PRESS RELEASE

23 FEBRUARY 2022

CAPITAL & COUNTIES PROPERTIES PLC ("CAPCO")

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Covent Garden recovery underway, returning to growth

Ian Hawksworth, Chief Executive of Capco, commented:
"We are pleased with the strong level of leasing demand for Covent Garden which has contributed to a valuation uplift in the second half. With footfall continuing to increase, customer sales approaching 2019 levels and our creative approach, Covent Garden is the most vibrant district in the West End and is well-positioned for further rental growth.

Capco has a strong balance sheet, enabling us to further invest in our estate to accelerate value creation as well as take advantage of market opportunities. We look ahead with confidence to continued progress in 2022 to generate long-term returns for shareholders from our unique portfolio of West End investments."

Key financials

- Total equity of £1.8 billion (2020: £1.8 billion)
- EPRA NTA 212.4 pence per share (2020: 212.1 pence per share)
- Total property return 1.5 per cent (2020: -24.4 per cent)
- Total shareholder return 16.5 per cent (2020: -44.3 per cent)
- Total property value £1.8 billion, a decrease of 1.3 per cent (like-for-like) (2020: £1.9 billion)
- Group net debt to gross assets ratio of 24 per cent (2020: 28 per cent)
- Underlying net rental income increased to £52.3 million (Dec 2020: £43.6 million)
- Underlying earnings per share 0.5 pence (2020: -0.7 pence per share)
- Proposed final 2021 dividend of 1.0 pence per share resulting in a full-year dividend of 1.5 pence per share

Covent Garden portfolio valuation growth in H2 2021

- The independent property valuation of Covent Garden was £1.7 billion, representing a like-for-like increase of 4.6 per cent in the second half of the year and an overall movement of -0.6 per cent for the full year (2020: £1.7 billion)
- The second half movement was driven by an increase of 3 per cent in ERV on a like-for-like basis as well as a reduction in the equivalent yield of 5 basis points on a like-for-like basis to 3.88 per cent
- The valuer's assumption on loss of near-term income has been reduced from £11 million at 30 June 2021 to £nil
- Realised proceeds from the sale of Covent Garden assets totalling £95 million (before costs)

Strong leasing momentum driving rental growth

- 60 new leases and renewals were agreed representing £11 million contracted income, in line with previous passing rents
- H2 2021 leasing transactions representing £5 million income, slightly ahead of June 2021 ERV
- Positive start to 2022, leasing pipeline with £3.8 million of income under offer
- Leasing success with our targeted categories including new signings from TAG Heuer, Glossier and Uniqlo
- Creative asset management unlocking value and enhancing sustainability profile of the assets
- EPRA vacancy at 2.6 per cent (Dec 2020: 3.5 per cent)
- 14 new openings across the estate including Glossier, Ave Mario and 3 Henrietta Street
- Overall customer sales for the second half of 2021 approaching 2019 levels, with certain categories including premium and luxury outperforming
- Improving rent collections with 92 per cent of December 2021 to March 2022 quarter collected, 75 per cent of 2021 rents collected (adjusted for monthly payment plans) (2020: 68 per cent)
- Pedestrianisation of key streets extended; al fresco dining providing over 1,000 covers in total
- Innovative cultural programme; digital growth and engagement, public art installations and global brand partnerships driving footfall and spend

Delivering environmental and social value

- Detailed pathway to Net Zero Carbon by 2030 published
- Improving EPC ratings across the estate through incremental refurbishment
- Commitment to enhancing air quality with continued pedestrianisation of streets around the Piazza
- Customer engagement programme on carbon, water and waste, intending to reduce environmental impact
- Partnership with the Wild West End, a charitable partnership which aims to enhance the quality of green space and the local environment
- Employee survey completed with high levels of engagement reported
- Support provided to homelessness charities, local food banks and the elderly as well as hospitality, retail and cultural foundations
- Oversight of Environment, Sustainability and Community ("ESC") strategy by Board Committee

Other investments

- Investment in Shaftesbury PLC valued at £596 million (Dec 2020: £552 million), compared with a £501 million acquisition cost; dividend income of £2.3 million in July 2021 and £3.9 million since year-end
- Lillie Square property value of £86 million (Capco share), a decrease of 14.1 per cent (like-for-like) since 31 December 2020. Joint venture net cash position £44.6 million (£22.3 million Capco share)
- Final £15 million of deferred consideration from the Earls Court sale received in November 2021

Strong balance sheet and significant financial flexibility

- Covent Garden net debt of £254 million (Dec 2020: £352 million) and loan to value ratio of 15 per cent (Dec 2020: 19 per cent)
- Group net debt of £599 million (Dec 2020: £710 million) and net debt to gross assets of 24 per cent (Dec 2020: 28 per cent)
- Access to Group liquidity comprising undrawn facilities and cash of £652 million (Dec 2020: £1 billion)
- Completion of a new £300 million unsecured revolving credit facility for Covent Garden, replacing the previous facility which was due to mature in December 2022
- Early repayment of £75 million nominal of private placement loan notes due to complete shortly
- Weighted average maturity on drawn debt of 4.9 years (Dec 2020: 5.4 years) and average cost of debt of 2.8 per cent (Dec 2020: 2.6 per cent)

KEY FINANCIALS

	2021	2020	2019
Equity attributable to owners of the Parent	**£1,786m**	£1,760m	£2,478m
Equity attributable to owners of the Parent per share	**209.8p**	206.8p	£290.0p
0.4% Total return in 2021 (2020: -27.2%) (2019: -9.6%)			
EPRA net tangible assets	**£1,810m**	£1,806m	£2,506m
EPRA net tangible assets per share	**212.4p**	212.1p	292.9p
Dividend per share	**1.5p**	–	1.5p
1.5% Total property return in 2021 (2020: -24.4%) (2019: -5.4%)			
Property market value[1]	**£1,815m**	£1,942m	£2,774m
Net rental income from continuing operations[2]	**£46.4m**	£15.8m	£61.2m
Profit/(loss) for the year attributable to owners of the Parent	**£29.3m**	-£702.7m	-£253.6m
Headline earnings/(loss) per share	**5.3p**	-1.3p	-2.2p
Basic earnings/(loss) per share[3]	**3.4p**	-82.6p	-29.7p
Underlying earnings/(loss) per share[4]	**0.5p**	-0.7p	1.0p

1. On a Group share basis. Refer to Property Data on page 65 for the Group's percentage ownership of property.
2. On a Group share basis. Refer to note 2 "Segmental Reporting" on page 39.
3. From continuing and discontinued operations. Refer to note 15 "Earnings Per Share and Net Assets Per Share" on page 47.
4. From continuing and discontinued operations. Refer to note 3 'Underlying Earnings' on page 41.

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	Director 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 to analysts and investors will take place today at 10:00am at the offices of UBS, 5 Broadgate, London, EC2M 2QS. The presentation will also be available to analysts and investors through a live audio call and webcast and after the event on the Group's website at www.capitalandcounties.com

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

CHIEF EXECUTIVE'S REVIEW

Overview

Capco's actions, commitment and creativity during the pandemic have positioned the Company strongly for recovery and are generating positive results. During summer 2021, we indicated that the worst of the pandemic may be behind us and I am pleased to report Covent Garden has had a strong second half of 2021. Through our successful leasing strategy, promotional activities and welcoming pedestrianised open air environment, Covent Garden is positioned as the West End's most vibrant destination. Despite the backdrop of the Omicron variant, consumers continued to be attracted to the estate in the run up to Christmas. There was strong footfall and spend with overall sales for the second half of the year nearing pre-pandemic levels with our targeted categories including luxury and premium amongst the highest performing.

We are pleased by the resilience of our high quality line-up. Converting demand into new leasing transactions has resulted in a stronger customer line-up and contributed to a valuation uplift in the second half. Covent Garden's fundamentals and enduring appeal give us confidence in the long-term growth prospects of the business. We continue to invest in asset management activities which will accelerate value creation across the estate. Among Covent Garden's key differentiators are its largely pedestrianised environment and the heritage Piazza offering secure public areas. We are delighted with the confirmation that many of the streets will continue to be pedestrianised as part of the estate's al fresco scheme offering over 1,000 seats in total.

We have made good progress implementing our extensive ESC agenda overseen by the Board Committee. Our pathway to achieving Net Zero Carbon by 2030, setting out detailed targets, was published during the year. As a long-term steward of the Covent Garden estate, Capco recognises the urgent action demanded by the risk posed by climate change. Capco takes a holistic approach to responsible stewardship and tackling climate change through promotion of heritage retrofitting, energy efficiency and waste management initiatives.

Having reshaped the organisation over recent years, we have continued to drive efficiencies, whilst maintaining a very hands-on approach to management of Covent Garden and other investments. I would like to thank every employee for their commitment and resilience demonstrated over the last year.

Capco is very well-positioned financially with access to substantial liquidity, enabling it to take advantage of opportunities commensurate with strategy. We look ahead with confidence to continued progress in 2022 and in the long-term prospects of the Covent Garden estate and London's West End.

Driving value creation

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

Capco has assembled the Covent Garden portfolio over a period of 15 years. As a long-term steward of the Covent Garden estate, Capco has taken a creative approach with strategic 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 has 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 promotes value creation opportunities whilst maintaining financial and investment discipline.

Substantially all of the Company's property value is within prime central London through the Covent Garden business, which is currently independently valued at £1.7 billion as well as the Shaftesbury investment which is valued at £596 million. Capco has a strong track record of accretive investment and aggregation of ownership in the Covent Garden area and it is intended that opportunities to expand our ownership 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 adjacent areas, the disposal of non-strategic assets and distributions to shareholders as appropriate.

The Group realised £133 million of net proceeds in 2021 through disposals, maintaining its disciplined approach to investment and capital management. We have disposed of non-strategic assets, principally located on the periphery of the Covent Garden estate. In addition, the final £15 million deferred consideration from the sale of Earls Court was received, as well as disposal proceeds in the Lillie Square joint venture.

During the year, Capco completed a new £300 million unsecured revolving credit facility for Covent Garden, replacing the previous facility which was due to mature in December 2022. The new facility is fully undrawn and in combination with cash deposits, provides the Group with access to significant liquidity. In addition, proceeds from Lillie Square disposals have been used to repay its loan facility in full. The joint venture is in a cash position of £44.6 million (£22.3 million Capco share).

Capco has a strong balance sheet. Group net debt of £599 million resulted in a net debt to gross assets ratio of 24 per cent, whilst Covent Garden's loan to value ratio is 15 per cent and net debt is £254 million. The Board has set an upper limit on balance sheet leverage of up to 40 per cent, represented by the net debt to gross assets ratio. Although interest cover covenant waivers in respect of 2021 were agreed with the Covent Garden lenders to address interruption to near-term income, the interest cover ratio in relation to the Covent Garden debt for 2021 was comfortably ahead of the covenant level.

Notwithstanding disruption to business activity caused by COVID-19 and certain upward cost pressures, Capco has reported underlying administration costs under £20 million for the 2021 financial year. Costs will continue to be closely managed, however inflationary pressures are expected to result in an increase in the near-term.

Dividend

The Board is proposing a final dividend of 1 pence per share generating a total dividend of 1.5 pence per share. Our objective is to generate superior returns for our shareholders over the long-term through investment in central London real estate with a dividend policy to be progressed with growth in underlying earnings.

Improving market indicators

The enduring appeal of Covent Garden was demonstrated by a gradual recovery in footfall and trade following the lifting of measures from April 2021. The roll out of the vaccination and subsequent booster programme have enabled the gradual return of footfall, resulting in a return of consumer and business confidence as well as more normal patterns of activity.

Capco has been pleased by the level of activity with a significant number of customers noting higher conversion rates and larger basket sizes. Overall customer sales are outperforming footfall. Footfall for the second half of the year was approximately 70 per cent of 2019 levels, however overall sales in the second half were approaching 2019 levels with certain categories including premium and luxury outperforming. This has been achieved in a period with limited international travel and office occupation which has been offset by a significant rise in the number of domestic tourists and Londoners. This domestic demand and expected return to more normal international footfall provides confidence as to further rental growth prospects.

Strong leasing momentum driving rental growth

Throughout the COVID-19 period, Capco maintained high occupancy levels reflecting the strength of demand for its prime central London real estate. Capco introduced 16 new retail and F&B brands to the estate successfully converting the strong pipeline into leasing transactions. We closely monitor consumer and retail trends, ensuring our offer reflects consumer demand thereby positioning us for growth and ensuring Covent Garden appeals to the customer of the future as well as the customer of today.

Retailers continue to seek space in the best global locations with complementary businesses and values. Covent Garden provides a broad range of unit sizes and price points, ensuring it attracts a wide spectrum of retail and hospitality customers.

Scale and concentrated ownership provides a number of benefits including managing a curated customer line-up of complementary brands. Capco has achieved leasing success in a number of targeted categories. Luxury brand TAG Heuer has agreed terms to open on James Street joining luxury brand Tiffany & Co. Bespoke jewellery brand Vashi opened its new London flagship store while Bucherer has opened in a new prominent location in the Royal Opera House Arcade having doubled the size of its original site. We are pleased to have signed digitally native brands Glossier and Reformation both of which have chosen Covent Garden for their new London flagship stores.

Global apparel brand Uniqlo has agreed terms to occupy a new anchor flagship store spanning 22,000 square feet with dual frontage on Long Acre and Floral Street. High quality brands continue to invest in the estate with a number of new openings including three new restaurants on Henrietta Street, Ave Mario, Mrs Riot and a multi-brand F&B concept 3 Henrietta Street. Existing customers are expanding their operations, with the Experimental Group, who are the operators of the Henrietta Hotel, set to open a new late night live music and dining concept on the Piazza.

Capco has always taken a creative approach, providing high quality concepts the opportunity to trade on the estate, which have transitioned into longer term occupation. A selection of short-term leases have converted into longer term opportunities including Kickgame, Floozie and The Gentlemen Baristas. Covent Garden continues to attract London first concepts including Rails, Empresa and Guerlain.

We continue to implement our market leading estate marketing and communications strategy. This is enhanced by our advanced digital channels, partnering with retail and dining brands as well as cultural partners and a programme of activity to promote both Covent Garden and the West End. The team successfully pivoted our marketing strategy to capture the domestic visitor and hosted an extensive calendar of activities throughout the year alongside strategic partnerships with The Royal Opera House, American Express, Disney and LEGO®.

Valuation and performance

Capco's total shareholder return for the year, which comprises share price performance plus the dividends paid during the year, was 16.5 per cent, and total return for the year, which represents the change in net assets plus the dividends paid during the year, was 0.4 per cent.

The total property valuation of the Group declined by 1.3 per cent (like-for-like) in the year to 31 December 2021 to £1.8 billion. The valuation of the Covent Garden estate increased by 4.6 per cent like-for-like to £1.7 billion in the second half of the year and there was an overall movement of -0.6 per cent for the full year. The main contributors to the growth in the second half were an ERV increase of 3 per cent on a like-for-like basis to £76.2 million, reflecting the positive leasing activity and high occupancy levels across the estate, as well as a reduction of 5 basis points in the equivalent yield on a like-for-like basis to 3.88 per cent. The valuer's assumption on loss of near-term income has been reduced from £11 million to nil.

Underlying net rental income increased by 23.7 per cent like-for-like compared with December 2020. 60 new leases and renewals representing £11 million of rental income completed in the year. EPRA vacancy has reduced to 2.6 per cent (2020: 3.5 per cent).

Capco's investment at Lillie Square decreased in value by 14.1 per cent (like-for-like) to £86 million at 31 December 2021.

Property valuations

	Market Value 2021 £m	Market Value 2020 £m	Valuation Change Like-for-Like[1]
Covent Garden	**1,729**	**1,825**	-0.6%
Other[2]	**86**	**117**	-14.1%
Group share of total property[3]	**1,815**	**1,942**	-1.3%

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 16 'Property Portfolio'.

CBRE has undertaken an independent valuation of the Covent Garden estate. The total valuation of the estate is £1,729 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.

Sustainability, environment and stakeholders

Capco recognises the urgent responsibility to tackle climate change and this is reflected in our 2030 Net Zero Carbon target. We have a strong track record of supporting our stakeholders and positioning the estate sustainably. This is actioned through key initiatives such as our continued investment in our heritage buildings, delivery of enhanced pedestrianisation and an extensive greening programme.

We are proud of our passionate and talented people who will deliver our ESC ambitions through proactive engagement and mutual understanding with our partners and stakeholders to create and maintain a vibrant, thriving environment in which Covent Garden and all our stakeholders can flourish.

Capco has developed its extensive ESC strategy, supported and overseen by a Board Committee, and committed to achieve Net Zero Carbon by 2030. Our sustainability credentials and strategy are increasingly a feature of leasing discussions with potential occupiers preferring to locate with a responsible owner. We are focused on promoting a cleaner, greener estate through enhanced air quality, biodiversity, energy efficiency and waste management initiatives. We will be working even more closely with customers in the years ahead to help deliver our shared sustainability goals.

Being a good neighbour is important to us and we continue to focus on our community programme prioritising initiatives and charity partners in Covent Garden. This includes the provision of financial aid supporting homelessness, food banks and the elderly as well as hospitality, cultural and retail foundations.

Covent Garden's extensive al fresco offering was integral to supporting the recovery of hospitality in London's West End and we are pleased by the level of local community support for the extension of this unrivalled scheme. This offer emphasises Covent Garden's position as London's leading outdoor dining destination and supports our drive to improve air quality across the estate.

Our people

Our people 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.

Our people conduct day-to-day activities guided by a core set of Company values which are to be: collegiate, supportive and inclusive; environmentally and socially responsible; high performance and entrepreneurial; innovative and creative; and professional, we act with integrity and hold ourselves to the highest standards.

We continued to support our employees through regular Company-wide meetings, business updates and seminars focusing on well-being, diversity, equality and inclusion initiatives. During the year Capco conducted an employee survey, which received both very high engagement scores and a very high response rate of over 90 per cent, as well as high scores in most areas. The employee survey results demonstrated Capco's entrepreneurial and dynamic culture with strong and positive performance. A number of employee-led working groups have been established to consider matters highlighted in the survey results and recommendations will be brought forward for implementation as appropriate.

Other investments

Our investment in Shaftesbury PLC represents a unique opportunity to own a significant stake in a mixed-use real estate portfolio, adjacent to Capco's world-class Covent Garden estate. Capco took decisive action in 2020 to make the investment which has generated a capital return of 19 per cent (before costs) since acquisition and is now also generating dividend income. Capco aims to maximise the strategic and economic value of its investment which was made at an attractive entry price in terms of the implied real estate value. The investment provides the opportunity to benefit from the recovery of the broader West End and is consistent with Capco's strategy to invest in complementary opportunities on or near the Covent Garden estate.

The final £15 million of deferred consideration from the sale of Earls Court was received in 2021. The Lillie Square joint venture continues to progress with the sale of 25 units completed during the year representing £47 million. Capco share of Lillie Square properties was valued at £86 million at 31 December 2021 (2020: £117 million), and the joint venture is in a cash position of £44.6 million (£22.3 million Capco share).

Outlook

Early action has positioned the business strongly to benefit from recovery. Our successful implementation of leasing, public realm and marketing strategies has delivered the opportunity for growth. Throughout the pandemic our team has worked hard to maintain high occupancy. We are pleased with the levels of leasing activity and improving market indicators which have contributed to a valuation uplift.

We will look to increase investment across the estate on repositioning opportunities to accelerate value creation. Further to this, we are tracking a number of targeted acquisitions in the surrounding area to expand our ownership. With our strong customer line-up and leasing pipeline, Covent Garden is well-positioned for further rental growth. Whilst there are prevailing economic headwinds, the West End economy is strongly placed to benefit from the continued normalisation of business and consumer activity.

We will continue to focus on responsible stewardship, implementing our ESC strategy and working to achieve our Net Zero Carbon target by 2030.

Through our long-term vision, entrepreneurial culture and strong balance sheet we have positioned the business for recovery and growth. We look ahead with confidence to continued progress in 2022 and in the long-term prospects of the Covent Garden estate and London's West End.

Ian Hawksworth

Chief Executive

22 February 2022

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, across 71 buildings and 503 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 within a heritage setting.

Performance

The UK was in its third national lockdown for the first quarter of the year prior to the initial reopening in April and May. Against this backdrop, the Covent Garden portfolio was valued at £1,688 million at 30 June 2021, a like-for-like capital decline over six months of 4.9 per cent. The total valuation decline since 31 December 2019 was 31 per cent (like-for-like), comprising a 26 per cent ERV decline and 28 basis point outward yield movement.

The valuation of the estate increased by 4.6 per cent like-for-like to £1.7 billion in the second half of the year and there was an overall movement of -0.6 per cent for the full year. The second half movement was driven by an increase of 3 per cent in ERV on a like-for-like basis reflecting the positive leasing activity and high occupancy levels across the estate as well as a reduction in the equivalent yield of 5 basis points on a like-for-like basis to 3.88 per cent. The valuer's assumption on loss of near-term income has been reduced from £11 million to nil.

Capco has over many years adopted a flexible approach to commercial arrangements with customers including features such as turnover related and shorter leases, which has enabled the business to drive change and continue to reposition the estate. Many of these short-term concepts have transitioned into longer term occupation. The new concepts introduced continue to include both long and shorter-term arrangements, providing the opportunity for both Capco and the customer to benefit from increased sales over time. 60 leasing transactions representing £11 million contracted income (2020: £6.2 million) completed during the year. There were a range of leasing transactions, with terms improving in the second half of the year. 29 leasing transactions took place in the first half, 6 per cent below 31 December 2020 ERV and 31 transactions took place in the second half, 0.6 per cent ahead of 30 June 2021 ERV. In addition to the 60 transactions there were a number of shorter-term lettings, many of which have extended into longer-term opportunities.

Underlying net rental income was £52.1 million for the year, compared with £44.1 million for 2020. Income collection was impacted by the limited ability for the majority of our customers to trade for much of the first half of the year. Capco's direct relationships with customers enabled the business to take a proactive approach and maintain the strong customer line up, ensuring that tenant failures have not been a material feature over the COVID-19 period. As a long-term investor in the estate, customer support was provided in the first half of 2021 on a case-by-case basis and extended into the second half for a selection of customers where appropriate, but on a reduced basis. Rent collection improved in the second half along with the gradual recovery in footfall and sales. Overall 75 per cent of rent has been collected in respect of the year (69 per cent for the first half and 82 per cent for the second half). 92 per cent of the December 2021 to March 2022 quarter has been collected (adjusted for monthly payment plans).

Covent Garden continues to attract high quality brands and operators. At 31 December 2021, EPRA vacancy was 2.6 per cent (2020: 3.5 per cent). 5.8 per cent of ERV is in or is held for development or refurbishment (2020: 6.5 per cent).

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 49 per cent of the portfolio by value. Capco's retail strategy is to focus on concepts relevant to the consumer in targeted categories with a strong omni-channel presence. These targeted categories include luxury, jewellery, digitally native and sustainable.

Retailers continue to adapt to changes in consumer shopping behaviour. Successful retailers will continue to need physical stores to build brand awareness, customer capture and retention. Retailers are more focused on fewer stores, placing more emphasis on global destinations, customer experience, service and flagship retailing with better digital engagement. Covent Garden offers a unique customer experience, utilising the historic Piazza through events and cultural installations to drive estate recognition and brand engagement.

There continues to be strong demand for Covent Garden from a broad mix of occupiers including independent and global brands with many continuing to choose Covent Garden as their first or only London presence.

Following the success of Glossier's Floral Street pop-up store in 2019, the digital-first beauty company signed a long-term lease and opened its flagship store on King Street. Glossier is a millennial favourite with a cult online following.

Sustainable fashion brand Reformation has agreed terms to open a new London flagship store on King Street. Reformation is a lifestyle brand which combines stylish, vintage-inspired designs with sustainable practices. Its designs are 100 per cent water, waste and carbon neutral, with a commitment to being climate positive by 2025.

Global apparel brand Uniqlo has agreed terms to occupy a flagship London store located at a new site combining 19-21 Long Acre and Carriage Hall on Floral Street spanning 22,000 square feet with dual frontage.

Luxury watch brand TAG Heuer has agreed terms to open a store on James Street joining bespoke jewellery brand Vashi which opened its new London flagship store. This new signing joins established luxury brands Tiffany & Co. and Bucherer, which opened its larger store in a new prominent location in the Royal Opera House Arcade.

Los Angeles-based contemporary lifestyle brand Rails will open its first London store on Floral Street while fashion brand Empresa has signed on Henrietta Street. Following the success of its pop-up store, Kickgame have converted their occupation into a long-term lease selling designer sneakers and streetwear.

The Market Building continues to attract target categories with designer accessories brand Strathberry, gold jewellery boutique Sacred Gold and contemporary jewellery brand e&e all taking space. Outdoor apparel brand Arc'teryx opened a new store on Long Acre.

Capco continues to attract digital brands seeking their first physical space in Covent Garden. Digitally native beauty brand Lisa Eldridge and fragrance brand Guerlain opened at the Royal Opera House Arcade.

At 31 December 2021, five retail units, over 8,700 square feet, were available to let (ERV: £1.3 million). Eight retail units with a combined ERV of £2.6 million were under offer.

Dining

Demand for hospitality space has continued throughout the year. With limited vacancy across the Covent Garden estate, the F&B space attracts multiple potential occupiers. The estate offers a diverse range of high quality innovative food concepts, from casual to premium, and is one of London's best dining destinations.

The majority of restaurants offer high quality and experience, often with an all-day offer, with many brands choosing Covent Garden as their first 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 25 per cent of the portfolio by value.

A number of new dining concepts have been introduced during the year. Ave Mario by Big Mamma restaurant group, which is behind successful London venues Gloria and Circolo Popolare, has opened a vibrant restaurant offering a traditional Italian trattoria experience. The 227 cover restaurant with dual frontage on Henrietta Street and Maiden Lane is split over two floors and includes two terraces and an inner courtyard.

Experimental Group has agreed terms to open its new late night live music and dining concept, taking over the former Roadhouse site on the Piazza. The group, which already operates the Henrietta Hotel, has expanded its footprint, a positive endorsement for the trading prospects of the estate.

Refurbishment of a townhouse at 3 Henrietta Street completed during the year with the building now home to a new multi-brand F&B concept, which includes Pivot and El Ta'Koy restaurants, along with all-day café Lilly's and a coffee house by The Gentlemen Baristas.

Following the change of use at 10 Henrietta Street from retail to F&B, Mrs Riot has opened an experience-led bistro and cocktail bar offering live entertainment every day of the week with interiors designed by Hollywood film designer Sonja Klaus. Vegan cookie brand Floozie Cookie, from former Claridge's pastry chef Kimberly Lin, opened in December 2020 on a short-term lease, and has since converted into a longer lease within the Market Building.

WatchHouse Coffee has agreed terms to open a café in the space formerly occupied by Café Nero on Southampton Street, while Greggs have taken space on the Strand. Bullards Spirits opened in the Market Building offering tasting workshops. The latest introductions further enhance Covent Garden's attractiveness as a dining destination.

At 31 December 2021, there were two restaurants available to let, over 6,600 square feet and with an ERV of £0.4 million. Two restaurants with combined ERV of £0.3 million were under offer.

Office

Covent Garden has a contemporary office portfolio ranging from warehouses to newly refurbished space, offering both multi-tenanted and single occupancy workspace. The portfolio attracts financial services, technology, creative industries and SMEs.

Office space represents 16 per cent of the portfolio by value. As a result of the pandemic, physical occupation of office space in central London has been low however over recent weeks increasing numbers of office workers have returned to central London.

There continues to be increased demand for 'plug and play' space in the London office market. A number of these spaces have been introduced across the estate in recent years.

Businesses will continue to require high quality space in desirable mixed-use destinations to attract staff to the office. This is one of the strengths of the estate which is surrounded by high quality retail and F&B options as well as offering a secure environment.

At 31 December 2021, there were two units available to let, over 1,300 square feet and with an ERV of £0.1 million. Five units with a combined ERV of £0.9 million were under offer.

Residential

Covent Garden is established as a premium residential address. Residential space represents 7 per cent of the portfolio by value. During the pandemic there had been an increased level of vacancy across the portfolio with many overseas residents in particular not renewing tenancies. However there was strong leasing demand for residential accommodation across the estate in the second half of 2021, with the portfolio fully let compared to 14 vacant units at 31 December 2020.

Accelerating value creation through active asset management

Capco continues to make improvements to its buildings, adapting to changing requirements and enhancing environmental performance. 3 Henrietta Street has been transformed into an F&B townhouse let to a multi-brand F&B concept. In addition, refurbishment of 29-30 Maiden Lane completed and Big Mamma's restaurant opened in July 2021.

During the COVID-19 period, Capco maintained a prudent balance sheet, preserving liquidity, with a lower level of development expenditure. This year Capco will increase investment in the estate across a number of asset management initiatives. At 31 December 2021, space held for, or under, refurbishment extended to 71,500 square feet and represented 5.8 per cent of total ERV.

Ongoing activity includes office refurbishments at 35 King Street and 5-6 Henrietta Street which are expected to come to market later this year. Capco is also in detailed design and planning phase on a number of new schemes which include two office to F&B conversions on Maiden Lane and Bedford Street, a flagship F&B townhouse on King Street and an office refurbishment on Long Acre.

Capco continues its disciplined approach to capital allocation. During the year Capco generated proceeds of £95 million from the sale of Covent Garden assets.

In June 2021, Capco completed the sale of two freehold properties 26-27 Southampton Street and 30-32 Southampton Street to a private investor for £50.2 million (before costs). The properties comprise a greater proportion of larger residential units and have been sold at a price representing a capital value of £1,775 per square foot. The buildings comprise 17 residential apartments and two retail units across 28,000 square feet located on Southampton Street.

In December 2021, Capco completed the sale of the freehold interest in 31-33 Bedford Street for a total cash consideration of £39.5 million (before costs). The property comprises approximately 25,000 square feet of lettable area and benefits from a variety of existing uses including a long-let hotel with retail and F&B uses at ground level. In addition, Capco completed the disposal of a residential apartment on King Street for £5.0 million (representing over £2,300 per square foot). The disposals were 5 per cent ahead of the 30 June 2021 valuation.

The sale proceeds will be used for general corporate purposes as well as for investment in opportunities as they arise, with a number of properties on or around the estate being actively tracked for repositioning potential. Total disposals had a combined ERV of £3.3 million and £2.9 million passing rent at the point of disposal.

Acquisition opportunities have remained limited with assets in the area tightly held underpinning the enduring appeal of the West End. However as the market continues to recover, more opportunities are likely to arise. Capco has a strong balance sheet and access to significant liquidity to take advantage of such opportunities. There are a number of properties on or around the estate being actively tracked for repositioning 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.

Consumer engagement and positioning a world-class estate

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. Similar to 2020, Capco's reopening strategy was centred on providing its customers the confidence to reopen and encouraging visitors to return, whilst protecting the estate and ensuring its attractiveness over time. Customer sales data has improved significantly with positive trajectory throughout the second half of the year including the important Christmas trading period.

Capco's investment in digital marketing over recent years has resulted in strong digital engagement, with 600,000 followers across its ten social media channels. In order to sustain and enhance demand from customers and visitors during the lockdown period, Capco continued to engage directly with the consumer with a curated schedule of digital-first experiences to bring Covent Garden to everyone at home through a new digital activity hub.

To support the reopening of the estate an art installation by London-born artist Lakwena was launched with a series of flags made with recycled yarn from ocean waste emblazoned with the message "Nothing Can Separate Us" installed across King Street.

A cultural programme was launched including a series of public art installations, al fresco dining seats and a botanical garden outdoor picnic area. To coincide with the reopening of indoor hospitality, Capco launched a Rosé Festival with a selection of pop-up bars and terraces across the Piazza. Covent Garden hosted a six-week-long street food festival in partnership with Feast It with a weekly changing roster of dining experiences.

In July 2021, Capco partnered with The Royal Opera House ("ROH") for a month long festival of creativity 'ROH Unlocked' with a schedule of open-air performances showcasing ballet and opera on the Piazza. This coincided with the Covent Garden Summer Festival which included a Fever Tree Spritz Bar, Wimbledon screenings and a revolving selection of street food brands.

Over the summer months, Covent Garden benefited from the increased number of domestic visitors and pivoted promotional activity accordingly including hosting a number of family-friendly activations. In addition, Covent Garden was the home of British Beauty Week and London Cocktail Week offering immersive experiences. Larger scale exhibitions included the installation in the Market Building by artist Chila Burman and with giant dog balloon sculptures by London based artist Sebastian Burdon across the Piazza.

Following the launch of Covent Garden's Christmas digital activity, the website recorded its highest level of traffic since inception, with consumers planning their visits to Covent Garden.

Covent Garden launched its extensive Christmas programme of activities including brand partnerships with Disney's Frozen the Musical and LEGO® providing must-see family attractions. A Covent Garden Christmas Village opened on the Piazza including a festive food market, a winter forest archway and Santa's sleigh. The Piazza also housed luxury igloos offering festive dining experiences.

American Express chose Covent Garden as its only London location for an American Express Winter World lounge. During the first three weekends in December, American Express welcomed visitors to the lounge located on Floral Street, offering guests luxury gift wrapping workshops and festive refreshments.

Sustainability, environment and stakeholder engagement

As a long-term steward of the Covent Garden estate, Capco aims to make Covent Garden a UK leader in sustainability for heritage environments by delivering positive environmental and social outcomes that enhance value for stakeholders while protecting the unique character of the estate. In February 2021, Capco renewed its commitment to Environment, Sustainability and Community initiatives by launching a new ESC strategy, supported by a Board Committee.

Capco recognises the risk posed by climate change which requires urgent action this decade. Capco has committed to becoming Net Zero Carbon by 2030 which requires the reduction of carbon emissions across its portfolio. The best way of achieving this is to work collaboratively with stakeholders, an approach which is at the heart of Capco's business. Capco's Pathway has been developed in line with the Better Building Partnership Net Zero Carbon Framework.

Capco's approach recognises that its heritage buildings represent a long-term store of carbon. The Group will leverage the existing embodied carbon by making effective improvements to its buildings. There are five key activities:

- 50 per cent reduction in embodied carbon emissions by prioritising innovative refurbishment using sustainable materials and Whole Life Carbon assessments
- 60 per cent reduction in operational carbon intensity by driving down energy demand
- Prioritise innovation and renewables through new technologies and energy initiatives as well as working with an innovative supply chain
- Enhance climate adaptation and resilience to improve building resilience
- Residual emission offsetting using certified schemes

Capco is committed to transparent reporting through recognised indices. For the third year in a row Capco has been awarded EPRA sBPR Gold. Capco also improved its GRESB score by 10 per cent, resuming its green star rating, and our CDP rating has risen to B, indicating the coordinated action we are taking on climate issues. In addition, our co-ordinated work across our ESC strategy resulted in an improved S&P Global CSA benchmark score, an uplift to our MSCI Index to BBB and for the first time Capco has secured a Prime rating from the ISS ESG Rating. Capco continues to report under FTSE4Good.

During the year, Capco commenced a customer engagement programme to inform and identify opportunities to lower carbon impacts across the estate and collaborate to minimise water consumption and waste generation. Capco aims to minimise its own impact on the environment by employing an active approach to reducing traffic and congestion therefore enhancing air quality.

Capco works with neighbouring property owners, businesses, local authorities and residents and this year has become a partner of Wild West End, a not-for-profit partnership which aims to enhance the quality of green space and the local environment for people and wildlife across Westminster. As a result, the first ecological survey of the Covent Garden estate has been undertaken in partnership with Wild West End and the London Wildlife Trust.

Capco continues to encourage Covent Garden visitors to make better environmental choices and supports its restaurants and retailers in their efforts to become more sustainable. Throughout 'Plastic Free' July various programmes were implemented across the estate to tackle plastic waste. Covent Garden's sustainability efforts have also been extended to its greening programme which has introduced thousands of new plants across the estate, alongside reducing plastic wastage by over 60 per cent and eliminating the use of peat compost. In addition, Capco launched an urban farm in partnership with Square Mile Farms which is an interactive way for the local community and visitors to engage on sustainable low carbon urban farming.

Throughout COVID Capco did not furlough any of its employees nor has it taken up any other Government support measures. During 2021, Capco conducted an employee survey which received both very high engagement scores and a very high response rate of over 90 per cent, as well as high scores in most areas. The survey covered the following topics: working at Capco, corporate strategy (including sustainability) and support, dealing with the pandemic, new ways of working and a feedback section. The employee survey results demonstrated Capco's entrepreneurial and dynamic culture with strong and positive performance. A number of employee-led working groups have been established to consider matters highlighted in the survey results and recommendations will be brought forward for implementation as appropriate.

Capco continues to support local charities and community foundations including the Young Westminster Foundation "Mastering My Future" programme, which aims to raise young people's awareness of employment prospects, offering support skills, as well as the Covent Garden Dragon Hall Trust support programme. Financial aid is provided in support of homelessness, food banks, and the elderly as well as hospitality, culture and retail foundations. During November 2021, 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.

Future priorities

Capco will continue to drive rental growth and capital appreciation. Converting the levels of demand into new leasing transactions is a priority. Capco will continue to monitor closely consumer and retail trends through data and digital engagement, ensuring its offer reflects consumer demand thereby positioning the Company for growth. Continued investment in targeted opportunities will accelerate value creation across the estate. Further to this, Capco is tracking a number of interesting acquisitions in the surrounding area to expand its ownership.

We will work towards our ambition of becoming Net Zero Carbon by 2030 as well as 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

Capco has a 25.2 per cent shareholding in Shaftesbury PLC, comprising 96.97 million shares. Capco's blended entry price (before associated costs) for its investment in Shaftesbury is 517 pence per share at a cost of £501 million.

Capco's investment in Shaftesbury PLC shares was valued at £596 million based on the Shaftesbury PLC share price of 615 pence on 31 December 2021.

On 2 July 2021, Shaftesbury PLC paid an interim dividend of 2.4 pence per share, generating £2.3 million of dividend income and on 30 November 2021, Shaftesbury PLC declared a final dividend of 4.0 pence per share, generating £3.9 million dividend income which has been received post year end.

The Shaftesbury investment represents a significant stake in a mixed-use real estate portfolio of approximately 600 buildings, adjacent to Capco's world-class Covent Garden estate. The investment provides the opportunity to benefit from the recovery of the broader West End and is consistent with Capco's strategy to invest in complementary opportunities on or near the Covent Garden estate.

Lillie Square

Capco owns 50 per cent of the Lillie Square joint venture, a residential development located in West London.

The property valuation as at 31 December 2021 was £84 million (Capco share), a 14 per cent decline (like-for-like) against the 31 December 2020 valuation of £115 million. In addition, Capco owns £2 million of other related assets adjacent to the Lillie Square estate.

Development of Lillie Square is well-progressed. Handover of 231 Phase 1 units is complete, with three units available. The handover of Phase 2 continues with a total of 115 units handed over, representing £169.5 million of net cash proceeds (£85 million Capco share).

The sale of 25 units completed during the year representing £47 million. This includes the sale of 19 units and 20 car parking spaces for £38 million (£19 million Capco share) to a consortium of investors, representing the restructured bulk sale announced previously.

Sales proceeds have been used to repay the loan facility in full. The joint venture is in a cash position of £44.6 million (£22.3 million Capco share).

Earls Court deferred proceeds

The final instalment of the deferred consideration from the Earls Court sale totalling £15 million was received in November 2021.

FINANCIAL REVIEW

Whilst COVID-19 has continued to have an impact on the financial results of the Group, performance in 2021 showed improvement compared with 2020, and in particular in the second half of 2021 there were a number of encouraging indicators. These include an increase in ERV and the independent property valuation of Covent Garden. The valuation decline in the first half of the year, offset by an increase in the second half, resulted in an overall 0.6 per cent like-for-like reduction in the independent property valuation of the Covent Garden portfolio and a 1.3 per cent like-for-like reduction in the total valuation of the Group's share of property. The Group's net rental income has improved during the year to £46.4 million, an increase of 193 per cent compared to 2020 (or from £43.6 million to £52.3 million on an underlying basis).

The level of cash collection has also seen sustained improvement. Collection for the first quarter of 2022 stands at 92 per cent (adjusted for monthly payment plans) compared with 47 per cent at a comparable point in time for the first quarter of 2021 and looking back pre-pandemic, 98 per cent for the first quarter of 2020. Full-year collection, which includes two rental quarters affected by significant government restrictions, was 75 per cent (adjusted for payment plans).

The overall reduction in the independent property valuation of Covent Garden for the year of 0.6 per cent is reflective of prevailing market conditions with much of the first half of the year being affected by disruption to our customers' businesses followed by a recovery in activity levels and sentiment over the second half of the year. Despite the year ending with the backdrop of the Omicron variant, the independent valuer has recognised improved leasing and investment market conditions. The second half movement in valuation was driven by an increase of 3 per cent in ERV on a like-for-like basis reflecting the positive leasing activity and high occupancy levels across the estate as well as a reduction in the equivalent yield of 5 basis points on a like-for-like basis to 3.88 per cent, together with a reduction in the adjustment for loss of near-term income from £11 million as at 30 June 2021 to nil at the year end (31 December 2020: £27 million).

Overall EPRA NTA (net tangible assets) per share increased by 0.2 per cent during the year, from 212.1 pence at 31 December 2020 to 212.4 pence. Combined with the 0.5 pence per share dividend paid to shareholders during the year, the total return for the year is 0.4 per cent. Total shareholder return for the year, reflecting the movement in the share price from 145 pence to 168 pence, together with dividends, was 16.5 per cent.

The underlying profit from continuing activities was £4.1 million (0.5 pence per share) compared with an underlying loss of £6.2 million (-0.7 pence per share) for 2020, the result largely due to higher net rental income and lower administration costs.

Rental income

Disruption to business and consumer activity continued into the first half of 2021. During this period, the Group continued to provide bespoke support to customers on a case-by-case basis and, as was the case in the second half of 2020, for many retail and F&B customers, rental agreements were linked to turnover in exchange for other provisions such as insertion of landlord flexibility, lease extensions and enhanced sharing of data. Following the easing of restrictions from April 2021, there was a gradual recovery in footfall and trade.

Rental income is generally recognised on a straight-line basis over the lease length. Rental support provided to customers has constituted a lease modification under IFRS 16 which has resulted in a change in the income profile over the remaining lease term, in line with current accounting practice. This has, over 2020 and 2021, resulted in pronounced dislocation between income on cash and accounting bases.

Gross rental income in 2021 decreased by £5.8 million to £70.0 million, a 7.7 per cent reduction compared with 2020 due primarily to disposals, void units, short term turnover arrangements and certain assets being under refurbishment.

Net rental income has increased by £30.6 million compared with 2020, driven largely by:

- £14.1 million reduction of charges associated with derecognition of initial direct costs when entering into lease modifications;
- £7.8 million reduction in impairments of tenant lease incentives;
- £14.0 million reduction in expected credit loss;
- Offset by a £5.3 million decrease in gross rental income and other.

Lease modification costs and impairment of tenant lease incentives of £5.9 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 increased by £8.7 million to £52.3 million, with the main contributors being the significantly lower expected credit loss, partly offset by a decrease in gross rental income.

Balance sheet

The Group's investment is concentrated on properties in London's West End with the Covent Garden portfolio representing 72 per cent and the investment in Shaftesbury PLC ("Shaftesbury") shares representing 25 per cent.

Over the course of 2021 the independent property valuation of the Covent Garden estate decreased by 0.6 per cent (like-for-like) to £1,729 million as a result of a 1.5 per cent decline in ERV to £76.2 million, contraction in the equivalent yield of six basis points (adjusted for disposals) to 3.88 per cent and other movements including the valuer's assumption on loss of near-term income reducing from £27 million to nil.

The Group is well-positioned to create long-term value from its property investment business centred around the West End, underpinned by its strong financial position. With net debt to gross assets of 24 per cent and access to substantial cash and undrawn facilities, totalling £652 million as at 31 December 2021, the Group has the ability to withstand market volatility, capitalise on investment opportunities and deliver long-term value creation.

The Group has a 25.2 per cent shareholding in Shaftesbury represented by 96,971,003 shares, acquired in 2020 at a blended price (before costs) of 517 pence per share or £501 million in total. During the year the value of this investment has increased by £44.6 million and as at 31 December 2021 the investment was valued at £596 million based on the closing price of 615 pence per share. Dividends received from this investment during the year were £2.3 million and after the year end, the Group has received a further dividend of £3.9 million on 11 February 2022. The Group's total return in 2021 from this investment was 8.5 per cent.

During the year, the Group completed a new £300 million unsecured revolving credit facility for Covent Garden, replacing the previous facility of £705 million which was due to mature in December 2022. The new facility is fully undrawn and has an initial three year term with two one-year extension options.

The disposal of a number of investment properties, principally located on the periphery of the Covent Garden estate, has generated gross proceeds of £94.7 million (before costs). In November 2021, the final £15 million of deferred consideration was received in relation to the sale of Earls Court.

Development of Lillie Square, in which Capco has a 50 per cent interest, is well-progressed. A total of 231 Phase 1 units have been handed over, including four in 2021, with only three units now remaining available. Handover of Phase 2 continues, and overall a further 21 units were handed over during the year with 66 remaining available. The joint venture also holds a small number of investment properties and the remaining consented land. The joint venture has a total property value of £84.1 million and was in a cash position of £22.3 million (both representing Capco's 50 per cent share) as at 31 December 2021. In addition, the Group holds related properties valued at £2.1 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.

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.

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

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 current year and during 2020, the non-cash lease modification costs and impairment of incentives are material and at levels not experienced prior to the pandemic 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 on a basis consistent with the comparative period. Underlying earnings is reported on a Group share basis.

A summary of EPRA performance measures and key Group measures included within these consolidated condensed financial statements is shown in Alternative Performance Measures on page 61.

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

	2021		
Continuing operations	**Group share £m**	**Joint ventures[1] £m**	**IFRS £m**
Net rental income[2]	**46.4**	**(0.2)**	**46.2**
Loss on revaluation and sale of investment and development property	**(15.8)**	**–**	**(15.8)**
Fair value gain on listed equity investment	**44.6**	**–**	**44.6**
Administration expenses[3]	**(22.7)**	**(0.1)**	**(22.8)**
Net finance costs[4]	**(31.4)**	**0.2**	**(31.2)**
Taxation	**(0.7)**	**–**	**(0.7)**
Other[5]	**(73.3)**	**82.3**	**9.0**
(Loss)/profit for the year attributable to owners of the Parent	**(52.9)**	**82.2**	**29.3**
Adjustments[6]:			
Net rental income – non-underlying[2]			**5.9**
Loss on revaluation and sale of investment and development property			**15.8**
Change in fair value of listed equity investment			**(44.6)**
Administration expenses – non-underlying[3]			**2.8**
Other[5]			**(6.2)**
Taxation on non-underlying items			**1.1**
Underlying earnings			**4.1**
Underlying earnings per share (pence)			**0.5**
Weighted average number of shares			**851.3m**

1. Lillie Square and Innova Investment.
2. Net rental income includes £5.9 million of non-underlying costs in relation to lease modification and impairment of tenant incentives. Underlying net rental income, excluding these items, is £52.3 million (Group share).
3. Administration expenses includes £2.8 million of non-underlying costs primarily related to the assignment of the Group's previous head office lease totalling £1.8 million and legal and other transaction-related costs incurred, including in respect of internal group restructurings, which are all considered non-recurring in nature.
4. Excludes other finance income and costs and change in fair value of derivative financial instruments.
5. Includes other costs, impairment of other receivables and other finance income including change in fair value of derivatives.
6. Further details regarding the EPRA and Company specific adjustments are disclosed within note 15 'Earnings Per Share and Net Assets Per Share'.

	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[4]	(23.8)	0.2	(23.6)
Taxation	1.0	–	1.0
Other[5]	1.1	(24.9)	(23.8)
Loss for the year attributable to owners of the Parent	(679.8)	(23.9)	(703.7)
Adjustments[6]:			
Net rental income – non-underlying[2]			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[3]			6.5
Other[5]			22.5
Taxation on non-underlying items			(1.5)
Underlying loss			(6.2)
Underlying loss per share (pence)			(0.7)
Weighted average number of shares			852.2m

1. Lillie Square and Innova Investment.

2. Net rental income includes £27.8 million of non-underlying costs 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 Shaftesbury investment which are non-recurring in nature.

4. Excludes other finance income and costs and change in fair value of derivative financial instruments.

5. Includes other costs, impairment of other receivables and other finance income.

6. Further details regarding the EPRA and Company specific adjustments are disclosed within note 15 'Earnings Per Share and Net Assets Per Share'.

Net rental income

	2021			2020		
	Group share	**Joint ventures[1]**	**IFRS**	Group share	Joint ventures[1]	IFRS
	£m	**£m**	**£m**	£m	£m	£m
Rental income	**70.0**	**(2.0)**	**68.0**	75.8	(1.9)	73.9
Property and service charge expenses	**(17.7)**	**1.8**	**(15.9)**	(18.2)	2.0	(16.2)
Expected credit loss	**–**	**–**	**–**	(14.0)	–	(14.0)
Underlying net rental income	**52.3**	**(0.2)**	**52.1**	43.6	0.1	43.7
Impairment of tenant lease incentives	**(3.3)**	**–**	**(3.3)**	(11.1)	–	(11.1)
Lease modification expense	**(2.6)**	**–**	**(2.6)**	(16.7)	–	(16.7)
Net rental income	**46.4**	**(0.2)**	**46.2**	15.8	0.1	15.9

1. Lillie Square.

Overall rental income has reduced by £5.8 million (7.7 per cent) to £70.0 million from £75.8 million primarily due to disposals, void units, short term turnover arrangements and properties being under refurbishment. Property expenses have decreased by £0.5 million.

Although net rental income has increased during the year it continues to be impacted by COVID-19 and remains £14.9 million below the £61.1 million reported for 2019 on an IFRS basis. The increase for the year from £15.9 million to £46.2 million was predominantly due to a reduction in rental income outweighed by significantly lower levels of expected credit losses, impairment of tenant lease incentives and lease modification costs.

2021 net rental income includes the impact of £2.6 million of lease modification expense reflecting the derecognition of initial direct costs associated with entering into lease modifications with tenants. An assessment of the tenant lease incentives held on balance sheet has resulted in a further £3.3 million impairment being recorded in the year. Both of these items represent non-cash items for 2021.

Detailed impairment analysis has been undertaken on the recoverability of rent receivables representing outstanding rent, service charge, deferrals and other lease charges. This analysis takes into account a number of factors such as the age of debt, the sector in which the debtor operates, its financial position and the potential impact of the extension of the rent moratorium as well as other relevant existing and proposed legislation. As at 31 December 2021 the rent receivable balance was £21.4 million. Based on the assessment undertaken, as at the balance sheet date, the provision was £10.9 million reflecting 61 per cent on a net basis. Movements in the provision for the year have offset bad debt write-offs resulting in an overall charge to the income statement of nil.

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 £15.8 million. The property valuation of the Covent Garden estate has decreased by 0.6 per cent (like-for-like) to £1,729 million, primarily as a result of a 1.5 per cent like-for-like decline in ERV to £76.2 million. The valuer has also removed the provision for loss of near-term income. The Group completed the sale of a number of Covent Garden properties for gross proceeds of £94.7 million, resulting in a loss on sale of £5.9 million relative to the 31 December 2020 valuation, although sales in the second half were completed at a premium to June 2021 valuation.

Administration expenses

	2021			2020		
	Group share	**Joint ventures[1]**	**IFRS**	Group share	Joint ventures[1]	IFRS
	£m	**£m**	**£m**	£m	£m	£m
Depreciation	**0.2**	**–**	**0.2**	1.5	–	1.5
Administration expenses	**19.7**	**0.1**	**19.8**	23.5	(0.5)	23.0
Underlying administration expenses	**19.9**	**0.1**	**20.0**	25.0	(0.5)	24.5
Non-underlying costs	**2.8**	**–**	**2.8**	6.5	–	6.5
Administration expenses	**22.7**	**0.1**	**22.8**	31.5	(0.5)	31.0

1. Lillie Square.

Administration expenses have decreased by £8.8 million from £31.5 million to £22.7 million. Underlying administration costs, excluding the impact of £2.8 million (2020: £6.5 million) of non-underlying costs incurred in the year, were £19.9 million representing a like-for-like 20 per cent reduction of £5.1 million.

Group simplification and initiatives over recent years have enabled administration costs to be reduced from over £50 million to the current level of approximately £20 million, however the Group is mindful of current upward cost pressures including wage inflation.

Net finance costs

The increase in the average level of gross debt following the Shaftesbury investment has resulted in higher interest expenses and therefore an increase of £7.6 million in net finance costs to £31.4 million, of which approximately £26 million relates to cash costs. Year-end cash deposits were in excess of £300 million, however income on this was low reflecting the interest rate environment in 2021. The refinancing of the Group revolving credit facility in reduced size and other initiatives such as early repayment of certain of the private placement notes are expected to result in annualised cash cost savings of over £3.5 million per annum.

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 and 100 per cent of the UK REIT investment profits are required to be distributed as 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 (currently at 19 per cent) if the minimum PID requirement is not met within 12 months of the end of the period. There was no PID payable by the Group in 2021 in relation to the Group's qualifying activities for 2020. During the year, the Group has paid a PID of £2.1 million partly settling the majority of its PID requirement for the year to 31 December 2021, with the balance expected to be settled during 2022.

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 2021. The UK REIT provisions can impose a UK tax charge on the Group if certain interest cover tests are not met. For the period to 31 December 2021, the Group is expected to pass the interest cover ratio test. The Group has been in regular communication with HMRC and received confirmation that there should be no adverse consequences if these tests were not met solely due to the impact of COVID-19.

The tax charge of £0.7 million in the income statement comprises a deferred tax charge of £1.8 million in relation to derivative financial instruments and share-based payments, and a deferred tax credit of £1.1 million mainly in relation to the restatement of trading losses carried forward to reflect the increase in tax rate. The main rate of corporation tax remained unchanged at 19 per cent throughout the year. The UK Budget announced on 3 March 2021 confirmed an increase in the main corporation tax rate from 19 to 25 per cent with effect from 1 April 2023. This change has been substantively enacted on 24 May 2021 and therefore has been reflected in the Group's deferred tax balances where applicable.

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

The Board has proposed a final dividend of 1.0 pence per share to be paid on 8 July 2022 to shareholders on the register at 10 June 2022. The dividend will comprise 0.5 pence in the form of a PID and 0.5 pence of ordinary dividend.

FINANCIAL POSITION

At 31 December 2021 the Group's EPRA NTA was £1.8 billion (31 December 2020: £1.8 billion) representing 212.4 pence per share (31 December 2020: 212.1 pence).

SUMMARY ADJUSTED BALANCE SHEET

	2021		
	Group share £m	Joint ventures[1] £m	IFRS £m
Investment, development and trading property	**1,778.5**	**(84.0)**	**1,694.5**
Financial assets at fair value	**596.4**	**–**	**596.4**
Net debt	**(599.3)**	**(22.7)**	**(622.0)**
Other assets and liabilities[2]	**18.1**	**99.4**	**117.5**
Net assets attributable to owners of the Parent	**1,793.7**	**(7.3)**	**1,786.4**
Adjustments:			
Fair value of derivative financial instruments			**(1.1)**
Fair value adjustment of financial instruments – exchangeable bond option			**16.8**
Unrecognised surplus on trading property			**0.1**
Revaluation of other non-current assets			**7.3**
Deferred tax adjustments			**0.2**
EPRA net tangible assets			**1,809.7**
EPRA net tangible assets per share (pence)[3]			**212.4**

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 2021 was 851.9 million.

	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.

Investment, development and trading property

The Group share of investment, development and trading property carrying value has decreased from £1,908.8 million at 31 December 2020 to £1,778.5 million. This movement primarily comprises capital expenditure of £9.0 million, offset by disposals of £117.3 million of Covent Garden and Lillie Square properties, a revaluation loss of £9.9 million and write-down and movement in unrecognised surplus of trading property of £14.1 million.

The Covent Garden portfolio valuation reduced by 0.6 per cent like-for-like, driven primarily by a 1.5 decline in ERV, to £1,692.4 million.

At Lillie Square, the unrecognised surplus on trading property declined by £2.1 million and there was a write down of trading property of £12.0 million. Together with the revaluation on investment and development property, the total revaluation loss was £24.0 million, representing a 1.3 per cent decrease in value, which compares to the MSCI Capital Return for the equivalent period of a 13.9 per cent gain.

Total property return for the year was 1.5 per cent. The MSCI Total Return Index recorded a 19.9 per cent gain 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 2021, the unrecognised surplus on trading property was £0.1 million (31 December 2020: £2.2 million) which arises solely on the Group's share of trading property at Lillie Square.

Financial assets at fair value through profit or loss

The value of the Group's 25.2 per cent shareholding in Shaftesbury as at 31 December 2021 based on the closing share price of 615 pence was £596 million (2020: £552 million based on of 569 pence) resulting in a fair value gain of £44.6 million.

Debt and gearing

The Group maintains a strong financial position with significant flexibility, diversified sources of funding, headroom against debt covenants, access to substantial liquidity, modest capital commitments, a balanced debt maturity profile and protection against interest rate movements.

The Group's cash and undrawn committed facilities at 31 December 2021 were £651.7 million (31 December 2020: £1,010.2 million). A reconciliation between IFRS and Group share is shown below:

	2021			2020		
	Group share	**Joint ventures[1]**	**IFRS**	Group share	Joint ventures[1]	IFRS
	£m	**£m**	**£m**	£m	£m	£m
Cash and cash equivalents	**341.7**	**(22.7)**	**319.0**	375.8	(10.7)	365.1
Undrawn committed facilities	**310.0**	**–**	**310.0**	634.4	(59.4)	575.0
Cash and undrawn committed facilities	**651.7**	**(22.7)**	**629.0**	1,010.2	(70.1)	940.1

1. Primarily Lillie Square.

Net debt decreased by £111.1 million to £599.3 million in the year, principally as a result of receipts from the sale of property. Disposal proceeds included the receipt of £15.2 million of deferred consideration on the Earls Court sale, £94.7 million on the sale of Covent Garden property and £23.3 million from 25 completed sales at Lillie Square (Group share).

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 the ratio of net debt to gross assets which stood at 24.3 per cent at 31 December 2021. This is comfortably within the Group's limit of no more than 40 per cent.

	2021	2020
Net debt to gross assets	**24.3%**	27.5%
Loan to value – Covent Garden debt covenant	**14.7%**	19.3%
Interest cover – Group	**111.5%**	76.1%
Interest cover – Covent Garden debt covenant	**225.1%**	53.8%
Weighted average debt maturity – drawn and undrawn facilities	**4.8 years**	4.1 years
Weighted average debt maturity – drawn facilities	**4.9 years**	5.4 years
Weighted average cost of debt	**2.8%**	2.6%
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, capped or collared using derivative contracts. At 31 December 2021 the proportion of gross debt with interest rate protection was 100 per cent (31 December 2020: 100 per cent). The £300 million revolving credit facility was undrawn at year end. Subsequent to the year end the Group commenced arrangements to repay £75 million of US private placement notes at a cost of approximately £81 million including make-whole costs. The notes form part of the £150 million issuance completed in 2014, have a coupon of 3.6 per cent, and are set to mature in 2024 and 2026. The pro forma weighted average debt maturity on drawn facilities will increase to 5.0 years and the weighted average cost of debt will reduce to 2.7 per cent.

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 level of net debt of £254 million and loan to value position under the Covent Garden debt, there is substantial headroom with the ability for property valuations to fall, by a further 76 per cent. Although interest cover covenant waivers were in place for 2021, the interest cover ratio in relation to the Covent Garden debt was 225 per cent, comfortably ahead of the covenant level of 120 per cent.

As at 31 December 2021, the Group had capital commitments of £5.4 million (£2.2 million at 31 December 2020), comprising £4.1 million for Covent Garden and £1.3 million for Lillie Square.

The loan facility of the Lillie Square joint venture was repaid and cancelled in May 2021.

	2021			2020		
	Group share	**Joint ventures[1]**	**IFRS**	Group share	Joint ventures[1]	IFRS
	£m	**£m**	**£m**	£m	£m	£m
Capital commitments	**5.4**	**(1.3)**	**4.1**	2.2	(1.4)	0.8

1. Primarily Lillie Square.

CASH FLOW

A summary of the Group's cash flow for the year ended 31 December 2021 is presented below:

SUMMARY CASH FLOW

	2021		
	Group share	**Joint ventures[1]**	**IFRS**
	£m	**£m**	**£m**
Operating cash flows after interest and tax from continuing activities	**1.5**	**(1.0)**	**0.5**
Purchase and development of property, plant and equipment	**(9.5)**	**1.6**	**(7.9)**
Transactions with joint venture partners	**(0.5)**	**(0.5)**	**(1.0)**
Net sales proceeds from discontinued operation	**15.2**	**–**	**15.2**
Net sales proceeds from property and investments	**118.0**	**(23.3)**	**94.7**
Net cash flow before financing	**124.7**	**(23.2)**	**101.5**
Financing	**(149.5)**	**5.9**	**(143.6)**
Dividends paid	**(4.0)**	**–**	**(4.0)**
Net cash flow[2]	**(28.8)**	**(17.3)**	**(46.1)**

1. Primarily Lillie Square.

2. Net cash flow is based on unrestricted cash and cash equivalents. The movement in Lillie Square deposits on a Group share basis of £5.3 million is therefore not included.

	2020		
	Group share	Joint ventures[1]	IFRS
	£m	£m	£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 operation	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. The movement in Lillie Square deposits on a Group share basis of £7.5 million is therefore not included.

Operating cash inflows of £1.5 million are as a result of net working capital requirements impacted in particular by the level of cash rental collections during the year, and the payment of administration and interest expenses.

During the year, £7.9 million was invested at Covent Garden for capital expenditure on a number of projects. At Lillie Square, £1.6 million was incurred.

At Covent Garden the disposal of 26-27 Southampton Street, 30-32 Southampton Street, 31-32 Bedford Street, 33 Bedford Street and a residential apartment on King Street generated gross proceeds of £94.7 million. The handover of 25 units at Lillie Square generated £23.3 million (Group share) of net sales proceeds from property.

£15.2 million of deferred consideration from the Earls Court sale was received in November 2021.

Financing cash outflows includes £140 million repayment of the revolving credit facility in January 2021, £5.9 million (Group share) of the Lillie Square facility and £3.4 million prepayment of derivatives.

Dividends paid of £4.0 million reflect the interim dividend paid in September 2021. The dividends paid in 2020 of £4.6 million reflect the cash element of the final dividend payment made in respect of the 2019 financial year.

IFRS cash and cash equivalents decreased by £46.1 million to £319.0 million.

Going concern

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

The Company has a strong balance sheet with net debt to gross assets of 24 per cent and access to cash and undrawn facilities of £652 million as at 31 December 2021. The Covent Garden group had net debt of £254 million and a loan to value ratio of 15 per cent, which compares with a debt covenant level of 60 per cent. Whilst covenant waivers were in place for 2021, the interest cover ratio in relation to the Covent Garden debt for 2021 was 225 per cent, comfortably ahead of the covenant level of 120 per cent.

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 financial statements. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the 2021 Annual Report & Accounts.

Situl Jobanputra
Chief Financial Officer

22 February 2022

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

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

Risk is a standing agenda item at 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 General Counsel, 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 on a regular basis 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.

Risk Appetite Statement

The Board has set the Group's risk appetite statement to provide guiding principles to support decision-making at both a Board and Senior Management level. The Group risk appetite statement is reviewed and updated by the Board at appropriate intervals and in any event on an annual basis. The Group risk appetite statement has been communicated internally to Senior Management who are responsible for incorporating the identified principles in decision-making. The Group's risk appetite statement is as follows:

"We use our expertise in property investment and development and our commitment to a strong balance sheet to take commercial risks in a measured way so that we are able to deliver sustainable growth and long-term market leading returns for our shareholders.

We are risk averse in relation to the impact of our business on the environment and on the health and safety of our people and the public and it is a key priority for us that our business operates in compliance with laws, regulations and our contractual commitments."

Risk Appetite Criteria	**Risk Appetite Scale**		
	Risk averse	**Risk neutral**	**Risk aware**
Risk-taking in pursuit of strategic objectives	The Company is cautious and takes as little risk as possible	The Company takes a balanced approach to risk taking	The Company is willing to take greater than normal risks
Principal Risk:			
Economic conditions			○
Funding	○		
Political climate		○	
Catastrophic external event			○
People		○	
Health & safety	○		
Compliance with law, regulation and contracts	○		
Climate change	○		
Leasing and asset management			○
Planning and development		○	

Risk outlook

The activity of the Group has positioned our business to emerge strongly as markets recover. As defined within the risk appetite statement the Group has remained risk averse to the impact of our business on the health and safety of its people and the public which has been regularly tested over the course of the last two years. The business has responded well to this challenge, working closely with stakeholders and customers to operate in a safe and considered manner and utilising the open air nature of our Covent Garden estate.

The COVID-19 pandemic brought about unprecedented challenges and disruption to the broader economy, the Group's tenants and business. Additionally, due to the timing of the pandemic it is difficult to quantify the full effects of Brexit or disassociate the impact of these two significant events. Understanding the effects of the pandemic and Brexit as well as the impact on the business and the market remains critical and the Board continues to monitor this carefully.

COVID-19 resulted in a significant reduction in levels of footfall and activity across the Covent Garden estate, significantly lower levels of international travel, lower levels of physical office occupation and changes in tenant and consumer behaviour. The significant reduction in visitor numbers and store revenues for tenants has led to a large number of them experiencing cash flow pressures and, in turn, a reduction in the Group's rental collection rates. Challenging occupier and investment market conditions, particularly in the retail and F&B sector, have had a negative impact on property valuations, rental values and income.

The long term impact of COVID-19 on the 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 the Group's portfolio. In view of the unpredictable nature of the pandemic, the evolution of legislative and policy measures such as the removal of government support measures and other government guidance will be monitored closely together with the impact of related emerging risks. Throughout the year, as restrictions were lifted and customer trade conditions improved, rental collections have increased resulting in an increase in property values in the second half of the year.

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 committee was established early on in the pandemic to help co-ordinate the Company's response and activities. The committee, 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, met 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 regularly receives updates and has convened regular additional meetings as required, in order to provide appropriate oversight and governance. Our risk assessment on COVID-19 remains that it is not a separate principal risk but rather an overarching factor which has a significant impact on all of our principal risks. 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.

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 transitional period on 31 December 2020. Uncertainty remains in particular in relation to long-term international trade arrangements and the overall impact on the UK economy.

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; and
- the impact on current and prospective tenants, for instance management of their inventory and supply chain, labour shortages, tariffs or other barriers, and the impact on consumer demand (for example due to travel disruption) leading to reduced rents and capital values

The current economic backdrop is characterised by rising inflation and higher interest rates with potential impacts on valuations, funding, customers and consumers. Comparing to 2020, whilst the challenges and disruption caused by COVID-19 have reduced, risks remain and the backdrop remains challenging.

During 2020, 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's 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. 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 rights 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 principal risks tables, but the steps taken to address and respond to any such risks by Shaftesbury PLC are outside of the control of the Group.

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 principal risks tables.

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, and 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).

Principal risks and uncertainties

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 in note 1 'Principal Accounting Policies' within 'Critical accounting judgements and key sources of estimation and uncertainty'.

Principal risks overview

		Change in the year
Corporate	Economic conditions	↔
	Funding	↔
	Political climate	↑
	Catastrophic external event	↔
	People	↔
	Health and safety	↔
	Compliance with law, regulations and contracts	↔
	Climate change	↔
Property	Leasing and asset management	↔
	Planning and development	↔

CORPORATE

Risk	Impact on strategy	Mitigation
Economic conditions		
Decline in real estate valuations due to macro-economic conditions Impact of higher interest rates 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 Inflationary pressures on operating costs	Reduced return on investment and development property Reduced return on listed investments Higher operating costs 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

Change in 2021: Stable

Context and actions taken:

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 resulted in an increased risk in 2020. As restrictions have lifted during 2021, footfall and spend have continued to improve with certain customers trading in line with or in excess of 2019 levels.

Through regular dialogue with our tenants we are able to understand their financial position and consider providing support where appropriate. Rental support has mainly been provided to retail and hospitality tenants experiencing cash flow pressures, with rental agreements being adjusted on a case-by-case basis to include deferrals and turnover-linked arrangements where appropriate. Following the relaxation of restrictions we have seen a gradual return of footfall, resulting in a return of consumer and business confidence as well as more normal patterns of activity.

We remain in close 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.

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.

Limited business interruption insurance was held by the Group during the early stages of the pandemic. An assessment for applicability to the pandemic's impact on rent recovery is on-going. During 2021 we have seen a continued trend of increasing insurance premia and reduced risk appetite from insurers in the market and we expect this to continue into 2022.

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

Funding		
Lack of availability or increased cost of debt or equity funding Requirement to refinance or repay earlier than maturity on certain debt facilities, leading to a potential loss of control of underlying assets	Reduced financial and operational flexibility Increased cost of borrowing 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 Fixed rate financing and derivative contracts to provide interest rate protection

Change in 2021: Stable

Context and actions taken:

Financing activities and compliance with the Group's loan covenants without the need to utilise the loan waivers that were agreed last year has resulted in a stable funding risk position.

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 pandemic to help monitor any impact on debt covenants. Although interest cover covenant waivers in respect of 2021 were agreed with the Covent Garden lenders to address interruption to near-term income, the debt covenants were comfortably met.

A downside scenario has been analysed in connection with the going concern assessment, details of which are set out in note 1 'Principal Accounting Policies' within 'Going concern'. The financial statements have been prepared on a going concern basis.

Political climate		
Uncertain political climate and/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, prolonged supply chains and reduced labour supply	Inability to deliver business plan or a structural change to the business plan impacting returns or capital values Reduced rental income and/or capital values as tenants could suffer staff shortages, increased import prices, longer lead times and lower availability of stock	Monitoring proposals and emerging policy and legislation, with industry lobbying where appropriate Engagement with key stakeholders and politicians Diversified occupiers with limited exposure to any one market

Change in 2021: Increased

Context and actions taken:

The economic and political uncertainty surrounding Brexit remains and the risk associated with this has been heightened as a result of the uncertainty and global impact of COVID-19. The evolution of national and local legislation and policy is also monitored closely.

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

Catastrophic external event		
Such as a terrorist attack, natural disaster, 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 and cyber security Health and safety policies and procedures Close liaison with police, National Counter Terrorism Security Office (NaCTSO) and local authorities Regular staff training and briefings

Change in 2021: Stable

Context and actions taken:

The Group's assets are concentrated in Central London, which also heightens the risk of an external event. It is therefore important that the Group maintains recommended levels of insurance and implements effective security and health and safety policies.

The COVID-19 pandemic is a global crisis which has brought about unprecedented challenges and disruptions to our customers and visitor numbers. The Group's priority throughout the pandemic has been the health and safety of the Group's people, tenants 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 al fresco dining and pedestrianisation to enable social distancing.

There has been a gradual return to working from our offices on the estate but a degree of hybrid practices and working from home remains. A review of cyber security was performed in 2020 to ensure appropriate controls are in place and ensure that all employees remain vigilant to potential risks.

People		
Inability to retain and recruit the right people and develop leadership skills within the business The Group has a relatively limited headcount, resulting in key person risk	Inability to execute strategy and business plan Constrained growth, lost opportunities Pressure on corporate costs	Succession planning, performance evaluations, training and development Long-term and competitive incentive rewards Flexible and modern working practices

Change in 2021: Stable

Context and actions taken:

The success of the business is down to a dedicated team of skilled and talented individuals working collaboratively together. The health and well-being of our people is of the utmost importance including the ability to create a culture and environment that allows each person to grow, develop and perform to the best of their abilities. The pandemic has resulted in reduced in-person working and has seen shifts in the wider employment market where there have been record market job vacancies and an increase in those deemed inactive, neither in work nor looking for employment.

During the pandemic as a result of restrictions, employees had to be flexible and embrace working from home during periods of lockdown. Risk assessments were performed for all employees to ensure they were well equipped and able to work from home effectively. Government guidance has been followed with regular contact with staff to ensure well-being. The Group's offices were made COVID secure in readiness for a return to normal working practices. Government guidelines are being followed as employees return to normal working practices including rotas if required to enable physical distancing. The majority of our people returned to the office during times where restrictions were eased.

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

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 monitor closely employees' mental and physical well-being and the health and safety of our employees and service providers remains a top priority with regular seminars and webinars from external experts. Risk assessments for returning to the office have been undertaken with all employees, together with briefings on COVID-Secure measures.

Health and safety		
Accidents causing loss of life or very serious injury to employees, contractors, occupiers and visitors to the Group's properties; or near misses of the same	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 Health and safety training programme in place for all relevant employees

Change in 2021: Stable

Context and actions taken:

The health and safety of our people and the public is a key priority. The Group works closely with its stakeholders to mitigate health and safety risks.

During the pandemic, and in particular during the large part of the first half of the year, there have been various closures of all non-essential retail premises and requirements for employees to work from home. Health and safety risks and evolving guidelines and legislation have been taken into account across the business.

We have worked closely with our tenants to safely and securely close and subsequently reopen non-essential retail premises in line with Government guidance. We have also ensured the health and safety of our residential tenants through measures such as increased cleaning of communal areas and closure of certain facilities.

As the Government restrictions eased during 2021, and occupancy and footfall levels on the estate increased, efforts remain focused on ensuring that the estate is well-positioned as tenants and consumers have returned.

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 tenants, customers and employees aware and safe.

We have pedestrianised certain areas of our estate to ensure safe social distancing can be maintained.

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

Change in 2021: Stable

Context and actions taken:

Compliance with law, regulation and contracts remains a key priority for the Board.

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. The COVID committee and additional working groups set up to monitor and manage the impact of COVID-19 on the business have 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.

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. 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.

Climate change		
Physical impact on our assets from rising temperatures or other extreme climate-related event such as flooding	Reduced capital values or business disruption, reduced income through disruption	Board and management ESC Committees established to manage climate-related risks and opportunities and Sustainability team in place
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	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	Net Zero Carbon commitment by 2030 backed by published Net Zero Carbon pathway. For more detail on the mitigation measures in place for climate risk, please refer to the Group's TCFD disclosures in the 2021 Annual Report as well as the Group's Net Zero Carbon Pathway
Inability to keep pace with customer and consumer demand for proactive action to manage and mitigate climate-related risk	Reduced income through lower rents and longer void periods due to reduced tenant demand	Active management plan with external reporting via recognised indices and benchmarks, including EPRA, CDP and GRESB 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

Change in 2021: Stable

Context and actions taken:

Capco believes in taking a responsible and forward-looking approach to environmental issues and the principles of sustainability. We recognise the urgent responsibility to tackle climate change and this is reflected in our 2030 Net Zero Carbon target. As a long-term steward of the Covent Garden estate we understand the benefits of a strong track record of restoring and celebrating the heritage of the Covent Garden estate through considered refurbishments and developments.

During 2021, consistent with 2020, there have been periods where we have had a reduced ability to access the estate to implement planned carbon reduction measures and reduced customer engagement on environmental matters due to focus on their own COVID-19 related business challenges. However, long term planning and mobilisation of asset by asset carbon mitigation strategy continued and implementation of appropriate measures where still on site. A bespoke approach to COVID-19 support has been undertaken by the Group with its tenants, which will encourage climate-related engagement following the lifting of government restrictions.

PROPERTY

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

Change in 2021: Stable

Context and actions taken:

We take measured risks by using our expertise in place making and creative and active asset management to deliver long term value through rental growth and attracting new tenants.

The majority of retail and F&B tenants were closed for business or operated on a very restricted basis in early 2021. This has had a significant impact on leasing activity and rent collection. However, throughout the COVID-19 period, Capco maintained high occupancy levels reflecting the strength of demand for prime central London real estate.

Although the Group has largely kept lease structures on a quarterly in advance basis we are aware that evolving lease structures may also have an impact on underlying property valuations and rental income. In addition, the impact of Brexit and the pandemic on tenant demand and supply chains as well as inflationary pressures is also kept under review.

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. This has continued during 2021 following the restrictions in the first quarter of the year however we expect a lower level in the future as a result of our tenants being open for trade following the continued relaxation of restrictions into the summer months. For certain tenants 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 leasing and marketing strategy, ensuring the business is well-positioned to benefit from a recovery and prosper over the medium and long term.

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

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

Change in 2021: Stable

Context and actions taken:

We look for opportunities to create or enhance value in our portfolio through the planning process, cognisant of the risks but using our experience and skill to deliver our objectives. We seek to create value in our land holdings by undertaking strategic investments and partnerships, land enablement, realisation of value and selective development.

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.

Higher than anticipated reductions in residential sales prices as a result of the pandemic might deliver lower returns on units not yet sold.

Capco maintains strong relationships with stakeholders and is in regular communications to understand priorities.

We continue to model various pricing points for future sales and continue to monitor this in light of the current situation.

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 2021. 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 UK-adopted international financial reporting standards, 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 22 February 2022:

Ian Hawksworth

Chief Executive

22 February 2022

Situl Jobanputra

Chief Financial Officer

22 February 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Note	2021 £m	Re-presented 2020[1] £m
Continuing operations			
Revenue	4	**68.0**	73.9
Cost of sales	5	**(21.8)**	(44.0)
Gross profit		**46.2**	29.9
Other income/(costs)	6	**3.0**	(1.0)
Administration expenses	7	**(22.8)**	(31.0)
Expected credit losses		**–**	(14.0)
Loss on revaluation and sale of investment and development property	8	**(15.8)**	(693.1)
Change in value of investments and other receivables	9	**11.6**	(28.2)
Fair value gain on financial assets at fair value through profit or loss	18	**44.6**	50.9
Operating profit/(loss)		**66.8**	(686.5)
Finance income	10	**0.5**	0.5
Finance costs	11	**(31.7)**	(24.1)
Other finance income	10	**8.1**	20.5
Other finance costs	11	**(1.8)**	(0.6)
Change in fair value of derivative financial instruments	19	**(11.9)**	(14.5)
Net finance costs		**(36.8)**	(18.2)
Profit/(loss) before tax		**30.0**	(704.7)
Current tax		**–**	0.8
Deferred tax		**(0.7)**	0.2
Taxation	12	**(0.7)**	1.0
Profit/(loss) for the year from continuing operations		**29.3**	(703.7)
Discontinued operation			
Profit for the year from discontinued operation	13	**–**	1.0
Profit/(loss) for the year		**29.3**	(702.7)
Profit/(loss) attributable to:			
Owners of the Parent		**29.3**	(702.7)
Earnings per share attributable to owners of the Parent[2]			
Basic and diluted earnings/(loss) per share		**3.4p**	(82.5)p
Earnings per share from continuing operations attributable to owners of the Parent[2]			
Basic and diluted earnings/(loss) per share	15	**3.4p**	(82.6)p
Weighted average number of shares	15	**851.3m**	852.2m

1. The Group has changed the way in which its performance is presented on the face of the income statement. The prior-year comparatives have been re-presented to reflect this change. The underlying results have not been affected and this modified presentation has had no effect on operating profit, profit before tax or profit for the year. Details of the re-presentation are set out in note 1 'Principal Accounting Policies'.

2. Earnings per share from the discontinued operation are shown in note 15 'Earnings per Share and Net Assets per Share'.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Profit/(loss) for the year		**29.3**	(702.7)
Total comprehensive income/(expense) for the year		**29.3**	(702.7)
Attributable to:			
Owners of the Parent		**29.3**	(702.7)
Arising from:			
Continuing operations		**29.3**	(703.7)
Discontinued operation	13	**–**	1.0

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	2021 £m	2020 £m
Non-current assets			
Investment and development property	16	**1,694.5**	1,795.8
Property, plant and equipment		**0.6**	4.4
Investment in joint ventures	17	**0.3**	0.3
Financial assets at fair value through profit or loss	18	**596.4**	551.8
Derivative financial assets	19	**1.1**	–
Deferred tax	25	**6.1**	6.8
Trade and other receivables	20	**120.8**	118.2
		2,419.8	2,477.3
Current assets			
Trade and other receivables	20	**59.2**	65.7
Tax assets		**0.5**	–
Cash and cash equivalents	21	**319.0**	365.1
		378.7	430.8
Total assets		**2,798.5**	2,908.1
Non-current liabilities			
Borrowings, including lease liabilities	23	**(940.3)**	(1,079.0)
Derivative financial liabilities	19	**(32.1)**	(22.5)
		(972.4)	(1,101.5)
Current liabilities			
Borrowings, including lease liabilities	23	**(0.7)**	(1.6)
Tax liabilities		**–**	(1.0)
Trade and other payables	22	**(39.0)**	(44.3)
		(39.7)	(46.9)
Total liabilities		**(1,012.1)**	(1,148.4)
Net assets		**1,786.4**	1,759.7
Equity			
Share capital	26	**212.8**	212.8
Other components of equity		**1,573.6**	1,546.9
Equity attributable to owners of the Parent		**1,786.4**	1,759.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		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]	26	0.7	3.3	–	–	–	–	–	4.0
Share buyback	26	(1.5)	–	1.5	–	–	–	(11.8)	(11.8)
Dividends	14	–	–	–	–	–	–	(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**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**29.3**	**29.3**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**29.3**	**29.3**
Transactions with owners									
Ordinary shares issued[2]	26	**–**	**0.3**	**–**	**–**	**–**	**–**	**–**	**0.3**
Dividends	14	**–**	**–**	**–**	**–**	**–**	**–**	**(4.3)**	**(4.3)**
Realisation of merger reserve[1]		**–**	**–**	**–**	**(20.0)**	**–**	**–**	**20.0**	**–**
Realisation of share-based payment reserve on issue of shares		**–**	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Fair value of share-based payment		**–**	**–**	**–**	**–**	**1.5**	**–**	**–**	**1.5**
Realisation of cash flow hedge		**–**	**–**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Total transactions with owners		**–**	**0.3**	**–**	**(20.0)**	**1.3**	**0.1**	**15.7**	**(2.6)**
Balance at 31 December 2021		**212.8**	**232.5**	**1.5**	**293.7**	**7.7**	**(0.3)**	**1,038.5**	**1,786.4**

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 disposal of Southampton Street properties during the year (2020: the Wellington block during the prior year) as these properties were originally acquired using proceeds from the share placement.

2. Share premium includes £0.3 million (2020: £3.3 million) of ordinary shares issued relating to the bonus issue in lieu of cash dividends. Refer to note 14 'Dividends' for further information.

STATEMENT OF CONSOLIDATED CASH FLOWS

For the year ended 31 December 2021

Continuing activities	Note	2021 £m	2020 £m
Cash flows from operating activities			
Cash generated/(utilised) from operations	29	**27.9**	(32.3)
Interest paid		**(26.3)**	(22.7)
Interest received		**0.4**	0.5
Tax paid		**(1.5)**	(0.3)
Net cash inflow/(outflow) from operating activities		**0.5**	(54.8)
Cash flows from investing activities			
Purchase and development of property		**(7.9)**	(23.9)
Sale of property		**94.7**	76.8
Sale of discontinued operation	13	**15.2**	194.1
Sale of subsidiaries[1]		**–**	0.2
Acquisition of listed equity investment		**–**	(500.9)
Loan advances (from)/to joint ventures		**(1.0)**	3.2
Net cash inflow/(outflow) from investing activities		**101.0**	(250.5)
Cash flows from financing activities			
Share buyback		**–**	(11.8)
Borrowings drawn		**–**	930.0
Borrowings repaid		**(140.0)**	(390.0)
Principal element of lease payment		**(0.2)**	(0.9)
Repayment of derivative financial instruments		**(3.4)**	(5.4)
Cash dividends paid	14	**(4.0)**	(4.6)
Net cash (outflow)/inflow from financing activities		**(147.6)**	517.3
Net (decrease)/increase in cash and cash equivalents		**(46.1)**	212.0
Unrestricted cash and cash equivalents at 1 January		**365.1**	153.1
Unrestricted cash and cash equivalents at 31 December	21	**319.0**	365.1

1. Sale of subsidiaries in the prior year included deferred consideration of £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 2021 or 2020, but is derived from those financial statements. Statutory financial statements for 2020 have been delivered to the Registrar of Companies and those for 2021 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"), and in accordance with UK-adopted international accounting standards 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 in the UK 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 2022.

The consolidated condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of property, derivative financial instruments and equity investments held at fair value through profit or loss.

The format of the Consolidated Income Statement has been changed to improve the presentation of the Financial Statements in accordance with IAS 1 'Presentation of Financial Statements' by presenting cost of sales in our expenses by function and to insert a line item for impairment losses determined in accordance with IFRS 9 'Financial Instruments'. The categories rental income, rental expense and the subtotal for net rental income have been removed and categories for cost of sales and expected credit losses have been inserted. The order of cost categories have also been adjusted. As a result the 2020 comparative information has been re-presented. Rental expenses of £58.0 million as disclosed in the 2020 condensed financial statements and the 2020 Annual Report & Accounts has been replaced by £44.0 million disclosed as Cost of sales and £14.0 million as Expected credit losses. There is no change in 'Operating profit', 'Profit before tax' or 'Profit after tax' as a result of the change in presentation.

The sub heading net rental income, as a component of underlying earnings and required for the Group's presentation of net rental growth, remains an important alternative performance measure for the Group. Therefore net rental income continues to be disclosed within note 3 'Underlying Earnings' and the 'Analysis of Property Portfolio'. The breakdown of revenue and cost of sales has been included in notes 4 and 5 respectively.

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 2020, 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 2021. 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 39 'Financial Instruments: Recognition and Measurement' (amendment) (Interest Rate Benchmark Reform)
- 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 under UK-adopted international accounting standards:

- 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)
- 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

The Directors have considered the appropriateness of adopting the going concern basis in preparing the consolidated condensed financial statements including an assessment of the impact of the pandemic on the business. The Group's going concern assessment covers the period to 30 June 2023, being a period of at least 12 months from the date of authorisation of these consolidated condensed financial statements (the 'going concern period').

Whilst the COVID-19 pandemic has brought about unprecedented challenges and disruption to our tenants and business, the effective vaccination and booster programme has brought a return towards more normalised levels of activity with footfall and trade recovering throughout H2 2021. EPRA vacancy level remains low with negligible tenant failures and cash collections continue to improve. Market conditions and leasing transactions are supportive of ERV growth. Nevertheless uncertainty remains with physical occupation of office space in central London currently not yet back to pre-pandemic levels, the outlook for international travel uncertain and operational issues including supply chain pressures and staff shortages impacting the retail, hospitality and leisure sectors in particular.

The Group's conservative base case assumes a gradual recovery in business and consumer sentiment, based on the assumption that footfall and sales will return to pre-pandemic levels by the end of 2023.

In determining the potential future downside impact of COVID-19, the Group has also assessed a "severe but plausible" downside scenario which captures the possibility of a further round of UK Government restrictions in response to the pandemic resulting in a deterioration in trading conditions over the going concern period. Notwithstanding the extended closure of non-essential retail and hospitality during the first half of 2021, the Group traded ahead of its base position and severe but plausible downside forecast (as measured by net rental income) for the year. In particular the interest cover ratio in relation to the Covent Garden debt for 2021 was 225 per cent, comfortably ahead of the covenant level of 120 per cent. Despite the backdrop of the Omicron variant, operating metrics including rent collection have continued to show improvement over the important Christmas trading period.

The Group has adopted a severe but plausible downside scenario which includes the following key assumptions:

- A combination of rent concessions focusing particularly on the retail, F&B and leisure sectors, extended voids and tenant failures due to supply chain pressures and staff shortages, which have a consequent impact of 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 along with a widening of yields, result in further reduced asset values and a significant reduction in rental income. The Group has a strong financial position with net debt to gross assets of 24 per cent and access to cash and undrawn facilities of £652 million as at 31 December 2021.

- The impact of climate change risk is expected to be very limited within the going concern period. Interruptions to trade from severe weather events are possible but would be consistent with the impact considered in the severe but plausible downside scenario.

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.

As at the year end, the Covent Garden group had net debt of £254 million and a loan to value ratio of 15 per cent, which compares with a debt covenant level of 60 per cent. The interest cover ratio in relation to the Covent Garden debt for 2021 was 225 per cent, comfortably ahead of the covenant level of 120 per cent. The Covent Garden debt matures between 2024 and 2037, with the revolving credit facility currently undrawn. No debt facilities are due to mature and no new financing is assumed during the going concern period.

The independent property valuation could withstand over 70 per cent decline during the going concern period before a breach of the loan to value covenant, absent any mitigating actions which the Group may take. During the going concern period there is projected to be sufficient headroom against the interest cover covenant, including in the severe but plausible downside scenario. Mitigating actions, including those within the Group's control such as reducing certain discretionary expenses and finance costs through repayment of Covent Garden debt, would provide further headroom.

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 financial statements and have therefore resolved that the 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 2021 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. The Group's external valuers have made a number of assumptions as outlined within note 16 'Property Portfolio' in forming their opinion on the valuation of the Group's 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 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 the Group's 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 2020 to Q4 2021 quarterly collection statistics providing twenty-one months of information as an indication of the COVID-19 trading period. However, in the current market, with continued uncertainty, additional information, including the draft Commercial Rents (Coronavirus) Bill, 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 are predominately 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 recent payment history, deposits or guarantees held 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 made in addition to full provision for maximum risk tenants or known issues.

The provision for expected credit loss against rent receivables is £10.9 million (2020: £12.4 million) and is included within the rent receivable balance included in note 20 'Trade and other receivables'. The expected credit loss recognised in the income statement reflects the rent receivables impaired in the year for tenant failures or tenants who have vacated as well as the movement on the balance sheet provision. In the current year the rent receivables impaired were offset by the movement in the balance sheet resulting in no expected credit loss charge recognised in the income statement (2020: £14.0 million).

Retail and F&B represents approximately 74 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 80 per cent of the rent receivable balance. Tenants classified as maximum risk have been provided in full. The Group has effectively provided for 61 per cent of the arrears. If the expected credit loss for high and medium risk tenants was increased by ten per cent the provision would increase by £0.1 million (2020: £0.5 million) and if low risk tenants are included it would increase by £0.3 million (2020: £0.7 million). If the expected credit loss was reduced by ten per cent the provision would decrease by £0.1 million (2020: £0.7 million) and if low risk tenants are included would reduce by £0.2 million (2020: £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, assessing the degree of control or influence the Group exercises over investments, provisions, share-based payments and contingent liabilities.

New accounting policies

There were no new accounting policies adopted during the year ended 31 December 2021.

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, which comprises the Shaftesbury PLC ("Shaftesbury") investment, Innova, The Great Capital Partnership and other head office companies and investments;

– 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%**
Lillie Square	
Lillie Square joint venture	**50%**
Lillie Square Holding Group	**100%**

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

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

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

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	2021					
Continuing operations	**Covent Garden £m**	**Other £m**	**Lillie Square £m**	**Group total £m**	**Consolidation adjustments £m**	**IFRS total £m**
Rental income	68.0	–	2.0	70.0	(2.0)	68.0
Proceeds from sale of trading property	–	–	24.7	24.7	(24.7)	–
Revenue	68.0	–	26.7	94.7	(26.7)	68.0
Rent receivable	62.7	–	0.2	62.9	(0.2)	62.7
Service charge income	5.3	–	1.8	7.1	(1.8)	5.3
Rental income	68.0	–	2.0	70.0	(2.0)	68.0
Property and service charge expenses	(15.9)	–	(1.8)	(17.7)	1.8	(15.9)
Underlying net rental income/(expense)	52.1	–	0.2	52.3	(0.2)	52.1
Lease modification and impairment of tenant lease incentives	(5.9)	–	–	(5.9)	–	(5.9)
Net rental income/(expense)	46.2	–	0.2	46.4	(0.2)	46.2
Other income	–	2.7	–	2.7	0.3	3.0
Profit on sale of trading property	–	–	5.6	5.6	(5.6)	–
Write down of trading property	–	–	(12.0)	(12.0)	12.0	–
Loss on revaluation and sale of investment and development property	(15.7)	–	(0.1)	(15.8)	–	(15.8)
Change in value of investments and other receivables	–	(56.1)	(0.5)	(56.6)	68.2	11.6
Fair value gain on financial assets at fair value through profit or loss	–	44.6	–	44.6	–	44.6
Segment profit/(loss)	30.5	(8.8)	(6.8)	14.9	74.7	89.6
Unallocated costs:						
Administration expenses				(22.7)	(0.1)	(22.8)
Operating (loss)/profit				(7.8)	74.6	66.8
Net finance costs				(31.4)	0.2	(31.2)
Net other finance costs				(1.1)	7.4	6.3
Change in fair value of derivative financials instruments				(11.9)	–	(11.9)
(Loss)/profit before tax				(52.2)	82.2	30.0
Taxation				(0.7)	–	(0.7)
(Loss)/profit for the year				(52.9)	82.2	29.3
(Loss)/profit attributable to:						
Owners of the Parent				(52.9)	82.2	29.3
Summary balance sheet						
Total segment assets[1]	2,053.1	615.0	121.1	2,789.2	(9.6)	2,779.6
Total segment liabilities[1]	(585.6)	(426.5)	(2.4)	(1,014.5)	2.4	(1,012.1)
Segmental net assets	1,467.5	188.5	118.7	1,774.7	(7.2)	1,767.5
Unallocated assets[2]				18.9	–	18.9
Net assets				1,793.6	(7.2)	1,786.4
Other segment items:						
Depreciation	(0.2)	–	–	(0.2)	–	(0.2)
Capital expenditure	(6.8)	–	(2.2)	(9.0)	2.2	(6.8)

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

2. 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 and a portion of the Group's cash balances.

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)	–
Revenue	73.9	–	66.8	140.7	(66.8)	73.9
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)
Expected credit losses	(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
Other costs	–	(0.5)	–	(0.5)	(0.5)	(1.0)
Profit on sale of trading property	–	–	8.9	8.9	(8.9)	–
Write down of trading property	–	–	(1.4)	(1.4)	1.4	–
Loss on revaluation and sale of investment and development property	(692.6)	–	(0.7)	(693.3)	0.2	(693.1)
Change in value of investments and other receivables	–	–	–	–	(28.2)	(28.2)
Fair value gain on financial assets 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				(23.8)	0.2	(23.6)
Net other finance costs				8.6	11.3	19.9
Change in fair value of derivative financial instruments				(14.5)	–	(14.5)
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[1]	2,209.6	586.7	137.1	2,933.4	(46.8)	2,886.6
Total segment liabilities[1]	(740.5)	(408.3)	(12.9)	(1,161.7)	13.4	(1,148.3)
Segmental net assets	1,469.1	178.4	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. Total segmental assets and total segmental liabilities exclude loans between and investments in Group undertakings.
2. 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 and a portion of the Group's cash balances.

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 financial 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 gains 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. Net Rental Income as a component of underlying earnings remains an important alternative performance measure for the Group.

Due to the impact of COVID-19 the calculation of underlying earnings was reviewed in the prior year and it was determined to remove the impairment of tenant incentives and lease modification expenses recorded in rental expenses from underlying earnings.

Lease modification expenses of £2.6 million (2020: £16.7 million) 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 have been written off in accordance with the Group's accounting policy. £3.3 million (2020: £11.1 million) of costs relating to the tenant lease incentives in respect of tenants who have entered administration or experienced significant disruptions to cash flows during the pandemic have been written off. Given the scale of the rental support provided to tenants in the current and prior year as a result of the COVID-19 pandemic, these non-cash lease modification expenses and impairment of incentives have been 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 the Group's APM policy. Details of all APMs used by the Group are set out in the APM section on page 61.

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 profit/(loss) for the year, is set out below:

Continuing operations	Note	**2021 £m**	2020 £m
Rental income		**70.0**	75.8
Property and service charge expenses		**(17.7)**	(18.2)
Expected credit losses		**–**	(14.0)
Underlying net rental income		**52.3**	43.6
Other income/(costs)		**2.7**	(0.5)
Administration costs		**(19.9)**	(25.0)
Underlying operating profit		**35.1**	18.1
Finance costs		**(31.8)**	(24.3)
Finance income		**0.4**	0.5
Underlying net finance costs		**(31.4)**	(23.8)
Underlying profit/(loss) before tax		**3.7**	(5.7)
Taxation		**0.4**	(0.5)
Underlying earnings/(loss)		**4.1**	(6.2)
Underlying earnings/(loss) per share (pence)		**0.5**	(0.7)
Weighted average number of shares in issue	15	**851.3m**	852.2m

Underlying earnings/(loss)		**4.1**	(6.2)
Adjustment to reconcile to IFRS:			
Lease modification expense	5	**(2.6)**	(16.7)
Impairment of tenant lease incentives	5	**(3.3)**	(11.1)
Loss on revaluation and sale of investment and development property	8	**(15.8)**	(693.1)
Change in value of investments and other receivables	9	**11.6**	(28.2)
Non-underlying administration expenses	7	**(2.8)**	(6.5)
Other finance income	10	**8.1**	20.5
Other finance costs	11	**(1.8)**	(0.6)
Change in fair value of derivative financial instruments	19	**(11.9)**	(14.5)
Fair value gain on financial assets at fair value through profit or loss	18	**44.6**	50.9
Taxation		**(1.1)**	1.5
Other		**0.2**	0.3
Profit/(loss) for the year from continuing operations		**29.3**	(703.7)

4 REVENUE

Continuing operations	2021 £m	2020 £m
Rental income	**62.7**	68.8
Service charge income	**5.3**	5.1
Revenue	**68.0**	73.9

All revenue has been generated from operations within the United Kingdom.

5 COST OF SALES

Continuing operations	2021 £m	2020 £m
Property expenses[1]	**10.6**	11.1
Service charge expenses	**5.3**	5.1
Total property outgoings	**15.9**	16.2
Lease modification expenses[2]	**2.6**	16.7
Impairment of tenant lease incentives[2]	**3.3**	11.1
Cost of sales	**21.8**	44.0

1. Included in property expenses for the current year is £0.5 million (2020:£1.2 million) of COVID-19 related security, cleaning and equipment costs.
2. Due to the impact of COVID-19, lease modification expenses and impairment of tenant lease incentives have been excluded from underlying earnings. See note 3 'Underlying Earnings' for further details.

6 OTHER INCOME/(COSTS)

Continuing operations	2021 £m	2020 £m
Dividend income[1]	**2.3**	–
Management fee income/(costs)[2]	**0.7**	(1.0)
Other income/(costs)	**3.0**	(1.0)

1. Dividend income earned from the Group's investment in Shaftesbury PLC.
2. Management fees charged to joint ventures for services associated with the management of properties and other general expenses as defined by management agreements. The 2020 fee included a credit in respect of prior periods.

7 ADMINISTRATION EXPENSES

Included within administration expenses in the income statement are:

Continuing operations	2021 £m	2020 £m
Depreciation	**0.2**	1.5
Other administration expenses	**19.8**	23.0
Non-underlying administration expenses[1]	**2.8**	6.5
Total administration expenses	**22.8**	31.0

1. Non-underlying administration expenses totalled £2.8 million (2020: £6.5 million) which included £1.8 million lease assignment costs in respect of the office building previously occupied by the Group and £1.0 million of legal and other costs incurred in respect of group restructurings and transactions. The prior year costs relate to transaction-related costs incurred, primarily in respect of the acquisition of the shareholding in Shaftesbury PLC. These costs have been classified as non-underlying as they do not represent the recurring, underlying performance of the Group.

8 LOSS ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

Continuing operations	2021 £m	2020 £m
Loss on revaluation of investment and development property	**9.9**	692.2
Loss on sale of investment and development property	**5.9**	0.9
Loss on revaluation and sale of investment and development property	**15.8**	693.1

9 CHANGE IN VALUE OF INVESTMENTS AND OTHER RECEIVABLES

Continuing operations	2021 £m	2020 £m
(Write-back)/impairment of investments and other receivables	**(67.7)**	28.2
Waiver of joint venture loan	**56.1**	–
Change in value of investments and other receivables	**(11.6)**	28.2

The change in value of investments and other receivables relates to amounts receivable from the Lillie Square joint venture. The investment and other receivables in Lillie Square consist of the equity investment, interest bearing loans which previously consisted of unsecured Deep Discounted Bonds ("DDBs") issued by the joint venture and a working capital facility. As at the balance sheet date, net of impairments, the Group held the investment at nil (2020: nil), the interest bearing loan at £82.9 million (2020: DDBs at £85.0 million) and working capital facilities at £22.8 million (2020: nil). On a Group share basis, which includes the Group's share of joint ventures as this represents the economic value to the Company's shareholders, the loans to the joint venture, and any impairments and write-backs thereon, are eliminated.

The DDBs, with a nominal value of £276.1 million, were issued by the joint venture to the Group and KFI in August 2012, and were due to mature in August 2021. Ahead of the DDBs maturing in August 2021, the Group and KFI waived a portion of the DDBs and reduced the nominal redemption value to £163.0 million (Capco share £81.5 million) which resulted in the crystallisation of a debt waiver loss of £56.1 million recognised in the current year. The nominal value of the bonds including interest up to the redemption date of 31 July 2021, had previously been impaired by £64.9 million (£5.4 million in the current year and £25.1 million in 2020).

Following the reduction in nominal value of the DDBs, the Group and KFI each provided an interest bearing loan of £81.5 million, bearing interest at 4.25 per cent, to the joint venture which were used to repay the DDBs at their revised nominal value. The effective interest rate was previously 12 per cent and this interest rate, together with the higher level of debt, had resulted in significant impairments, when assessing the future discounted cashflows of the joint venture, being recorded by the Group in prior periods. The reassessment using the loan now in place has resulted in a write back of £50.3 million of the previously impaired balance held as at 31 July 2021. Details of the interest bearing loans are set out in note 20 'Trade and other receivables'.

A working capital facility of £45.5 million (2020: £44.2 million) has been advanced to LSJV by the Group. Cumulative impairments of £22.7 million (2020: £44.2 million) have been booked the facility. During the year a write back of £22.8 million (2020: write off £3.1 million) was recorded. The net receivable of £22.8 million (2020: nil), is included within Trade and other receivables at the balance sheet date.

The LSJV is in a net liability position and incurred losses during the current year. As the Group's investment in the Lillie Square joint venture has been previously fully impaired and the Group's carrying value of the investment in Lillie Square remains nil, these losses have been taken into account within the impairment analysis of other receivables due from the joint venture.

As required by IFRS 9 'Financial Instruments', an impairment assessment was performed comparing the carrying amount of the interest bearing loan and working capital facility, to the present value of the estimated future cash flows from the joint venture. The future cash flows of the Lillie Square joint venture have been enhanced during the year due to the impact of the debt waiver, the DDB redemption and interest bearing loan carrying lower future interest costs.

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 discount rate of 4.25 per cent (being the effective interest rate on the loan to the joint venture) 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 greater than the carrying amounts of the interest bearing loan and working capital facility and wrote back £22.8 million of the impairments held against the working capital facility.

A sensitivity analysis was performed to consider the impact of reasonably possible changes to the Group's assumptions. By way of illustration, a delay to the timing of the cash flows as a result of the impact of Brexit on supply chain, currency fluctuations, inflationary pressures, impact of COVID-19 and other market conditions by an additional twelve months would have resulted in a write back of £19.2 million. Alternatively, a reduction to net cash flows of five per cent would have resulted in a write back of £13.8 million.

10 FINANCE INCOME

Continuing operations	2021 £m	2020 £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]	**6.6**	11.3
On loan to joint venture[1]	**1.4**	–
On deferred consideration[2]	**0.1**	9.2
Other finance income	**8.1**	20.5

1. The Group earned interest on the deep discount bonds issued by the Lillie Square joint venture up to their redemption on 31 July 2021. The Group and KFI each provided an interest bearing loan to the joint venture that was used to redeem the DDBs. The interest earned on both these instruments are excluded from the calculation of underlying earnings as deep discount bonds and loans to joint ventures eliminate on a Group share basis due to the Lillie Square joint venture having the corresponding finance cost. Details of the DDB redemption is set out in note 9 'Change in value of investments and other receivables' and details of the interest bearing loans issued are set out in note 20 'Trade and other receivables'.
2. Excluded from the calculation of underlying earnings as the deferred consideration relates to the proceeds from the sale of Earls Court Properties during 2019.

11 FINANCE COSTS

Continuing operations	2021 £m	2020 £m
On bank facilities and loan notes	**22.8**	22.4
On exchangeable bonds[1]	**8.2**	0.9
On obligations under lease liabilities	**0.7**	0.8
Finance costs	**31.7**	24.1

Other finance costs:		
Non-underlying finance charges[2]	**1.8**	0.6
Other finance costs	**1.8**	0.6

1. On 30 November 2020 the Group issued £275 million of secured exchangeable bonds maturing in March 2026. The net proceeds received from the issue of the exchangeable bonds have been split between the financial liability element and an option component. The debt component is accounted for at amortised cost and, after taking into account transaction costs, accrues interest at an effective interest rate of 3.1 per cent, of which 2 per cent represents the cash coupon on the bond. The prior year amount included £0.3 million of transaction costs relating to the option component of the bond which was expensed on issuance of the bond.
2. Excluded from the calculation of underlying earnings as the charges relate to non-recurring costs in connection with the re-financing of the RCF and costs to obtain debt covenant waivers for the current and prior year. These charges have been classified as non-underlying as they do not represent the recurring, underlying performance of the Group.

12 TAXATION

Continuing operations	2021 £m	2020 £m
Deferred income tax:		
On accelerated capital allowances	**0.1**	0.1
On fair value of derivative financial instruments	**2.2**	(1.5)
On Group losses	**(1.1)**	0.4
On other temporary differences	**(0.5)**	0.8
Deferred income tax	**0.7**	(0.2)
Adjustments in respect of previous years – current income tax	**–**	(0.8)
Total income tax charge/(credit) reported in the income statement	**0.7**	(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 UK 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 would 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 14 '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.

The UK Budget announced on 3 March 2021, confirmed an increase in the main corporation tax rate from 19 to 25 per cent with effect from 1 April 2023. This change has been substantively enacted on 24 May 2021 and therefore has been reflected in the consolidated condensed financial statements.

13 DISCONTINUED OPERATION

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

Profit from discontinued operation after tax included in the consolidated income statement:

	2021 £m	2020 £m
Profit from discontinued operation after tax		
Profit on disposal of discontinued operation	**–**	1.0
Profit from discontinued operation after tax	**–**	1.0
Attributable to:		
Owners of the Parent	**–**	1.0

Net proceeds received on completion amounted to £145.3 million, with the balance of £210.4 million receivable over 24 months following completion. £194.7 million was received in 2020 and the balance of £15.7 million was received in 2021, both received net of working capital and related adjustments.

The following table summarises the consideration and net cash flow arising on the disposal:

	2021 £m	2020 £m
Deferred consideration	**15.7**	194.7
Working capital and related adjustments[1]	**(0.5)**	(0.6)
Net cash consideration	**15.2**	194.1

1. Relates to post-completion adjustments in working capital refunded to the purchaser.

14 DIVIDENDS

	2021 £m	2020 £m
Ordinary shares		
Prior year final dividend of nil pence per share (2020: 1.0p)	**–**	8.5
Interim dividend of 0.5p per share (2020: nil pence)	**4.3**	–
Dividend expense	**4.3**	8.5
Bonus issue in lieu of cash dividends[1]	**(0.3)**	(3.9)
Cash dividends paid	**4.0**	4.6
Proposed final dividend of 1.0 pence per share (2020: nil pence)	**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 UK 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 would 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.

There was no PID payable by the Group in 2021 in relation to the Group's qualifying activities for 2020, as these resulted in a property rental tax loss. During the year, the Group paid 0.25 pence per share in the form of a PID, partly settling its PID requirement for the year to 31 December 2021 with the balance expected to be settled during 2022.

15 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(a) Weighted average number of ordinary shares

	2021 m	2020 m
Number of ordinary shares in issue[1]	**851.3**	852.2
Adjustments:		
Dilutive effect of contingently issuable share option awards[2]	**0.5**	0.3
Dilutive effect of contingently issuable deferred share awards[2]	**0.1**	0.1
Adjusted, diluted number of ordinary shares in issue	**851.9**	852.6

1. Weighted average number of shares in issue for 2020 has been adjusted by 0.2 million for the 2021 issue of bonus shares (2020: 2.5 million) 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 2021 because they are anti-dilutive. These options could potentially dilute basic earnings per share in the future.

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

Continuing and discontinued operations attributable to owners of the Parent	2021 £m	2020 £m
Continuing operations		
Earnings/(loss) used for calculation of basic and diluted loss per share	**29.3**	(703.7)
Basic and diluted earnings/(loss) per share (pence)	**3.4**	(82.6)
Discontinued operation		
Earnings used for calculation of basic and diluted earnings per share	**–**	1.0
Basic and diluted earnings per share (pence)[1]	**–**	0.1

1. EPRA Earnings per share is disclosed in Table 1 of the EPRA measures on page 63.

(c) Headline earnings per share

Headline earnings per share is calculated in accordance with Circular 1/2021 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.

	2021			2020		
	Earnings £m	**Shares[1] million**	**Earnings per share (pence)**	Loss £m	Shares[1] million	Loss per share (pence)
Continuing and discontinued operations attributable to owners of the Parent						
Basic earnings/(loss)	**29.3**	**851.3**	**3.4**	(702.7)	852.2	(82.5)
Group adjustments:						
Loss on revaluation and sale of investment and development property	**15.8**			693.1		
Current tax adjustments	**–**			(0.6)		
Profit on disposal and IFRS 5 impairment of discontinued operation	**–**			(1.0)		
Joint venture adjustments:						
Loss on revaluation and sale of investment and development property	**–**			0.2		
Headline earnings/(loss)	**45.1**	**851.3**	**5.3**	(11.0)	852.2	(1.3)
Dilutive effect of contingently issuable share option awards	**–**	**0.5**		–	0.3	
Dilutive effect of contingently issuable deferred share awards	**–**	**0.1**		–	0.1	
Diluted headline earnings/(loss)	**45.1**	**851.9**	**5.3**	(11.0)	852.6	(1.3)

1. Weighted average number of shares in issue for 2020 has been adjusted by 0.2 million for the 2021 issue of bonus shares (2020: 2.5 million) in connection with the scrip dividend scheme.

15 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

(d) Net assets per share

	2021 m	2020 m
Number of ordinary shares in issue	**851.3**	851.1
Adjustments:		
Dilutive effect of contingently issuable share option awards	**0.5**	0.3
Dilutive effect of contingently issuable deferred share awards	**0.1**	0.1
Adjusted, diluted number of ordinary shares in issue	**851.9**	851.5

	2021			2020		
	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	**1,786.4**	**1,786.4**	**1,786.4**	1,759.7	1,759.7	1,759.7
Diluted NAV	**1,786.4**	**1,786.4**	**1,786.4**	1,759.7	1,759.7	1,759.7
Group adjustments:						
Revaluation of other non-current assets[1]	**7.3**	**7.3**	**7.3**	33.4	33.4	33.4
Unrecognised surplus on trading property – joint venture	**0.1**	**0.1**	**0.1**	2.2	2.2	2.2
Diluted NAV at Fair Value	**1,793.8**	**1,793.8**	**1,793.8**	1,795.3	1,795.3	1,795.3
Fair value of derivative financial instruments[2]	**(1.1)**	**(1.1)**	**–**	7.2	7.2	–
Fair value adjustment of financial instruments – exchangeable bond	**16.8**	**16.8**	**–**	5.5	5.5	–
Real Estate Transfer Tax	**115.9**	**–**	**–**	124.5	–	–
Excess fair value of debt over carrying value[3]	**–**	**–**	**6.5**	–	–	(37.1)
Deferred tax adjustments	**0.2**	**0.2**	**–**	(2.2)	(2.2)	–
NAV	**1,925.6**	**1,809.7**	**1,800.3**	1,930.3	1,805.8	1,758.2
Diluted number of shares	**851.9**	**851.9**	**851.9**	851.5	851.5	851.5
NAV per share (pence)	**226.0**	**212.4**	**211.3**	226.7	212.1	206.5

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.
2. This relates to the fair value of interest rate collars. Further details are disclosed within note 19 'Derivative Financial Instruments'.
3. Excludes fair value of exchangeable bond option component included under derivative liabilities as disclosed in note 19 '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 61 to 64 for further information.

16 PROPERTY PORTFOLIO

a) Investment and development property

	Property portfolio			Tenure	
	Covent Garden £m	Other £m	Total £m	Freehold £m	Leasehold £m
At 1 January 2020	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**
Additions from subsequent expenditure	**6.8**	**–**	**6.8**	**5.2**	**1.6**
Disposals	**(98.2)**	**–**	**(98.2)**	**(93.4)**	**(4.8)**
Loss on revaluation	**(9.9)**	**–**	**(9.9)**	**(0.8)**	**(9.1)**
At 31 December 2021	**1,692.4**	**2.1**	**1,694.5**	**945.7**	**748.8**

b) Market value reconciliation of total property

	Covent Garden £m	Other £m	Total £m
Carrying value of investment and development property at 31 December 2021	**1,692.4**	**2.1**	**1,694.5**
Adjustment in respect of fixed head leases	**(6.1)**	**–**	**(6.1)**
Adjustment in respect of tenant lease incentives	**42.2**	**–**	**42.2**
Market value of investment and development property at 31 December 2021	**1,728.5**	**2.1**	**1,730.6**
Joint venture:			
Group share of carrying value of joint venture investment, development and trading property at 31 December 2021	**–**	**84.0**	**84.0**
Group share of unrecognised surplus on joint venture trading property[1]	**–**	**0.1**	**0.1**
Market value of investment, development and trading property on a Group share basis at 31 December 2021	**1,728.5**	**86.2**	**1,814.7**

	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.

At 31 December 2021, the Group was contractually committed to £4.1 million (2020: £0.8 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 27 ‘Capital Commitments’ for further information on capital commitments.

The fair value of the Group’s investment, development and trading property at 31 December 2021 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 Group appoints 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 2021 all Covent Garden properties are valued under the income capitalisation technique.

As highlighted within the Group’s Net Zero Carbon Pathway published in December 2021 developments and refurbishments form a key element of the Group’s 2030 Net Zero Carbon Commitment. During the year the Group’s additions from subsequent expenditure was £6.8 million (2020: £19.1 million). This sum included both capital works which enhanced the environmental performance of assets, and design stage work to deliver environmental enhancements. It is estimated that 80 per cent of the environmental performance of a new building is determined at the design stage. While new ground up development form a limited part of the Group strategy, the design stage on retrofitting and refurbishment, particularly of heritage buildings, is equally important to deliver Whole Life Carbon efficiency.

Due to the impact of COVID-19 the 31 December 2020 valuation included an assumption on loss on near-term income of £27.0 million. This assumption has been reduced to nil in the 31 December 2021 valuation. There has been no change in the valuation methodology used as a result of COVID-19. Whilst the property valuations reflect the external valuers’ assessment of the impact of COVID-19 at the valuation date, we consider +/- 5 per cent for ERV and +/-25bps movement on yields to appropriately capture the level of uncertainty in these key valuation assumptions.

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 within the Lillie Square joint venture, have been valued on the basis of their development potential. 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 28.

17 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 2021, 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	2021 £m	2020 £m
Summarised income statement		
Revenue	**49.6**	133.6
Net rental income/(expense)	**0.3**	(4.1)
Proceeds from the sale of trading property	**49.3**	129.8
Loss on revaluation of investment and development property	**–**	(0.5)
Cost of sale of trading property	**(37.8)**	(106.1)
Agent, selling and marketing fees	**(0.1)**	(2.1)
Write down of trading property	**(24.0)**	(2.8)
Administration expenses	**(0.5)**	0.1
Finance costs[1]	**(11.3)**	(14.3)
Loss for the year after taxation	**(24.1)**	–

1. Finance costs includes £8.4 million (2020: £13.9 million) which relates to the amortisation of deep discount bonds that were issued by LSJV to the Group and KFI up to their redemption on 31 July 2021 and £2.9 million which relates to interest payable on the interest bearing loans issued to the joint venture by the Group and KFI during the year. Finance income receivable by the Group from LSJV of £8.0 million (2020: £11.3 million) is recognised in the consolidated income statement within other finance income. Details of the DDB redemption is set out in note 9 'Change in value of investments and other receivables' and details of the interest bearing loans issued are set out in note 20 'Trade and other receivables'.

LSJV	2021 £m	2020 £m
Summarised balance sheet		
Investment and development property	**3.3**	3.3
Trading property	**164.8**	222.7
Cash and cash equivalents[1]	**44.6**	20.4
Other current assets	**1.1**	–
Other non-current assets	**5.0**	6.4
Borrowings	**–**	(11.2)
Amounts payable to joint venture partners[2]	**(78.6)**	(77.5)
Other current liabilities[3]	**(171.4)**	(283.5)
Net liabilities	**(31.2)**	(119.4)
Capital commitments	**2.6**	2.8
Carrying value of investment, development and trading property	**168.0**	226.0
Unrecognised surplus on trading property[4]	**0.1**	4.4
Market value of investment, development and trading property[4]	**168.1**	230.4

1. Includes restricted cash and cash equivalents of £0.5 million (2020: £10.9 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 £0.5 million (2020: £10.9 million) within other current liabilities.
2. Amounts payable to joint venture partners relate to working capital facilities advanced by the Group and KFI.
3. Other current liabilities includes a £163.0 million loan advanced by the Group and KFI to the joint venture. In the prior year this balance related to the deep discount bonds that were redeemed on 31 July 2021. Details of the DDB redemption is set out in note 9 'Change in value of investments and other receivables' and details of the interest bearing loans issued are set out in note 20 'Trade and other receivables'. Recoverable amounts receivable by the Group, net of impairments of nil million (2020: £85.0 million against the DDBs) are recognised on the consolidated balance sheet within non-current trade and other receivables.
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.

17 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	2021 £m	2020 £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 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
Net assets/(liabilities) of joint ventures at 31 December 2021	**0.1**	**(31.2)**	**0.4**	**(30.7)**
Elimination of joint venture partners' interest	**–**	**15.6**	**(0.2)**	**15.4**
Cumulative losses restricted[1]	**–**	**15.6**	**–**	**15.6**
Carrying value at 31 December 2021	**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. This consists of losses taken through the Income Statement and the debt waiver that has been recorded directly within reserves. As a result the carrying value of the investment in LSJV is £nil (2020: £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 2020	0.1	–	0.2	0.3
At 31 December 2020	**0.1**	**–**	**0.2**	**0.3**
Loss for the year[1]	**–**	**(12.0)**	**–**	**(12.0)**
Loss restricted[1]	**–**	**12.0**	**–**	**12.0**
Deemed equity investment[2]	**–**	**56.1**	**–**	**56.1**
Unwind of historic losses restricted[2]	**–**	**(56.1)**	**–**	**(56.1)**
At 31 December 2021	**0.1**	**–**	**0.2**	**0.3**

1. The share of post-tax loss from joint ventures in the consolidated income statement of nil (2020: nil) comprises the loss for the year of £12.0 million (2020: nil) and loss restricted totalling £12.0 million (2020: nil).
2. During the year the DDBs loaned to LSJV from the Group and KFI were restructured into a new interest bearing loan following a debt waiver of £56.1 million. The debt waiver is in substance an increase in investment by the parent entities of Lillie Square LP. Historically losses made by the LSJV have been restricted due to the value of the investment in LSJV by the Group being fully impaired. The deemed equity investment has created a value of £56.1 million in LSJV. Of the previously restricted losses (cumulative £59.7 million), £56.1 million have been unwound and set off against the deemed equity investment. Both the deemed equity investment and the unwind of historic losses restricted are recognised in the Consolidated Statement of Changes in Equity at a net value of nil.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2021 £m	2020 £m
Non-current assets		
Listed equity securities[1]	**596.4**	551.8

1. Listed equity securities comprise 97.0 million shares in Shaftesbury held at the 31 December 2021 closing share price of 615 pence per share.

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

Profit or loss	2021 £m	2020 £m
Fair value gain on financial assets at fair value through profit or loss	**44.6**	50.9

19 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial assets	2021 £m	2020 £m
Non-current		
Interest rate collars	**1.1**	–
Derivative financial assets	**1.1**	–

Derivative financial liabilities	2021 £m	2020 £m
Non-current		
Interest rate collars	**–**	7.2
Derivative liability – exchangeable bonds[1]	**32.1**	15.3
Derivative financial liabilities	**32.1**	22.5

1. 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. The debt component is accounted for at amortised cost at the effective interest rate method and the derivative liability is accounted for at fair value through profit or loss.

During the year, the following fair value movements on derivative financial instruments were recognised in profit or loss:

Profit or loss	2021 £m	2020 £m
Fair value gain/(loss) on interest rate collars[1]	**4.9**	(9.0)
Fair value loss on derivative liability – exchangeable bonds	**(16.8)**	(5.5)
Change in fair value of derivative financial instruments	**(11.9)**	(14.5)

1. In addition to the fair value gain in the year, includes £3.4 million (2020: £5.4 million) repayment of interest rate collars.

20 TRADE AND OTHER RECEIVABLES

	2021 £m	2020 £m
Non-current		
Other receivables	**–**	0.1
Prepayments and accrued income[1]	**37.9**	33.1
Amounts receivable from joint ventures[2]	**82.9**	85.0
Trade and other receivables	**120.8**	118.2
Current		
Rent receivable[3]	**10.5**	22.3
Other receivables[4]	**14.2**	30.4
Prepayments and accrued income[1]	**11.1**	12.4
Amounts receivable from joint ventures[2]	**23.4**	0.6
Trade and other receivables	**59.2**	65.7

1. Includes tenant lease incentives, comprising surrender premia paid and incentives offered to tenants, of £42.2 million (2020: £37.5 million).

2. Non-current amounts receivable from joint ventures in the prior year related to deep discount bonds that were issued by LSJV to the Group. As at 31 December 2020, the nominal value of the bonds including interest of £144.5 million had been impaired by £59.5 million. Ahead of the DDBs maturing in August 2021, the Group and KFI restructured and redeemed the DDBs by each providing an interest bearing loan of £81.5 million to the joint venture. The loans bear interest at 4.25 per cent per annum and are repayable on demand, however it is not the intention of the Group to call on the loan in the next 12 months and so it has been presented as non-current. Current amounts receivable from joint ventures include working capital funding advanced to LSJV from the Group of £45.5 million (2020: £44.2 million) which has been impaired by £22.7 million (2020: £44.2 million).

3. Rent receivable is shown net of expected credit loss provision of £10.9 million (2020: £12.4 million).

4. Other receivables included the discounted balance of the deferred consideration in respect of the Earls Court disposal, which was receivable in two tranches in 2020 and 2021. The final instalment was received in November 2021. Details are set out in note 13 'Discontinued Operation'.

21 CASH AND CASH EQUIVALENTS

	2021 £m	2020 £m
Cash at hand	**1.9**	1.5
Cash on short-term deposits	**317.1**	363.6
Cash and cash equivalents	**319.0**	365.1

22 TRADE AND OTHER PAYABLES

	2021 £m	2020 £m
Rent in advance	**13.6**	15.5
Accruals	**9.3**	12.1
Other payables	**13.6**	13.9
Other taxes and social security	**2.5**	2.8
Trade and other payables	**39.0**	44.3

23 BORROWINGS, INCLUDING LEASE LIABILITIES

	2021						
	Carrying value £m	**Secured £m**	**Unsecured £m**	**Fixed rate £m**	**Floating rate £m**	**Fair value £m**	**Nominal value £m**
Current							
Lease liability obligations	**0.7**	**0.7**	**–**	**0.7**	**–**	**0.7**	**0.7**
Borrowings, including lease liabilities	**0.7**	**0.7**	**–**	**0.7**	**–**	**0.7**	**0.7**
Non-current							
Bank loans	**122.4**	**124.0**	**(1.6)**	**–**	**122.4**	**125.0**	**125.0**
Loan notes	**548.4**	**–**	**548.4**	**548.4**	**–**	**554.1**	**550.0**
Exchangeable bonds	**264.1**	**264.1**	**–**	**264.1**	**–**	**259.1**	**275.0**
Borrowings	**934.9**	**388.1**	**546.8**	**812.5**	**122.4**	**938.2**	**950.0**
Lease liability obligations	**5.4**	**5.4**	**–**	**5.4**	**–**	**5.4**	**5.4**
Borrowings, including lease liabilities	**940.3**	**393.5**	**546.8**	**817.9**	**122.4**	**943.6**	**955.4**
Total borrowings, including lease liabilities	**941.0**						
Cash and cash equivalents	**(319.0)**						
Net debt	**622.0**						

	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						

The market value of investment and development property secured as collateral against borrowings at 31 December 2021 was nil (2020: nil).

Undrawn facilities and cash attributable to the Group at 31 December 2021 were £629.0 million (2020: £940.1 million).

The fair value of the Group's borrowings have been estimated using the market value for floating rate borrowings, which approximates nominal value, and discounted cash flow approach for fixed rate borrowings, representing Level 2 fair value measurements as defined by IFRS 13. The different valuation levels are defined in note 24 'Classification of Financial Assets and Liabilities'.

The lease liability obligations are in respect of leasehold interests in investment and development property and in the prior year included a lease liability over corporate premises.

24 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

		2021		2020	
	Note	**Carrying value £m**	**Gain/(loss) to income statement £m**	Carrying value £m	(Loss)/gain to income statement £m
Derivative financial assets	19	**1.1**	**4.9**	–	–
Total held for trading assets		**1.1**	**4.9**	–	–
Cash and cash equivalents	21	**319.0**	**–**	365.1	–
Other financial assets[1]		**131.7**	**–**	138.4	–
Total cash and other financial assets		**450.7**	**–**	503.5	–
Investment held at fair value through profit or loss	18	**596.4**	**44.6**	551.8	50.9
Total investment held at fair value through profit or loss		**596.4**	**44.6**	551.8	50.9
Derivative financial liabilities	19	**(32.1)**	**(16.8)**	(22.5)	(14.5)
Total held for trading liabilities		**(32.1)**	**(16.8)**	(22.5)	(14.5)
Borrowings, including lease liability	23	**(941.0)**	**–**	(1,080.6)	–
Other financial liabilities[2]		**(25.4)**	**–**	(29.7)	–
Total borrowings and other financial liabilities		**(966.4)**	**–**	(1,110.3)	–

1. Includes rent receivable, amounts due from joint ventures, tax assets and other receivables. Prior year balance also included deferred consideration on the sale of Earls Court Properties.

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.

	2021				2020			
	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	**596.4**	**–**	**–**	**596.4**	551.8	–	–	551.8
Held for trading assets								
Derivative financial assets	**–**	**1.1**	**–**	**1.1**	–	–	–	–
Total assets	**596.4**	**1.1**	**–**	**597.5**	551.8	–	–	551.8
Derivative financial liabilities	**–**	**(32.1)**	**–**	**(32.1)**	–	(22.5)	–	(22.5)
Total liabilities	**–**	**(32.1)**	**–**	**(32.1)**	–	(22.5)	–	(22.5)

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

.

25 DEFERRED TAX

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

Deferred tax on investment and development property is calculated under IAS 12 provisions on a disposals basis by reference to the properties’ original tax base cost. 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 2021 (2020: £nil).

A disposal of the Group’s trading properties at their market value as per note 16 ‘Property Portfolio’, before utilisation of carried forward losses, would result in a corporation tax charge to the Group of nil (19 per cent of £0.1 million).

	Accelerated capital allowances £m	Fair value of derivative financial instruments £m	Other temporary differences £m	Non-REIT group losses £m	Total £m
Provided deferred tax provision:					
At 1 January 2020	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)
Recognised in income	**0.1**	**2.2**	**(0.5)**	**–**	**1.8**
Adjustment in respect of rate change	**–**	**–**	**–**	**(1.1)**	**(1.1)**
At 31 December 2021	**0.3**	**(0.1)**	**(1.6)**	**(4.7)**	**(6.1)**

Unprovided deferred tax assets:				
At 1 January 2020	–	–	–	(10.3)
Income statement items	–	–	–	2.0
At 31 December 2020	–	–	–	(8.3)
Income statement items				**(9.1)**
At 31 December 2021				**(17.4)**

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.

26 SHARE CAPITAL AND SHARE PREMIUM

Issue type	Transaction date	Issue price (pence)	Number of shares	Share capital £m	Share premium £m
At 1 January 2020			854,299,163	213.6	228.9
Share buyback[1]	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**
Scrip dividend – 2021 interim	September	176	**153,071**	**–**	**0.3**
Share-based payment[3]			**35,958**	**–**	**–**
At 31 December 2021			**851,272,672**	**212.8**	**232.5**

1. 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.

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

3. In 2021 a total of 35,958 new shares were issued to satisfy employee share scheme awards.

At 22 February 2022, the Company had an unexpired authority to repurchase shares up to a maximum of 85,111,960 shares with a nominal value of £21.3 million, and the Directors had an unexpired authority to allot up to a maximum of 566,692,583 shares with a nominal value of £141.7 million of which 283,422,827 with a nominal value of £70.9 million can only be allotted pursuant to a fully pre-emptive rights issue.

27 CAPITAL COMMITMENTS

At 31 December 2021, the Group was contractually committed to £4.1 million (31 December 2020: £0.8 million) of 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 £1.3 million (2020: £1.4 million).

28 CONTINGENT LIABILITIES

The Group has contingent liabilities in respect of legislation, sustainability targets, 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.

29 CASH FLOW INFORMATION

The tables below presents the cash generated from operations:

(a) Cash generated from continuing operations

Continuing operations	Note	2021 £m	2020 £m
Profit/(loss) before tax		**30.0**	(704.7)
Adjustments:			
Loss on revaluation and sale of investment and development property	8	**15.8**	693.1
Change in value of investments and other receivables	9	**(11.6)**	28.2
Fair value gain on financial assets at fair value through profit or loss	18	**(44.6)**	(50.9)
Depreciation		**0.2**	1.5
Amortisation of tenant lease incentives and other direct costs		**0.1**	23.4
Expected credit loss		**–**	14.0
Share-based payment[1]		**1.5**	1.4
Finance income	10	**(0.5)**	(0.5)
Other finance income	10	**(8.1)**	(20.5)
Finance costs	11	**31.7**	24.1
Other finance costs	11	**1.8**	0.6
Change in fair value of derivative financial instruments	19	**11.9**	14.5
Change in working capital:			
Change in trade and other receivables		**4.0**	(37.5)
Change in trade and other payables		**(4.3)**	(19.0)
Cash generated/(utilised) from operations		**27.9**	(32.3)

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

(b) 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	**1,079.0**	**1.6**	**15.3**	**1,095.9**
Cash flows from financing activities				
Repayment of revolving credit facility	**(140.0)**	**–**	**–**	**(140.0)**
Principal element of lease payment	**–**	**(0.2)**	**–**	**(0.2)**
Total cash flows used in financing activities	**(140.0)**	**(0.2)**	**–**	**(140.2)**
Non-cash flows from financing activities				
Amortisation of finance costs	**4.2**	**–**	**–**	**4.2**
Lease liability	**(2.9)**	**(0.7)**	**–**	**(3.6)**
Changes in fair value	**–**	**–**	**16.8**	**16.8**
Total non-cash flows from financing activities	**1.3**	**(0.7)**	**16.8**	**17.4**
Balance at 31 December	**940.3**	**0.7**	**32.1**	**973.1**

30 RELATED PARTY TRANSACTIONS

Transactions with Directors

Key management compensation[1]	2021 £m	2020 £m
Salaries and short-term employee benefits	**3.9**	2.3
Share-based payment	**1.2**	0.9
	5.1	3.2

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 2021 and 22 February 2022, 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 2021.

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 17 'Investment in Joint Ventures', 20 'Trade and other receivables' and 27 'Capital commitments'. During the year the Group received management fees of £0.7 million (2020: cost of £1.0 million) that were 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, and Situl Jobanputra, Chief Financial Officer of Capital & Counties Properties PLC, 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, Henry Staunton, together with a family member, owns a car park space in the Lillie Square development.
- As owners of apartments and car park space in the Lillie Square development, the Directors are required to pay annual ground rent and insurance premium fees and bi-annual service charge fees. During 2021, £16,021.60 had been received in relation to these charges. £217.02 of such charges for 2021 remained outstanding as at 31 December 2021. Certain payments in relation to these charges were made in advance and £54.35 had been received in advance as at 31 December 2021.

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.

31 EVENTS AFTER THE REPORTING DATE

On 28 January 2022, the Group served notice to prepay £75 million private placement loan notes, consisting of £37.5 million loan notes set to mature on 16 December 2024 with an interest rate of 3.63 per cent and £37.5 million loan notes set to mature on 16 December 2026 with an interest rate of 3.68 per cent. The prepayment is set to occur on 28 February 2022 at a cost of approximately £81 million including make-whole costs. As a result of the prepayment, the pro forma weighted average debt maturity on drawn facilities will increase to 5.0 years and the weighted average cost of debt will reduce to 2.7 per cent.

ALTERNATIVE PERFORMANCE MEASURES (UNAUDITED)

for the year ended 31 December 2021

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 financial 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**	**2021**	2020
Underlying earnings	Profit/(loss) for the year excluding unrealised and one-off items	Profit/(loss) for the year	Note 3	£4.1m	(£6.2)m
Underlying earnings per share	Underlying earnings per weighted number of ordinary shares	Basic earnings/(loss) per share	Note 3	0.5p	(0.7)p
EPRA earnings	Recurring earnings from core operational activity	Profit/(loss) for the year	EPRA measures Table 1	(£7.3)m	(£33.0)m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	Basic loss per share	EPRA measures Table 1	(0.9)p	(3.9)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 15	£1,809.7m	£1,805.8m
EPRA NTA per share	EPRA NTA per the diluted number of ordinary shares	Net assets attributable to shareholders per share	Note 15	212.4p	212.1p
Market value of property portfolio	Market value of investment, development and trading properties	Investment, development and trading properties	Note 16	£1,814.7m	£1,942.4m
Interest cover	Underlying operating profit divided by net underlying finance costs	N/A	Financial Review, page 13	111.5%	76.1%
Net debt to gross assets	Net debt divided by total assets excluding cash and cash equivalents	N/A	Financial Review, page 13	24.3%	27.5%
Gross debt with interest rate protection	Proportion of the gross debt with interest rate protection	N/A	Financial Review, page 13	100%	100%
Weighted average cost of debt	Cost of debt weighted by the drawn balance of external borrowings	N/A	Financial Review, page 13	2.8%	2.6%
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 13	£651.7m	£1,010.2m
Cash and undrawn committed facilities (IFRS)	Cash and cash equivalents plus undrawn committed facilities shown on an IFRS basis	N/A	Financial Review, page 13	£629.0m	£940.1m
Occupancy	ERV of occupied space as a percentage of ERV of combined portfolio	N/A	N/A	97.4%	96.5%

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

EPRA MEASURES (UNAUDITED)

for the year ended 31 December 2021

EPRA Net Reinstatement Value ("EPRA NRV"), EPRA Net Tangible Assets ("EPRA NTA") and EPRA Net Disposal Value ("EPRA 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. 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.

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	2021	2020
EPRA earnings	Recurring earnings from core operational activity	1	(£7.3)m	(£33.0)m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	1	(0.9)p	(3.9)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	Note 15 Table D	£1,809.7m	£1,805.8m
EPRA NTA per share	EPRA NTA per the diluted number of ordinary shares	Note 15 Table D	212.4p	212.1p
EPRA NDV (Net Disposal Value)	EPRA NTA amended to include the fair value of financial instruments and debt	Note 15 Table D	£1,800.3m	£1,758.2m
EPRA NDV per share	EPRA NDV per the diluted number of ordinary shares	Note 15 Table D	211.3p	206.5p
EPRA NRV (Net Reinstatement Value)	EPRA NTA amended to include real estate transfer tax	Note 15 Table D	£1,925.6m	£1,930.3m
EPRA NRV per share	EPRA NRV per the diluted number of ordinary shares	Note 15 Table D	226.0p	226.7p
EPRA net initial yield	Annualised rental income less non-recoverable costs as a percentage of market value plus assumed purchaser's costs	2	3.2%	3.3%
EPRA topped-up net initial yield	Net initial yield adjusted for the expiration of rent-free periods	2	3.75%	3.6%
EPRA vacancy	ERV of un-let units expressed as a percentage of the ERV of the Covent Garden portfolio excluding units under development	3	2.6%	3.5%
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	23.7%	(30.3)%

EPRA MEASURES CONTINUED (UNAUDITED)

1. EPRA EARNINGS PER SHARE

	2021			2020		
	Earnings/ (loss) £m	**Shares[1] million**	**Earnings/ (loss) per share (pence)**	Loss £m	Shares[1] million	Loss per share (pence)
Basic earnings/(loss) from continuing operations	**29.3**	**851.3**	**3.4**	(703.7)	852.2	(82.6)
Group adjustments:						
Change in value of investments and other receivables[2]	**(11.6)**			28.2		
Loss on revaluation and sale of investment and development property	**15.8**			693.1		
Fair value gain on listed investments	**(44.6)**			(50.9)		
Change in fair value of derivative financial instruments[3]	**(4.9)**			9.0		
Deferred tax adjustments	**2.3**			(1.4)		
Joint venture adjustments:						
Profit on sale of trading property[4]	**(5.6)**			(8.9)		
Loss on revaluation and sale of investment and development property	**–**			0.2		
Write down of trading property	**12.0**			1.4		
EPRA adjusted loss on continuing operations[5]	**(7.3)**	**851.3**	**(0.9)**	(33.0)	852.2	(3.9)

1. Weighted average number of shares in issue for 2020 has been adjusted by 0.2 million (2020: 2.5 million) for the issue of bonus shares in connection with the scrip dividend scheme.
2. Change in value of investments and other receivables of £11.6 million (2020: £28.2 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 9 'Change in value of Investments and 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 £0.1 million (2020: £1.0 million) of marketing and selling fees on a Group share basis.
5. EPRA earnings has been reported on a Group share basis.

EPRA MEASURES CONTINUED (UNAUDITED)

2. EPRA NET INITIAL YIELD AND EPRA ‘TOPPED-UP’ NET INITIAL YIELD

EPRA Net Initial Yield and ‘topped-up’ Net Initial Yield	2021 £m	2020 £m
Investment property – wholly owned	**1,730.6**	1,827.2
Investment property – share of joint ventures	**1.6**	1.6
Trading property (including share of joint ventures)	**82.5**	113.6
Less: developments	**(251.2)**	(225.9)
Completed property portfolio	**1,563.5**	1, 716.5
Allowance for estimated purchasers’ costs	**105.4**	117.7
Gross up completed property portfolio valuation (A)	**1,668.9**	1,834.2
Annualised cash passing rental income	**57.5**	64.2
Property outgoings	**(4.1)**	(4.3)
Annualised net rents (B)	**53.4**	59.9
Add: notional rent expiration of rent periods or other lease incentives	**9.2**	6.7
Topped-up net annualised rent (C)	**62.6**	66.6
EPRA Net Initial Yield (B/A)	**3.20%**	3.27%
EPRA ‘topped-up’ Net Initial Yield (C/A)	**3.75%**	3.63%

The EPRA Net Initial Yield and EPRA ‘topped-up’ Net Initial Yield are calculated based on EPRA guidelines and includes both Covent Garden and the Group’s share of Lillie Square. The Covent Garden initial yield as determined by the valuer is disclosed in Table 4 of the Analysis of Property Portfolio on page 66.

3. EPRA VACANCY RATE

EPRA vacancy rate	2021 £m	2020 £m
Estimated rental value of vacant space	**1.9**	2.7
Estimated rental value of the whole portfolio less development and refurbishment estimated rental value	**71.8**	75.6
EPRA vacancy rate	**2.6%**	3.5%

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 (2020: £1.6m Group share) and disclosure is not applicable.

4. PROPERTY RELATED CAPEX

	2021			2020		
	Group (excluding Joint Ventures)	**Joint Ventures**	**Total Group**	Group (excluding Joint Ventures)	Joint Ventures	Total Group
Acquisitions	–	–	–	1.1	–	1.1
Development	–	**2.0**	**2.0**	–	5.6	5.6
Investment property	**6.8**	–	**6.8**	19.1	–	19.1
Capitalised interest	–	**0.2**	**0.2**	–	1.5	1.5
Total CapEx	**6.8**	**2.2**	**9.0**	20.2	7.1	27.3
Conversion from accrual to cash basis	**1.1**	**(0.6)**	**0.5**	3.7	–	3.7
Total CapEx on cash basis	**7.9**	**1.6**	**9.5**	23.9	7.1	31.0

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

1. PROPERTY DATA AS AT 31 DECEMBER 2021

	Market Value £m	Ownership
Covent Garden	**1,728.5**	**100%**
Lillie Square	**84.1**	**50%**
Other	**2.1**	**100%**
Group share of total property	**1,814.7**	
Investment and development property	**1,732.2**	
Trading property	**82.5**	

2. ANALYSIS OF CAPITAL RETURN FOR THE YEAR

Like-for-like capital	Market Value 31 December 2021 £m	Market Value 31 December 2020 £m	Revaluation loss[1] 31 December 2021 £m	Decrease
Covent Garden	**1,728.5**	1,726.2	**(11.0)**	(0.6)%
Other[2]	**86.2**	98.2	**(14.1)**	(14.1)%
Total like-for-like capital	**1,814.7**	1,824.4	**(25.1)**	(1.3)%
Investment and development property	**1,732.2**	1,729.9	**(11.0)**	(0.6)%
Trading property[3]	**82.5**	94.5	**(14.1)**	(14.6)%
Non like-for-like capital				
Disposals	**–**	118.0	**1.1**	
Group share of total property	**1,814.7**	1,942.4	**(24.0)**	(1.3)%
Investment and development property	**1,732.2**	1,828.8	**(9.9)**	(0.6)%
Trading property[3]	**82.5**	113.6	**(14.1)**	(14.6)%

All property				
Covent Garden	**1,728.5**	1,825.1	**(9.9)**	(0.6)%
Other[2]	**86.2**	117.3	**(14.1)**	(14.1)%
Group share of total property	**1,814.7**	1,942.4	**(24.0)**	(1.3)%

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

2. Relates to the Group's interest in Lillie Square.

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 2021 £m	Year ended 31 December 2020 £m	Increase
Covent Garden	**50.4**	41.6	**21.6%**
Other	**0.2**	(0.6)	
Total like-for-like net rental income	**50.6**	41.0	**23.7%**
Like-for-like investment and development property	**50.6**	41.2	**23.0%**
Like-for-like trading property	**–**	(0.2)	
Non like-for-like net rental income			
Disposals	**1.7**	2.6	
Group share of total net rental income (underlying)	**52.3**	43.6	**20.4%**
Investment and development property income	**52.3**	43.8	**19.7%**
Trading property	–	(0.2)	**–**

All property			
Covent Garden	**52.1**	44.1	**18.5%**
Other	**0.2**	(0.5)	
Group share of total net rental income (underlying)	**52.3**	43.6	**20.4%**
Lease modifications and impairment of tenant incentives	**(5.9)**	(27.8)	
Reported net rental income	**46.4**	15.8	**194.7%**
Covent Garden	**46.2**	16.3	**183.1%**
Other	**0.2**	(0.5)	

4. ANALYSIS OF COVENT GARDEN BY USE

31 December 2021

	Initial yield	Nominal equivalent yield	Passing rent £m	Occupancy rate	Weighted average unexpired lease years	Market value £m	ERV £m	Net area million Sq ft
Retail						**850.3**	**36.5**	**0.4**
F&B						**434.3**	**18.0**	**0.2**
Offices						**273.2**	**16.0**	**0.2**
Residential						**123.4**	**3.7**	**0.2**
Leisure and other						**47.3**	**2.0**	**0.1**
Total	**2.94%**	**3.88%**	**55.5**	**97.4%**	**7.6**	**1,728.5**	**76.2**	**1.1**

FINANCIAL COVENANTS (UNAUDITED)

For the year ended 31 December 2021

Financial covenants on non-recourse debt

		31 December 2021		
Group share	Maturity	Loans outstanding at 31 December 2021[1] £m	LTV covenant	Interest cover covenant
Covent Garden[2]	**2024-2037**	**550.0**	60%	120%
Total		**550.0**		

1. The loan values are the nominal values at 31 December 2021 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.

2. Covent Garden comprises £300.0 million unsecured revolving credit facility ("RCF") maturing in September 2024, which is undrawn at 31 December 2021, and £550.0 million Private Placement unsecured notes maturing between 2024 and 2037.

DIVIDENDS

The Directors of Capital & Counties Properties PLC have proposed a final dividend per ordinary share (ISIN GB00B62G9D36) of 1.0 pence payable on 8 July 2022.

Dates

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

Sterling/Rand exchange rate struck:	Monday, 30 May 2022
Sterling/Rand exchange rate and dividend amount in Rand announced:	Tuesday, 31 May 2022
Ordinary shares listed ex-dividend on the Johannesburg Stock Exchange:	Wednesday, 8 June 2022
Ordinary shares listed ex-dividend on the London Stock Exchange:	Thursday, 9 June 2022
Record date for final dividend in UK and South Africa:	Friday, 10 June 2022
Annual General Meeting	Tuesday, 28 June 2022
Dividend payment date for shareholders	Friday, 8 July 2022

The proposed final dividend is subject to approval at the Company's Annual General Meeting, to be held on 28 June 2022.

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be Tuesday, 7 June 2022 and that no dematerialisation of shares will be possible from Wednesday 8 June 2022 to Friday 10 June 2022 inclusive. No transfers between the UK and South Africa registers may take place from 8 June 2022 to 10 June 2022 inclusive. The above dates are proposed and subject to change.

The dividend will be split equally between a PID and non-PID. Further details of the split between the PID and non-PID will be contained in the announcement made on the Finalisation date. The PID element will be subject to deduction of a 20 per cent UK withholding tax unless exemptions apply. The non-PID element will be treated as an ordinary UK company dividend.

Information for shareholders

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

UK shareholders - PIDs

Certain categories of shareholders may be eligible for exemption from the 20 per cent UK withholding tax and may register to receive their dividends on a gross basis. Further information, including the required forms, is available from the 'Investors' section of the Company's website (capitalandcounties.com), or on request from our UK registrars, Link Group. Validly completed forms must be received by Link Group no later than the dividend Record Date, as advised; otherwise the dividend will be paid after deduction of tax.

South African shareholders

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

PIDs: South African shareholders may apply to HMRC after payment of the PID element of the dividend for a refund of the difference between the 20 per cent UK withholding tax and the UK/South African double taxation treaty rate of 15 per cent.

The PID element of the dividend will be exempt from income tax but will constitute a dividend for Dividends Tax purposes, as it will be declared in respect of a share listed on the exchange operated by the JSE. SA Dividends Tax will therefore be withheld from the PID element of the final dividend at a rate of 20 per cent, unless a shareholder qualifies for an exemption and the prescribed requirements for effecting the exemption are in place by the requisite date. Certain shareholders may also qualify for a reduction of SA Dividends Tax liability to 5 per cent, (being the difference between the SA dividends tax rate and the effective UK withholding tax rate of 15 per cent) if the prescribed requirements for effecting the reduction are in place by the requisite date.

Non-PID: The non-PID element of the dividend will be exempt from income tax but will constitute a dividend for SA Dividends Tax purposes, as it will be declared in respect of a share listed on the exchange operated by the JSE. SA Dividends Tax will therefore be withheld from the non-PID element of the final dividend at a rate of 20 per cent, unless a shareholder qualifies for an exemption and the prescribed requirements for effecting the exemption are in place by the requisite date.

Other overseas shareholders:

Other non-UK shareholders may be able to make claims for a refund of UK withholding tax deducted pursuant to the application of a relevant double taxation convention. UK withholding tax refunds can only be claimed from HMRC, the UK tax authority.

Additional information on PIDs can be found at https://www.capitalandcounties.com/uk-real-estate-investment-trust-reit

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.

Diluted figures

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

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

ERV of un-let units expressed as a percentage of the ERV of the Covent Garden portfolio 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.

GRESB

The Global Real Estate Sustainability Benchmark, a sustainability index. Capco participates in the GRESB Real Estate Assessment.

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 expected credit loss provisions and adjustments to comply with International Financial Reporting Standards regarding tenant lease incentives.

Net Zero Carbon

When there is a balance between the amount of GHG emissions produced and the amount removed from the atmosphere targeting initially reduction in GHG emissions resulting from our buildings and operations and then offsetting any unavoidable residual emissions.

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)

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 the current and prior year, non-cash lease modification expenses and impairment of tenant lease incentives have been excluded from underlying earnings due to being 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 the current and prior year, these balances have been excluded from underlying net rental income due to being 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”).

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