PRESS RELEASE

1 MARCH 2023

CAPITAL & COUNTIES PROPERTIES PLC ("CAPCO")

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

Ian Hawksworth, Chief Executive, commented:

"There is positive momentum across the Covent Garden estate with strong demand, high occupancy levels and rental growth across all uses which has continued into 2023. Despite the macroeconomic backdrop, the West End has clearly demonstrated its resilience and enduring appeal with strong recovery in footfall and customer sales ahead of pre-pandemic levels. We therefore look ahead with confidence to completing the merger of Capco and Shaftesbury on 6 March to create the leading central London mixed-use REIT, Shaftesbury Capital PLC. The combination creates an impossible to replicate £4.9 billion portfolio located within some of the most iconic destinations of the West End. Backed by a strong balance sheet, we aim to deliver long-term economic and social value for our stakeholders."

Key financials

- Underlying net rental income increased to £57.2 million (2021 restated: £48.9 million)
- Underlying earnings per share 2.2 pence (2021 restated: 0.1 pence per share)
- Loss for the year of £211.8 million (2021 restated: £34.8 million profit)
- 2022 dividend of 2.5 pence per share (2021: 1.5 pence per share)
- Total property value of £1.8 billion (2021: £1.8 billion) and total portfolio value of £2.2 billion (2021: £2.4 billion)
- Total property return of 2.8 per cent (2021 restated: 1.9 per cent)
- Group net debt to gross assets ratio of 28 per cent (2021: 24 per cent)
- Total equity of £1.6 billion (2021: £1.8 billion)
- EPRA NTA 182.1 pence per share (2021 restated: 213.0 pence per share)

Portfolio valuation

- The independent property valuation of Covent Garden was £1.7 billion, unchanged over the year like-for-like (2021: £1.7 billion) (H1 valuation:+5 per cent; H2 valuation: -5 per cent)
- ERV growth of 6 per cent (like-for-like) over the year (H1: +4 per cent; H2: +2 per cent)
- Equivalent yield widened by 19 basis points to 4.07 per cent (H1: -6bps; H2: +25bps)
- Investment in Shaftesbury PLC valued at £357 million (2021: £596 million) based on 31 December share price of 368 pence; dividend income of £13.5 million received in 2022 and a further £2.6 million since year-end
- Lillie Square property value of £79 million, a decrease of 6 per cent (like-for-like) since December 2021. £35 million cash distribution from the joint venture (£17.5 million Capco share).

Strong leasing momentum delivering continued rental growth

- 71 new leases and renewals representing £10.0 million of contracted income signed 13 per cent ahead of 31 December 2021 ERV and well ahead of previous passing rent
- 46 leasing transactions in H2 2022 representing £6.1 million income, 5 per cent ahead of 30 June 2022 ERV
- Positive start to 2023 with £3.3 million of income under offer
- Strong leasing momentum in our categories including new signings from Hublot, Messika, Gaucho, Hoka, Creed
- Creative asset management unlocking value and enhancing energy performance
- EPRA vacancy of 2.5 per cent (2021: 2.6 per cent)
- 16 new openings across the estate including Reformation, Stereo, Vuori, TAG Heuer
- Overall customer sales 7.5 per cent ahead of 2019 levels, with premium and luxury continuing to outperform
- 99 per cent of 2022 rents collected and 98 per cent to date collected in respect of Q1 2023
- Innovative cultural programme; digital growth and engagement, public art installations and global brand partnerships driving footfall and spend

Strong balance sheet with access to significant liquidity

- Covent Garden net debt of £366 million (2021: £254 million) and loan to value ratio of 21 per cent (2021: 15 per cent)
- Group net debt of £622 million (2021: £599 million) and net debt to gross assets of 28 per cent (2021: 24 per cent)
- Cash and undrawn facilities of £423 million (2021: £642 million)

- Repayment of £200 million drawn debt during the year, comprising £75 million of private placement loan notes and the £125 million loan secured against shares in Shaftesbury
- Extension of £300 million unsecured revolving credit facility by one year to September 2025
- Weighted average maturity on drawn debt of 4.5 years (2021: 4.9 years) and average cost of drawn debt of 2.7 per cent (2021: 2.8 per cent)
- Standby loan facility in place to cover potential repayment of £575 million of Shaftesbury bonds following merger completion

Delivering environmental and social value
- Joined the UN Race to Zero supporting commitment to becoming Net Zero Carbon by 2030
- Improving EPC ratings across the estate through incremental refurbishment
- Recognised as a Climate Leader in the 2022 Financial Times for compound annual emissions intensity reduction
- Initiated first Carbon Risk Real Estate Monitor ("CRREM") analysis on six properties
- 18 per cent of the retail and hospitality portfolio now signed up to green leases
- Commitment to enhancing air quality with continued pedestrianisation of streets and enhanced air quality monitoring around the Piazza
- Partnership with the Wild West End, a not-for-profit partnership which aims to enhance biodiversity across the West End through delivery of quality green space

Update on proposed merger with Shaftesbury PLC

- Clearance from the Competition and Markets Authority was received on 22 February 2023
- Court meeting in relation to Shaftesbury scheme of arrangement scheduled for 2 March 2023
- The merger is expected to complete on 6 March 2023

KEY FINANCIALS

	2022	Restated 2021
Total equity	**£1,561.6m**	£1,786.8m
Total equity per share	**183.2p**	209.7p
-13.6% Total return in 2022 (2021: 0.7%)		
EPRA net tangible assets	**£1,552.2m**	£1,814.5m
EPRA net tangible assets per share	**182.1p**	213.0p
Dividend per share	**2.5p**	1.5p
2.8% Total property return in 2022 (2021: 1.9%)		
Property market value[1]	**£1,820.7m**	£1,814.7m
Net rental income[2]	**£57.2m**	£48.9m
(Loss)/profit for the year	**-£211.8m**	£34.8m
Headline (loss)/earnings per share	**-24.8p**	4.6p
Basic (loss)/earnings per share[3]	**-24.9p**	4.1p
Underlying earnings per share[4]	**2.2p**	0.1p

1. On a Group share basis. Refer to Property Data on page 68 for the Group's percentage ownership of property.
2. On a Group share basis. Refer to note 2 "Segmental Reporting" on page 40.
3. Refer to note 10 "Earnings Per Share and Net Assets Per Share" on page 49.
4. Refer to note 3 'Underlying Earnings' on page 43.

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A presentation to analysts and investors will take place today at 8:30am at the offices of Peel Hunt, 100 Liverpool St, London EC2M 2AT. 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

Covent Garden and the West End have demonstrated remarkable resilience with a strong recovery in footfall and consistent growth in customer sales following the disruption caused by the pandemic. Our creative approach has generated excellent leasing demand across all uses and delivered rental growth, however broader macroeconomic factors adversely affected investment market sentiment particularly in the second half of the year. The strong trading performance and resilience across the West End are in contrast with the weaker consumer sentiment being reported more widely and this underpins our confidence in the long-term prospects for our exceptional portfolio.

In June 2022, Capco and Shaftesbury PLC ("Shaftesbury") announced the terms of a recommended all-share merger to form Shaftesbury Capital PLC. We were pleased to receive shareholder support for the proposed merger and very much look forward to bringing the two companies together to create the leading central London mixed-use REIT.

It has been a very busy year, the team has worked incredibly hard and we very much appreciate the professionalism and commitment shown which has delivered strong performance.

Proposed merger with Shaftesbury PLC

Capco acquired a 25 per cent interest in Shaftesbury in 2020 which represented a unique opportunity to own a significant stake in a high quality real estate portfolio, adjacent to Capco's world-class Covent Garden estate. Capco has a strong track record of accretive investment and aggregation of ownership in the Covent Garden area, and the investment in Shaftesbury was consistent with our strategy of pursuing opportunities to expand our ownership to grow the business.

On 16 June 2022, Capco and Shaftesbury announced a recommended all-share merger. Both Boards were pleased that shareholders recognised the benefits of the merger by voting overwhelmingly in favour of the transaction. Completion of the merger was subject to clearance by the Competition and Markets Authority ("CMA"), which was received on 22 February 2023. The merger is expected to complete on 6 March 2023.

We now look forward to combining the two companies to create an impossible to replicate portfolio and the leading central London mixed-use REIT. By combining both companies' strengths, cultures and values, we will take a 'best of both' approach to operations with the aim of delivering long-term economic and social value for all stakeholders. The combination will generate both immediate and long-term benefits including greater efficiencies and synergies, a more diverse portfolio with a stronger operational platform of scale and enhanced access to capital. There is significant revenue growth potential to be captured across the combined portfolio through the difference between annualised gross income and ERV, together with ERV growth over time.

With cost and operational synergies, a strong corporate governance framework, increased scale, enhanced access to capital and greater equity market liquidity, the combination provides a firm foundation to ensure a sustainable and prosperous future for our destinations, the communities they serve and our wider stakeholders.

Strong leasing demand delivering rental growth

There is strong momentum across Covent Garden. Since early summer there have been growing numbers of international visitors contributing to increased footfall and positive trading performance across the estate. The Elizabeth Line opened during 2022 and has further improved the West End's connectivity and accessibility, adding to central London's rail network capacity. The changing travel and footfall patterns are expected to benefit Covent Garden and create valuable medium-term asset management opportunities. Public transport disruption around the festive period had a short-term impact on visitor numbers, nevertheless our hospitality and retail customers reported a successful trading period. Our targeted categories including F&B, luxury and premium were amongst the highest performing.

Capco continues to evolve the customer mix through its creative asset management and leasing strategy. Converting demand into new leasing transactions continues to capture income and strengthen the customer line-up. Capco introduced a number of new retail and hospitality brands to the estate across a range of unit sizes with broad appeal to consumers.

Covent Garden continues to attract target brands in key categories providing confidence in our leasing strategy for further rental growth. The retail and hospitality pipeline is encouraging with current leasing discussions ahead of prevailing ERV. Rental income collection has reverted to pre-pandemic levels. Covent Garden rents remain 19 per cent below 2019 levels, with aggregate customer sales ahead of pre-pandemic levels. From April 2023, there will be a reduction in business rates which is generally expected to reduce occupancy costs for our customers. Leases have reverted to conventional, pre-pandemic terms with turnover rental top-ups in place for certain customers, providing the opportunity for both Capco and the customer to benefit from increased sales.

There is continued leasing momentum in targeted categories with leasing activity overall in 2022 being 13 per cent ahead of December 2021 ERV and high occupancy levels. Following the success of its existing stores in Covent Garden, Bucherer agreed terms in December to further expand its presence in the Royal Opera House Arcade taking additional units for Messika, Girard-Perregaux and Hublot. The proven success of premium retail concepts on the estate has generated further demand from the sector with Tudor and TAG Heuer joining luxury brand Tiffany & Co. amongst others.

The Experimental Group, operator of the Henrietta Hotel, has expanded its operations by opening a new late night live music and dining concept on the Piazza. Argentinian restaurant Gaucho has signed on James Street adding to the high quality dining offer of Covent Garden.

Upcoming openings include jewellery brand Mejuri, artisanal fragrance house Creed and premium sportswear brand Hoka. Global apparel brand Uniqlo will open its new flagship store with dual frontage on Long Acre and Floral Street in spring 2023.

Recent office refurbishments attracted strong demand and are now fully let setting a new rental tone of £100 per square foot for the office portfolio. The main themes driving demand are amenity value and overall quality of offer, heritage architecture and the managed environment providing Covent Garden with a competitive advantage. The residential portfolio is fully occupied.

We continue to implement our market-leading estate marketing 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 implemented our marketing strategy to capture the increased levels of international visitors and hosted an extensive calendar of activities throughout the year alongside strategic partnerships including Dolce&Gabbana, American Express, Disney and Jaeger-LeCoultre.

Investment activity

The Group has a strategic focus on Covent Garden and the West End, and seeks to invest in complementary opportunities on or near the Covent Garden estate. Having assembled the portfolio since 2006 and established Covent Garden as a world-class estate, its scale and comprehensive ownership would be incredibly difficult to replicate making the portfolio a scarce and valuable real estate investment.

Although macroeconomic headwinds have impacted the broader investment market with increased debt costs reducing investment volumes particularly in larger lot sizes, the resilience of West End assets as well as sterling weakness continue to attract interest from international investors. Acquisition opportunities which meet our strict criteria to deliver long-term rental growth have remained limited during the year, with assets in the area tightly held.

Active asset management and refurbishment initiatives continue to accelerate value and enhance environmental performance across the estate. Capco completed a number of schemes during the year including the refurbishment of several offices which have been let significantly ahead of ERV. A number of refurbishment projects are being brought forward, which are expected to result in capital expenditure of approximately £25 million over the next two years.

Valuation of investments

Total property return for the year was 2.8 per cent versus the MSCI Total Return Index which recorded -10.1 per cent. The Covent Garden valuation was unchanged over the year at £1.7 billion. The 5 per cent increase in the first half was offset by the second half decrease driven by widening of the equivalent yield by 25 basis points to 4.07 per cent as a result of a macroeconomic environment characterised by higher interest rates and inflationary pressures.

There has been continued ERV growth over the last 12 months, up 6 per cent on a like-for-like basis to £81 million, reflecting the positive leasing activity and high occupancy levels across the estate. Over the same period, there was a 19 basis point expansion in the equivalent yield to 4.07 per cent. The total valuation remains 27 per cent below the 31 December 2019 valuation on a like-for-like basis. Total ERV remains 19 per cent below 31 December 2019 ERV.

CBRE has undertaken an independent valuation of the Covent Garden estate. The total valuation of the estate is £1.7 billion and represents the aggregated value of the individual properties, with no reflection of any additional estate premium which potential investors may ascribe to the comprehensive nature of ownership within the estate. The predominantly freehold nature, concentrated ownership and 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.

Capco's investment in Shaftesbury shares was valued at £357 million based on a share price of 368 pence per share on 31 December 2022 (2021: £596 million based on a share price of 615 pence on 31 December 2021). This reflects the movement in the Shaftesbury share price rather than underlying asset values.

Capco's investment at Lillie Square decreased in value by 6 per cent (like-for-like) to £79 million at 31 December 2022. The Lillie Square joint venture continues to progress with the sale of 5 units completed during the year representing £6.6 million. The joint venture is in a cash position of £11.8 million (£5.9 million Capco share) having distributed £35 million to the partners during the year (£17.5 million Capco share).

Property valuations

	Market Value 2022 £m	Market Value 2021 £m	Valuation Change Like-for-Like[1]
Covent Garden	**1,742**	1,729	0.0%
Other[2]	**79**	86	-6.5%
Group share of total property[3]	**1,821**	1,815	-0.3%

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 11 'Property Portfolio'.

Financial performance and position

Capco's total shareholder return for the year, which comprises share price performance plus dividends paid during the year, was -35.9 per cent, and total return for the year, which represents the change in net assets plus the dividends paid during the year, was -13.6 per cent.

Covent Garden net rental income increased by 22.7 per cent like-for-like compared with December 2021. 71 new leases and renewals representing £10 million of rental income completed in the year. EPRA vacancy was 2.5 per cent (2021: 2.6 per cent). Properties representing an additional 6.2 per cent of ERV are under, or held for, refurbishment or development.

Underlying administration costs for the year were £26 million compared with £20 million in 2021. There are a number of items contributing to the increase including more normalised activity levels post-COVID, inflationary pressures and increased people costs, primarily variable and share option charges. Non-underlying costs incurred in connection with the proposed merger with Shaftesbury amount to £14.6 million.

Capco has a strong balance sheet. Group net debt of £622 million resulted in a net debt to gross assets ratio of 28 per cent, whilst Covent Garden's loan to value ratio was 21 per cent and net debt was £366 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. The interest cover ratio in relation to the Covent Garden debt for 2022 was 3.9 times, comfortably ahead of the covenant level of 1.2 times.

During the year, Capco exercised a one-year extension option on its £300 million unsecured revolving credit facility for Covent Garden, taking the maturity to September 2025. The facility is undrawn and has an additional one-year extension option, subject to lender consent. In combination with cash deposits, the Group has access to significant liquidity.

Dividend

Our objective is to deliver long-term sustainable total returns to shareholders, including growing dividend distributions. Dividend payments will be determined having regard to growth trends in both underlying and cash earnings, which are expected to be delivered through income growth and cost discipline.

Capco declared a dividend in respect of the year to 31 December 2022 of 2.5 pence per share compared to 1.5 pence in 2021. This includes £2.6 million (0.3 pence per Capco share) of dividend income received post-year end from our investment in Shaftesbury.

Our people

Our people are key to our business. We promote a culture of creative passion for Covent Garden and the West End to allow employees to reach their potential whilst creating value for our stakeholders.

Our people conduct their 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, acting with integrity and hold ourselves to the highest standards.

We have introduced a number of initiatives to support our employees during the year through regular Company-wide meetings, business updates and seminars focusing on well-being, financial planning, equality and inclusion.

Sustainability and environment

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

During the year, we made good progress implementing our extensive ESC agenda overseen by the Board Committee. Capco joined the UN Race to Zero supporting our commitment to becoming Net Zero by 2030 by securing Science-based Targets Initiative ("SBTi") validation of our targets. We take a holistic approach to responsible stewardship and tackling climate change through promotion of heritage preservation and energy efficiency initiatives and were pleased that Capco was recognised as a Climate Leader in the 2022 Financial Times survey, recognising the progress made in reducing our energy emission intensity.

Key sustainability activities include continued investment in our buildings, delivery of enhanced pedestrianisation and an extensive greening programme. Currently 68 per cent of our units have an EPC grade of C or above and we continue to make energy performance enhancements to meet energy performance standards and customers' expectations. All of our refurbishment projects achieved an EPC rating of at least B during the year. Capco has initiated its first Carbon Risk Real Estate Monitor ("CRREM") analysis on a number of properties which supports the development of science-based carbon reduction pathways at an individual building level.

We are focused on promoting a cleaner, greener estate through enhanced air quality, biodiversity, energy efficiency and waste management initiatives. During the year we installed new air quality monitors across the estate. We will continue to work closely with our stakeholders in the years ahead to help deliver our shared sustainability goals.

Community and stakeholders

As a responsible, long-term investor, community engagement and collaboration are integral to delivering our strategy.

Our stakeholders include local authorities, neighbouring owners and business improvement districts, industry groups, residents, and charitable organisations. Our active engagement helps progress the ambitions and shared goals of our stakeholders. We continue to work with local authorities and residents to make public realm enhancements, including extending pedestrianisation, street scape improvements, providing outdoor seating and improving air quality through reducing traffic congestion and pollution. These are important aspects of our long-term sustainability strategy and demonstrate how collaboration can leverage our experience to produce positive social outcomes for our stakeholders.

Being a good neighbour is important to us. Our community programme prioritises 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.

Outlook
There is strong momentum building as we look ahead to completing the merger of Capco and Shaftesbury to create the leading central London mixed-use REIT with an impossible to replicate portfolio. Although the West End is not immune from the current macroeconomic challenges, it has clearly demonstrated its resilience and enduring appeal with a strong recovery post pandemic in footfall and trading conditions. Our creative approach is generating rental growth across all uses and our positive leasing pipeline has continued into 2023.

In combining both companies' strengths, cultures and values, we will take a 'best of both' approach with the aim of delivering long-term economic and social value for all stakeholders. Both companies' employees have a shared passion for the West End and are key to our future. We have a wonderful opportunity to blend the talented teams and with greater scale provide enhanced opportunities for individuals.

The combination will generate a number of benefits including greater efficiencies and synergies, and a more diverse portfolio with a stronger operational platform of considerable scale, bringing together ownership and management across adjacent portfolios to unlock opportunities. There is significant revenue growth potential to be captured over time through the difference between annualised gross income and ERV while continuing to generate rental growth.

Shaftesbury Capital will be financially strong with a resilient and flexible capital structure, significant liquidity and will benefit from enhanced access to capital over time. We look ahead with confidence as we aim to create the leading central London mixed-use REIT and deliver long-term economic and social value for our stakeholders.

Ian Hawksworth

Chief Executive

28 February 2023

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, Capco has established Covent Garden as an exceptional mixed-use portfolio of approximately 1.1 million square feet, across 70 buildings and 504 units. Covent Garden provides a broad range of unit sizes, ensuring it attracts a wide spectrum of retail and hospitality customers. Capco has transformed Covent Garden into a global destination having curated a strong retail and dining line-up within a heritage setting.

Performance

The Covent Garden portfolio was valued at £1.7 billion at 31 December 2022 and was unchanged for the year. The total valuation remains 27 per cent (like-for-like) lower than 31 December 2019, comprising a 19 per cent ERV decline and 43 basis point outward yield movement.

The 5 per cent property value increase in the first half was offset by the second half decrease driven by widening of yields as a result of a macroeconomic environment characterised by higher interest rates and inflationary pressures. Over the full year, there has been continued ERV growth, increasing by 6 per cent on a like-for-like basis to £81 million, reflecting the positive leasing activity and high occupancy levels across the estate. There was a 19 basis point expansion in the equivalent yield to 4.07 per cent.

71 leasing transactions representing £10 million contracted income were completed 13 per cent ahead of December 2021 ERV. In the first half, 25 leasing transactions took place 9 per cent ahead of 31 December 2021 ERV and 46 transactions took place in the second half, 5 per cent ahead of 30 June 2022 ERV. Covent Garden continues to attract high quality brands and operators. At 31 December 2022, EPRA vacancy was 2.5 per cent (2021: 2.6 per cent). 6.2 per cent of ERV is in or is held for development or refurbishment (2021: 5.8 per cent).

Covent Garden underlying net rental income was £57.3 million for the year, compared with £48.7 million for 2021. Capco continues to bill quarterly in advance for substantially all commercial leases. Rent collection has reverted to pre-pandemic patterns with 99 per cent of 2022 rents having been collected and to date, and 98 per cent of rents in respect of the first quarter of 2023.

Retail

Capco's emphasis on the consumer is essential to ensuring that the estate is positioned as a leading destination for visitors. During the year, Covent Garden was named Europe's most popular shopping destination by the Retail Times. There has been continued improvement in trading over the year with aggregate retail sales 7.5 per cent ahead of 2019 levels, with premium and luxury categories significantly outperforming.

Retail represents 48 per cent of the portfolio by value. Capco's retail strategy is to closely monitor trends in both customer and consumer demand, whilst attracting brands and concepts relevant to the consumer in targeted categories with a strong omni-channel presence. Our retail strategy draws on the best of global, independent and British brands focusing on targeted categories including luxury, digital, jewellery, gifting, cosmetics, accessories, contemporary fashion, beauty, lifestyle and sports.

Luxury brand Tudor Watches opened in partnership with Bucherer. Following the success of its existing store portfolio in Covent Garden, Bucherer has agreed terms to further expand its presence in the Royal Opera House Arcade taking an additional c.3,000 square feet of space for Messika, Girard-Perregaux and Hublot. Swiss watch brand TAG Heuer has opened a new store on James Street. The boutique offers a selection of TAG Heuer's iconic heritage timepieces as well as the brand's more modern styles.

Brands with strong sustainability credentials are increasingly important to the consumer and this is a key factor in our customer selection process with many examples during the year. Sustainable, digitally native fashion brand Reformation opened its new London flagship store on King Street offering contemporary designs with sustainable practices. Performance brand Vuori opened its first European flagship store on Long Acre, offering active wear, whilst pursuing its climate neutral certification.

Covent Garden's well-established beauty offer has been further strengthened by the addition of two luxury fragrance houses Creed and Parfums de Marly. Creed, a heritage, luxury perfume house will open on King Street offering artisan fragrances made from the finest perfume ingredients and Parfums de Marly has opened in the Market Building offering signature perfume collections alongside scented candles and gifts.

There have been a number of openings in the Market Building including premium jewellery boutique Sacred Gold, contemporary jewellery brand e&e and eyewear concept Izipizi. N.Peal and Miller Harris have relocated into new stores within the Market Building.

Fine jewellery brand Mejuri has signed on King Street. Sportswear brand Hoka will open on James Street and Peloton has taken additional space alongside its studio on Floral Street further strengthening the performance wear offering on the estate. Global apparel brand Uniqlo is expected to open its new flagship store in spring 2023, as it continues the fit out of the combination of Carriage Hall and two Long Acre units spanning 22,000 square feet. Los Angeles-based lifestyle brand Rails opened its first London store on Floral Street while jewellery brand PD Paola has opened retailing timeless signature pieces.

Successful retailers continue to need physical stores to build brand awareness, customer capture and loyalty. Retailers are increasingly focused on fewer stores, placing greater emphasis on global location, customer experience, service and flagship retailing with better digital engagement. The estate resonates with target audiences, providing digital brands with the opportunity to showcase products and service and build brand recognition and loyalty through a deeper connection with consumers.

Shorter term pop-ups generate publicity and footfall with a halo effect on adjacent stores and productivity. During the year, innovative concept Beauty Pie opened its first pop up on James Street while jewellery brand Missoma opened in the Market Building and Lounge Underwear on James Street. Raye the store opened on Floral Street which is a limited edition experiential store showcasing a selection of emerging food, drink and wellness brands focussing on sustainable and transparent business practices.

Over the Christmas trading period, Dolce&Gabbana launched a Piazza pop-up shop, installing a Christmas Market, offering exclusive merchandise and Jaeger-LeCoultre created an exhibition space displaying its iconic watches, an art exhibition and cafe.

At 31 December 2022, three retail units, representing 4,100 square feet in total, were available to let (ERV: £0.8 million).

Dining

Covent Garden offers a diverse range of high quality innovative food concepts, from casual to premium, and is one of London's best dining destinations. F&B represents 26 per cent of the portfolio by value. Covent Garden continues to introduce high quality innovative food concepts which have been central to the dining strategy.

Demand for hospitality space has been strong throughout the year. With limited vacancy across the estate, the F&B accommodation has attracted multiple potential occupiers. Argentinian restaurant Gaucho will open on James Street later this year in a contemporary setting, inspired by modern Argentina and all of its global influences.

Stereo, a new late night live music and dining venue by international hospitality brand Experimental Group opened at The Piazza. Stereo offers a mix of music, an American inspired menu by restaurateur Andrew Clarke and an extensive drinks menu. The group, which already operates the Henrietta Hotel, has expanded its footprint, a positive endorsement for the trading prospects of the estate.

Chestnut Bakery has opened on Floral Street offering all day dining options while Watchhouse Coffee will open on Southampton Street in the coming months.

The Covent Garden estate offers an open-air pedestrianised environment with a successful al fresco dining scheme offering 1,000 outdoor dining seats, across 55 restaurants and spanning six pedestrianised streets as well as the Piazza. The al fresco dining scheme delivers direct benefits to Capco's customers, visitors and the local community and continues to be popular with consumers. This offer emphasises Covent Garden's position as London's leading outdoor dining destination.

At 31 December 2021, there were three restaurants available to let, over 8,150 square feet and with an ERV of £0.6 million.

Office

Covent Garden has a contemporary office portfolio offering both multi-tenanted and single occupancy workspace. The portfolio attracts financial services, technology, creative industries and SMEs. Office accommodation represents 16 per cent of the portfolio by value.

Demands of consumers of workspaces are becoming more refined. The flight to quality within the office market remains, with a preference for fully fitted space, with strong amenities and low-density use, provided on flexible lease terms. Consequently, Capco's office product continues to be well received, achieving strong levels of pricing within the district, with more recent transactions setting a new rental tone of £100 per square foot.

At 31 December 2022, there were two units available to let, representing 7,500 square feet in total and with an ERV of £0.5 million.

Residential

The central London residential letting market has been particularly strong this year, with interest from a broad range of customers. Covent Garden is established as a premium residential address and continues to generate competitive demand. There was limited vacancy during the year with units generally let within days. Residential accommodation represents 7 per cent of the portfolio by value and is fully occupied.

Accelerating value creation through investment and active asset management

Active asset management and refurbishment initiatives continue to accelerate value and enhance environmental performance across the estate. These initiatives unlock value and enhance our portfolio's long-term income prospects.

Capco completed a number of schemes this year including the refurbishment of 35 King Street with a number of the floors let significantly ahead of ERV. The refurbishment of office space at 5-6 Henrietta Street attracted significant demand, setting new rental tone for the office portfolio.

A number of capital initiatives have commenced 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. These new initiatives are targeting high BREEAM certification and a minimum EPC rating of B. They are expected to complete over the next two years at a cost of approximately £25 million.

At 31 December 2022, space held for, or under, refurbishment represented 6.2 per cent of total ERV. Total capital commitments across the Covent Garden estate were £1.7 million.

Acquisition opportunities have remained limited with assets in the area tightly held. In February 2023, Capco acquired the remaining interest in the Royal Opera House Arcade for £12.9 million. This purchase consolidates Capco's ownership to include the final unit in the arcade not owned by Capco.

Capco has a strong balance sheet and access to significant liquidity enabling it to take advantage of such opportunities should they arise. 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.

Positioning a world-class estate through consumer engagement

Capco offers a unique customer experience, utilising the historic Piazza, through events and cultural installations to increase estate recognition and brand engagement. There was an extensive programme of activities including a brand partnership with Disney on Stage to bring family fun to the Piazza over the summer with the launch of 'Something Magical in Covent Garden'. Other events across the Piazza included the Rosé Garden Party with a selection of pop-up bars and terraces, the Great Piazza Party in celebration of the Queen's Platinum Jubilee as well as daily screenings of the Wimbledon Tennis Championships. Covent Garden also hosted the Harry Potter Photographic Exhibition.

Over the summer months, Covent Garden partnered with multi award-winning food influencer Clerkenwell Boy to launch its summer Good Food Festival on the Piazza, with a range of international flavours. In celebration of the 50th anniversary of Pride marches, the bollards on Floral Street were rainbow painted for a limited time. In addition, Covent Garden was the home of British Beauty Week and London Cocktail Week offering immersive experiences.

Covent Garden launched its extensive Christmas programme of activities for the important trading period, offering unique customer experiences and an extensive programme of activities. These included a brand partnership with Dolce&Gabbana, on the Piazza with an Italian food market and exclusive products and Jaeger-LeCoultre showcasing watches, as well as creating a café and art exhibition. There were live performances from the cast of Elf the musical and the London International Gospel Choir. Festive late night shopping was introduced over the period, boosting the night time economy with spend-driving incentives from many stores open until 9pm.

The Covent Garden estate offers an open-air pedestrianised environment with a successful al fresco dining scheme offering 1,000 outdoor dining seats, across 55 restaurants and spanning six pedestrianised streets as well as the Piazza. Capco is currently in consultation with Westminster City Council on streetscape design enhancements to Henrietta Street and Southampton Street to provide a more inviting environment for the consumer.

Capco continues to engage directly with the consumer with 630,000 followers across its ten social media channels. The digital audience across social channels continues to increase as a result of an engaging campaign calendar with brand partnerships which resonate with the consumer. The Covent Garden website continues to see increasing numbers of repeat visits which is a consistent theme when compared to the footfall demographics with increased repeat visits from Londoners in particular.

Committed to sustainability and minimising our environmental impact

During the year, Capco joined the UN Race to Zero supporting its commitment to becoming Net Zero Carbon by 2030, securing Science-Based Target validation of our targets in the process. As a long-term steward of the Covent Garden estate, Capco aims to make Covent Garden a UK leader in sustainability by delivering positive environmental and social outcomes that enhance value for stakeholders while protecting the unique character and heritage of the estate. Capco's approach recognises that its heritage buildings represent a long-term store of carbon.

Capco was recognised as a Climate Leader in the 2022 Financial Times survey. The survey recognises the top 400 companies in Europe for emissions intensity reduction over 6 years.

Capco has a strong track record of supporting its stakeholders and positioning the estate sustainably. A number of initiatives were implemented across the estate. All diesel estate cleaning equipment has been replaced with electric equipment. Capco implemented rainwater harvesting at Floral Court which combined with the improved water efficiency of the new cleaning equipment is expected to reduce our water requirement by approximately 50 per cent. In 2022, Capco enhanced its internal and external air quality monitoring through the addition of three new outdoor air quality monitors across the estate and indoor air quality trials in Capco's Head Office at Regal House.

Capco has initiated its first Carbon Risk Real Estate Monitor ("CRREM") analysis on a number of properties which supports the development of science-based carbon reduction pathways at an individual building level.

Capco's long-term management of its properties' EPC performance means it is well-placed to meet targets ahead of statutory regulation timelines. All commercial EPC certificates across the estate are D or above, with 68 per cent C or above, the minimum level by April 2027. There has been a 5 per cent year on year increase in the volume of units rated C or above.

All of Capco's units now meet the Minimum Energy Efficiency Standards ("MEES") regulations commencing April 2023 (rating of D or above). Capco continues to set targets to meet the requirements ahead of time with approximately 21 per cent of units already meeting the April 2030 regulations. Capco continues to improve its EPC performance whenever refurbishment works are undertaken on assets and the costs are incorporated into capital expenditure budgets. These are not disaggregated given the Capco design process incorporates both high MEES standards and its Net Zero Carbon Pathway. Capco is targeting a minimum EPC rating of B on all refurbishment projects.

Capco is committed to transparent reporting through recognised indices. For the fourth consecutive year Capco has been awarded EPRA sBPR Gold. Capco also improved its GRESB score by 5 per cent, two green star ratings, and we have maintained our CDP B rating, 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 AA and Capco continues to hold a Prime rating from the ISS ESG Rating. Capco continues to report under FTSE4Good. 38 commercial green leases representing 18 per cent of the portfolio are now in place.

Capco is a partner of Wild West End, a not-for-profit partnership which aims to enhance biodiversity across the West End through the quality of green space and the local environment for people and wildlife across Westminster. The results of the first ecological survey of the Covent Garden estate, undertaken in partnership with the London Wildlife Trust, were received with a number of priority conservation species identified which will be incorporated into Capco's biodiversity plan for the estate. In this regard, 2023 will see the second estate ecological surveys and the evolution of Capco's biodiversity action plans.

Broad community engagement

Capco continues to support local charities and community foundations including the Young Westminster Foundation "Brighter Futures" programme including supporting young carers, young LGBT+ people, refugees and addressing youth violence. Capco is a corporate sponsor of the Mousetrap Theatre Project, which provides a range of subsidised theatre programmes and creative learning projects accessible to young people, low-income families and those with additional needs.

We continue to focus on our community programme prioritising initiatives and charity partners in Covent Garden. During the year, Capco supported the local community's Platinum Jubilee street party and partnered with Square Mile Farms to launch an Urban Farm pop-up. The pop-up farm is an interactive way for local schools, offices and community groups to enjoy sustainably grown produce and for visitors to learn more about sustainable urban farming.

Capco employees took part in several volunteering days including gardening at Penfold community hub in Westminster, attending the local Westminister dementia centre, as well as participating in the Lord Mayor's Cup, a fundraiser football tournament with neighbouring property companies to kick off the World Cup.

In September, Capco hosted a charity pop-up shop in partnership with Smart Works, to empower women to return to the workplace. The pop-up brought together items donated from over 30 fashion brands, including customers, for sale with 100 per cent of profits being donated to the charity.

Capco has also donated towards Covent Garden Dragon Hall Trust foodbank to help local residents affected by the cost of living crisis. During November 2022, in partnership with charity Only A Pavement Away which works alongside Crisis, Capco ran its third charity auction with prizes from shops and restaurants from across the Covent Garden estate.

Capco became a sponsor for the Single Homeless Project, a charity which supports over 10,000 people each year offering a range of services including hostels, supported housing and community support services. The sponsorship focuses on the Kean Street hostel which is located in Covent Garden. Capco's community contribution totalled £0.5 million made up of donations and time committed by employees.

Our people

Our people are key to our business, we promote a culture of creative passion for Covent Garden and the West End to allow employees to reach their potential whilst creating value for our stakeholders. We have introduced a number of initiatives to support our employees through regular Company-wide meetings, business updates and seminars focusing on well-being, diversity, equality and inclusion.

Following an employee survey, employee working groups were set up to focus on the following areas: New Ways of Working; Office & Facilities; People, Team and Collaboration; and Business Processes. These groups presented their recommendations for implementation to the Company with many areas having been implemented.

During the year, Capco conducted an employee well-being survey, which received a very high overall well-being score and a response rate of over 87 per cent.

Other investments

Investment in Shaftesbury shares

Capco has a 25.2 per cent shareholding in Shaftesbury, comprising 96.97 million shares. At 31 December 2022, the share price of Shaftesbury shares was 368 pence, resulting in Capco's investment being valued at £357 million (31 December 2021: £596 million). During the year, Capco received £13.5 million dividend income and a further £2.6 million dividend income post year-end.

On 16 June 2022, Capco announced its intention to merge with Shaftesbury and the shareholder approval conditions were satisfied on 29 July 2022. The merger received clearance from the Competition and Markets Authority on 22 February 2023, and it is expected to complete on 6 March 2023. The merger represents a major corporate transaction for the business and was an area of significant activity during the year.

The merger unites two complementary real estate businesses to create an impossible to replicate portfolio in some of the most iconic destinations across London's West End primarily focused on three locations: Covent Garden including Seven Dials, the Opera Quarter and Coliseum; Carnaby including Soho; and Chinatown. The portfolio comprises 2.9 million square feet of lettable space across approximately 670 predominantly freehold buildings with approximately 2,000 individual units. As at 31 December 2022, the combined portfolio was valued at £4.9 billion. In addition, the Combined Group will have 50 per cent interests in the Longmartin joint venture and Lillie Square.

By combining both companies' strengths, cultures and values, a 'best of both' approach will be taken to deliver long-term economic and social value for all stakeholders. The combination will generate both near-term and longer term benefits including greater efficiencies and synergies, a more diverse portfolio with a stronger operational platform of scale and efficiency as well as enhanced access to capital.

The merger is expected to unlock the opportunity to enhance the connectivity of Capco's and Shaftesbury's complementary portfolios. The combination will enable the Combined Group to leverage insights from rich data to inform investment and leasing decisions through broader and deeper knowledge. A holistic marketing strategy will also be implemented to take advantage of cross locational marketing opportunities. The Combined Group will be well-positioned to deliver long-term growth in income, value and dividends through comprehensive, long-term management of its exceptional portfolio.

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 2022 was £77 million (Capco share), a 6 per cent decline (like-for-like) against the 31 December 2021 valuation of £84 million. In addition, Capco owns £2 million of other related assets adjacent to the Lillie Square estate.

In total, 351 Phase 1 and 2 units have been handed over, with 69 units available. The sale of 5 units completed during the year representing £6.6 million (Capco share: £3.3 million). The joint venture is in a cash position of £11.8 million (£5.9 million Capco share). During the year, £17.5 million of cash was distributed from the joint venture to Capco.

FINANCIAL REVIEW

The Group has strong prospects for earnings growth and long-term value creation, with a well-positioned portfolio and improving operating performance, backed by a resilient and flexible capital structure.

2022 has been characterised by continued operational momentum in the Covent Garden estate, with rental income collection returning to pre-pandemic levels, strong leasing demand across all uses resulting in high occupancy and rental growth, and sustained footfall recovery resulting in growth in sales for our retail and hospitality customers. This performance reflects the appeal of Covent Garden and London's West End. Broader macroeconomic factors will have an impact on future performance, however the West End has demonstrated remarkable resilience and we are encouraged to see strong demand continuing to deliver rental growth in our portfolio.

Underlying earnings improved from £0.7 million in 2021 to £18.6 million (2.2 pence per share) in 2022, driven by increased net rental income, additional dividend income and lower finance costs, offset in part by higher administration expenses. The Company has declared total dividends in respect of the year of 2.5 pence per share, reflecting improved underlying and cash earnings and the additional dividend received in relation to Q4 2022 from the investment in Shaftesbury shares post-year end.

2021 comparative information has been restated to reflect a change in accounting policy following an IFRIC (IFRS Interpretations Committee) agenda decision in relation to the accounting for rent concessions, which in the Company's case were provided during the COVID-19 period. Any forgiveness of rent after the point at which it was due is now accounted for as an expected credit loss and not as a rent free asset (with the impact amortised over the remaining life of the lease). Due to the resulting restatement, there has been a reduction in 2021 net rental income by £6.2 million to £40.2 million. On an underlying basis, 2021 net rental income has reduced by £3.4 million from £52.3 million to £48.9 million. Due to improving trading conditions, and completion of historical COVID-19 concessions, underlying net rental income increased by 17.0 per cent to £57.2 million in the year. On an IFRS reported basis net rental income increased by 43.3 per cent to £57.3 million. The financial statements also reflect a further adjustment resulting from the requirement to include tenant deposits (£13.4 million at the end of 2022) within cash and cash equivalents rather than trade receivables.

The Group's investments are concentrated on real estate in London's West End with the Covent Garden estate and the investment in Shaftesbury shares representing over 95 per cent of total portfolio value. The independent property valuation of Covent Garden remained broadly unchanged over the year on a like-for-like basis, at £1,741.6 million. The increase of 6.3 per cent in ERV on a like-for-like basis was offset by an increase in the equivalent yield by 19 basis points to 4.07 per cent. The ERV growth is reflective of positive asset management and leasing activity, and high occupancy levels across the estate. Total property return for the year was 2.8 per cent. The Group's 25.2 per cent investment in Shaftesbury has decreased in value by £239.5 million to £356.9 million reflecting the share price of 368 pence as at 31 December 2022 (2021: 615 pence per share). Dividends received from this investment during the year were £13.5 million and after the year end, the Group received a further dividend of £2.6 million on 15 February 2023.

Capco owns 50 per cent of the Lillie Square joint venture. The property valuation as at 31 December 2022 was £77.0 million, a 6 per cent decline (like-for-like) against the 31 December 2021 valuation of £84.1 million. In total, 351 Phase 1 and 2 units have been handed over, with 69 units available. The sale of five units completed during the year representing £6.6 million (£3.3 million Capco share) and five units have been leased in the near-term. The joint venture is in a cash position of £5.9 million (Capco share) as at 31 December 2022. During the year, £35.0 million of cash was distributed from the joint venture to the partners (£17.5 million Capco share). In addition, Capco owns £2.1 million of other related assets adjacent to the Lillie Square estate.

As a result primarily of the lower Shaftesbury share price, overall EPRA NTA (net tangible assets) per share decreased by 14.5 per cent during the year, from 213.0 pence at 31 December 2021 to 182.1 pence. Combined with the 1.8 pence per share dividend paid to shareholders during the year, the total return for the period is -13.6 per cent. Total shareholder return for the year, reflecting the movement in the share price from 168 pence to 107 pence, together with dividends, was -35.9 per cent.

The Group maintains a strong capital structure with low financial leverage, access to significant liquidity, substantial headroom against debt financial covenants and a modest capital commitment profile. During the year, £200 million of borrowings were repaid early with closing net debt as at 31 December 2022 of £621.8 million (31 December: £599.3 million). Cash and cash equivalents, excluding tenant deposits, were £122.6 million as at 31 December 2022 (31 December 2021: £341.7 million) and when combined with undrawn committed facilities, liquidity was £422.6 million (31 December 2021: £641.7 million). The maturity date of the £300 million revolving credit facility, which is currently undrawn, was extended by one year to September 2025. Through a combination of all drawn debt being at fixed rates, cash deposits held and interest rate collars being in place, the Company's finance costs are currently well-protected against interest rate movements.

On 16 June 2022, Capco announced its intention to merge with Shaftesbury PLC and the shareholder approval conditions were satisfied on 29 July 2022. The merger received clearance from the Competition and Markets Authority on 22 February 2023, and it is expected to complete on 6 March 2023. During the year, the Group incurred costs of £14.6 million associated with the merger, which have been accounted for as non-underlying administration costs. In connection with the merger, a standby loan facility was put in place in order to enable the Group to fund in full the repayment of Shaftesbury bonds of up to £575 million if holders of the bonds exercise their put rights following the change of control of Shaftesbury.

Basis of preparation

Group share and alternative performance measures

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 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.

Lease modification expenses comprised directly attributable lease costs previously held on balance sheet and amortised in accordance with IFRS 16. These non-cash costs were incurred as a result of the Group providing rental support to its tenants during the COVID-19 pandemic and were written off in accordance with the Group's accounting policy. During 2021 tenant lease incentives were impaired in respect of tenants which had entered administration or experienced significant disruptions to cash flows during the pandemic. Accordingly these items were excluded from underlying earnings during 2020 and 2021. Tenant support measures implemented during the pandemic have now been concluded and as such impairment of tenant incentives have been included in underlying earnings with effect from 2022.

A summary of EPRA performance measures and key Group measures included within these financial statements is shown in EPRA measures on pages 63 to 67.

Change in accounting policy

During 2022, the IFRS Interpretations Committee ("IFRIC") finalised an agenda decision in relation to how a lessor should account for the forgiveness of lease payments under IFRS 9 "Financial Instruments" and IFRS 16 "Leases". The decision concluded that for any rent receivable past its due date which was subsequently forgiven, the lessor should apply the expected credit loss model under IFRS 9 and account for the forgiveness as an impairment to the income statement. Alongside this, any forgiveness of future rent would be deemed to meet the definition of a lease modification under IFRS 16, with the resulting impact accounted for by spreading the concession over the remaining lease term in accordance with IFRS 16. On entering into a lease modification, any directly attributable costs associated with the lease are derecognised. The Group had previously concluded that under IFRS there had been a policy choice to account for any rent forgiveness for rent receivable after its due date under either IFRS 9 or IFRS 16. Accordingly the Group had elected to account for all relevant rent concessions as a lease modification under IFRS 16, and in addition the directly attributable costs associated with the leases were derecognised as non-underlying costs. The Group had applied this treatment during the pandemic period in 2020 and 2021. Due to the IFRIC agenda decision, the Group has retrospectively applied the change in accounting policy with the 2021 comparative information being restated as a result. In summary, the adjustment has had the following impact:

- Cumulative expected credit loss of £20.5 million has been recorded through net rental income during 2020 and 2021;
- Reversal of recognition of £13.3 million rent-free assets and write-back of £3.0 million of directly attributable costs. This has led to an overall reduction in tenant lease incentives, including letting fees, of £10.3 million as at 31 December 2021 to a total balance sheet value of £35.2 million; and
- Reduction in IFRS net rental income of £6.2 million to £40.0 million and underlying earnings from £4.1 million to £0.7 million for the year ended 31 December 2021 (31 December 2020: Reduction in IFRS net rental income of £4.5 million to £11.4 million and underlying loss from £6.2 million loss to £18.7 million loss).

The reduced balance of tenant lease incentives will result in a lower charge against rental income on an accounting basis over the coming years, including an estimated positive impact of £2.5 million in 2023.

All COVID-19 concessions have been finalised with no further adjustments expected. Further details on the adjustment and impact on prior year comparative information are set out in note 1 to the financial statements.

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

	2022		
	Group share £m	**Joint ventures[1] £m**	**IFRS £m**
Net rental income	**57.2**	**0.1**	**57.3**
Loss on revaluation and sale of investment and development property	**(0.8)**	**–**	**(0.8)**
Change in fair value on listed equity investment	**(239.5)**	**–**	**(239.5)**
Dividend income	**13.5**	**–**	**13.5**
Administration expenses[2]	**(40.7)**	**0.1**	**(40.6)**
Net finance costs[3]	**(24.6)**	**–**	**(24.6)**
Taxation	**(6.0)**	**–**	**(6.0)**
Other[4]	**21.9**	**7.0**	**28.9**
Loss for the year	**(219.0)**	**7.2**	**(211.8)**
Adjustments[5]:			
Loss on revaluation and sale of investment and development property			**0.8**
Change in fair value of listed equity investment			**239.5**
Administration expenses – non-underlying[2]			**14.6**
Other[4]			**(29.1)**
Taxation on non-underlying items			**4.6**
Underlying earnings			**18.6**
Underlying earnings per share (pence)			**2.2**
Weighted average number of shares			**851.3m**

1. Lillie Square and Innova Investment.
2. Administration expenses include £14.6 million of non-underlying costs primarily related to the proposed merger with Shaftesbury PLC which are considered non-recurring in nature.
3. Excludes other finance income and costs and change in fair value of derivative financial instruments.
4. Includes other costs, impairment of other receivables and other finance income including change in fair value of derivatives.
5. Further details regarding the EPRA and Company specific adjustments are disclosed within EPRA measures on page 62.

	2021 Restated		
	Group share £m	Joint ventures[1] £m	IFRS £m
Net rental income[2]	40.2	(0.2)	40.0
Loss on revaluation and sale of investment and development property	(4.1)	–	(4.1)
Change in fair value of listed equity investment	44.6	–	44.6
Dividend income	2.3	–	2.3
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]	(75.6)	82.3	6.7
(Loss)/profit for the year	(47.4)	82.2	34.8
Adjustments[6]:			
Net rental income – non-underlying[2]			8.7
Loss on revaluation and sale of investment and development property			4.1
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			0.7
Underlying earnings per share (pence)			0.1
Weighted average number of shares			851.3m

1. Lillie Square and Innova Investment.
2. Net rental income includes £8.7 million of non-underlying costs in relation to lease modification and impairment of tenant incentives. Underlying net rental income, excluding these items, is £48.7 million.

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 other transaction related costs 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.

6. Further details regarding the EPRA and Company specific adjustments are disclosed within EPRA measures on page 62.

Net rental income

	2022			2021 Restated		
	Group share £m	**Joint ventures[1] £m**	**IFRS £m**	Group share £m	Joint ventures[1] £m	IFRS £m
Rent receivable	**61.7**	**(0.2)**	**61.5**	62.7	(0.2)	62.5
Straight lining of tenant lease incentives	**6.3**	**–**	**6.3**	4.5	–	4.5
Service charge income	**7.5**	**(1.2)**	**6.3**	7.1	(1.8)	5.3
Revenue	**75.5**	**(1.4)**	**74.1**	74.3	(2.0)	72.3
Reversal of/(provision for) expected credit loss	**1.6**	**–**	**1.6**	(7.6)	–	(7.6)
Property expenses	**(10.5)**	**0.3**	**(10.2)**	(10.7)	–	(10.7)
Service charge expenses	**(7.5)**	**1.2**	**(6.3)**	(7.1)	1.8	(5.3)
Impairment of tenant lease incentives	**(1.9)**	**–**	**(1.9)**	–	–	–
Underlying net rental income	**57.2**	**0.1**	**57.3**	48.9	(0.2)	48.7
Impairment of tenant lease incentives	**–**	**–**	**–**	(2.3)	–	(2.3)
Lease modification expense	**–**	**–**	**–**	(6.4)	–	(6.4)
Net rental income	**57.2**	**0.1**	**57.3**	40.2	(0.2)	40.0

1. Lillie Square.

Rent receivable has increased by 1.8 per cent, adjusting for 2021 disposals of £2.1 million. This reflects new letting and increased contracted income as a result of improving trading conditions.

Straight lining of tenant lease incentives, reflecting the non-cash rent free adjustment, has increased by £1.8 million to £6.3 million due to new leases and renewals signed in the year. The movement reflects the change in accounting policy and reduction in rent free amortisation for COVID-19 concessions which have now been accounted for through expected credit loss.

With improving trading conditions, including cash collections for the year at 99 per cent, the expected credit loss has been a reversal of £1.6 million during 2022. The adjustment is calculated as the reduction in the balance sheet provision of £7.4 million offset by £5.8 million of bad debt write-offs in the year for rent forgiveness for historical COVID-19 concessions and tenants which vacated or went into administration. The provision for expected credit loss in 2021 reflects the rent forgiveness for COVID-19 concessions provided in relation to rent past its due date.

As at 31 December 2022 the balance sheet provision is £4.0 million reflecting 33.3 per cent of the rent receivable balance. As at 31 December 2021 the provision was £11.4 million reflecting 53.3 per cent of the rent receivable balance. The reduction in the absolute and relative provision reflects positive trading conditions.

Property costs have reduced by £0.2 million to £10.5 million mainly due to £0.5 million of COVID-19 related security, cleaning and equipment costs incurred in 2021 offset in part by cost inflation in 2022.

During the course of 2020 and 2021 the impact of COVID-19 was in large part removed from underlying earnings through the exclusion of lease modification expenses and incentive impairments as non-recurring charges. Tenant support measures implemented during the pandemic period have now concluded and as such any further impairment of tenant incentives from 2022 onwards are included in underlying earnings. During the course of 2022, this has resulted in an impairment of £1.9 million.

Loss on revaluation of investment and development property

The loss on revaluation of the Group's investment and development property was £0.8 million. The property valuation of the Covent Garden estate has remained broadly unchanged on a like-for-like basis at £1,741.6 million, as a result of a 6.3 per cent like-for-like increase in ERV to £81.0 million and outward movement in the equivalent yield of 19 basis points to 4.07 per cent.

Dividend income

Dividend income of £13.5 million has been received from the Shaftesbury investment during the year. An additional £2.6 million dividend was received on 15 February 2023 in relation to the final quarter of 2022.

Administration expenses

	2022			2021		
	Group share	**Joint ventures[1]**	**IFRS**	Group share	Joint ventures[1]	IFRS
	£m	**£m**	**£m**	£m	£m	£m
Depreciation	**0.2**	**–**	**0.2**	0.2	–	0.2
Administration expenses	**25.9**	**(0.1)**	**25.8**	19.7	0.1	19.8
Underlying administration expenses	**26.1**	**(0.1)**	**26.0**	19.9	0.1	20.0
Non-underlying costs	**14.6**	**–**	**14.6**	2.8	–	2.8
Administration expenses	**40.7**	**(0.1)**	**40.6**	22.7	0.1	22.8

1. Lillie Square.

Underlying administration expenses have increased by £6.2 million to £26.1 million for the year ended 31 December 2022. This increase reflects a number of factors including more normalised levels of activity post-COVID-19, inflationary pressures and increased people costs and share option charges.

Non-underlying administration costs, which are considered non-recurring, of £14.6 million have been incurred, substantially in connection with the proposed merger with Shaftesbury.

Net finance costs

Net finance costs have been reduced by £6.8 million to £24.6 million. The decrease is due to a lower average level of gross debt following the prepayment of £75 million of private placement loan notes on 28 February 2022 and the £125 million secured loan on 20 June 2022.

Finance income increased by £2.1 million to £2.6 million during the year, comprising £1.4 million for cash on deposit and £1.2 million in relation to interest rate hedging arrangements. Based on market forecasts of interest rates, expected liquidity levels and the Group's in-place hedging arrangements, there should be a further increase in interest income during 2023.

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, having taken 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, 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, which has been confirmed following a detailed business risk review during 2022

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. 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 relevant year. The Group expects to meet the PID requirements for the year ended December 2022 and for the current year within the allowed timelines.

The UK REIT provisions also require a group to satisfy certain tests to maintain its REIT status. The Group satisfied all requirements needed to maintain REIT status throughout 2022. The UK REIT provisions can impose a UK tax charge on the Group if certain interest cover tests are not met. HMRC has indicated that it is not within the intention of the REIT regime to issue a tax charge in relation to these interest cover tests, where it can be established that COVID-19 is the reason for a breach. As a result of accounting adjustments resulting from the treatment of rental concessions during the pandemic period, the Group did not meet the interest cover test for the year ended December 2022, however as this relates to the COVID-19 period, HMRC has confirmed that this will not result in a tax charge.

The tax charge of £6.0 million in the income statement comprises a deferred tax charge of £1.3 million in relation to share-based payments and capital allowances, and a deferred tax charge of £4.7 million to unwind the remainder of the deferred tax asset recognised for the trading losses carried forward. IAS 12 provides 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 a deferred tax asset on certain losses carried forward.

The main rate of corporation tax remained unchanged at 19 per cent throughout the year. The increase in the main corporation tax rate from 19 to 25 per cent with effect from 1 April 2023 has been substantively enacted on 24 May 2021 and therefore is 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 charges in the same way as non-REIT companies. The Group is committed to paying its fair share of taxes to HMRC and local authorities including other taxes such as VAT, business rates, stamp duty land tax, employment taxes, corporation tax on non-REIT income and withholding tax on PIDs. During the year, the total amount borne and collected in respect of these areas amounted to £16.6 million (2021: £12.5 million).

Dividends

On 30 January 2023, the Board declared a second interim dividend of 1.7 pence per share bringing the total dividend for the year to 2.5 pence per share (2021: 1.5 pence). The dividend is to be paid 0.7 pence as a PID and 1.0 pence as a non-PID, and is expected to be paid on 20 March 2023 to shareholders on the register at 3 March 2023. This payment takes into account dividend income in relation to Q4 2022 from Shaftesbury PLC received on 15 February 2023.

FINANCIAL POSITION

At 31 December 2022 the Group's EPRA NTA was £1.6 billion (31 December 2021: £1.8 billion) representing 182.1 pence per share (31 December 2021: 213.0 pence).

SUMMARY ADJUSTED BALANCE SHEET

	2022		
	Group share £m	Joint ventures[1] £m	IFRS £m
Investment, development and trading property	**1,785.0**	**(69.9)**	**1,715.1**
Financial assets at fair value	**356.9**	**–**	**356.9**
Net debt	**(621.8)**	**(6.1)**	**(627.9)**
Other assets and liabilities[2]	**41.5**	**76.0**	**117.5**
Net assets	**1,561.6**	**–**	**1,561.6**
Adjustments:			
Fair value of derivative financial instruments			**(12.1)**
Fair value adjustment of financial instruments – exchangeable bond option			**(4.8)**
Unrecognised surplus on trading property			**7.1**
Deferred tax adjustments			**0.4**
EPRA net tangible assets			**1,552.2**
EPRA net tangible assets per share (pence)[3]			**182.1**

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 2022 was 852.3 million.

	2021 Restated		
	Group share £m	Joint ventures[1] £m	IFRS £m
Investment, development and trading property	1,789.6	(84.0)	1,705.6
Financial assets at fair value through profit and loss	596.4	–	596.4
Net debt	(599.3)	(22.7)	(622.0)
Other assets and liabilities[2]	7.4	99.4	106.8
Net assets	1,794.1	(7.3)	1,786.8
Adjustments:			
Fair value of derivative financial instruments			(1.1)
Fair value adjustment of financial instruments – exchangeable bond option			21.2
Unrecognised surplus on trading property			0.1
Revaluation of other non-current assets			7.3
Deferred tax adjustments			0.2
EPRA net tangible assets			1,814.5
EPRA net tangible assets per share (pence)[3]			213.0

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.

Investment, development and trading property

The Group share of investment, development and trading property carrying value has decreased by £4.6 million from £1,789.6 million to £1,785.0 million. This movement primarily comprises a revaluation loss of £0.8 million on the Covent Garden portfolio, write-down of trading property at Lillie Square of £12.4 million, gain on transfer from trading to investment property of £0.3 million on Lillie Square, capital expenditure of £11.0 million and disposals of £2.7 million of Lillie Square properties.

The independent property valuation of Covent Garden for the year remained broadly unchanged on a like-for-like basis, at £1,741.6 million (2021: £1,728.5 million). The increase of 6.3 per cent in ERV on a like-for-like basis was offset by an increase in the equivalent yield by 19 basis points to 4.07 per cent. The Lillie Square independent property valuation decreased in value by 6 per cent (like-for-like) to £79.1 million at 31 December 2022 (2021: £86.2 million).

The revaluation on Group investment and development property together with movements on trading property resulted in a total revaluation loss of £5.8 million, representing a 0.3 per cent decrease in value, which compares with the MSCI Capital Return for the equivalent period of a 14.2 per cent reduction.

Total property return for the year was 2.8 per cent. The MSCI Total Return Index recorded a 10.1 per cent reduction for the corresponding period.

Trading property is carried 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 2022, the unrecognised surplus on trading property was £7.1 million (31 December 2021: £0.1 million) which arises solely on the Group's share of trading property at Lillie Square. The increase in the unrealised surplus is due to change in valuation methodology.

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 2022 based on the closing share price of 368 pence was £356.9 million (2021: £596.4 million based on share price of 615 pence) resulting in a fair value loss of £239.5 million during the year.

Debt and gearing

The Group maintains a strong financial position, diversified sources of funding, headroom against debt covenants, access to significant 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 2022 were £422.6 million (31 December 2021: £641.7 million). A reconciliation between IFRS and Group share is shown below:

	2022			2021		
	Group share £m	**Joint ventures[1] £m**	**IFRS £m**	Group share £m	Joint ventures[1] £m	IFRS £m
Cash and cash equivalents[2]	**122.6**	**(6.1)**	**116.5**	341.7	(22.7)	319.0
Undrawn committed facilities	**300.0**	**–**	**300.0**	300.0	–	300.0
Cash and undrawn committed facilities	**422.6**	**(6.1)**	**416.5**	641.7	(22.7)	619.0

1. Primarily Lillie Square.

2. Excludes tenant deposits of £13.4 million (2021: £12.1 million)

Net debt increased by £22.5 million to £621.8 million in the year, consisting of £21.9 million cash outflows and £0.6 million non-cash amortisation of debt issue costs. Net debt on an IFRS basis has increased by £5.9 million with the majority of the difference to Group share resulting from a £17.5 million part repayment of loan received from the Lillie Square joint venture.

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 focuses on the ratio of net debt to gross assets which stood at 27.9 per cent at 31 December 2022. This is comfortably within the Group's limit of no more than 40 per cent. EPRA LTV was 28.0 per cent.

	2022	2021
Net debt to gross assets	**27.9%**	24.3%
Loan to value – Covent Garden debt covenant[1]	**21.0%**	14.8%
Interest cover – Group[1]	**181.3%**	101.0%
Interest cover – Covent Garden debt covenant[1]	**394.7%**	191.3%
Weighted average debt maturity – drawn and undrawn facilities[2]	**4.2 years**	4.8 years
Weighted average debt maturity – drawn facilities	**4.5 years**	4.9 years
Weighted average cost of debt	**2.7%**	2.8%
Gross debt with interest rate protection	**100%**	100%

1. The 2021 covenants have been recalculated due to the Changes in accounting policies as discussed in note 1.

2. Excludes the £576 million loan facility agreement

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 2022, all of the Group's drawn debt (comprising £475 million of private placement loan notes and £275 million of exchangeable bonds) was at fixed rates. Interest rate collars are currently in place for £200 million of notional value through to December 2024, capped at 1.23 per cent.

The £300 million revolving credit facility was undrawn at the year end. During the year, the first of two 1-year extension options was exercised to extend the maturity date to September 2025.

On 16 June 2022, the Group completed a £576 million loan facility agreement in connection with the proposed merger with Shaftesbury. Shaftesbury has two secured mortgage bonds totalling £575 million, each of which contain change of control provisions which will be triggered by the merger. In order to provide funding certainty in the event that the Shaftesbury mortgage bond holders exercise their redemption right in respect of their Shaftesbury mortgage bonds following completion of the merger the Group has entered into the new facility. The £576 million loan facility matures in June 2024, with the ability to extend for a further six months at the option of Capco subject to the satisfaction of the extension requirements as outlined in the facility. There is subsequently a further six month extension option available subject to lender consent.

On 28 February 2022, the Group repaid £75 million of private placement loan notes, incurring a make-whole cost of £5.0 million. On 20 June 2022, the Group repaid the £125 million secured loan, which was secured on Shaftesbury shares.

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 £366 million the loan to value ratio is 21.0 per cent, resulting in substantial headroom with the ability for property valuations to fall by 65 per cent. The interest cover ratio for the year in relation to the Covent Garden debt was 395 per cent, comfortably ahead of the covenant level of 120 per cent.

As at 31 December 2022, the Group had capital commitments of £2.5 million (£5.4 million at 31 December 2021), comprising £1.7 million for Covent Garden and £0.8 million for Lillie Square. At Covent Garden, there are a number of targeted capital initiatives which are expected to be brought forward in 2023, with estimated capital expenditure of £25 million over the next two years, including the office to F&B conversions on Maiden Lane and Bedford Street, F&B townhouse on King Street and office refurbishment on Long Acre.

	2022			2021		
	Group share £m	**Joint ventures[1] £m**	**IFRS £m**	Group share £m	Joint ventures[1] £m	IFRS £m
Capital commitments	**2.5**	**(0.8)**	**1.7**	5.4	(1.3)	4.1

1. Lillie Square.

CASH FLOW

A summary of the Group's cash flow for the year ended 31 December 2022 is presented below:

SUMMARY CASH FLOW

	2022		
	Group share £m	**Joint ventures[1] £m**	**IFRS £m**
Operating cash flows after interest and tax	**5.7**	**1.3**	**7.0**
Development of property, plant and equipment	**(12.0)**	**0.9**	**(11.1)**
Transactions with joint venture partners	**0.4**	**17.8**	**18.2**
Net sales proceeds from property and investments	**3.3**	**(3.3)**	**–**
Net cash flow before financing	**(2.6)**	**16.7**	**14.1**
Financing	**(200.0)**	**–**	**(200.0)**
Dividends paid	**(15.3)**	**–**	**(15.3)**
Net cash flow[2]	**(217.9)**	**16.7**	**(201.2)**

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 £0.2 million is therefore not included.

	2021 Restated		
	Group share £m	Joint ventures[1] £m	IFRS £m
Operating cash flows after interest and tax	0.1	(1.0)	(0.9)
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	123.3	(23.2)	100.1
Financing	(149.5)	5.9	(143.6)
Dividend	(4.0)	–	(4.0)
Net cash flow[2]	(30.2)	(17.3)	(47.5)

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.

IFRS cash and cash equivalents, which includes tenant deposits, decreased by £201.2 million to £129.9 million.

Operating cash inflows have increased by £5.6 million to £5.7 million for the year ended 31 December 2022 due mainly to an increase in rental collections. Dividend income of £13.5 million has been received from the Shaftesbury investment in the year. This is offset by higher administrative costs and £20.4 million of non-recurring administrative expenses, comprising merger-related costs, the make-whole cost on the private placement loan notes and loan facility arrangement fees.

During the year, £11.1 million was invested at Covent Garden for capital expenditure on a number of projects with £0.9 million incurred at Lillie Square.

The sale of five units at Lillie Square generated £3.3 million (Group share) of net proceeds.

Financing cash outflows relate to the repayment of the £75 million of private placement loan notes and the repayment of the £125 million secured loan.

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 27.9 per cent and access to cash and undrawn facilities of £422.6 million as at 31 December 2022. The Covent Garden group had net debt of £366.1 million and a loan to value ratio of 21.0 per cent, which compares with a debt covenant level of 60 per cent. The interest cover ratio for the year ended 31 December 2022 in relation to the Covent Garden debt was 395 per cent, comfortably ahead of the covenant level of 120 per cent. There remains sufficient liquidity and debt covenant headroom even in a downside “severe but plausible” scenario. Similarly base case and downside scenarios have been analysed on the basis that the merger with Shaftesbury is completed.

On the basis of both the standalone and combined analyses, 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 2022 Annual Report.

Situl Jobanputra
Chief Financial Officer

28 February 2023

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's risk appetite statement is reviewed and updated by the Board at appropriate intervals and in any event on an annual basis. The Group's risk appetite statement has been communicated 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 outlook

Management actions have positioned the business to emerge strongly as markets recover. During 2022 there has been strong operational momentum at Covent Garden, with excellent leasing demand across all uses, high occupancy levels and rent collection normalising to pre-pandemic levels. The long-term impact of the pandemic alongside broader macroeconomic factors, in particular inflationary pressures and increasing interest rates, on the future demand for and use of lettable space, evolution of consumer behaviour and travel patterns remains a consideration and the Board continues to monitor this.

Whilst the challenges and disruption caused by COVID-19 have reduced as restrictions were lifted and customer trade conditions reverted to pre-pandemic levels, the mitigating actions imposed by the UK government and internationally, together with other factors, had a material adverse effect on the retail and hospitality industry and any reinstatement of restrictive measures as a result of a new strain of COVID-19 or any other infectious disease may have an impact on consumer confidence and visitor numbers, including international visitors, impacting the operations and viability of customers of the Group's properties.

Despite the recovery in the operating environment and trading conditions, risk remains heightened as the current macroeconomic backdrop is characterised by higher energy costs, inflation and higher interest rates which have potential impact on valuations, funding, customers and consumer behaviour.

If current global or UK macroeconomic conditions continue to deteriorate, or there is an increase in geopolitical uncertainty, this could impact UK real estate markets, resulting in downward pressure on the value of the Group's properties and net rental income. The risks and challenges are further exacerbated by the economic and geopolitical consequences of Russia's invasion of Ukraine.

Many of the Group's customers are exposed to the changes and challenges facing the retail and hospitality sectors, including macroeconomic factors, such as availability and cost of credit for customers and their businesses, the potential for the level of consumer spending to be impacted by the increase in the cost of living, business and consumer confidence, inflation rates, rising energy costs, supply chain disruption, labour shortages and other operational costs.

In recent years the UK has also experienced heightened economic and political uncertainty after voting to leave the EU. Uncertainty remains in relation to long-term international trade arrangements and the overall impact on the UK economy.

The Group's operations may be adversely affected if it fails to comply with climate and environmental regulation or its own environmental, social or governance standards. Operations may also be adversely affected by climate and environment related risks, which could lead to significant costs to mitigate environmental impacts.

Investment in Shaftesbury PLC and proposed merger

As at 31 December 2022, the Group's portfolio included 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's operating results, financial position, performance or prospects.

Although the Group currently owns a minority interest, the Investment represents a material proportion of the Group's value. The terms of the Investment do not provide the Group with the ability to influence the strategic direction of Shaftesbury, or its financial or operating performance, as our influence is limited to the extent of our voting rights over matters requiring Shaftesbury shareholder approval. The interests of other shareholders in Shaftesbury may not always be aligned with those of the Group.

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

On 16 June 2022, Capco announced its intention to merge with Shaftesbury and the shareholder approval conditions were satisfied on 29 July 2022. The merger received clearance by the CMA on 22 February 2023, and is subject to court approval, and it is expected to complete on 6 March 2023.

The prospectus dated 7 July 2022 issued in connection with the proposed merger, as supplemented by the supplementary prospectus dated 29 November 2022, sets out a detailed description of the material risk factors of the merger and the combined group.

On completion of the proposed merger, the combined group's success will be dependent upon its ability to integrate the two companies to deliver the full benefits and synergies as well as harmonising the business cultures. Dedicated integration working groups have been established, in line with restrictions imposed by Competition laws, comprising employees across both companies to discuss day one integration requirements. A steering committee has been created to oversee and co-ordinate this process, review the outputs of the working groups and to provide direction.

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 economic and geopolitical consequences of Russia's invasion of Ukraine, UK political uncertainty, 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, how lease arrangements are structured, as well as changes to tax and economic policy impacting real estate (including landlord and tenant legislation, residential rent control, 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. Following a detailed review of the 2021 principal risks certain risks have been consolidated in the current year as reflected below. 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

2021 risk	2022 risk	Change in the year
Economic conditions	Economic, political and operating environment	↔
Funding		
Political climate		
Catastrophic external event		
People	People	↔
Health and safety	Compliance with law and regulations	↔
Compliance with law, regulations and contracts		
Climate change	Climate change	↔
Leasing and asset management	Leasing and asset management	↔
Planning and development		

Risk	Impact on strategy	Mitigation
Economic, political and operating conditions		
Inability of the Group to adopt the appropriate strategy or to react to changing market conditions or changing consumer behaviour Decline in real estate valuations due to macroeconomic conditions Impact of higher interest rates and lack of availability or increased cost of debt or equity funding Inflationary pressures on operating costs including energy Uncertain political climate and/or changes to legislation and policies Adverse impact on business and consumer confidence, increase material costs, prolonged supply chains and reduced labour supply Decline in fair value of listed investments held Catastrophic event such as a terrorist attack, natural disaster, health pandemic or cyber security crime	Inability to deliver business plan or a structural change to the business plan impacting returns or capital values Reduced return on property and listed investment Reduced rental income and/or capital values as customers could suffer staff shortages, increased costs, longer lead times and lower availability of inventory Higher operating and finance costs Reduced financial and operational flexibility Diminishing London's status Business disruption or damage to property Reputational damage	Focus on prime assets Regular assessment of investment market conditions including bi-annual external valuations Regular strategic reviews with focus on creating mixed use destinations and residential districts with unique attributes 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 Monitoring proposals and emerging policy and legislation, with industry lobbying where appropriate Engagement with key stakeholders and local authorities 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

Change in 2022: Stable

Context and actions taken:

The Group focuses on prime assets in the West End of London primarily in the retail and hospitality sector. During 2022 consumer and business confidence has returned reflected in footfall and spend improving with certain customers trading in line with or in excess of 2019 levels.

Through regular dialogue with our customers we are able to understand their financial position and consider providing support where appropriate.

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 prosper over the medium-term.

The Group has had a long-term focus on maintaining a strong balance sheet, with sufficient liquidity, to ensure it is able to withstand market volatility and take advantage of opportunities.

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

Funding, debt and treasury metrics are monitored on a continual basis with a focus on preserving liquidity and capital.

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.

The Group’s has comprehensive ownership 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.

A review of cyber security was performed in 2022 to ensure appropriate controls are in place and ensure that all employees remain vigilant to potential risks. Regular phishing tests and penetration testing are undertaken.

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 2022: 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.

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. 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. IT security systems that support data security and disaster recovery are in place.

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.

Compliance with law and regulations		
Breach of legislation, regulation or contract Inability to monitor or anticipate legal or regulatory changes Accidents causing loss of life or very serious injury to employees, contractors, customers and visitors to the Group's properties; or near misses of the same 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 Health and safety procedures, training and governance across the Group Appointment of reputable contractors Adequate insurance held to cover the risks inherent in property ownership and construction projects

Change in 2022: Stable

Context and actions taken:
Compliance with law and regulations, including health and safety, remains a key priority for the Board.

Protocols are in place and communicated across the various stakeholder groups to ensure everyone is aware of new legislation and requirements.

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.

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.

Climate change		
Physical impact on our assets from rising temperatures or other extreme climate-related event such as flooding Transitional challenge of increasing and more onerous compliance and reporting requirements, as well as retrofitting, insuring or leasing our assets in a heritage environment on an appropriate whole life carbon basis Inability to keep pace with customer and consumer demand for proactive action to manage and mitigate climate-related risk	Reduced capital values or business disruption, reduced income through disruption Increased operating costs to meet reporting and target metrics and compliance. Increased capital costs of retrofitting, or inability to resolve listed building or planning challenges, leads to buildings becoming carbon stranded Reduced income through lower rents and longer void periods due to reduced customer demand	Board and management ESC Committees established to manage climate-related risks and opportunities and Sustainability team in place 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 2022 Annual Report as well as the Group's Net Zero Carbon Pathway Active management plan with external reporting via recognised indices and benchmarks, including EPRA, CDP and GRESB Continued engagement with stakeholders in order 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 2022: 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.

Following publication of our Net Zero Carbon Pathway, our activities have focussed on the first three year cycle and improving data reporting, transparency. We have completed our climate scenario analysis for full TCFD compliance. In addition to the ongoing activities to improve the Energy Efficiency of each asset focussing on the MEES EPC regulations, we continue to explore the addition of renewable energy generation and have commenced removal of gas heating and cooking within our residential portfolio. Long-term planning and mobilisation of asset by asset carbon mitigation strategy also continues using the CRREM model in pilot across a number of assets.

Leasing and asset management		
Inability to achieve target rents or to attract target customers due to market conditions Competition from other locations/formats Unfavourable planning policy, legislation or action impacting on the ability to secure planning approvals or consents	Decline in customer demand for the Group's properties Reduced income and increased vacancy Reduced return on investment and development property	High quality customer mix Strategic focus on creating mixed used destinations with unique attributes Engagement with local and national authorities Pre-application and consultation with key stakeholders and landowners Regular assessment of market conditions and development strategy Business strategy based on long-term returns

Change in 2022: 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 customers. During the course of 2022 leasing activity improved and rent collections are to pre-pandemic levels. Capco maintained high occupancy levels reflecting the strength of demand for prime central London real estate.

Although the Group has largely kept rental payments 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 on customer demand and supply chains as well as inflationary pressures is also kept under review.

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 have a focused leasing and marketing strategy, ensuring the business is well-positioned.

We regularly engage with our suppliers to understand their ability to meet our demands requirements and standards.

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities

The statement of Directors' responsibilities has been prepared in relation to the Group's full Annual Report for the year ended 31 December 2022. Certain parts of the Annual Report are not included within this announcement.

The Directors consider that the annual report, 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 are derived from the audited consolidated financial statements. These 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 28 February 2023:

Ian Hawksworth

Chief Executive

28 February 2023

Situl Jobanputra

Chief Financial Officer

28 February 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 £m	Restated[1] 2021 £m
Revenue	4	**74.1**	72.3
Costs[2]	4	**(16.8)**	(32.3)
Gross profit	4	**57.3**	40.0
Other income		**13.5**	3.0
Administration expenses		**(40.6)**	(22.8)
Loss on revaluation and sale of investment and development property		**(0.8)**	(4.1)
Change in value of investments and other receivables	5	**(7.9)**	11.6
Change in fair value of financial assets through profit or loss		**(239.5)**	44.6
Operating (loss)/profit		**(218.0)**	72.3
Finance income	6	**2.6**	0.5
Finance costs	7	**(27.2)**	(31.7)
Other finance income	6	**3.5**	8.1
Other finance costs	7	**(6.5)**	(5.2)
Change in fair value of derivative financial instruments		**39.8**	(8.5)
Net finance income/(costs)		**12.2**	(36.8)
(Loss)/profit before tax		**(205.8)**	35.5
Taxation	8	**(6.0)**	(0.7)
(Loss)/profit and comprehensive (expense)/income for the year		**(211.8)**	34.8
(Loss)/earnings per share			
Basic and diluted (loss)/earnings per share	10	**(24.9)p**	4.1p
Weighted average number of shares	10	**851.3m**	851.3m

1. Prior year comparatives have been restated to reflect a change in accounting policy following clarification by the IFRS Interpretations Committee ("IFRIC") during 2022 of how a lessor should account for the forgiveness of lease payments and a change in accounting policy relating to the presentation of interest and fair value adjustments on interest rate derivatives. Details of the restatements and impact on prior year comparatives are set out in note 1 'Changes in accounting policies'.

2. Included in costs is a £1.6 million reversal (2021: £7.6 million provision) of expected credit loss in relation to rent receivables.

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Note	**2022 £m**	2021 Restated[1] £m	2021 Opening Restated[1] £m
Non-current assets				
Investment and development property	11	**1,715.1**	1,705.6	1,795.2
Property, plant and equipment		**0.6**	0.6	4.4
Investment in joint ventures	12	**0.2**	0.3	0.3
Financial assets at fair value through profit or loss		**356.9**	596.4	551.8
Derivative financial assets		**12.1**	1.1	–
Deferred tax	17	**–**	6.1	6.8
Trade and other receivables	13	**115.6**	108.8	119.0
		2,200.5	2,418.9	2,477.5
Current assets				
Trade and other receivables	13	**20.8**	48.4	46.9
Tax assets		**–**	0.5	–
Cash and cash equivalents	14	**129.9**	331.1	378.6
		150.7	380.0	425.5
Total assets		**2,351.2**	2,798.9	2,903.0
Non-current liabilities				
Borrowings, including lease liabilities	15	**(743.7)**	(940.3)	(1,079.0)
Derivative financial liabilities		**(3.3)**	(32.1)	(22.5)
		(747.0)	(972.4)	(1,101.5)
Current liabilities				
Borrowings, including lease liabilities	15	**(0.7)**	(0.7)	(1.6)
Tax liabilities		**–**	–	(1.0)
Trade and other payables		**(41.9)**	(39.0)	(44.3)
		(42.6)	(39.7)	(46.9)
Total liabilities		**(789.6)**	(1,012.1)	(1,148.4)
Net assets		**1,561.6**	1,786.8	1,754.6
Equity				
Share capital		**212.8**	212.8	212.8
Other components of equity		**1,348.8**	1,574.0	1,541.8
Total equity		**1,561.6**	1,786.8	1,754.6

1. Prior year comparatives have been restated to reflect a change in accounting policy following clarification by IFRIC during 2022 of how a lessor should account for the forgiveness of lease payments. In addition cash and cash equivalents have been restated following clarification by IFRIC on classification of funds with externally imposed restrictions. Details of the restatement and impact on prior year comparatives are set out in note 1 'Changes in accounting policies'.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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
At 1 January 2021		212.8	232.2	1.5	313.7	6.4	(0.4)	993.5	1,759.7
Rent forgiveness restatement[2]		–	–	–	–	–	–	(5.1)	(5.1)
Restated balance at 1 January 2021		212.8	232.2	1.5	313.7	6.4	(0.4)	988.4	1,754.6
Profit and total comprehensive income for the year ended 31 December 2021[2]		–	–	–	–	–	–	34.8	34.8
Transactions with owners									
Ordinary shares issued		–	0.3	–	–	–	–	–	0.3
Dividends	9	–	–	–	–	–	–	(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
Balance at 31 December 2021[2]		**212.8**	**232.5**	**1.5**	**293.7**	**7.7**	**(0.3)**	**1,038.9**	**1,786.8**
Loss and total comprehensive expense for the year ended 31 December 2022		**–**	**–**	**–**	**–**	**–**	**–**	**(211.8)**	**(211.8)**
Transactions with owners									
Ordinary shares issued		**0.4**	**–**	**(0.4)**	**–**	**–**	**–**	**1.7**	**1.7**
Share buyback		**(0.4)**	**–**	**0.4**	**–**	**–**	**–**	**(1.7)**	**(1.7)**
Dividends	9	**–**	**–**	**–**	**–**	**–**	**–**	**(15.3)**	**(15.3)**
Realisation of share-based payment reserve on issue of shares		**–**	**–**	**–**	**–**	**(0.2)**	**–**	**(0.1)**	**(0.3)**
Fair value of share-based payment		**–**	**–**	**–**	**–**	**2.3**	**–**	**–**	**2.3**
Realisation of cash flow hedge		**–**	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Balance at 31 December 2022		**212.8**	**232.5**	**1.5**	**293.7**	**9.8**	**(0.4)**	**811.7**	**1,561.6**

1. Represents non-qualifying consideration received by the Group following the share placing in May 2014 and previous share placements. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration and therefore will not form part of distributable reserves as they form part of linked transactions. Realised merger reserve relates to disposal of Southampton Street properties during the prior year as these properties were originally acquired using proceeds from the share placement.

2. Prior year comparatives have been restated to reflect a changes in accounting policy following clarification by IFRIC during 2022 of how a lessor should account for the forgiveness of lease payments. Details of the restatement and impact on prior year comparatives are set out in note 1 ‘Changes in accounting policies’.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 £m	2021 Restated[1] £m
Cash flows from operating activities			
Cash generated from operations	20	**33.5**	26.5
Finance costs paid		**(29.7)**	(26.3)
Interest received		**2.7**	0.4
Tax received/(paid)		**0.5**	(1.5)
Net cash inflow/(outflow) from operating activities		**7.0**	(0.9)
Cash flows from investing activities			
Purchase and development of property		**(11.1)**	(7.9)
Sale of property		**–**	94.7
Sale of discontinued operation[2]		**–**	15.2
Loan to joint ventures repaid/(advanced)		**18.2**	(1.0)
Net cash inflow from investing activities		**7.1**	101.0
Cash flows from financing activities			
Issue of shares		**1.7**	–
Share buyback		**(1.7)**	–
Borrowings repaid		**(200.0)**	(140.0)
Principal element of lease payments		**–**	(0.2)
Repayment of derivative financial instruments		**–**	(3.4)
Cash dividends paid	9	**(15.3)**	(4.0)
Net cash outflow from financing activities		**(215.3)**	(147.6)
Net decrease in cash and cash equivalents		**(201.2)**	(47.5)
Cash and cash equivalents at 1 January		**331.1**	378.6
Cash and cash equivalents at 31 December	14	**129.9**	331.1

1. Prior year comparatives have been restated following clarification by IFRIC on classification of funds with externally imposed restrictions. Details of the restatement and its impact on prior year comparatives is set out in note 1 'Changes in accounting policies'.

2. Sale of discontinued operation in 2021 relates to the receipt of deferred consideration in relation to the sale of Earls Court during 2019.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

The financial information set out in this announcement has been extracted from the Company's consolidated financial statements for the year ended 31 December 2022, and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The consolidated financial statements and this announcement were approved by the Board of Directors on 28 February 2023. The auditors have reported on the consolidated financial statements for the year ended 31 December 2022 under section 495 of the Companies Act 2006. The auditors' report is unqualified and does not contain a statement under section 498(2) or (3) of the Companies Act 2006. The Company's statutory financial statements for the year ended 31 December 2021 have been filed with the Registrar of Companies and those for the year ended 31 December 2022 will be filed following the Company's Annual General Meeting.

The Group's consolidated financial statements are prepared in accordance with United Kingdom-adopted international financial accounting standards ('UK-adopted IFRS' or 'IFRS'), and the applicable legal 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 UK-adopted IFRS 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 2023.

The consolidated financial statements have been prepared on a going concern basis 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 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 costs has been included in note 4 'Gross Profit'.

The accounting policies used by the Group in these consolidated financial statements are consistent with those applied in the Group's financial statements for the year to 31 December 2021, 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 International Accounting Standards Board that are effective for annual periods that begin on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards:

- IFRS 3 'Business Combinations' (amendment) (Reference to the Conceptual Framework)
- IAS 16 'Property, Plant and Equipment' (amendment) (Proceeds before intended use)
- IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (amendment) (Onerous Contracts – Cost of Fulfilling a Contract)
- Amendments to IFRS (Annual improvements cycle 2018-2020)

At the date of approval of the consolidated financial statements the following standards and interpretations which have not been applied in these consolidated 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)
- IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 (amendment) (Disclosure of Accounting Policies)
- IAS 8 'Accounting Policies, Changes in Accounting Estimates, and Errors' (amendment) (Definition of Accounting Estimates)
- IAS 12 'Income Taxes' (amendment) (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

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

Changes in accounting policies

Rent concessions

During 2022, IFRIC finalised an agenda decision in regards to how a lessor should account for the forgiveness of lease payments under IFRS 9 'Financial Instruments' ("IFRS 9") and IFRS 16 'Leases' ("IFRS 16").

The decision concluded that for any forgiveness of past due rent receivables, the lessor should apply the expected credit loss model under IFRS 9 and account for the forgiveness as an impairment in the consolidated statement of comprehensive income. Any directly attributable costs, including surrender premia and letting fees previously paid, continue to be held on balance sheet and are amortised over the life of the lease.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Changes in accounting policies continued

On the other hand, any forgiveness of future rent receivables met the definition of a lease modification under IFRS 16, with the resulting impact accounted for by straight-lining the forgiveness over the remaining lease term in accordance with IFRS 16. On entering into a lease modification any directly attributable costs were derecognised.

The Group had previously concluded that under IFRS there had been a policy choice to account for rent forgiveness of past due rent receivables either under IFRS 9 or IFRS 16. The Group elected to account for rent forgiveness of past due rent receivables as a lease modification under IFRS 16 and in addition the directly attributable costs associated with the leases were derecognised as non-underlying costs. The Group had applied this treatment since 2020 on the commencement of COVID-19 support measures.

The agenda decision issued by IFRIC has required the Group to retrospectively reverse the accounting treatment followed under IFRS 16 and adopt the accounting treatment required under IFRS 9. This change in accounting policy has been applied retrospectively and comparative information, including the opening retained earnings to reflect the impact of the 2020 rent forgiveness granted, has been restated.

Overall impact of the restatement

Gross profit has reduced by £6.2 million in 2021. This included an additional £7.6 million of expected credit loss, representing £7.1 million rent forgiveness provided during the year as well as an additional £0.5 million expected credit loss on the 31 December 2021 rent receivable balance.

Retained earnings have increased by £0.4 million as at 31 December 2021 based on the additional £5.1 million loss in 2020 and £5.5 million profit in 2021.

For the year ended 31 December 2021, underlying earnings have been reduced by £3.4 million (0.4 pence per share), to £0.7 million (0.1 pence per share). The adjustment for lease modification expenses, impairment of tenant lease incentives and (loss)/gain on revaluation and sale of investment and development property are excluded from the underlying earnings calculation. Further details of the underlying earnings calculation is shown in note 3 'Underlying Earnings'.

As at 31 December 2021 tenant lease incentives, accounted for through prepayments and accrued income, have reduced by £10.3 million cumulatively. The carrying value of investment property and the loss on revaluation of investment and development property as a result of the adjustment to tenant lease incentives, excluding letting fees, has been increased by £11.1 million as at 31 December 2021.

The impact on the consolidated balance sheet has been reflected on page 30 where the 31 December 2021 and 1 January 2021 restated position has been shown. The restated EPRA NTA as at 31 December 2021 is £1,814.5 million (213.0 pence per share).

The restatement adjustments are all non-cash and therefore there is no impact on the consolidated statement of cash flows.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Changes in accounting policies continued

Impact on profit or loss

Due to the materiality of the restatement in 2020 and 2021, reflecting the period during which COVID-19 concessions were provided, the impact of the restatement on the consolidated statement of comprehensive income for each of the years ended 31 December 2020 and 2021 has been presented below:

	31 December 2021			31 December 2020		
Consolidated statement of comprehensive income	**Reported £m**	**Adjustment £m**	**Restated £m**	Reported £m	Adjustment £m	Restated £m
Revenue	**68.0**	**4.3**	**72.3**	73.9	0.1	74.0
Costs	**(21.8)**	**(10.5)**	**(32.3)**	(58.0)	(4.6)	(62.6)
Gross profit	**46.2**	**(6.2)**	**40.0**	15.9	(4.5)	11.4
Other income/(costs)	**3.0**	**–**	**3.0**	(1.0)	–	(1.0)
Administration expenses	**(22.8)**	**–**	**(22.8)**	(31.0)	–	(31.0)
(Loss)/gain on revaluation and sale of investment and development property	**(15.8)**	**11.7**	**(4.1)**	(693.1)	(0.6)	(693.7)
Change in value of investments and other receivables	**11.6**	**–**	**11.6**	(28.2)	–	(28.2)
Fair value gain on financial assets at fair value through profit or loss	**44.6**	**–**	**44.6**	50.9	–	50.9
Operating profit/(loss)	**66.8**	**5.5**	**72.3**	(686.5)	(5.1)	(691.6)
Net finance costs	**(36.8)**	**–**	**(36.8)**	(18.2)	–	(18.2)
Profit/(loss) before tax	**30.0**	**5.5**	**35.5**	(704.7)	(5.1)	(709.8)
Taxation	**(0.7)**	**–**	**(0.7)**	1.0	–	1.0
Profit/(loss) for the year	**29.3**	**5.5**	**34.8**	(703.7)	(5.1)	(708.8)
Basic and diluted earnings per share (pence)	**3.4**	**0.7**	**4.1**	(82.6)	(0.6)	(83.2)
Weighted average number of shares	**851.3m**		**851.3m**	852.2m		852.2m
Underlying earnings/(loss)	**4.1**	**(3.4)**	**0.7**	(6.2)	(12.5)	(18.7)
Underlying earnings/(loss) per share (pence)	**0.5**	**(0.4)**	**0.1**	(0.7)	(1.5)	(2.2)

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Changes in accounting policies continued

The gross profit note has been provided to further show the impact of the change in accounting policy:

	31 December 2021			31 December 2020		
	Reported £m	**Adjustment £m**	**Restated £m**	Reported £m	Adjustment £m	Restated £m
Rent receivable	**55.6**	**6.9**	**62.5**	59.1	6.5	65.6
Straight-lining of tenant lease incentives[1]	**7.1**	**(2.6)**	**4.5**	9.7	(6.4)	3.3
Service charge income	**5.3**	**–**	**5.3**	5.1	–	5.1
Revenue	**68.0**	**4.3**	**72.3**	73.9	0.1	74.0
Expected credit loss[2]	**–**	**(7.6)**	**(7.6)**	(14.0)	(12.9)	(26.9)
Property expenses	**(10.6)**	**(0.1)**	**(10.7)**	(11.1)	(0.1)	(11.2)
Service charge expenses	**(5.3)**	**–**	**(5.3)**	(5.1)	–	(5.1)
Lease modification expenses[3]	**(2.6)**	**(3.8)**	**(6.4)**	(16.7)	8.4	(8.3)
Impairment of tenant lease incentives[4]	**(3.3)**	**1.0**	**(2.3)**	(11.1)	–	(11.1)
Costs	**(21.8)**	**(10.5)**	**(32.3)**	(58.0)	(4.6)	(62.6)
Gross profit	**46.2**	**(6.2)**	**40.0**	15.9	(4.5)	11.4

1. The adjustment to straight-lining of tenant lease incentives of £2.6 million includes a reversal of the 2021 lease incentive income recorded for lease modifications, offset by an unwind of the 2020 lease modification incentives that have been reversed.
2. A reversal of the rent forgiveness accounted for as lease modifications by reversing the income and asset position and accounting for the forgiveness as an expected credit loss in costs. This resulted in an additional expected credit loss for 2020 and 2021 of £20.5 million.
3. For transactions where a modification has no longer occurred, a cumulative reversal of £4.6 million of lease modification expenses to the balance sheet to be amortised over the remaining life of the lease.
4. Where tenant lease incentives related to lease modifications as a result of rent forgiveness had been impaired, a reversal of the impairment and subsequent adjustment to expected credit loss of £1.0 million was recognised in costs during 2021.

Impact on balance sheet

The below summary of trade and other receivables show the main impact on the consolidated balance sheet resulting from the adjustment to the expect credit loss provision and tenant lease incentives.

Tenant lease incentives are included within non-current and current prepayments and accrued income. As at 31 December 2021 tenant lease incentives have reduced by £10.3 million which reflects the cumulative reduction in rent free assets of £13.3 million, offset by the write back of £3.0 million of surrender premia and letting fees. The write back of surrender premia and letting fees reflect the directly attributable costs adjusted for when a lease modification has not occurred. The reduction in the tenant lease incentives balance is reflective of the reduction in lease incentive adjustments to revenue and the increased expected credit loss.

	31 December 2021				31 December 2020			
	Reported £m	**Rent concession adjustment £m**	**Tenant deposit adjustment £m**	**Restated £m**	Reported £m	Rent concession adjustment £m	Tenant deposit adjustment £m	Restated £m
Non-current								
Other receivables	**–**	**–**	**–**	**–**	0.1	–	–	0.1
Prepayments and accrued income	**37.9**	**(12.0)**	**–**	**25.9**	33.1	0.8	–	33.9
Amounts receivable from joint ventures	**82.9**	**–**	**–**	**82.9**	85.0	–	–	85.0
Trade and other receivables	**120.8**	**(12.0)**	**–**	**108.8**	118.2	0.8	–	119.0
Current								
Rent receivable	**10.5**	**(0.5)**	**–**	**10.0**	22.3	(6.1)	–	16.2
Other receivables	**14.2**	**0.1**	**(12.1)**	**2.2**	30.4	(0.1)	(13.4)	16.9
Prepayments and accrued income	**11.1**	**1.7**	**–**	**12.8**	12.4	0.8	–	13.2
Amounts receivable from joint ventures	**23.4**	**–**	**–**	**23.4**	0.6	–	–	0.6
Trade and other receivables	**59.2**	**(1.3)**	**(12.1)**	**48.4**	65.7	(5.4)	(13.4)	46.9
Total trade and other receivables	**180.0**	**(13.3)**	**(12.1)**	**157.2**	183.9	(4.6)	(13.4)	165.9

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Changes in accounting policies continued

Tenant deposit adjustment

The above summary also includes an adjustment to other receivables to reclassify tenant deposits totalling £12.1 million in 2021 (2020: £13.4 million) from other receivables to cash and cash equivalents. The Group previously disclosed tenant deposits as other receivables in the consolidated financial statements. Following the IFRIC agenda decision regarding Demand Deposits with Restrictions on Use arising from a Contract with a Third Party in April 2022, the Group has adopted the treatment set out in the IFRIC agenda decision, which concluded that the contractual restrictions on the use of the amounts held in the demand deposit do not change the nature of the deposit and that the Group can access those amounts on demand, therefore, the demand deposit should be included as a component of 'cash and cash equivalents' in its statement of cash flows. This change in accounting treatment has been applied retrospectively and comparative information has been restated in the consolidated balance sheet and consolidated statement of cash flows. From an alternative performance measure perspective tenant deposits have been excluded from cash and available facilities and net debt calculations as it does not represent liquidity of the Group.

Changes in fair value of derivative financial instruments

Changes in the fair value of interest rate derivatives are split into interest (calculated as the accrued and realised cash flows) and other changes in fair value.

Previously the Group's policy had been to present both the interest and the fair value components as change in fair value of derivative financial instruments under net finance income or costs in the consolidated statement of changes in comprehensive income.

During the year the Group reviewed this presentation and in order to better reflect the Group's rationale for entering into interest rate hedging arrangements in accordance with the Group's risk management strategy, a change in accounting policy was made to re-present the interest from change in fair value of derivative financial instruments to finance costs and income.

As a result of the change in accounting policy comparative information has been re-presented and interest costs of £3.4 million in the prior year were re-presented from change in fair value of derivative financial instruments to other finance costs.

These costs were excluded from EPRA and underlying earnings in the prior year as they related to an early close out of interest rate derivatives during the COVID-19 pandemic.

Going concern

The Directors have considered the appropriateness of adopting the going concern basis in preparing the Company and consolidated financial statements. The Group's going concern assessment covers the period to 30 June 2024 (the "going concern period"), being at least 12 months from the date of authorisation of these consolidated financial statements.

During 2022, there has been continued improvement in operational activity at Covent Garden. Trading remains resilient with strong recovery in footfall and customer sales in aggregate being ahead of 2019 levels. There is strong leasing demand across all uses delivering rental growth, vacancy remains low and rent collection patterns have normalised.

There are, however, significant macroeconomic and political headwinds including the rising interest rate and inflationary environment, domestic political uncertainty, geopolitical risks, supply chain and labour market disruption. The West End and our unique portfolio of prime investments are not completely insulated, however they have demonstrated remarkable resilience.

In preparing the assessment of going concern, the Board has considered projections of the Group's liquidity, committed capital expenditure, income, costs, cash flows and debt covenants. The Group has assessed a "severe but plausible" downside scenario which analyses the impact of deterioration in rent collection, vacancy levels and rental growth as well as increased costs and yield expansion over the going concern period.

This includes the following key assumptions:

- Substantial reduction in forecast net rental income due to a combination of extended voids and tenant failures focusing particularly on the retail, F&B and leisure sectors;
- Declines in rental values along with a widening of valuation yields, resulting in reduced asset values

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'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 including in the severe but plausible downside scenario. 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 £366.1 million and a loan to value ratio of 21 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 2022 was 3.9 times, comfortably ahead of the covenant level of 1.2 times. The Covent Garden debt matures between August 2024 and 2037, with the revolving credit facility currently undrawn.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Going concern continued

The Group is projected to have sufficient cash reserves and undrawn facilities to meet debt maturities during the going concern period. All of the current drawn debt is at fixed rates and the £300 million revolving credit facility was undrawn at year end. The revolving credit facility has a maturity of September 2025 with a one-year extension option to September 2026 subject to lender consent. It is anticipated that the extension will be exercised or a similar form of financing will be put in place. £95 million of private placement debt matures in the second half of 2024 and is expected to be funded through cash and undrawn facilities.

The independent property valuation of Covent Garden could withstand a substantial valuation decline (approximately 50 per cent) during the going concern period before a breach of the loan to value covenant, before taking into account any mitigating actions which may be taken. There is projected to be significant headroom against the interest cover covenants under the severe but plausible downside scenario, with the ability to withstand a decline in net rental income of over 75 per cent during the going concern period before a breach of the interest cover covenant, without taking any mitigating actions.

Based on their analysis, the Directors are satisfied that there is a reasonable expectation that each of the Company and 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 Company and Group's consolidated financial statements be prepared on a going concern basis.

Impact of the proposed merger

On 16 June 2022, Capco announced its intention to merge with Shaftesbury PLC ("Shaftesbury") and the shareholder approval conditions were satisfied on 29 July 2022. Completion of the merger is subject to the satisfaction of a number of other conditions and it is expected that the transaction will be completed on 6 March 2023. It is intended that the merger will be effected by means of a court-sanctioned scheme of arrangement which will result in Capco owning 100 per cent of the issued share capital of Shaftesbury. The going concern assessment has therefore also been undertaken on the basis of the combined group assuming merger completion.

Capco has also entered into a loan facility agreement of £576 million to cover potential repayment of Shaftesbury bonds on merger completion. This is currently undrawn. Under the terms of the Shaftesbury financing arrangements, holders of its secured mortgage bonds totalling £575 million have the ability to require payment in full or part following the change of control of Shaftesbury taking place. Shaftesbury's secured term loans totalling £385 million will remain in place.

In preparing its assessment of going concern, using an approach consistent with that set out above, the Board reviewed a forecast of liquidity, cash flow and covenant compliance of the combined group. Under the severe-but-plausible downside scenario, the interest cover test has been assessed against SONIA rates in excess of current market expectations.

Absent any mitigating actions which may be taken, the combined group has significant headroom against its financial covenants and estimates that the combined group could withstand a decrease in valuations from 31 December 2022 of over 40 per cent, and a decline in net rental income of approximately 50 per cent before breaching its loan-to-value and interest cover covenants.

Having considered the debt facilities that the Group has put in place, the Board is satisfied that there is sufficient liquidity to fund potential debt repayments and for the combined group to remain compliant with its financing arrangements and meet its financial obligations as they fall due over the going concern period.

The combined group anticipates retaining significant liquidity and that debt covenants will be satisfied, however in the severe but plausible downside scenario the interest cover covenant on one of the Shaftesbury term loans could be subject to a marginal breach. For this loan, throughout the going concern period the combined group has the ability to cure income shortfalls using cash deposits or additional assets with sufficient contractual income from its pool of unsecured properties. The Group has sufficient liquidity to satisfy this requirement.

Based on their analysis in relation to the combined group assuming that the merger is completed, 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 consolidated financial statements be prepared on a going concern basis.

Critical accounting judgements and key sources of estimation and uncertainty

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

The significant areas of estimation and uncertainty are:

Property valuation: The most significant area of estimation uncertainty in the consolidated 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 2022 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.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Critical accounting judgements and key sources of estimation and uncertainty continued

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 11 'Property Portfolio' in forming their opinion on the valuation of the Group's investment, development 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 consolidated financial statements, which could have a material effect on the Group's financial position. The key unobservable inputs used in the valuation models and a sensitivity analysis for each are disclosed on page 52.

Other areas of estimation and uncertainty include the impairment of trade receivables. In the prior year, this was considered a critical estimate, however, based on strong operational performance, evidenced by rent collection rates of 99 per cent for the year and conclusion of tenant support measures implemented during the pandemic period, the Group no longer considers the estimation of expected credit loss a key area of estimation uncertainty. As at 31 December 2022 the rent receivables balance prior to impairment was £12.0 million compared to £21.4 million as at 31 December 2021. £4.0 million (2021: £11.4 million) has been provided against this balance as at 31 December 2022, which includes all arrears over one year and arrears under one year at a calculated expected credit loss. All tenants with significant financial issues are provided for in full.

The Directors did not make any significant judgements in the preparation of these consolidated financial statements.

Other less significant areas of judgement include REIT compliance, provisions, share-based payments, contingent liabilities and assessing the degree of control or influence the Group exercises over its investments, including its 25.2 per cent shareholding in Shaftesbury. Although the Group holds more than 20 per cent of the voting power, it has concluded that it does not exercise significant influence over Shaftesbury as it does not have representation on the Shaftesbury board, nor have there been any other areas where the Group has exercised significant influence, such as an exchange of managerial personnel. The Group has not provided any guarantees of indebtedness, nor extended any credit to Shaftesbury. On 16 June 2022, Capco announced its intention to merge with Shaftesbury and the shareholder approval conditions were satisfied on 29 July 2022 with clearance from the Competition and Markets Authority gained on 22 February 2023. Due to the restrictions imposed by the merger process there has been no additional control gained and as such the investment continues to be accounted for at fair value through profit and loss in accordance with IFRS 9.

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 investment, the Group interest in Innova and GCP and other head office companies and investments;
– Lillie Square which represents the Group's interests in the Lillie Square joint venture 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	
Investment in Shaftesbury	**100%**
Innova	**50%**
GCP[1]	**0%**
Other	**100%**
Lillie Square	
Lillie Square joint venture	**50%**
Lillie Square Holding Group	**100%**

1. GCP represented the Group's 50% interest in The Great Capital Partnership up until being dissolved on 6 April 2022. Subsequent to this the Group's ownership share in GCP is nil.

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

The Group's operating segments derive their revenue primarily from rental income from lessees and dividend income from investments. Unallocated expenses consist primarily of costs incurred centrally which are neither directly nor meaningfully attributable to individual segments.

Segmental assets and segmental liabilities exclude loans between and investments in Group undertakings. Unallocated assets 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

	2022					
	Covent Garden £m	Other £m	Lillie Square £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Rental income	74.1	–	1.4	75.5	(1.4)	74.1
Proceeds from sale of trading property	–	–	3.3	3.3	(3.3)	–
Revenue	74.1	–	4.7	78.8	(4.7)	74.1
Rent receivable	61.5	–	0.2	61.7	(0.2)	61.5
Straight-lining of tenant lease incentives	6.3	–	–	6.3	–	6.3
Service charge income	6.3	–	1.2	7.5	(1.2)	6.3
Rental income	74.1	–	1.4	75.5	(1.4)	74.1
Property and service charge expenses	(16.5)	–	(1.5)	(18.0)	1.5	(16.5)
Reversal of expected credit loss	1.6	–	–	1.6	–	1.6
Impairment of tenant lease incentives	(1.9)	–	–	(1.9)	–	(1.9)
Underlying net rental income/(expense)	57.3	–	(0.1)	57.2	0.1	57.3
Gross profit/(loss)	57.3	–	(0.1)	57.2	0.1	57.3
Other income	–	13.5	–	13.5	–	13.5
Profit on sale of trading property	–	–	0.9	0.9	(0.9)	–
Write down of trading property	–	–	(12.4)	(12.4)	12.4	–
Loss on revaluation and sale of investment and development property	(0.8)	–	–	(0.8)	–	(0.8)
Change in value of investments and other receivables	–	–	0.1	0.1	(8.0)	(7.9)
Change in fair value of financial assets at fair value through profit or loss	–	(239.5)	–	(239.5)	–	(239.5)
Segment profit/(loss)	56.5	(226.0)	(11.5)	(181.0)	3.6	(177.4)
Unallocated costs:						
Administration expenses				(40.7)	0.1	(40.6)
Operating loss				(221.7)	3.7	(218.0)
Net finance costs				(24.6)	–	(24.6)
Net other finance costs				(6.5)	3.5	(3.0)
Change in fair value of derivative financial instruments				39.8	–	39.8
Loss before tax				(213.0)	7.2	(205.8)
Taxation				(6.0)	–	(6.0)
Loss for the year				(219.0)	7.2	(211.8)
Summary balance sheet						
Total segment assets	1,903.7	359.6	87.0	2,350.3	(0.8)	2,349.5
Total segment liabilities	(513.3)	(276.2)	(0.9)	(790.4)	0.8	(789.6)
Segmental net assets	1,390.4	83.4	86.1	1,559.9	–	1,559.9
Unallocated assets				1.7	–	1.7
Net assets				1,561.6	–	1,561.6

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

	2021 Restated					
	Covent Garden £m	Other £m	Lillie Square £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Rental income	72.3	–	2.0	74.3	(2.0)	72.3
Proceeds from sale of trading property	–	–	24.7	24.7	(24.7)	–
Revenue	72.3	–	26.7	99.0	(26.7)	72.3
Rent receivable	62.5	–	0.2	62.7	(0.2)	62.5
Straight-lining of tenant lease incentives	4.5	–	–	4.5	–	4.5
Service charge income	5.3	–	1.8	7.1	(1.8)	5.3
Rental income	72.3	–	2.0	74.3	(2.0)	72.3
Property and service charge expenses	(16.0)	–	(1.8)	(17.8)	1.8	(16.0)
Provision for expected credit loss	(7.6)	–	–	(7.6)	–	(7.6)
Underlying net rental income	48.7	–	0.2	48.9	(0.2)	48.7
Lease modification and impairment of tenant lease incentives	(8.7)	–	–	(8.7)	–	(8.7)
Gross profit	40.0	–	0.2	40.2	(0.2)	40.0
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	(4.0)	–	(0.1)	(4.1)	–	(4.1)
Change in value of investments and other receivables	–	(56.1)	(0.5)	(56.6)	68.2	11.6
Change in fair value of financial assets at fair value through profit or loss	–	44.6	–	44.6	–	44.6
Segment profit/(loss)	36.0	(8.8)	(6.8)	20.4	74.7	95.1
Unallocated costs:						
Administration expenses				(22.7)	(0.1)	(22.8)
Operating (loss)/profit				(2.3)	74.6	72.3
Net finance costs				(31.4)	0.2	(31.2)
Net other finance costs				(4.5)	7.4	2.9
Change in fair value of derivative financial instruments				(8.5)	–	(8.5)
(Loss)/profit before tax				(46.7)	82.2	35.5
Taxation				(0.7)	–	(0.7)
Loss for the year				(47.4)	82.2	(34.8)
Summary balance sheet						
Total segment assets	2,067.0	601.5	121.1	2,789.6	(9.6)	2,780.0
Total segment liabilities	(585.6)	(426.5)	(2.3)	(1,014.4)	2.3	(1,012.1)
Segmental net assets	1,481.4	175.0	118.8	1,775.2	(7.3)	1,767.9
Unallocated assets				18.9	–	18.9
Net assets				1,794.1	(7.3)	1,786.8

3 UNDERLYING EARNINGS

The Group has applied the European Securities and Markets Authority 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 measure aligns with the main principles of the European Public Real Estate Association ("EPRA") best practices recommendations for EPRA earnings which provides a measure of recurring income on a transparent and consistent basis to enable comparison between European property companies. Certain Group adjustments, such as adjusting for non-recurring costs, which are not removed from EPRA earnings, are made in order to calculate the Group underlying earnings.

The Group considers the presentation of underlying earnings to be useful supplementary information as it represents the recurring, underlying performance of the business. Underlying earnings removes unrealised gains/losses and non-recurring items. Unrealised gains and losses that are excluded are net valuation gains/losses (including profits/losses on disposals), fair value changes and impairment charges. Non-recurring items that are excluded include net refinancing charges, costs of termination of derivative financial instruments and non-recurring income and costs including the proposed merger transaction costs. Taxation charges in relation to these items, which include tax adjustments relating to non-REIT group losses, are excluded.

Net rental income as a component of underlying earnings remains an important alternative performance measure of the Group. Lease modification expenses and impairment of tenant lease incentives resulting from the Group providing rental support to its tenants during the COVID-19 pandemic were excluded from underlying earnings during the prior year. Given the scale of the rental support provided to tenants as a result of the COVID-19 pandemic, these non-cash expenses were 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. These costs recorded in rental expenses were excluded from underlying profit on that basis, as disclosed in the Group's APM policy. Tenant support measures required as a result of the COVID-19 pandemic have now been concluded and as such future impairments of tenant lease incentives have been included in underlying earnings with effect for 2022.

Details of all APMs used by the Group are set out in the APM section on page 62.

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.

3 UNDERLYING EARNINGS CONTINUED

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

	Note	2022 £m	Restated 2021 £m
Rental income		**75.5**	74.3
Property and service charge expenses		**(18.0)**	(17.8)
Impairment of tenant lease incentives[1]	4	**(1.9)**	–
Reversal of/(provision for) expected credit loss		**1.6**	(7.6)
Underlying net rental income		**57.2**	48.9
Other income		**13.5**	2.7
Underlying administration costs		**(26.1)**	(19.9)
Underlying operating profit		**44.6**	31.7
Finance costs		**(27.2)**	(31.8)
Finance income		**2.6**	0.4
Underlying net finance costs		**(24.6)**	(31.4)
Underlying profit before tax		**20.0**	0.3
Taxation		**(1.4)**	0.4
Underlying earnings		**18.6**	0.7
Underlying earnings per share (pence)		**2.2**	0.1
Weighted average number of shares in issue	10	**851.3m**	851.3m
Underlying earnings		**18.6**	0.7
Reconciliation to IFRS:			
Lease modification expenses	4	**–**	(6.4)
Impairment of tenant lease incentives[1]	4	**–**	(2.3)
Loss on revaluation and sale of investment and development property		**(0.8)**	(4.1)
Change in value of investments and other receivables	5	**(7.9)**	11.6
Non-underlying administration expenses		**(14.6)**	(2.8)
Other finance income	6	**3.5**	8.1
Other finance costs	7	**(6.5)**	(5.2)
Change in fair value of derivative financial instruments		**39.8**	(8.5)
Change in fair value of financial assets at fair value through profit or loss		**(239.5)**	44.6
Taxation		**(4.6)**	(1.1)
Other		**0.2**	0.2
(Loss)/profit for the year		**(211.8)**	34.8

1. Due to the impact of COVID-19, lease modification expenses and impairment of tenant lease incentives of £8.7 million have been excluded from underlying earnings for 2021. Tenant support measures required as a result of the COVID-19 pandemic have now been concluded and as such impairments of tenant lease incentives have been included in underlying earnings for 2022 onwards.

4 GROSS PROFIT

	2022 £m	Restated 2021 £m
Rental receivable	**61.5**	62.5
Straight-lining of tenant lease incentives	**6.3**	4.5
Service charge income	**6.3**	5.3
Revenue	**74.1**	72.3
Reversal of/(provision for) expected credit loss	**1.6**	(7.6)
Property expenses	**(10.2)**	(10.7)
Service charge expenses	**(6.3)**	(5.3)
Lease modification expenses	**–**	(6.4)
Impairment of tenant lease incentives	**(1.9)**	(2.3)
Costs	**(16.8)**	(32.3)
Gross profit	**57.3**	40.0

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

5 CHANGE IN VALUE OF INVESTMENTS AND OTHER RECEIVABLES

	2022 £m	2021 £m
(Impairment)/write-back of investments and other receivables	**(7.9)**	67.7
Waiver of joint venture loan	**–**	(56.1)
Change in value of investments and other receivables	**(7.9)**	11.6

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 issued by the joint venture and a working capital facility.

Due to the joint venture being in a net liability position, and incurring losses in the year, the equity investment is held at nil (2021: nil).

As at the balance sheet date, prior to impairment, the Group held an interest bearing loan at £86.4 million (2021: £83.0 million) and working capital facility of £28.2 million (2021: £45.5 million). The reduction in working capital facility in the year reflects a repayment from the joint venture of £17.5 million to each partner following property sales at the end of 2021.

As required by IFRS 9, an impairment assessment was performed comparing the carrying amount of the interest bearing loans and working capital facility to the present value of the estimated future cash flows from the joint venture.

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 has booked an impairment of £7.9 million during 2022 leading to a cumulative impairment of £30.6 million (2021: £22.7 million cumulative impairment). The cumulative impairment takes into consideration the losses from the joint venture.

Factoring in the impairment, the interest bearing loan is held at a net book value of £84.0 million (2021: £82.9 million) and working capital facility at nil (2021: £22.8 million). The balances are included within Trade and other receivables at the balance sheet date. Further details are set out in note 13 ‘Trade and other receivables’.

In August 2021, deep discount bonds, with a nominal value of £276.1 million, which were issued by the joint venture to the Group and KFI in August 2012, were due to mature. Ahead of the bonds maturing, the Group and KFI waived a portion of the bonds and reduced the nominal redemption value to £163.0 million (Capco share £81.5 million) which resulted in a write back of £50.3 million of the previously impaired balance and the crystallisation of a debt waiver loss of £56.1 million recognised in the prior year.

6 FINANCE INCOME

	2022 £m	2021 £m
Finance income:		
On deposits and other	**1.4**	0.5
On interest rate derivatives[1]	**1.2**	–
Finance income	**2.6**	0.5

	2022 £m	2021 £m
Other finance income:		
On loan to joint venture [2]	**3.5**	1.4
On deep discount bonds[2]	**–**	6.6
On deferred consideration	**–**	0.1
Other finance income	**3.5**	8.1

1. The Group earned interest on interest rate derivatives entered into to manage its exposure to interest rate risk.
2. The Group earned interest on the deep discount bonds issued by the Lillie Square joint venture up to their redemption on 31 July 2021. In the prior year, the Group and KFI each provided an interest bearing loan to the joint venture that was used to redeem the bonds. 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.

7 FINANCE COSTS

	2022 £m	Restated 2021 £m
On bank facilities and loan notes	**18.2**	22.8
On exchangeable bonds[1]	**8.3**	8.2
On obligations under lease liabilities	**0.7**	0.7
Finance costs	**27.2**	31.7

Other finance costs:		
Non-underlying finance charges[2]	**6.5**	5.2
Other finance costs	**6.5**	5.2

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 (£5.5 million) represent the cash coupon on the bond.
2. Non-underlying finance charges have been excluded from the calculation of underlying earnings as the charges relate to non-recurring costs in connection with the early repayment of £75.0 million of private placement notes, the repayment of the £125.0 million secured loan and the cost of entering into the standby loan facility during the current period. Prior year costs related to non-recurring costs in connection with the re-financing of the Revolving Credit Facility, early settlement of interest rate derivatives and costs associated with debt covenant waivers.

8 TAXATION

	2022 £m	2021 £m
Deferred income tax:		
On accelerated capital allowances	**0.1**	0.1
On fair value of derivative financial instruments	**–**	2.2
On Group losses	**4.7**	(1.1)
On other temporary differences	**1.2**	(0.5)
Deferred tax on losses	**6.0**	0.7
Total taxation charge in the consolidated statement of comprehensive income	**6.0**	0.7

8 TAXATION CONTINUED

Factors affecting the tax charge for the year

The tax charge for the year is £6.0 million (2021: £0.7 million) against a loss before tax of £205.8 million (2021: £35.5 million profit). A reconciliation against the standard rate of corporation tax in the United Kingdom ("UK") is explained below:

	2022 £m	Restated 2021 £m
(Loss)/profit before tax	**(205.8)**	35.5
(Loss)/profit on ordinary activities multiplied by the standard rate in the UK of 19% (2021: 19%)	**(39.1)**	6.7
Revaluation losses/(profits) attributable to REIT business	**45.6**	(8.8)
Expenses disallowed	**2.4**	3.1
Non-taxable items	**(0.2)**	(0.5)
REIT tax-exempt rental profits	**(8.3)**	0.6
Other temporary differences not provided	**0.9**	0.7
Unwind deferred tax on prior period group losses	**4.7**	–
Restatement of deferred income tax following change in corporation tax rate	**–**	(1.1)
Total taxation charge in the consolidated statement of comprehensive income[1]	**6.0**	0.7

1. Refer to note 17 'Deferred tax' for further detail on deferred tax amount unwound for the year ended 31 December 2022

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 (calculated by reference to tax rather than accounting rules), and 100 per cent of the Group's UK REIT investment profits, by way of a dividend, which is known as a Property Income Distribution ("PID"). A corporation tax charge will arise for the Group at 19 per cent if the minimum PID requirement is not met within 12 months of the end of the period. Further details regarding the PID is set out in note 9 'Dividends'.

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 was substantively enacted on 24 May 2021 and no further amendments to the corporation tax rate have been enacted to date.

9 DIVIDENDS

	2022 £m	2021 £m
Ordinary shares		
Prior year final dividend of 1.0 pence per share (2021: nil pence)	**8.5**	–
Interim dividend of 0.8 pence per share (2021: 0.5 pence)	**6.8**	4.3
Dividend expense	**15.3**	4.3
Bonus issue in lieu of cash dividends	**–**	(0.3)
Cash dividends paid	**15.3**	4.0
Second interim dividend of 1.7 pence per share (2021: 1.0 pence)	**14.5**	8.5

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 PID.

These distributions can be subject to withholding tax at 20 per cent. Dividends from profits of the Group's taxable residual business are ordinary dividend and will be taxed as an ordinary dividend. A corporation tax charge would arise for the Group if the minimum PID requirement is not met within 12 months of the end of the period.

On 8 July 2022, the Group paid a final dividend for 2021 of 1.0 pence per ordinary share split equally between a PID and non-PID.

On 19 September 2022 for shares registered in South Africa and 20 September 2022 for shares registered in the UK, the Group paid an interim dividend for 2022 of 0.8 pence per ordinary share. The interim dividend was paid wholly as a PID. Together, these dividend payments fully settled the Group's PID requirement for the year ended 31 December 2021.

On 30 January 2023, the Directors declared a second interim dividend of 1.7 pence per ordinary share (of which 0.7 pence per ordinary share will be paid as a PID and 1.0 pence per ordinary share as a non-PID), bringing the total dividend for 2022 to 2.5 pence per ordinary share. The second interim dividend will be paid on 20 March 2023 to all shareholders on the register on 3 March 2023. The payment will settle the PID requirement for the year ended 31 December 2022.

10 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(a) Weighted average number of ordinary shares

	2022 m	2021 m
Weighted average number of ordinary shares in issue	**851.3**	851.3
Adjustments:		
Dilutive effect of contingently issuable share option awards[1]	**0.8**	0.5
Dilutive effect of contingently issuable deferred share awards[1]	**–**	0.1
Adjusted, diluted weighted average number of ordinary shares in issue	**852.1**	851.9

1. 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 2022 because they are anti-dilutive. These options could potentially dilute basic earnings per share in the future.

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

	2022 £m	Restated 2021 £m
(Loss)/earnings used for calculation of basic and diluted loss per share	**(211.8)**	34.8
Basic and diluted (loss)/earnings per share (pence)	**(24.9)**	4.1

EPRA Earnings per share is disclosed in table1 of the EPRA measures on page 64.

(c) Headline (loss)/earnings per share

Headline earnings per share is calculated in accordance with Circular 1/2021 issued by the South African Institute of Chartered Accountants, a requirement of the Group's Johannesburg Stock Exchange secondary listing. This measure is not a requirement of IFRS.

	2022			Restated 2021		
	Loss £m	**Shares million**	**Loss per share (pence)**	Earnings £m	Shares million	Earnings per share (pence)
Basic (loss)/earnings	**(211.8)**	**851.3**	**(24.9)**	34.8	851.3	4.1
Group adjustments:						
Loss on revaluation and sale of investment and development property	**0.8**			4.1		
Headline (loss)/earnings	**(211.0)**	**851.3**	**(24.8)**	38.9	851.3	4.6
Dilutive effect of contingently issuable share option awards	**–**	**0.8**		–	0.5	
Dilutive effect of contingently issuable deferred share awards	**–**	**–**		–	0.1	
Diluted headline (loss)/earnings	**(211.0)**	**852.1**	**(24.8)**	38.9	851.9	4.6

10 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

(d) Closing number of ordinary shares

	2022 m	2021 m
Number of ordinary shares in issue	**851.5**	851.3
Adjustments:		
Dilutive effect of contingently issuable share option awards	**0.8**	0.5
Dilutive effect of contingently issuable deferred share awards	**–**	0.1
Adjusted, diluted number of ordinary shares in issue	**852.3**	851.9

(e) Net assets per share

EPRA NRV, NTA and NDV are alternative performance measures that are calculated in accordance with the Best Practices Recommendations of the EPRA to provide a transparent and consistent basis to enable comparison between European property companies. See Alternative Performance Measures and EPRA measures on pages 62 to 63 for further information.

	2022			Restated 2021		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS total equity[1]	**1,561.6**	**1,561.6**	**1,561.6**	1,786.8	1,786.8	1,786.8
Diluted NAV	**1,561.6**	**1,561.6**	**1,561.6**	1,786.8	1,786.8	1,786.8
Group adjustments:						
Revaluation of other non-current assets[2]	**–**	**–**	**–**	7.3	7.3	7.3
Unrecognised surplus on trading property – joint venture	**7.1**	**7.1**	**7.1**	0.1	0.1	0.1
Diluted NAV at Fair Value	**1,568.7**	**1,568.7**	**1,568.7**	1,794.2	1,794.2	1,794.2
Fair value of derivative financial instruments[3]	**(12.1)**	**(12.1)**	**–**	(1.1)	(1.1)	–
Fair value adjustment of exchangeable bond[4]	**(4.8)**	**(4.8)**	**–**	21.2	21.2	–
Real Estate Transfer Tax	**116.0**	**–**	**–**	115.9	–	–
Excess fair value of debt over carrying value[5]	**–**	**–**	**(121.4)**	–	–	6.5
Deferred tax adjustments	**0.4**	**0.4**	**–**	0.2	0.2	–
NAV	**1,668.2**	**1,552.2**	**1,447.3**	1,930.4	1,814.5	1,800.7
Diluted number of shares	**852.3**	**852.3**	**852.3**	851.9	851.9	851.9
NAV per share (pence)	**195.7**	**182.1**	**169.8**	226.6	213.0	211.4

1. IFRS total equity of 183.2 pence per share (2021: 209.7 pence per share).
2. This relates to the impairment under IFRS 9 of amounts receivable from joint ventures compared to the Group's share of losses in the joint venture.
3. This relates to the fair value of interest rate derivatives.
4. Adjustment to remove the exchangeable bond option fair value and include the exchangeable bond liability at nominal value of £275 million.
5. Excludes fair value of exchangeable bond option component included under derivative liabilities.

11 PROPERTY PORTFOLIO

(a) Investment and development property

	Property portfolio			Tenure	
	Covent Garden £m	Other £m	Total £m	Freehold £m	Leasehold £m
Restated balance at 1 January 2021	1,793.1	2.1	1,795.2	1,035.1	760.1
Additions from subsequent expenditure	6.8	–	6.8	5.2	1.6
Disposals	(98.2)	–	(98.2)	(93.4)	(4.8)
Gain/(loss) on revaluation	1.8	–	1.8	4.8	(3.0)
Restated balance at 31 December 2021	1, 703.5	2.1	1,705.6	919.8	785.8
Additions from subsequent expenditure	**10.3**	**–**	**10.3**	**5.5**	**4.8**
Loss on revaluation	**(0.8)**	**–**	**(0.8)**	**2.6**	**(3.4)**
At 31 December 2022	**1,713.0**	**2.1**	**1,715.1**	**927.9**	**787.2**

(b) Market value reconciliation of total property

	Covent Garden £m	Other £m	Total £m
Carrying value of investment and development property at 31 December 2022	**1,713.0**	**2.1**	**1,715.1**
Adjustment in respect of fixed head leases	**(6.1)**	**–**	**(6.1)**
Adjustment in respect of tenant lease incentives	**34.7**	**–**	**34.7**
Market value of investment and development property at 31 December 2022	**1,741.6**	**2.1**	**1,743.7**
Joint venture:			
Group share of carrying value of joint venture investment, development and trading property at 31 December 2022	**–**	**69.9**	**69.9**
Group share of unrecognised surplus on joint venture trading property[1]	**–**	**7.1**	**7.1**
Market value of investment, development and trading property on a Group share basis at 31 December 2022	**1,741.6**	**79.1**	**1,820.7**

	Covent Garden £m	Other £m	Total £m
Carrying value of investment and development property at 31 December 2021 (restated)	1,703.5	2.1	1,705.6
Adjustment in respect of fixed head leases	(6.1)	–	(6.1)
Adjustment in respect of tenant lease incentives (restated)	31.1	–	31.1
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

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

11 PROPERTY PORTFOLIO CONTINUED

The fair value of the Group's investment, development and trading property at 31 December 2022 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 Company 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 2022 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 £10.3 million (2021: £6.8 million). This sum included both capital works which enhanced the environmental performance of assets, and design stage work to deliver environmental enhancements. While new ground up development forms a limited part of the Group activity, the design stage on refitting and refurbishment, particularly of heritage buildings, is equally important to deliver Whole Life Carbon efficiency.

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.

At 31 December 2022, the Group was contractually committed to £1.7 million (2021: £4.1 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 18 'Capital commitments' for further information on capital commitments.

Non-financial assets carried at fair value, as is the case for investment and development property held by the Group, are required to be analysed by level depending on the valuation method adopted under IFRS 13 'Fair Value Measurement' ("IFRS 13"). Trading property is exempt from IFRS 13 disclosure requirements.

The different valuation levels are defined as:

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; and

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.

When the degree of subjectivity or nature of the measurement inputs changes, consideration is given as to whether a transfer between fair value levels is deemed to have occurred. Unobservable data becoming observable market data would determine a transfer from Level 3 to Level 2. All investment and development properties held by the Group are classified as Level 3 in the current and prior year.

11 PROPERTY PORTFOLIO CONTINUED

The following table sets out the valuation techniques used in the determination of market value of investment and development property on a property by property basis, as well as the key unobservable inputs used in the valuation models.

Property portfolio	Market value 2022 £m	Market value 2021 £m	Valuation technique	Key unobservable inputs	Range (weighted average) 2022	Range (weighted average) 2021
Covent Garden	**1,741.6**	1,728.5	Income capitalisation	Estimated rental value per sq ft[1] per annum ("p.a.")	**£18-£250 (£81)**	£15–£214 (£76)
				Equivalent yield	**1.9%-6.2% (4.1%)**	1.8%–6.0% (3.9%)
Other	**2.1**	2.1	Income capitalisation	Estimated rental value per sq ft[1] p.a.	**£30-£38 (£33)**	£30–£38 (£31)
				Equivalent yield	**2.8%-3.7% (3.4%)**	2.8%–3.7% (3.3%)
At 31 December	**1,743.7**	1,730.6				

1.Estimated rental value and capital value are expressed per square foot on a net internal area basis.

Sensitivity to changes in key assumptions

Covent Garden properties are valued under the income capitalisation method and if all other factors remained equal, an increase in estimated rental value of five per cent would result in an increased asset valuation of £73.0 million (2021: £71.9 million). A decrease in the estimated rental value of five per cent would result in a decreased asset value of £71.7 million (2021: £71.0 million). Conversely, an increased equivalent yield of 25 basis points would result in a decreased asset valuation of £102.2 million (2021: £105.2 million). A decreased equivalent yield of 25 basis points would result in an increased asset valuation of £115.3 million (2021: £119.8 million).

For Other properties valued under the income capitalisation method and if all other factors remained equal, an increase in estimated rental value of five per cent would result in an increased asset valuation of £0.1 million (2021: £0.1 million). A decrease in the estimated rental value of five per cent would result in a decreased asset value of £0.1 million (2021: £0.1 million). Conversely, an increased equivalent yield of 25 basis points would result in a decreased asset valuation of £0.2 million (2021: £0.2 million). A decreased equivalent yield of 25 basis points would result in an increased asset valuation of £0.2 million (2021: £0.2 million).

These key unobservable inputs are interdependent, partially determined by market conditions. All other factors being equal, a higher equivalent yield would lead to a decrease in the valuation, and an increase in estimated rental value would increase the capital value, and vice versa. However, there are interrelationships between the key unobservable inputs which are partially determined by market conditions, which would impact these changes.

12 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 2022, joint ventures comprise the Lillie Square joint venture ("LSJV") and Innova Investment ("Innova"). On 6 April 2022 The Great Capital Partnership ("GCP") was dissolved.

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 statement of comprehensive income and balance sheet of LSJV are presented below.

LSJV	2022 £m	2021 £m
Summarised statement of comprehensive income		
Revenue	**6.8**	49.6
Net rental (expense)/income	**(0.3)**	0.3
Proceeds from the sale of trading property	**6.6**	49.3
Profit on transfer of trading property to investment property	**0.6**	–
Cost of sale of trading property	**(5.3)**	(37.8)
Agent, selling and marketing fees	**(0.1)**	(0.1)
Write down of trading property	**(24.7)**	(24.0)
Administration expenses	**(0.2)**	(0.5)
Net finance costs[1]	**(7.0)**	(11.3)
Loss for the year after taxation	**(30.4)**	(24.1)

1. Net finance costs include £7.0 million (2021: £2.9 million) interest payable on the interest bearing loans issued to the joint venture by the Group and KFI. The prior year finance costs also included £8.4 million of amortisation of deep discount bonds up to their redemption on 31 July 2021. Finance income receivable by the Group from LSJV of £3.5 million (2021: £8.0 million) is recognised in the consolidated statement of comprehensive income within other finance income.

LSJV	2022 £m	2021 £m
Summarised balance sheet		
Investment and development property	**8.8**	3.3
Trading property	**131.0**	164.8
Cash and cash equivalents[1]	**11.8**	44.6
Other non-current assets	**5.5**	5.0
Other current assets	**1.9**	1.1
Amounts payable to joint venture partners[2]	**(217.5)**	(246.0)
Other current liabilities	**(3.1)**	(4.0)
Net liabilities	**(61.6)**	(31.2)
Capital commitments	**1.6**	2.6
Carrying value of investment, development and trading property	**139.8**	168.0
Unrecognised surplus on trading property[3]	**14.2**	0.1
Market value of investment, development and trading property[3]	**154.0**	168.1

1. Prior year cash and cash equivalents included restricted cash of £0.5 million relating to amounts received as property deposits that had not been available for use by LSJV until completion of building work. There was a corresponding liability of £0.5 million within other current liabilities.

2. Amounts payable to joint venture partners include working capital facilities advanced by the Group and KFI of £28.2 million (2021: £45.5 million) and a £163.0 million loan advanced by the Group and KFI to the joint venture. The carrying value of the loan, including accrued interest was £172.9 million (2021: £165.9 million). Recoverable amounts receivable by the Group, net of impairments, are recognised on the consolidated balance sheet within non-current trade and other receivables.

3. 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.

12 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 is presented below. There was no movement through the statement of comprehensive income during the year.

Innova	**2022 £m**	2021 £m
Summarised balance sheet		
Cash and cash equivalents	**0.4**	0.9
Other current liabilities	**–**	(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 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
Net assets/(liabilities) of joint ventures at 31 December 2022	**0.1**	**(61.6)**	**0.4**	**(61.1)**
Elimination of joint venture partners' interest	**–**	**30.8**	**(0.2)**	**30.6**
Cumulative losses restricted[1]	**–**	**30.8**	**–**	**30.8**
Unwind of joint venture	**(0.1)**	**–**	**–**	**(0.1)**
Carrying value at 31 December 2022	**–**	**–**	**0.2**	**0.2**

1. Cumulative losses restricted represent the Group's share of losses in LSJV which exceed the Group's investment in the joint venture. As a result the carrying value of the investment in LSJV is nil (2021: 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 as presented on the consolidated balance sheet.

Investment in joint ventures	GCP £m	LSJV £m	Innova £m	Total £m
At 1 January 2021	0.1	–	0.2	0.3
At 31 December 2021	**0.1**	**–**	**0.2**	**0.3**
Loss for the year[1]	**–**	**(15.2)**	**–**	**(15.2)**
Loss restricted[1]	**–**	**15.2**	**–**	**15.2**
Unwind of joint venture	**(0.1)**	**–**	**–**	**(0.1)**
At 31 December 2022	**–**	**–**	**0.2**	**0.2**

1. The share of post-tax loss from joint ventures in the consolidated statement of comprehensive income of nil (2021: nil) comprises the loss for the year of £15.2 million (2021: £12.0 million) and loss restricted totalling £15.2 million (2021: £12.0 million).

13 TRADE AND OTHER RECEIVABLES

	2022 £m	Restated 2021 £m
Non-current		
Prepayments and accrued income[1]	**31.6**	25.9
Amounts receivable from joint ventures[2]	**84.0**	82.9
Trade and other receivables	**115.6**	108.8
Current		
Rent receivable[3]	**8.0**	10.0
Other receivables	**2.6**	2.2
Prepayments and accrued income[1]	**10.2**	12.8
Amounts receivable from joint ventures[2]	**–**	23.4
Trade and other receivables	**20.8**	48.4

1. Includes tenant lease incentives, comprising surrender premia paid and incentives offered to tenants, of £34.7 million (2021: £31.1 million).
2. Non-current amounts receivable from joint ventures of £84.0 million (2021: £82.9 million) relate to an interest bearing loan of £86.4 million (2021: £82.9 million) that the Group and KFI provided to the joint venture. The loan has been impaired by £2.4 million (2021: nil). The loan bears interest at 4.25 per cent per annum and is repayable on demand, however it is not the intention of the Group to call on the loan in the next 12 months and therefore it has been presented as non-current. Current amounts receivable from joint ventures include working capital funding advanced to Lillie Square joint venture from the Group of £28.2 million (2021: £45.5 million) which has been impaired by £28.2 million (2021: £22.7 million).
3. Rent receivable is shown net of expected credit loss provision of £4.0 million (2021: £11.4 million).

14 CASH AND CASH EQUIVALENTS

	2022 £m	Restated 2021 £m
Cash at hand	**2.1**	1.9
Cash on short-term deposits	**114.4**	317.1
Cash	**116.5**	319.0
Tenant deposits[1]	**13.4**	12.1
Cash and cash equivalents	**129.9**	331.1

1. Tenant deposits included above and in the statement of consolidated cash flows relate to cash held on deposit as security against tenant rent payments and are subject to certain restrictions and therefore not available for general use by the Group. Cash and cash equivalents have been restated as at 31 December 2021 to include tenant deposits previously included in Trade and other receivables following clarification by IFRIC 'Demand Deposits with Restrictions on Use arising from a Contract with a Third Party'. Details of the restatement are set out in note 1 'Changes in accounting policies'.

15 BORROWINGS, INCLUDING LEASE LIABILITIES

	2022						
	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	**(2.5)**	**–**	**(2.5)**	**–**	**(2.5)**	**–**	**–**
Loan notes	**473.9**	**–**	**473.9**	**473.9**	**–**	**393.4**	**475.0**
Exchangeable bonds	**266.9**	**266.9**	**–**	**266.9**	**–**	**228.9**	**275.0**
Borrowings	**738.3**	**266.9**	**471.4**	**740.8**	**(2.5)**	**622.3**	**750.0**
Lease liability obligations	**5.4**	**5.4**	**–**	**5.4**	**–**	**5.4**	**5.4**
Borrowings, including lease liabilities	**743.7**	**272.3**	**471.4**	**746.2**	**(2.5)**	**627.7**	**755.4**
Total borrowings, including lease liabilities	**744.4**						

	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						

On 28 February 2022, the Group prepaid £75 million of private placement loan notes, consisting of £37.5 million loan notes that were set to mature on 16 December 2024 with an interest rate of 3.63 per cent and £37.5 million loan notes that were set to mature on 16 December 2026 with an interest rate of 3.68 per cent. On 20 June 2022, the Group repaid the £125 million secured loan.

The Group holds a £300 million revolving credit facility, which is undrawn at 31 December 2022. The facility had an initial three year term, which was extended for a further one year period to September 2025. The facility has a further one year option to extend, subject to lender consent.

On 16 June 2022, the Group entered into a £576 million standby loan facility in connection with the proposed merger with Shaftesbury. Shaftesbury has two secured mortgage bonds totalling £575 million, each of which contain change of control provisions which will be triggered by the merger. The Group has entered into the new facility to provide funding certainty in the event that the Shaftesbury mortgage bond holders exercise their redemption right in respect of the bonds following completion of the merger. The facility remains undrawn as at 31 December 2022. The term of the £576 million loan facility is 24 months, which may be extended for a further six months at the option of the Group, subject to the satisfaction of the extension requirements as outlined in the facility. There is subsequently a further six month extension option available which requires lender approval.

The market value of investment and development property secured as collateral against borrowings at 31 December 2022 was nil (2021: nil).

Undrawn facilities and cash attributable to the Group, excluding tenant deposits, at 31 December 2022 were £416.5 million (2021: £619.0 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 11 'Property portfolio'.

The lease liability obligations are in respect of leasehold interests in investment and development property.

16 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

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

		2022		Restated 2021	
	Note	**Carrying value £m**	**Gain/(loss) to profit or loss £m**	Carrying value £m	Gain/(loss) to profit or loss £m
Derivative financial assets		**12.1**	**11.0**	1.1	8.3
Total held for trading assets		**12.1**	**11.0**	1.1	8.3
Cash and cash equivalents	14	**129.9**		331.1	
Other financial assets[1]		**94.6**		118.5	
Total cash and other financial assets		**224.5**		449.6	
Investment held at fair value through profit or loss[2]		**356.9**	**(239.5)**	596.4	44.6
Total investment held at fair value through profit or loss		**356.9**	**(239.5)**	596.4	44.6
Derivative financial liabilities		**(3.3)**	**28.8**	(32.1)	(16.8)
Total held for trading liabilities		**(3.3)**	**28.8**	(32.1)	(16.8)
Borrowings, including lease liability	15	**(744.4)**		(941.0)	
Other financial liabilities[3]		**(26.5)**		(25.4)	
Total borrowings and other financial liabilities		**(770.9)**		(966.4)	

1. Includes rent receivable, amounts due from joint ventures, tax assets and other receivables.

2. Financial assets at fair value through profit or loss comprise 97.0 million (2021: 97.0 million) shares in Shaftesbury held at the 31 December 2022 closing share price of 368 pence (2021: 615 pence) per share. A fair value loss of £239.5 million (2021: fair value gain of £44.6 million) has been recognised through profit or loss.

3. Includes trade and other payables (excluding rents in advance).

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.

The table below present the Group's financial assets and liabilities recognised at fair value at 31 December 2022 and 31 December 2021. There were no transfers between levels during the year.

	2022				2021			
	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	**356.9**	**–**	**–**	**356.9**	596.4	–	–	596.4
Held for trading assets								
Derivative financial assets	**–**	**12.1**	**–**	**12.1**	–	1.1	–	1.1
Total assets	**356.9**	**12.1**	**–**	**369.0**	596.4	1.1	–	597.5
Held for trading liabilities								
Derivative financial liabilities	**–**	**(3.3)**	**–**	**(3.3)**	–	(32.1)	–	(32.1)
Total liabilities	**–**	**(3.3)**	**–**	**(3.3)**	–	(32.1)	–	(32.1)

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.

17 DEFERRED TAX

The change in corporation tax rate referred to in note 8 '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 2022 (2021: nil).

A disposal of the Group's trading properties at their market value as per note 11 'Property portfolio', before utilisation of carried forward losses, would result in a corporation tax charge to the Group of £1.3 million (19 per cent of £7.1 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 2021	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)**
Recognised in income	**–**	**–**	**1.3**	**4.7**	**6.0**
Recognised directly in equity	**–**	**0.1**	**–**	**–**	**0.1**
Adjustment in respect of rate change	**0.1**	**–**	**(0.1)**	**–**	**–**
At 31 December 2022	**0.4**	**–**	**(0.4)**	**–**	**–**
Unrecognised deferred tax assets:					
At 1 January 2021			–	(8.3)	(8.3)
Income statement items			–	(9.1)	(9.1)
At 31 December 2021			**–**	**(17.4)**	**(17.4)**
Income statement items			**(0.3)**	**(6.8)**	**(7.1)**
At 31 December 2022			**(0.3)**	**(24.2)**	**(24.5)**

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. As a result of the application of this provision and due to uncertainty as to future non-REIT taxable activities, the Group has unwound all of the £6.1 million deferred tax asset previously recognised in respect of trading losses carried forward and other temporary differences. As at 31 December 2022, the Group has unrecognised deferred tax assets of £24.5 million in relation to £96.9 million of gross losses carried forward within its residual business and £1.2 million of other deductible temporary differences.

18 CAPITAL COMMITMENTS

At 31 December 2022, the Group was contractually committed to £1.7 million (31 December 2021: £4.1 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. The full amount is committed 2022 expenditure.

The Group's share of joint venture capital commitments arising on LSJV amounts to £0.8 million (2021: £1.3 million).

19 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 consolidated financial statements.

20 CASH FLOW INFORMATION

(a) Cash generated from operations

	Note	**2022 £m**	Restated 2021 £m
(Loss)/profit before tax		**(205.8)**	35.5
Adjustments:			
Loss on revaluation and sale of investment and development property		**0.8**	4.1
Change in value of investments and other receivables	5	**7.9**	(11.6)
Change in fair value of financial assets at fair value through profit or loss		**239.5**	(44.6)
Depreciation		**0.2**	0.2
Amortisation of tenant lease incentives and other direct costs		**(2.6)**	6.0
(Reversal of)/provision for expected credit loss		**(1.6)**	7.6
Share-based payment[1]		**2.4**	1.5
Finance income	6	**(2.6)**	(0.5)
Other finance income	6	**(3.5)**	(8.1)
Finance costs	7	**27.2**	31.7
Other finance costs[2]	7	**6.5**	5.2
Change in fair value of derivative financial instruments		**(39.8)**	8.5
Change in working capital:			
Change in trade and other receivables		**2.0**	(4.7)
Change in trade and other payables		**2.9**	(4.3)
Cash generated from operations		**33.5**	26.5

1. Relates to the IFRS 2 'Share-based payment' charge.

2. Includes £5.0 million make whole costs on the repayment of £75.0 million private placement loan notes during the year.

(b) Reconciliation of cash flows from financing activities

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

	Note	**Long-term borrowings £m**	**Short-term borrowings £m**	**Derivative liability – exchangeable bond £m**	**Total liabilities from financing activities £m**
Balance at 1 January		**940.3**	**0.7**	**32.1**	**973.1**
Cash flows from financing activities					
Repayment of revolving credit facility and secured loan	15	**(200.0)**	**–**	**–**	**(200.0)**
Total cash flows used in financing activities		**(200.0)**	**–**	**–**	**(200.0)**
Non-cash movements from financing activities					
Amortisation		**3.4**	**–**	**–**	**3.4**
Changes in fair value		**–**	**–**	**(28.8)**	**(28.8)**
Total non-cash flows from financing activities		**3.4**	**–**	**(28.8)**	**(25.4)**
Balance at 31 December		**743.7**	**0.7**	**3.3**	**747.7**

21 RELATED PARTY TRANSACTIONS

(a) Transactions with Directors

Key management compensation[1]	**2022 £m**	2021 £m
Salaries and short-term employee benefits	**4.7**	3.9
Share-based payment	**1.8**	1.2
	6.5	5.1

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.

Anthony Steains, Senior Independent Director of Capital & Counties Properties PLC, entered into a short-term rental agreement with Capco Covent Garden Residential Limited, a Group subsidiary undertaking, in respect of an apartment on the Covent Garden estate. The short-term rental agreement ran from 23 June 2022 to 7 September 2022 and was conducted at a fair and reasonable market price. The total rent payable was £20,763 (inclusive of utilities and services) and no amounts remained outstanding as at 31 December 2022. Where applicable, appropriate approval was provided.

Share dealings

No Director had any dealings in the shares of any Group company between 31 December 2022 and 28 February 2023, being a date not more than one month prior to the date of the notice convening the Annual General Meeting.

Other than as disclosed in these consolidated financial statements, 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 2022.

(b) 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 12 'Investment in joint ventures', 13 'Trade and other receivables' and 18 'Capital commitments'. During the year the Group received management fees of nil (2021: £0.7 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 2022, £17,774 had been paid to a related party of the Capco Group, Lillie Square GP Limited, in relation to these charges. A further £289 invoiced during the year was outstanding at 31 December 2022, as it was not yet due for payment.

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.

22 EVENTS AFTER THE REPORTING DATE

On 16 June 2022, Capco and Shaftesbury announced that they had reached an agreement on the terms of a recommended all-share merger to form the combined group.

It is intended that the merger will be implemented by way of a scheme of arrangement of Shaftesbury, which, together with the Group's existing 25.2 per cent shareholding in Shaftesbury, will result, on completion, in the Group owning 100 per cent of the issued and to be issued share capital of Shaftesbury.

As at the 31 December 2022 a number of conditions remained outstanding, including clearance from the Competition and Markets Authority ('CMA').

On 22 February 2023, the CMA confirmed its intention not to make a Phase 2 CMA reference and that the decision has been issued on an unconditional basis. The remaining conditions of the merger include Shaftesbury implementing the scheme of arrangement by proceeding with obtaining the Court sanctions of the scheme, the scheme becoming effective, and admission of new Capco shares.

Under the terms of the merger, once conditions have been satisfied, Capco will issue 3.356 new Capco shares for each Shaftesbury share held as at the Scheme Record Time. As a result, Shaftesbury shareholders (other than the holders of the existing Capco shareholding in Shaftesbury) will own approximately 53 per cent of the combined group and Capco shareholders will own approximately 47 per cent of the combined group, subject to satisfaction or, where applicable, waiver of the conditions to completion. Completion is expected to occur on 6 March 2023 upon issuance and admission of the new Capco shares and the court order sanctioning the scheme being delivered to the Registrar at Companies House.

As set out in IFRS 3 'Business Combinations', one of the combining entities is required to be identified as the acquirer and one as the acquiree. In a business combination effected primarily by exchanging equity interests, the acquirer is usually the entity that issues its equity interests. In some business combinations, commonly called 'reverse acquisitions', the issuing entity is the acquiree. The pertinent facts and circumstances of the merger have been reviewed and considered by management, and, at this stage, it is expected that Capital & Counties Properties PLC will be assessed as the acquirer for IFRS 3 accounting purposes. This is a balanced judgement, which requires various factors to be taken into account.

It is the Directors' view that although Shaftesbury shareholders (excluding the existing Capco shareholding in Shaftesbury) will own approximately 53 per cent of the combined group, the expected balance of executive directors in the combined group, combined with the fact that Capco will be the entity issuing its equity interests and already holds a 25.2 per cent interest in Shaftesbury, will result in Capco being the acquirer for accounting purposes.

Assuming the transaction proceeds, the financial effect of the merger will be dependent on the fair value of assets and liabilities at the future acquisition date and the Shaftesbury closing share price prior to its delisting.

On 28 February 2023 the Group acquired the remaining interest in the Royal Opera House Arcade for £12.9 million, including transaction costs.

ALTERNATIVE PERFORMANCE MEASURES (UNAUDITED)

For the year ended 31 December 2022

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

Set out below is a summary of the APMs.

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

The Group also uses underlying earnings, property portfolio and financial debt ratio APMs. The property portfolio presents the Group share of property market value which is the economic value attributable to the owners of the Company. 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 the Group's subsidiaries.

APM	Definition of measure	Nearest IFRS measure	Explanation and reconciliation	2022	Restated 2021
Underlying earnings[1]	Profit/(loss) for the period excluding unrealised and one-off items	Profit/(loss) for the year	Note 3	**£18.6m**	£0.7m
Underlying earnings per share[1]	Underlying earnings per weighted number of ordinary shares	Basic earnings per share	Note 3	**2.2p**	0.1p
EPRA earnings[1]	Recurring earnings from core operational activity	Profit/(loss) for the year	EPRA measures Table 1	**£36.9m**	£(20.3)m
EPRA earnings per share[1]	EPRA earnings/(loss) per weighted number of ordinary shares	Basic earnings/(loss) per share	EPRA measures Table 1	**4.3p**	(2.4)p
EPRA NTA[1]	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 10 Table E	**£1,552.2m**	£1,814.5m
EPRA NTA per share[1]	EPRA NTA per the diluted number of ordinary shares	Net assets attributable to shareholders per share	Note 10 Table E	**182.1p**	213.0p
Market value of property portfolio	Market value of investment, development and trading properties	Investment, development and trading properties	Note 11	**£1,820.7m**	£1,814.7m
Interest cover[1]	Underlying operating profit divided by net underlying finance costs	N/A	N/A	**181.3%**	101.0%
Net debt to gross assets	Net debt divided by total assets excluding cash and cash equivalents, excluding tenant deposits	N/A	N/A	**27.9%**	24.3%
Gross debt with interest rate protection	Proportion of the gross debt with interest rate protection	N/A	N/A	**100%**	100%
Weighted average cost of debt	Cost of debt weighted by the drawn balance of external borrowings	N/A	Financial Review, page 19	**2.7%**	2.8%
Cash and undrawn committed facilities (Group share)	Cash and cash equivalents, excluding tenant deposits, plus undrawn committed facilities shown on a Group share basis	N/A	Financial Review, page 19	**£422.6m**	£641.7m
Cash and undrawn committed facilities (IFRS)	Cash and cash equivalents, excluding tenant deposits, plus undrawn committed facilities shown on an IFRS basis	N/A	Financial Review, page 19	**£416.5m**	£619.0m
Occupancy	ERV of occupied space as a percentage of ERV of combined portfolio	N/A	N/A	**97.5%**	97.4%

1. Prior year comparatives have been restated to reflect a change in accounting policy following clarification by IFRIC during 2022 on how a lessor should account for the forgiveness of lease payments. In addition cash and cash equivalents have been restated following clarification by IFRIC on classification of funds with externally imposed restrictions. Details of the restatements and impact on prior year comparatives are set out in note 1 'Changes in accounting policies'.

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

EPRA MEASURES (UNAUDITED)

For the year ended 31 December 2022

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.

During the year the Group has adopted the EPRA cost ratio and the EPRA LTV metrics. The EPRA LTV metric is effective for accounting periods starting on or after 1 January 2022. The metric is intended to provide a consistent LTV that would be more relevant for equity holders reflecting a shareholder's gearing metric.

The following is a summary of EPRA performance measures and key Group measures. The measures are defined in the Glossary.

EPRA measure	Definition of measure	Table	2022	Restated 2021
EPRA earnings[1]	Recurring earnings from core operational activity	1	**£36.9m**	(£20.3)m
EPRA earnings per share[1]	EPRA earnings per weighted number of ordinary shares	1	**4.3p**	(2.4)p
EPRA NTA[1]	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 10 Table E	**£1,552.2m**	£1,814.5m
EPRA NTA per share[1]	EPRA NTA per the diluted number of ordinary shares	Note 10 Table E	**182.1p**	213.0p
EPRA NDV[1]	EPRA NTA amended to include the fair value of financial instruments and debt	Note 10 Table E	**£1,447.3m**	£1,800.7m
EPRA NDV per share[1]	EPRA NDV per the diluted number of ordinary shares	Note 10 Table E	**169.8p**	211.4p
EPRA NRV[1]	EPRA NTA amended to include real estate transfer tax	Note 10 Table E	**£1,668.2m**	£1,930.4m
EPRA NRV per share[1]	EPRA NRV per the diluted number of ordinary shares	Note 10 Table E	**195.7p**	226.6p
EPRA net initial yield	Annualised rental income less non-recoverable costs as a percentage of market value plus assumed purchaser's costs	2	**3.5%**	3.2%
EPRA topped-up initial yield	Net initial yield adjusted for the expiration of rent-free periods	2	**4.0%**	3.8%
EPRA vacancy	ERV of un-let units expressed as a percentage of the ERV of the Covent Garden portfolio excluding units under development	3	**2.5%**	2.6%
EPRA cost ratio	Total costs as a percentage of gross rental income (including direct vacancy costs)	5	**75.7%**	60.0%
	Total costs as a percentage of gross rental income (excluding direct vacancy costs)	5	**71.0%**	55.9%
EPRA LTV (Loan-to-Value)	Ratio of adjusted net debt, including net payables, to the sum of the net assets, including net receivables, of the Group, its subsidiaries and joint ventures, all on a proportionate basis, expressed as a percentage	6	**28.0%**	24.5%
Like-for-like net rental growth[1]	Net rental income for properties which have 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	**22.3%**	40.3%

1. Prior year comparatives have been restated to reflect a change in accounting policy following clarification by IFRIC during 2022 on how a lessor should account for the forgiveness of lease payments. In addition cash and cash equivalents have been restated following clarification by IFRIC on classification of funds with externally imposed restrictions. Details of the restatements and impact on prior year comparatives are set out in note 1 'Changes in accounting policies'.

EPRA MEASURES CONTINUED (UNAUDITED)

1. EPRA EARNINGS PER SHARE

	2022			Restated 2021		
	(Loss)/ earnings £m	**Shares million**	**Loss)/ earnings per share (pence)**	Earnings/ (loss) £m	Share million	Earnings/ (loss) per share (pence)
Basic (loss)/earnings	**(211.8)**	**851.3**	**(24.9)**	34.8	851.3	4.1
Group adjustments:						
Change in value of investments and other receivables[1]	**7.9**			(11.6)		
Loss on revaluation and sale of investment and development property	**0.8**			4.1		
Change in fair value of listed investments	**239.5**			(44.6)		
Change in fair value of derivative financial instruments[2]	**(11.0)**			(8.3)		
Early close-out of financial instruments	**–**			(3.4)		
Deferred tax adjustments	**0.1**			2.3		
Joint venture adjustments:						
Profit on sale and transfer of trading property[3]	**(0.9)**			(5.6)		
Write down of trading property	**12.3**			12.0		
EPRA earnings/(loss)[4]	**36.9**	**851.3**	**4.3**	(20.3)	851.3	(2.4)

1. Change in value of investments and other receivables of £7.9 million (2021: £11.6 million) includes impairments under IFRS 9. Further details are disclosed within note 5 'Change in value of investments and other receivables'.
2. Change in fair value of derivative financial instruments excludes a fair value gain of £28.8 million (2021: loss of £16.8 million) relating to the derivative liability on bifurcated exchangeable bonds.
3. Profit on sale and transfer of trading property relates to sales and transfers of rental units from trading to investment property at Lillie Square.
4. EPRA earnings has been reported on a Group share basis.

2. EPRA Net initial yield and EPRA 'topped-up' net initial yield

EPRA Net Initial Yield and EPRA 'topped-up' Net Initial Yield	**2022 £m**	2021 £m
Investment property – wholly owned	**1,743.7**	1,730.6
Investment property – share of joint ventures	**4.4**	1.6
Trading property (including share of joint ventures)	**72.6**	82.5
Less: developments	**(245.8)**	(251.2)
Completed property portfolio	**1,574.9**	1,563.5
Allowance for estimated purchasers' costs	**105.3**	105.4
Gross up completed property portfolio valuation (A)	**1,680.2**	1,668.9
Annualised cash passing rental income	**62.1**	57.5
Property outgoings	**(3.5)**	(4.1)
Annualised net rents (B)	**58.6**	53.4
Add: notional rent expiration of rent periods or other lease incentives	**8.8**	9.2
Topped-up net annualised rent (C)	**67.4**	62.6
EPRA Net Initial Yield (B/A)	**3.5%**	3.2%
EPRA 'topped-up' Net Initial Yield (C/A)	**4.0%**	3.8%

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 69.

EPRA MEASURES CONTINUED (UNAUDITED)

3. EPRA VACANCY RATE

EPRA vacancy rate	2022 £m	2021 £m
Estimated rental value of vacant space	**1.9**	1.9
Estimated rental value of the portfolio less development and refurbishment estimated rental value	**76.0**	71.8
EPRA vacancy rate	**2.5%**	2.6%

EPRA vacancy rate is performed only for the Covent Garden portfolio. Other investment and development properties held at Lillie Square total £4.4 million Group share (2021: £1.6 million Group share) and disclosure is not applicable.

4. PROPERTY RELATED CAPEX

	2022			2021		
	Group (excluding Joint Ventures)	**Joint Ventures**	**Total Group**	Group (excluding Joint Ventures)	Joint Ventures	Total Group
Acquisitions	**–**	**–**	**–**	–	–	–
Development	**–**	**0.6**	**0.6**	–	2.0	2.0
Investment property						
No incremental lettable space[1]	**9.0**	**–**	**9.0**	6.3	–	6.3
Tenant lease incentives	**1.3**	**–**	**1.3**	0.5	–	0.5
Capitalised interest	**–**	**–**	**–**	–	0.2	0.2
Total CapEx	**10.3**	**0.6**	**10.9**	6.8	2.2	9.0
Conversion from accrual to cash basis	**0.8**	**0.3**	**1.1**	1.1	(0.6)	0.5
Total CapEx on cash basis	**11.1**	**0.9**	**12.0**	7.9	1.6	9.5

1. Capital expenditure incurred in 2022 related to existing lettable space, with no incremental space being added.

EPRA MEASURES CONTINUED (UNAUDITED)

5. EPRA COST RATIO

EPRA cost ratio	2022 £m	2021 £m
Administrative expenses[1]	**40.6**	22.8
Total property outgoings[2]	**18.4**	16.0
Expected credit loss	**(1.6)**	7.6
Less: Service charge expense	**(6.3)**	(5.3)
Management fee	**–**	(0.7)
Share of joint venture expenses	**0.6**	0.4
Exclude:		
Ground rent cost	**(1.0)**	(1.2)
EPRA Cost (including direct vacancy costs) (A)	**50.7**	39.6
Direct vacancy costs	**(3.1)**	(2.7)
EPRA Costs (excluding direct vacancy costs) (B)	**47.6**	36.9
Gross Rental Income less ground rent costs	**73.1**	71.1
Less: Service charge income	**(6.3)**	(5.3)
Share of joint ventures property income	**0.2**	0.2
Adjusted gross rental income (C)	**67.0**	66.0
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**75.7%**	60.0%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**71.0%**	55.9%
Company specific adjustments:		
Non-underlying administrative expenses[1]	**(14.6)**	(2.8)
Adjusted Company Cost (including direct vacancy costs) (D)	**36.1**	36.8
Adjusted Company Cost (excluding direct vacancy costs) (E)	**33.0**	34.1
Adjusted Company Cost ratio (including direct vacancy costs) (D/C)	**53.9%**	55.8%
Adjusted Company Cost ratio (excluding direct vacancy costs) (E/C)	**49.3%**	51.7%

1. Company specific adjustments relate to non-underlying administrative expenses and do not represent the recurring, underlying performance of the Group.
2. Prior year excludes lease modification and tenant lease incentives as these non-cash costs had been incurred as a result of the Group providing rental support to its tenants during the COVID-19 pandemic.

No property or administrative expenses were capitalised during the year.

EPRA MEASURES CONTINUED (UNAUDITED)

6. EPRA LTV

	2022		
EPRA LTV	**Group £m**	**Share of joint venture £m**	**Total £m**
Borrowings from financial institutions	**475.0**	**–**	**475.0**
Bond loans	**275.0**	**–**	**275.0**
Exclude:			
Cash and cash equivalents[1]	**(129.9)**	**(6.1)**	**(136.0)**
Net debt (B)	**620.1**	**(6.1)**	**614.0**
Owner-occupied property	**–**	**–**	**–**
Investment properties at fair value	**1,743.7**	**4.4**	**1,748.1**
Properties under development	**–**	**72.6**	**72.6**
Net receivables	**94.5**	**(75.8)**	**18.7**
Financial assets	**356.9**	**–**	**356.9**
Total property value (A)	**2,195.1**	**1.2**	**2,196.3**
EPRA LTV (B/A)			**28.0%**

1. Includes tenant deposits of £13.4 million held as security against tenant rent payments which are subject to certain restrictions and therefore not available for general use by the Group.

	2021		
EPRA LTV	Group £m	Share of joint venture £m	Total £m
Borrowings from financial institutions	675.0	–	675.0
Bond loans	275.0	–	275.0
Exclude:			
Cash and cash equivalents[1]	(331.1)	(22.7)	(353.8)
Net debt (B)	618.9	(22.7)	596.2
Investment properties at fair value	1,730.6	1.6	1,732.2
Properties under development	–	82.4	82.4
Net receivables	118.7	(99.3)	19.4
Financial assets	596.4	–	596.4
Total property value (A)	2,445.7	(15.3)	2,430.4
EPRA LTV (B/A)			24.5%

1. Includes tenant deposits of £12.1 million held as security against tenant rent payments which are subject to certain restrictions and therefore not available for general use by the Group.

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

1. PROPERTY DATA AS AT 31 DECEMBER 2022

	Market value £m	Ownership
Covent Garden	**1,741.6**	**100%**
Lillie Square	**77.0**	**50%**
Other	**2.1**	**100%**
Group share of total property	**1,820.7**	
Investment and development property	**1,748.1**	
Trading property	**72.6**	

2. ANALYSIS OF CAPITAL RETURN FOR THE YEAR

Like-for-like capital	**Market value 31 December 2022 £m**	Market value 31 December 2021 £m	**Revaluation loss[1] 31 December 2022 £m**	**Decrease**
Covent Garden	**1,741.6**	1,728.5	**(0.8)**	**–**
Other[2]	**79.1**	83.5	**(5.0)**	**(6.5)%**
Total like-for-like capital	**1,820.7**	1,812.0	**(5.8)**	**(0.3)%**
Investment and development property	**1,748.1**	1,732.2	**(0.7)**	**(0.0)%**
Trading property[3]	**72.6**	79.8	**(5.1)**	**(7.2)%**
Non like-for-like capital				
Disposals	**–**	2.7	**–**	**–**
Group share of total property	**1,820.7**	1,814.7	**(5.8)**	**(0.3)%**
Investment and development property	**1,748.1**	1,732.2	**(0.7)**	**–**
Trading property[3]	**72.6**	82.5	**(5.1)**	**(7.2)%**
All property				
Covent Garden	**1,741.6**	1,728.5	**(0.8)**	**–**
Other[2]	**79.1**	86.2	**(5.0)**	**(7.2)%**
Group share of total property	**1,820.7**	1,814.7	**(5.8)**	**(0.3)%**

1. Revaluation loss includes amortisation of tenant 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 CONTINUED (UNAUDITED)

3. ANALYSIS OF NET RENTAL INCOME FOR THE YEAR

The below provides an analysis of the net rental growth of the Covent Garden portfolio and Other, including the Group's 50 per cent investment in Lillie Square which primarily owns trading properties. Like-for-like net rental growth compares the growth of the net rental income of the portfolio that has been consistently in operation, and not under development, during the current and prior year. The portfolio valuation for Covent Garden and Other are reflected in Table 2 of the Property Portfolio analysis. All properties are located in London therefore a geographic spread is not included.

Like-for-like net rental income	2022 £m	2021 £m	Increase
Covent Garden	**57.2**	46.6	**22.7%**
Other	**(0.1)**	0.1	
Total like-for-like net rental income	**57.1**	46.7	**22.3%**
Like-for-like investment and development property	**57.3**	46.7	**22.7%**
Like-for-like trading property	**(0.2)**	–	
Non like-for-like net rental income			
Disposals	**0.1**	2.1	
Group share of total net rental income (underlying)	**57.2**	48.9	**17.0%**
Investment and development property	**57.4**	48.8	**17.6%**
Trading property	**(0.2)**	0.1	
All property			
Covent Garden	**57.3**	48.7	**17.7%**
Other	**(0.1)**	0.2	
Group share of total net rental income (underlying)	**57.2**	48.9	**17.0%**
Lease modifications and impairment of tenant lease incentives	**–**	(8.7)	
Reported net rental income	**57.2**	40.2	**42.3%**
Covent Garden	**57.3**	40.0	**43.3%**
Other	**(0.1)**	0.2	

4. ANALYSIS OF COVENT GARDEN BY USE

31 December 2022

	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						**840.2**	**38.3**	**0.4**
F&B						**454.4**	**19.5**	**0.2**
Office						**269.9**	**17.0**	**0.2**
Residential						**126.6**	**4.1**	**0.2**
Leisure and other						**50.5**	**2.1**	**0.1**
Total	**3.2%**	**4.1%**	**62.0**	**97.5%**	**7.5**	**1,741.6**	**81.0**	**1.1**

FINANCIAL COVENANTS

For the year ended 31 December 2022

FINANCIAL COVENANTS ON UNSECURED NON-RECOURSE DEBT

	31 December 2022			
Group share	Maturity	Loans outstanding at 31 December 2022[1] £m	LTV covenant	Interest cover covenant
Covent Garden[2]	**2024-2037**	**475.0**	**60%**	**120%**
Standby loan facility[3]		**–**	**60%**	**100%**
Total		**475.0**		

1. The loan values are the nominal values at 31 December 2022 shown on a Group share basis. The balance sheet value of the loans includes unamortised fees.
2. Covent Garden comprise of a £300 million RCF, which is undrawn at 31 December 2022, and £475 million Private Placement loan notes maturing between 2024 and 2037. The RCF had an initial three year term, which was extended for a further one year period to September 2025. The facility has a further one year option to extend subject to lender consent.
3. On 16 June 2022, the Group entered into a £576 million loan facility in connection with the proposed merger with Shaftesbury. Shaftesbury has two secured mortgage bonds totalling £575 million, each of which contain change of control provisions which will be triggered by the merger. The Group has entered into the new facility to provide funding certainty in the event that the Shaftesbury mortgage bond holders exercise their redemption right in respect of the bonds following completion of the merger. The facility remains undrawn as at 31 December 2022. The term of the £576 million loan facility is 24 months, which may be extended for a further six months at the option of Capco subject to the satisfaction of the extension requirements as outlined in the facility. There is subsequently a further six month extension option available which requires lender approval.

DIVIDENDS

On 30 January 2023, the Directors of Capital & Counties Properties PLC declared a 2022 second interim cash dividend of 1.7 pence per ordinary share (ISIN GB00B62G9D36) payable on 20 March 2023.

Dates

The following are the salient dates for payment of the 2022 second interim cash dividend:

Second interim dividend announced	30 January 2023
Sterling/Rand exchange rate struck	20 February 2023
Sterling/Rand exchange rate and dividend amount in Rand announced	21 February 2023
Split between PID and Non-PID confirmed	21 February 2023
Ordinary shares listed ex-dividend on the JSE, Johannesburg Stock Exchange	1 March 2023
Ordinary shares listed ex-dividend on the London Stock Exchange	2 March 2023
Record date for the second interim dividend in UK and South Africa	3 March 2023
Dividend payment date for shareholders	**20 March 2023**

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 28 February 2023 and that no dematerialisation of shares will be possible from 1 March 2023 to 3 March 2023 inclusive. No transfers between the UK and South Africa registers may take place from close of business on 22 February 2023 to 3 March 2023 inclusive.

The above dates are proposed and subject to change.

The Property Income Distribution ("PID") element (being 0.7 pence) will be subject to a deduction of a 20 per cent UK withholding tax unless exemptions apply. The non-PID element (being 1.0 pence) 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 (www.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 2022 second interim cash 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 2022 second interim cash 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 2022 second interim cash 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 2022 second interim cash 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 cash 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 2022 second interim cash 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") and all its subsidiaries and group undertakings, collectively referred to as "the Group".

Cash and undrawn committed facilities

Cash and cash equivalents, excluding tenant deposits, plus undrawn committed facilities.

CDP

Carbon Disclosure Project Worldwide, a global not-for-profit sustainability disclosure system. Capco participates in the CDP Climate Change Programme.

CMA

Competition and Markets Authority.

Combined group

The Capco Group and Shaftesbury Group after the merger has taken effect.

CRREM

Carbon risk real estate monitor

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 cost ratio (including direct vacancy costs)

EPRA cost ratio (including direct vacancy costs) is a proportionally consolidated measure of the ratio of net overheads and operating expenses against gross rental income (with both amounts excluding ground rents payable). Net overheads and operating expenses relate to all administrative and operating expenses, net of any service fees, recharges or other income specifically intended to cover overhead and property expenses.

EPRA cost ratio (excluding direct vacancy costs)

EPRA cost ratio (excluding direct vacancy costs) is the ratio calculated above, but with direct vacancy costs removed from the net overheads and operating expenses balance.

EPRA earnings

Profit or loss for the year 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 year.

EPRA loan-to-value (LTV)

Ratio of adjusted net debt, including net payables, to the sum of the net assets, including net receivables, of the Group, its subsidiaries and joint ventures, all on a proportionate basis, expressed as a percentage. The calculation includes trading properties at fair value and debt at nominal value.

EPRA net disposal value (NDV)

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

ERV of un-let units, excluding under offer, 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 in which Capco participates.

GCP

The Great Capital Partnership was a 50 per cent joint venture between Capital & Counties Limited and Great Portland Estates PLC until it was dissolved on 6 April 2022.

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 1/2021 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

HM Revenue and Customs.

IFRIC

International Financial Reporting Interpretations Committee.

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

Loan to value (LTV)

LTV is calculated on the basis of 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, excluding tenant deposits.

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.

NIA

Net Internal Area.

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.

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 its 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.

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 represents Shaftesbury PLC and all its subsidiaries and group undertakings, collectively referred to as the Shaftesbury Group.

Shaftesbury Capital PLC

Shaftesbury Capital PLC, the name of the combined group should the merger take effect.

Sterling Overnight Interbank Average Rate (SONIA)

The average overnight Sterling risk-free interest rate, set in arrear, paid by banks for unsecured transactions.

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 consolidated statement of comprehensive income on a straight-line basis over the lease term.

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 NTA per share plus dividends per share paid during the year.

Total shareholder return (TSR)

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

Underlying earnings

Profit for the year excluding unrealised gains/losses and non-recurring items. Unrealised gains and losses that are excluded are net valuation gains/losses (including profits/losses on disposals), fair value changes and impairment charges. Non-recurring items that are excluded include net refinancing charges, costs of termination of derivative financial instruments and non-recurring income and costs including the proposed merger transaction costs. Taxation charges in relation to these items, which include tax adjustments relating to non-REIT group losses, are excluded.

Given the scale of the rental support provided to tenants during 2020 and 2021 as a result of the COVID-19 pandemic, non-cash lease modification expenses and impairment of tenant lease incentives had been excluded from underlying net rental income during those years. Tenant support measures required as a result of the COVID-19 pandemic have now been concluded and as such future impairments of tenant lease incentives are included in underlying net rental income with effect from 2022. Underlying earnings is reported on a Group share basis.

Underlying earnings per share (EPS)

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

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 during 2020 and 2021 as a result of the COVID-19 pandemic, non-cash lease modification expenses and impairment of tenant lease incentives had been excluded from underlying net rental income in the prior year. Tenant support measures required as a result of the COVID-19 pandemic have now been concluded and as such future impairments of tenant lease incentives are included in underlying net rental income for 2022 onwards.

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 announcement contains or may contain certain forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "could," "may," "would," "should," "intend," "plan," "potential," "predict," "will," "expect," "estimate," "project," "positioned," "strategy," "outlook", "target" and similar expressions. These include statements regarding our intentions, beliefs or current expectations concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which Capital & Counties Properties PLC operates.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual future financial condition, performance and results to differ materially from the plans, goals, expectations and results expressed in the forward-looking statements and other financial and/or statistical data within this communication. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are uncertainties related to the following: the failure to realise contemplated synergies and other benefits from mergers and acquisitions; the effect of mergers, acquisitions and divestitures on Capital & Counties Properties PLC's operating results and businesses generally; the impact of adverse domestic or international legislation and regulation; changes in domestic or international tax laws and rates; adverse litigation and dispute outcomes and the effect of such outcomes on Capital & Counties Properties PLC's financial condition; changes or differences in domestic or international economic or political conditions; the ability to obtain price increases and the impact of price increases on consumer affordability thresholds; adverse decisions by domestic or international regulatory bodies; the impact of market size reduction and consumer down-trading; translational and transactional foreign exchange rate exposure; the ability to maintain credit ratings; the ability to develop, produce or market new alternative products and to do so profitably; the ability to effectively implement strategic initiatives and actions taken to increase sales growth; the ability to enhance cash generation and pay dividends and changes in the market position, businesses, financial condition, results of operations or prospects of Capital & Counties Properties PLC.

It is believed that the expectations reflected in this announcement are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. The forward-looking statements in this announcement reflect knowledge and information available at the date of preparation of this announcement and Capital & Counties Properties PLC undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on such forward-looking statements.

No statement in this communication is intended to be, nor should be construed as, a profit forecast or a profit estimate and no statement in this communication should be interpreted to mean that earnings per share of Capital & Counties Properties PLC for the current or any future financial periods would necessarily match, exceed or be lower than the historical published earnings per share of Capital & Counties Properties PLC.