loan notes	**548.2**	**–**	**548.2**	**548.2**	**–**	**514.5**	**550.0**
Exchangeable bonds	**260.3**	**260.3**	**–**	**260.3**	**–**	**269.4**	**275.0**
Borrowings	**1,070.7**	**383.7**	**687.0**	**808.5**	**262.2**	**1,048.9**	**1,090.0**
Lease liability obligations	**8.3**	**5.4**	**2.9**	**8.3**	**–**	**8.3**	**8.3**
Borrowings, including lease liabilities	**1,079.0**	**389.1**	**689.9**	**816.8**	**262.2**	**1,057.2**	**1,098.3**
Total borrowings, including lease liabilities	**1,080.6**						
Cash and cash equivalents	**(365.1)**						
Net debt	**715.5**						

	2019						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Current							
Lease liability obligations	1.6	0.7	0.9	1.6	–	1.6	1.6
Borrowings, including lease liabilities	1.6	0.7	0.9	1.6	–	1.6	1.6
Non-current							
Loan notes	546.1	–	546.1	546.1	–	547.9	550.0
Borrowings	546.1	–	546.1	546.1	–	547.9	550.0
Lease liability obligations	9.2	5.4	3.8	9.2	–	9.2	9.2
Borrowings, including lease liabilities	555.3	5.4	549.9	555.3	–	557.1	559.2
Total borrowings, including lease liabilities	556.9						
Cash and cash equivalents	(153.1)						
Net debt	403.8						

20 BORROWINGS, INCLUDING LEASE LIABILITIES CONTINUED

On 30 November 2020 the Group issued £275 million of secured exchangeable bonds maturing in March 2026. The notes are exchangeable into cash or ordinary shares of Shaftesbury. The net proceeds received from the issue of the exchangeable bonds have been split between the financial liability element and an option component, representing the fair value of the embedded option to convert the financial liability into equity of Shaftesbury. Transaction costs of £5.9 million were allocated between the two components and the element relating to the debt component is being amortised through the effective interest rate method. The issue costs apportioned to the embedded derivative of £0.3 million have been expensed through the income statement.

In addition, the Group entered into a £125 million three-year secured loan in December 2020 which is secured against shares in Shaftesbury.

21 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The table below sets out each class of financial asset and financial liability at 31 December:

		2020		2019	
	Note	**Carrying value £m**	**(Loss)/gain to income statement £m**	Carrying value £m	(Loss)/gain to income statement £m
Cash and cash equivalents	18	**365.1**	**–**	153.1	–
Other financial assets[1]		**138.4**	**–**	320.1	–
Total cash and other financial assets		**503.5**	**–**	473.2	–
Investment held at fair value through profit or loss	15	**551.8**	**50.9**	–	–
Total investment held at fair value through profit or loss		**551.8**	**50.9**	–	–
Derivative financial liabilities	16	**(22.5)**	**(14.5)**	(3.6)	(5.2)
Total held for trading liabilities		**(22.5)**	**(14.5)**	(3.6)	(5.2)
Borrowings, including lease liability	20	**(1,080.6)**	**–**	(556.9)	–
Other financial liabilities[2]		**(29.7)**	**–**	(45.5)	–
Total borrowings and other financial liabilities		**(1,110.3)**	**–**	(602.4)	–

1. Includes rent receivable, amounts due from joint ventures, deferred consideration on the sale of Earls Court Properties and other receivables.

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

Fair value estimation

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

The different levels are defined as follows:

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

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

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

	2020				2019			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss								
Listed equity investment	**551.8**	**–**	**–**	**551.8**	–	–	–	–
Derivative financial liabilities								
Total liabilities	**–**	**(22.5)**	**–**	**(22.5)**	–	(3.6)	–	(3.6)

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

Listed equity investments are carried at fair value on the balance sheet and representing Level 1 fair value measurement. The fair value of listed equity investments are based on quoted market prices traded in active markets.

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

22 DEFERRED TAX

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

Deferred tax on investment and development property is calculated under IAS 12 provisions on a disposals basis by reference to the properties’ original tax base cost. Properties that fall within the Group’s qualifying REIT activities will be outside the charge to UK corporation tax subject to certain conditions being met. The Group’s recognised deferred tax position on investment and development property as calculated under IAS 12 is £nil at 31 December 2020 (2019: £nil). The Group’s contingent tax liability on investment properties, calculated on the same basis but based on a deemed market value disposal at year end is £nil (2019: £nil).

A disposal of the Group’s trading properties at their market value as per note 13 ‘Property Portfolio’, before utilisation of carried forward losses, would result in a corporation tax charge to the Group of £0.4 million (19 per cent of £2.2 million).

	Accelerated capital allowances £m	Fair value of investment and development property £m	Fair value of derivative financial instruments £m	Other temporary differences £m	Group losses £m	Total £m
Provided deferred tax provision:						
At 1 January 2019	3.5	–	–	(2.1)	(6.9)	(5.5)
Adjustment to opening balance	–	–	–	–	(0.3)	(0.3)
Recognised in income	–	–	(0.8)	–	(0.1)	(0.9)
Released on conversion to UK REIT	(3.4)	–	–	–	3.3	(0.1)
Adjustment in respect of rate change	–	–	–	0.2	–	0.2
At 31 December 2019	0.1	–	(0.8)	(1.9)	(4.0)	(6.6)
Recognised in income	**0.1**	**–**	**(1.3)**	**1.0**	**0.4**	**0.2**
Adjustment in respect of rate change	**–**	**–**	**(0.2)**	**(0.2)**	**–**	**(0.4)**
At 31 December 2020	**0.2**	**–**	**(2.3)**	**(1.1)**	**(3.6)**	**(6.8)**
Unprovided deferred tax assets:						
At 1 January 2019	–	(95.7)	–	–	(9.3)	
Income statement items	–	–	–	–	(8.3)	
Released on discontinued operation	–	95.7	–	–	7.3	
At 31 December 2019	–	–	–	–	(10.3)	
Income statement items	**–**	**–**	**–**	**–**	**2.0**	
At 31 December 2020	**–**	**–**	**–**	**–**	**(8.3)**	

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

23 SHARE CAPITAL AND SHARE PREMIUM

Issue type	Transaction date	Issue price (pence)	Number of shares	Share capital £m	Share premium £m
At 1 January 2019			850,806,256	212.7	225.6
Scrip dividend – 2018 final	May	245	409,364	0.1	1.0
Scrip dividend – 2019 interim	September	187	1,197,901	0.3	2.2
Share-based payment[1]			1,885,642	0.5	0.1
At 31 December 2019			**854,299,163**	**213.6**	**228.9**
Share buyback	February/March		**(6,060,000)**	**(1.5)**	**–**
Scrip dividend – 2019 final	May	152	**2,530,598**	**0.6**	**3.3**
Share-based payment[2]			**313,882**	**0.1**	**–**
At 31 December 2020			**851,083,643**	**212.8**	**232.2**

1.In 2019 a total of 1,885,642 new shares were issued to satisfy employee share scheme awards.

2.In 2020 a total of 313,882 new shares were issued to satisfy employee share scheme awards.

In accordance with the authority granted by shareholders at the Company's Annual General Meeting on 3 May 2019 and as part of its share repurchase programme, between 26 February 2020 and 20 March 2020 (inclusive), the Company purchased and subsequently cancelled 6,060,000 ordinary shares. The shares were acquired at an average price of 195.1 pence per share, with prices ranging from 131.6 pence to 229.5 pence per share. The total cost of £11.8 million, including £0.1 million of after-tax transaction costs, was deducted from shareholder equity. The total reduction in paid-up capital was £1.5 million.

At 8 March 2021, the Company had an unexpired authority to repurchase shares up to a maximum of 84,854,916 shares with a nominal value of £21.2 million, and the Directors had an unexpired authority to allot up to a maximum of 562,603,144 shares with a nominal value of £140.7 million of which 282,566,871 with a nominal value of £70.6 million can only be allotted pursuant to a fully pre-emptive rights issue.

24 CAPITAL COMMITMENTS

At 31 December 2020, the Group was contractually committed to £0.8 million (31 December 2019: £7.0 million) future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. The full amount is committed 2021 expenditure.

The Group's share of joint venture capital commitments arising on LSJV amounts to £1.4 million (2019: £6.6 million).

25 CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of legal claims, guarantees and warranties arising from the ordinary course of business. There are no contingent liabilities that require disclosure or recognition in the financial statements.

26 CASH FLOW INFORMATION

The tables below presents the cash generated from operations:

(a) Cash generated from continuing operations

Continuing operations	Note	2020 £m	2019 £m
Loss before tax		**(704.7)**	(61.3)
Adjustments:			
Loss/(gain) on revaluation and sale of investment and development property	5	**693.1**	43.3
Impairment of investments and other receivables	6	**28.2**	21.0
Loss from joint ventures		**–**	2.5
Fair value gain of financial assets at fair value through profit or loss	15	**(50.9)**	–
Depreciation		**1.5**	1.3
Amortisation of tenant lease incentives and other direct costs		**23.4**	2.3
Bad debt expenses	4	**14.0**	1.6
Share-based payment[1]		**1.4**	4.1
Finance income	7	**(0.5)**	(0.5)
Finance costs	8	**24.1**	21.2
Other finance income	7	**(20.5)**	(11.9)
Other finance costs	8	**0.6**	–
Change in fair value of derivative financial instruments	16	**14.5**	5.2
Change in working capital:			
Change in trade and other receivables		**(37.5)**	(8.0)
Change in trade and other payables		**(19.0)**	(19.1)
Cash (utilised)/generated from continuing operations		**(32.3)**	1.7

1. This relates to IFRS 2 'Share based payment' charge.

(b) Cash used in discontinued operation

Discontinued operation	Note	2020 £m	2019 £m
Loss before tax		**–**	(152.5)
Adjustments:			
Loss on revaluation and sale of investment and development property	10	**–**	151.6
Depreciation		**–**	0.8
Change in working capital:			
Change in trade and other receivables		**–**	0.3
Change in trade and other payables		**–**	(2.4)
Cash used in discontinued operation		**–**	(2.2)

26 CASH FLOW INFORMATION CONTINUED

(c) Reconciliation of cash flows from financing activities

The table below provides an analysis of financial liabilities and derivative financial instruments arising from financing activities:

	Long-term borrowings £m	Short-term borrowings £m	Derivative liability - exchangeable bond £m	Total liabilities from financing activities £m
Balance at 1 January	**555.3**	**1.6**	**–**	**556.9**
Cash flows from financing activities				
Proceeds from borrowings	**920.2**	**–**	**9.8**	**930.0**
Repayment of revolving credit facility	**(390.0)**	**–**	**–**	**(390.0)**
Facility fees capitalised	**(6.6)**	**–**	**–**	**(6.6)**
Principal element of lease payment	**–**	**(0.9)**	**–**	**(0.9)**
Total cash flows used in financing activities	**523.6**	**(0.9)**	**9.8**	**532.5**
Non-cash flows from financing activities				
Facility fee amortised	**1.2**	**–**	**–**	**1.2**
Lease liability	**(0.9)**	**0.9**	**–**	**–**
Changes in fair value	**–**	**–**	**5.5**	**5.5**
Finance cost amortised	**0.7**	**–**	**–**	**0.7**
Facility fees capitalised	**(0.9)**	**–**	**–**	**(0.9)**
Total non-cash flows from financing activities	**0.1**	**0.9**	**5.5**	**6.5**
Balance at 31 December	**1,079.0**	**1.6**	**15.3**	**1,095.9**

27 RELATED PARTY TRANSACTIONS

Transactions with Directors

Key management compensation[1]	**2020 £m**	2019 £m
Salaries and short-term employee benefits	**2.3**	3.7
Share-based payment	**0.9**	2.9
Termination benefits	–	0.7
	3.2	7.3

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

Share dealings

No Director had any dealings in the shares of any Group company between 31 December 2020 and 8 March 2021, being a date less than one month prior to the date of the notice convening the Annual General Meeting.

Other than as disclosed in these accounts, no Director of the Company had a material interest in any contract (other than service contracts), transaction or arrangement with any Group company during the year ended 31 December 2020.

27 RELATED PARTY TRANSACTIONS CONTINUED

Transactions between the Group and its joint ventures

Transactions during the year between the Group and its joint ventures, which are related parties, are disclosed in notes 14 'Investment in Joint Ventures', 17 'Trade and other receivables' and 24 'Capital commitments'. During the year the Group paid management fees of £1.0 million (2019: income of £1.8 million) that was charged on an arm's length basis.

Property purchased by Directors of the Company

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

- Henry Staunton, Chairman of Capital & Counties Properties PLC, Situl Jobanputra, Chief Financial Officer of Capital & Counties Properties PLC, and Andrew Strang, who was a Non-executive Director of Capital & Counties Properties PLC until 1 May 2020, either solely or together with family members, own apartments in the Lillie Square development. The disclosures in respect of these purchases were included in previous financial statements.
- In addition, in September 2019, Henry Staunton, Chairman of Capital & Counties Properties PLC, together with a family member completed the acquisition of a car parking space in the Lillie Square development, for a purchase price of £75,000. £33,900 reflecting VAT and legal fees was received on completion and the balance was settled from a refund for apartment enhancements that were previously paid for but not implemented.
- As owners of apartments in the Lillie Square development, the Directors are required to pay annual ground rent and insurance premium fees and bi-annual service charge fees. Should a car parking space be owned in the Lillie Square development, the Directors are required to pay insurance premium fees and bi-annual service charge fees. During 2020, £17,931.54 had been received in relation to these charges. £367.47 of such charges for 2020 remained outstanding as at 31 December 2020. Certain payments in relation to these charges were made in advance and £1,858.03 had been received in advance as at the date the Director retired from the Company.

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

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

ALTERNATIVE PERFORMANCE MEASURES (UNAUDITED)

for the year ended 31 December 2020

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

Set out below is a summary of the APMs.

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

The Group also uses underlying earnings, property portfolio and financial debt ratios APMs. The property portfolio presents the Group share of property market value which is the economic value attributable to the owners of the Parent. Financial debt ratios are supplementary ratios which we believe are useful in monitoring the capital structure of the Group. Additionally, loan to value and interest cover are covenants within many of the Group's borrowing facilities.

Internally, the Board focuses on and reviews information and reports prepared on a Group share basis, which includes the Group's share of joint ventures but excludes the non-controlling interest share of our subsidiaries.

APM	**Definition of measure**	**Nearest IFRS measure**	**Explanation and reconciliation**	**2020**	2019
Underlying earnings	(Loss)/profit for the year excluding unrealised and one-off items	(Loss)/profit for the year	Note 3	(£6.2)m	£9.0m
Underlying earnings per share	Underlying earnings per weighted number of ordinary shares	Basic (loss)/earnings per share	Note 3	(0.7)p	1.1p
EPRA earnings	Recurring earnings from core operational activity	(Loss)/profit for the year	EPRA measures Table 1	£17.9m	(£6.7)m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	Basic earnings/(loss) per share	EPRA measures Table 1	2.1p	(0.8)p
EPRA NTA	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	Net assets attributable to shareholders	Note 12	£1,805.8m	£2,505.8m
EPRA NTA per share	EPRA NTA per the diluted number of ordinary shares	Net assets attributable to shareholders per share	Note 12	212.1p	292.9p
Market value of property portfolio	Market value of investment, development and trading properties	Investment, development and trading properties	Note 13	£1,942.4m	£2,774.2m
Interest cover	Underlying operating profit divided by net underlying finance costs	N/A	Financial Review, page 21	76.1%	130.8%
Net debt to gross assets	Net debt divided by total assets excluding cash and cash equivalents	N/A	Financial Review, page 21	27.5%	14.7%
Gross debt with interest rate protection	Proportion of the gross debt with interest rate protection	N/A	Financial Review, page 21	100%	100%
Weighted average cost of debt	Cost of debt weighted by the drawn balance of external borrowings	N/A	Financial Review, page 21	2.6%	3.0%
Cash and undrawn committed facilities (Group share)	Cash and cash equivalents plus undrawn committed facilities shown on a Group share basis	N/A	Financial Review, page 20	£1,010.2m	£895.2m
Cash and undrawn committed facilities (IFRS)	Cash and cash equivalents plus undrawn committed facilities shown on an IFRS basis	N/A	Financial Review, page 20	£940.1m	£868.1m
Occupancy	ERV of occupied space as a percentage of ERV of combined portfolio	N/A	N/A	96.5%	96.8%

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

EPRA MEASURES (UNAUDITED)

for the year ended 31 December 2020

In October 2019, the European Public Real Estate Association ("EPRA") published new best practice recommendations which aim to improve the transparency, comparability and relevance of published results of public real estate companies in Europe.

Effective from 1 January 2020 EPRA net asset value ("EPRA NAV") and EPRA triple net asset value ("EPRA NNNAV") have been replaced by three new net asset valuation metrics, being EPRA Net Reinstatement Value ("EPRA NRV"), EPRA Net Tangible Assets ("EPRA NTA") and EPRA Net Disposal Value ("EPRA NDV"). EPRA NTA is considered to be the most relevant measure for the Group's operating activity and is the primary measure of net asset value, replacing the metric EPRA NAV previously reported. The previously reported EPRA measures of net assets are included in Table 2 below for comparative purposes.

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

EPRA measure	Definition of measure	Table	2020	2019
EPRA earnings	Recurring earnings from core operational activity	1	£17.9m	(£6.7)m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	1	2.1p	(0.8)p
EPRA NTA (Net Tangible Assets)	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	2	£1,805.8m	£2,505.8m
EPRA NTA per share	EPRA NTA per the diluted number of ordinary shares	2	212.1p	292.9p
EPRA NDV (Net Disposal Value)	EPRA NTA amended to include the fair value of financial instruments and debt	2	£1,758.4m	£2,501.3m
EPRA NDV per share	EPRA NDV per the diluted number of ordinary shares	2	206.5p	292.4p
EPRA NRV (Net Reinstatement Value)	EPRA NTA amended to include real estate transfer tax	2	£1,930.3m	£2,677.4m
EPRA NRV per share	EPRA NRV per the diluted number of ordinary shares	2	226.7p	312.9p
EPRA net initial yield	Annualised rental income less non-recoverable costs as a percentage of market value plus assumed purchaser's costs	3	3.3%	2.3%
EPRA topped-up net initial yield	Net initial yield adjusted for the expiration of rent-free periods	3	3.6%	2.8%
EPRA vacancy	ERV of un-let units expressed as a percentage of the ERV of the Covent Garden portfolio excluding units under development	4	3.5%	3.2%
Like-for-like net rental growth	Net rental income for properties which has been owned throughout both years without significant capital expenditure in either year, so income can be compared on a like-for-like basis.	Property portfolio Table 3	(30.3)%	1.7%

EPRA MEASURES CONTINUED (UNAUDITED)

1) EPRA Earnings per share

	2020			2019		
	(Loss)/ earnings £m	**Shares[1] million**	**(Loss)/ earnings per share (pence)**	(Loss)/ earnings £m	Shares[1] million	(Loss)/ earnings per share (pence)
Basic loss from continuing operations	**(703.7)**	**852.0**	**(82.3)**	(62.3)	855.5	7.3
Group adjustments:						
Impairment of investments and other receivables[2]	**28.2**			11.9		
Loss on revaluation and sale of investment and development property	**693.1**			43.3		
Change in fair value of derivative financial instruments[3]	**9.0**			5.2		
Deferred tax adjustments	**(1.4)**			(4.3)		
Joint venture adjustments:						
Profit on sale of trading property[4]	**(8.9)**			(0.9)		
Loss on revaluation and sale of investment and development property	**0.2**			–		
Write down of trading property	**1.4**			0.4		
EPRA adjusted earnings/(loss) on continuing operations[5]	**17.9**	**852.0**	**2.1**	(6.7)	855.5	(0.8)

1. Weighted average number of shares in issue has been adjusted by 2.5 million (2019: 1.6 million) for the issue of bonus shares in connection with the scrip dividend scheme.
2. Impairment of other receivables of £28.2 million (2019: £11.9 million) includes impairments under IFRS 9 of the amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture, and impairment in relation to the Group's investment in the Innova joint venture. Further details are disclosed within note 6 'Impairment of Other Receivables'.
3. Change in fair value of derivative financial instruments excludes change in fair value of derivative liability on bifurcated exchangeable bonds.
4. Profit on sale of trading property relates to Lillie Square sales and includes £1.0 million (2019: £0.4 million) of marketing and selling fees on a Group share basis. Marketing fees include costs for units that have not yet completed.
5. EPRA earnings has been reported on a Group share basis.

EPRA MEASURES CONTINUED (UNAUDITED)

2) Net assets per share

Group	2020 Net assets £m	2020 Shares million	2020 NAV per share (pence)	2019 Net assets £m	2019 Shares million	2019 NAV per share (pence)
Net assets attributable to owners of the Parent	**1,759.7**	**851.1**	**206.8**	2,477.5	854.3	290.0
Effect of dilution on exercise of contingently issuable share option awards	**–**	**0.3**		–	0.7	
Effect of dilution on vesting of contingently issuable deferred share awards	**–**	**0.1**		–	0.5	
Diluted NAV	**1,759.7**	**851.5**	**206.7**	2,477.5	855.5	289.6
Group adjustments:						
Fair value of derivative financial instruments	**7.2**			3.6		
Fair value adjustment of financial instruments – exchangeable bond option	**5.5**			–		
Unrecognised surplus on trading property – Joint venture	**2.2**			15.9		
Revaluation of other non-current assets[1]	**33.4**			9.6		
Deferred tax adjustments	**(2.2)**			(0.8)		
EPRA NAV and NTA	**1,805.8**	**851.5**	**212.1**	2,505.8	855.5	292.9
Fair value of derivative financial instruments	**(7.2)**			(3.6)		
Fair value adjustment of financial instruments – exchangeable bond option	**(5.5)**			–		
Excess fair value of debt over carrying value	**(36.9)**			(1.7)		
Deferred tax adjustments	**2.2**			0.8		
EPRA NNNAV and NDV	**1,758.4**	**851.5**	**206.5**	2,501.3	855.5	292.4
Fair value of derivative financial instruments	**7.2**			3.6		
Fair value adjustment of financial instruments – exchangeable bond option	**5.5**			–		
Real Estate Transfer Tax	**124.5**			171.6		
Excess fair value of debt over carrying value	**36.9**			1.7		
Deferred tax adjustments	**(2.2)**			(0.8)		
EPRA NRV	**1,930.3**	**851.5**	**226.7**	2,677.4	855.5	312.9

1. This relates to the impairment under IFRS 9 of amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture. Further details are disclosed within note 6 'Impairment of Other Receivables'.

EPRA MEASURES CONTINUED (UNAUDITED)

3) Net Initial Yield and 'topped-up' Net Initial Yield

EPRA Net Initial Yield and 'topped-up' Net Initial Yield	2020 £m	2019 £m
Investment property – wholly owned	**1,827.2**	2,597.1
Investment property – share of joint ventures	**1.6**	1.8
Trading property (including share of joint ventures)	**113.6**	175.3
Less: developments	**(225.9)**	(242.7)
Completed property portfolio	**1, 716.5**	2,531.5
Allowance for estimated purchasers' costs	**117.7**	178.7
Gross up completed property portfolio valuation (A)	**1,834.2**	2,710.2
Annualised cash passing rental income	**64.5**	66.5
Property outgoings	**(4.3)**	(3.7)
Annualised net rents (B)	**59.9**	62.8
Add: notional rent expiration of rent periods or other lease incentives	**6.7**	11.6
Topped-up net annualised rent (C)	**66.6**	74.4
EPRA Net Initial Yield (B/A)	**3.27%**	2.32%
EPRA 'topped-up' Net Initial Yield (C/A)	**3.63%**	2.75%

4) EPRA vacancy rate

EPRA vacancy rate	2020 £m	2019 £m
Estimated rental value of vacant space	**2.7**	3.2
Estimated rental value of the whole portfolio less development and refurbishment estimated rental value	**75.6**	99.6
EPRA vacancy rate	**3.5%**	3.2%

EPRA vacancy rate is performed only for the Covent Garden portfolio. Other investment and development properties held at Lillie Square total £1.6m Group share (2019: £1.9m Group share) and disclosure is not applicable.

5) Property Related CapEx

	2020			2019		
	Group (excluding Joint Ventures)	Joint Ventures	Total Group	Group (excluding Joint Ventures)[1]	Joint Ventures	Total Group
Acquisitions	**1.1**	**–**	**1.1**	74.9	–	74.9
Development	**–**	**5.6**	**5.6**	–	30.1	30.1
Investment property	**19.1**	**–**	**19.1**	19.4	–	19.4
Capitalised interest	**–**	**1.5**	**1.5**	–	2.0	2.0
Total CapEx	**20.2**	**7.1**	**27.3**	94.3	32.1	126.4
Conversion from accrual to cash basis	**3.7**	**–**	**3.7**	0.1	–	0.1
Total CapEx on cash basis	**23.9**	**7.1**	**31.0**	94.4	32.1	126.5

1. The 2019 Group capital expenditure is based on the continuing operations and excludes any capital expenditure relating to Earls Court Properties disposed of in the prior year.

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

1. PROPERTY DATA AS AT 31 DECEMBER 2020

	Market Value £m	Ownership
Covent Garden	**1,825.1**	**100%**
Lillie Square	**115.2**	**50%**
Other	**2.1**	**100%**
Group share of total property	**1,942.4**	
Investment and development property	**1,828.8**	
Trading property	**113.6**	

2. ANALYSIS OF CAPITAL RETURN FOR THE YEAR

Like-for-like capital	Market Value 31 December 2020 £m	Market Value 31 December 2019 £m	Revaluation loss[1] 31 December 2020 £m	Decrease
Covent Garden	**1,825.1**	2,507.9	**(675.1)**	(27.3)%
Other[2]	**116.3**	124.8	**(11.6)**	(9.1)%
Total like-for-like capital	**1,941.4**	2,632.7	**(686.7)**	(26.4)%
Investment and development property	**1,827.8**	2,511.2	**(675.4)**	(27.3)%
Trading property[3]	**113.6**	121.5	**(11.3)**	(9.0)%
Non like-for-like capital				
Acquisitions	**1.0**	–	**(0.3)**	
Disposals	**–**	141.5	**(20.4)**	
Group share of total property	**1,942.4**	2,774.2	**(707.4)**	(27.0)%
Investment and development property	**1,828.8**	2,598.9	**(692.4)**	(27.8)%
Trading property[3]	**113.6**	175.3	**(15.0)**	(11.7)%

All property				
Covent Garden	**1,825.1**	2,595.6	**(691.7)**	(27.8)%
Other[2]	**117.3**	178.6	**(15.7)**	(11.3)%
Group share of total property	**1,942.4**	2,774.2	**(707.4)**	(27.0)%

1. Revaluation loss includes amortisation of lease incentives and fixed head leases.

2. Relates to the Group's interest in Lillie Square and Earls Court Properties. Earls Court Properties was disposed of 29 November 2019.

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

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED) CONTINUED

3. ANALYSIS OF NET RENTAL INCOME FOR THE YEAR

Like-for-like net rental income from continuing operation	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m	Decrease
Covent Garden	**40.6**	57.8	**(29.8)%**
Other	**(0.5)**	(0.3)	**66.7%**
Total like-for-like net rental income	**40.1**	57.5	**(30.3)%**
Like-for-like investment and development property	**40.2**	57.6	**(30.2)%**
Like-for-like trading property	**(0.1)**	(0.1)	**–**
Non like-for-like net rental income			
Acquisitions	**1.8**	0.3	
Developments	**1.5**	3.4	
Disposals	**0.2**	–	
Group share of total net rental income (underlying)	**43.6**	61.2	**(28.8)%**
Investment and development property income	**43.7**	61.3	**(28.7)%**
Trading property	**(0.1)**	(0.1)	**–**
All property			
Covent Garden	**44.1**	61.5	**(28.3)%**
Other	**(0.5)**	(0.3)	**66.7%**
Group share of total net rental income (underlying)	**43.6**	61.2	**(28.8)%**
Lease modifications and impairment of tenant incentives	**(27.8)**	–	
Reported net rental income	**15.8**	61.2	**(74.2)%**
Covent Garden	**16.3**	61.5	**(73.5)%**
Other	**(0.5)**	(0.3)	**66.7%**

4. ANALYSIS OF COVENT GARDEN BY USE

31 December 2020

	Initial yield (EPRA)	Nominal equivalent yield	Passing rent £m	Occupancy rate	Weighted average unexpired lease years	Market value £m	ERV £m	Net area million Sq ft
Retail						**916.8**	**39.4**	**0.4**
F&B						**373.5**	**16.7**	**0.2**
Offices						**282.2**	**16.1**	**0.2**
Residential						**175.5**	**5.1**	**0.2**
Leisure						**75.8**	**3.4**	**0.1**
Other						**1.3**	**0.1**	**–**
Total	**3.10%**	**3.91%**	**64.1**	**96.5%**	**8.2**	**1,825.1**	**80.8**	**1.1**

FINANCIAL COVENANTS (UNAUDITED)

For the year ended 31 December 2020

Financial covenants on non-recourse debt

		31 December 2020		
Group share	**Maturity**	**Loan(s) outstanding at 31 December 2020[1] £m**	**LTV covenant**	**Interest cover covenant**
Covent Garden[2]	**2022-2037**	**690.0**	**60%**	**120%**
Lillie Square	**2021**	**5.6**	**75%**	**n/a**
Total		**695.6**		

1. The loan values are the nominal values at 31 December 2020 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.

2. Covent Garden comprises £705 million unsecured revolving credit facility ("RCF") maturing in December 2022, £565.0 million of which is undrawn at 31 December 2020, and £550.0 million Private Placement unsecured notes maturing between 2024 and 2037.

GLOSSARY

Alternative Performance Measure (APM)

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

Capco

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

Cash and undrawn committed facilities

Cash and cash equivalents plus undrawn committed facilities.

CDP

Carbon Disclosure Project Worldwide, a sustainability index. Capco participates in the CDP Climate Change Programme.

CLSA

Conditional Land Sale Agreement, an agreement with LBHF relating to its land in the Earls Court and West Kensington Opportunity Area. The CLSA was disposed of as part of the Earls Court Properties disposal on 29 November 2019.

Diluted figures

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

Earls Court

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

Earls Court Properties

The Group’s interests in the Earls Court area, comprising properties held in ECPL (up until disposal on 29 November 2019), Lillie Square (a 50:50 joint venture partnership with the Kwok Family Interests), the Empress State Building (up until disposal on 26 March 2018) and a number of smaller properties in the Earls Court area (a number of which were disposed on 29 November 2019).

ECPL

Earls Court Partnership Limited is the investment vehicle with TfL. The Group held 63 per cent controlling interest (up to disposal on 29 November 2019) and TfL holds 37 per cent. ECPL holds interests in EC1 & EC2 and other adjacent property primarily located on and around Lillie Road.

EPRA

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

EPRA earnings

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

EPRA earnings per share

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

EPRA net disposal value (NDV)

The net assets as at the end of the period including the excess of the fair value of trading property over its cost, revaluation of other non-current investments and the fair value of fixed interest rate debt over their carrying value.

EPRA net disposal value per share

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

EPRA net initial yield

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

EPRA net tangible assets (NTA)

The net assets as at the end of the period including the excess of the fair value of trading property over its cost and revaluation of other non-current investments, excluding the fair value of financial instruments and deferred tax on revaluations.

EPRA net tangible assets per share

EPRA net tangible assets divided by the diluted number of ordinary shares.

EPRA net reinstatement value (NRV)

The net assets as at the end of the period including the excess of the fair value of trading property over its cost and excluding the fair value of financial instruments, deferred tax on revaluations and diluting for the effect of those shares potentially issuable under employee share schemes plus a gross up adjustment for related costs such as Real Estate Transfer Tax.

EPRA net reinstatement value per share

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

EPRA topped-up initial yield

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

EPRA triple net asset value (NNNAV)

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

EPRA triple net asset value per share

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

EPRA vacancy

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

ESC

Environment, Sustainability and Community

Estimated rental value (ERV)

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

F&B

Food and Beverage.

FTSE4GOOD

FTSE4GOOD Index Series, hosted by FTSE Russell, a sustainability index to which Capco participates.

GCP

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

GEA

Gross external area.

Gross income

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

Headline earnings

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

HMRC

Her Majesty's Revenue and Customs.

IFRS

International Financial Reporting Standards.

Innova

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

JSE

Johannesburg Stock Exchange.

Kwok Family Interests (KFI)

Joint venture partner in the Lillie Square development.

Like-for-like property

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

Loan to value (LTV)

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

LSJV

The Lillie Square joint venture is a 50 per cent joint venture between the Group and Kwok Family Interests.

MSCI

Producer of an independent benchmark of property returns.

NAV

Net Asset Value.

Net debt

Total borrowings less cash and cash equivalents.

NIA

Net Internal Area.

Net debt to gross assets

Net debt divided by the Group's total assets excluding cash and cash equivalents.

Net rental income (NRI)

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

Net Zero Carbon

Net Zero Carbon means that the Company's total greenhouse gas (GHG) emissions would be equal to or less than the emissions the company removed from the environment.

Nominal equivalent yield

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

Occupancy rate

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

Passing rent

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

P.A.

Per annum.

Property income distributions (PIDs)

Distribution under the REIT regime that constitutes at least 90 per cent of the Group's taxable income profits arising from its qualifying property rental business, by way of dividend. PIDs can be subject to withholding tax at 20 per cent. If the Group distributes profits from their non-qualifying business, the distribution will be taxed as an ordinary dividend in the hands of the investors.

Real estate investment trust (REIT)

On 9 December 2019, Capital & Counties Properties PLC elected to convert to REIT status. A REIT is exempt from corporation tax on income and gains of its property rental business (qualifying activities) provided a number of conditions are met. It remains subject to corporation tax on non-exempt income and gains (non-qualifying activities) which would include any trading activity, interest income and development and management fee income.

Real Estate Transfer Tax

Purchasers' cost as included within the independent valuation of investment, development and trading properties.

RICS

Royal Institution of Chartered Surveyors.

SAICA

South African Institute of Chartered Accountants.

Section 106

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

Shaftesbury

Shaftesbury PLC.

Tenant lease incentives

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

TfL

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

Total property return (TPR)

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

Total return (TR)

The movement in EPRA NAV per share plus dividends per share paid during the period.

Total shareholder return (TSR)

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

Underlying earnings

Profit for the year excluding impairment charges, net valuation gains/losses (including profits/losses on disposals), fair value changes, net refinancing charges, costs of termination of derivative financial instruments and other non-recurring costs and income. Given the scale of the rental support provided to tenants in 2020, non-cash lease modification expenses and impairment of tenant lease incentives have been excluded from underlying earnings due to being highly material and at levels not experienced in the past nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude. Underlying earnings is reported on a Group share basis.

Underlying earnings per share (EPS)

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

Underlying net rental income

Net rental income excluding lease modification expenses and impairment of tenant lease incentives. Given the scale of the rental support provided to tenants in 2020, these balances have been excluded from underlying net rental income due to being highly material and at levels not experienced in the past nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude.

Weighted average unexpired lease term

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

Zone A

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