capco

Capital & Counties Properties PLC

ANNUAL REPORT & ACCOUNTS 2020

WELL-POSITIONED FOR RECOVERY

Capital & Counties Properties PLC (Capco) is one of the largest listed property companies in central London. Our key asset is the landmark Covent Garden estate. We create and grow value through a combination of creative asset management and strategic investment.

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PRIME ASSETS

A focus on prime central London, centred around the landmark Covent Garden estate

Capco has 25.2% interest in Shaftesbury PLC

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CLEAR AND FOCUSED STRATEGY

Driving rental growth and capital value appreciation

Creative asset management and investment to drive expansion and change

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ENGAGING WITH OUR STAKEHOLDERS

Working collaboratively with and understanding the needs of our stakeholders

p.48

STRONG CAPITAL STRUCTURE

Conservative leverage and substantial liquidity

p.74

EXPERIENCED MANAGEMENT

Strong track record

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

ABOUT CAPCO

A PRIME CENTRAL LONDON REIT DRIVING LONG-TERM VALUE CREATION CENTRED AROUND OUR LANDMARK COVENT GARDEN ESTATE

COVENT GARDEN

£1,825m 73%

-27% Lfl

OTHER INVESTMENTS

£669m

Shaftesbury investment	£552m	22%
Lillie Square[2]	£117m	5%

COVENT GARDEN PORTFOLIO

RETAIL	FOOD & BEVERAGE	OFFICE	RESIDENTIAL	LEISURE
0.4m sq ft	0.2m sq ft	0.2m sq ft	0.2m sq ft	0.1m sq ft
50%	21%	15%	10%	4%

% OF PORTFOLIO VALUE

LETTABLE SPACE	BUILDINGS	UNITS
1.1m sq ft	75	526

1. Includes Capco's property interests and its investment in Shaftesbury shares.
2. Includes Capco's interests in the Lillie Square joint venture and properties in the adjacent area.

PURPOSE

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

COMPETITIVE STRENGTHS

PRIME ASSETS

A focus on prime central London, centred around the landmark Covent Garden estate in the heart of London's West End.

For more on our assets, see page 4.

EXPERIENCED LEADERSHIP

Experienced management team with a strong track record of leading the Group in delivering its strategy.

For more on our leadership, see page 74.

STRONG CAPITAL STRUCTURE

Resilient and flexible financing, characterised by low leverage and high liquidity, together with disciplined approach to capital allocation.

For more on our capital structure, see page 48.

SUSTAINABILITY

Delivering positive environmental and social outcomes that enhance value for our stakeholders.

For more on our sustainability, see page 58.

EFFECTIVE GOVERNANCE

The framework of oversight, controls and reporting provided by Capco's governance structure supports the business and allows Capco to operate with transparency to achieve its objectives.

For more on our governance, see page 76.

DYNAMIC CULTURE

High-performance and entrepreneurial culture, reflective of our business strategy where innovation and creativity are promoted across the business.

For more on our culture, see page 68.

FINANCIAL STRENGTH

GROUP NET ASSETS
£1.8bn

GROUP NET DEBT TO GROSS ASSETS
28%

COVENT GARDEN LOAN TO VALUE
19%

COVENT GARDEN NET DEBT
£352m

2020 FINANCIAL RESULTS

NET RENTAL INCOME*	£16m
UNDERLYING EARNINGS PER SHARE	-0.7p
EPRA NET TANGIBLE ASSETS PER SHARE	212p

TOTAL RETURN	-27.2%
TOTAL SHAREHOLDER RETURN	-44.3%
TOTAL PROPERTY RETURN	-24.4%

* Underlying NRI (Covent Garden) £44.1m.

See page 22-23 where we discuss our alternative performance measures.

WORLD-CLASS ESTATE IN THE HEART OF LONDON'S WEST END

PROVEN LONG-TERM FUNDAMENTALS

Near-term disruption but well-positioned for recovery

LONDON – A GLOBAL CITY

Contributes c.23% to UK Gross Value Added

Attracts talent and investment from around the world

350m domestic and international visitors per annum

HEART OF THE WEST END

24/7 economy

High-performing retail and leisure destination in London

Over 200m domestic and international visits per annum

COVENT GARDEN – A WORLD-CLASS ESTATE

Mixed-use estate with global recognition in the heart of central London

Scale and concentrated ownership

High quality footfall location

Here since 1654, rich in heritage with vibrant culture and events

Attracting differentiated flagship, independent and London first brands

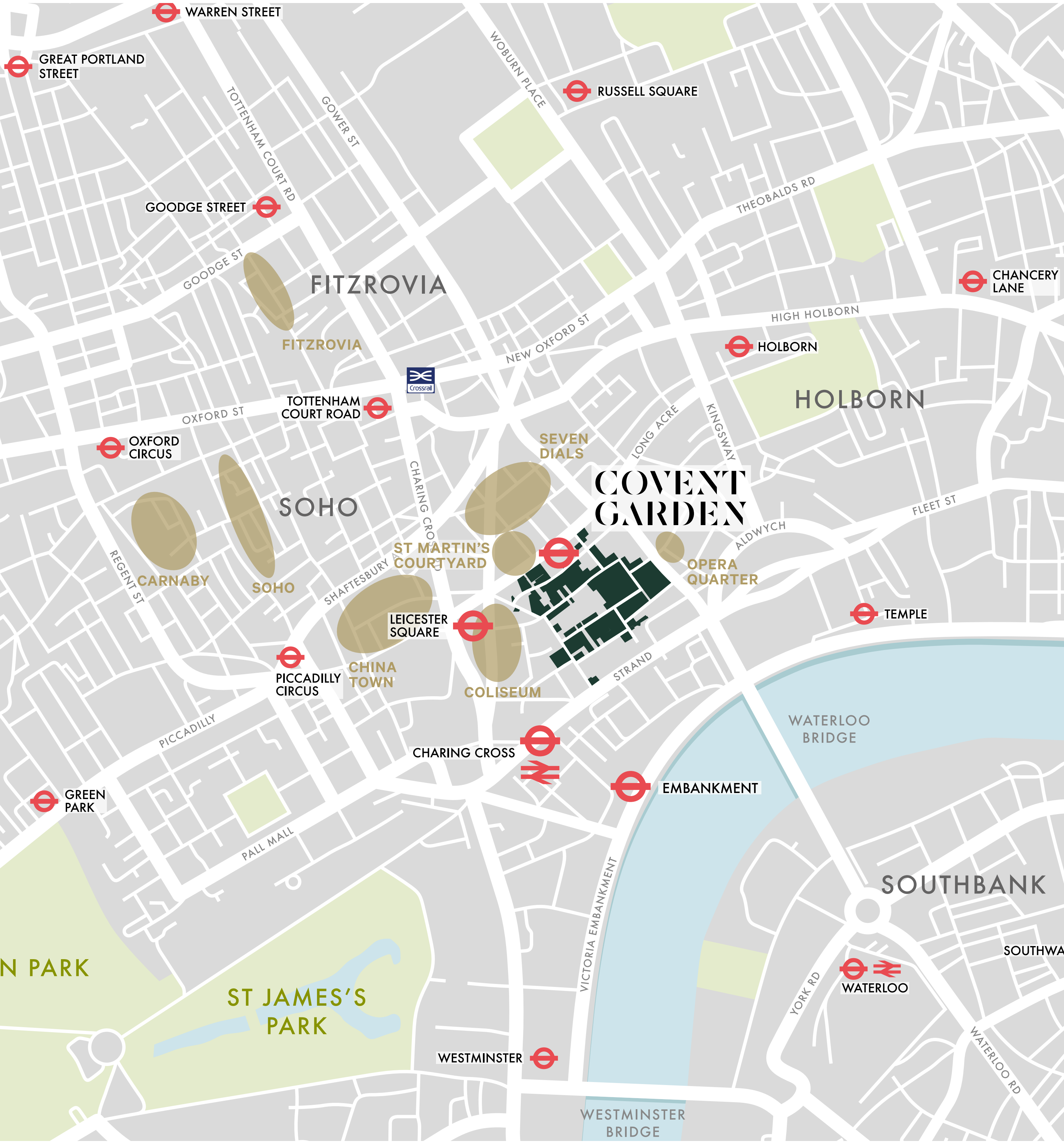
Note: figures relate to pre-COVID-19 environment

KEY

- Capco Ownership
- Shaftesbury Ownership

The landowners' map is indicative

Capco holds a 25.2 per cent interest in Shaftesbury PLC



PORTFOLIO VALUATION	LETTABLE SPACE	BUILDINGS	UNITS
£1.8bn	1.1m sq ft	75	526

2020 YEAR IN REVIEW

DESPITE THE IMPACT OF COVID-19, SIGNIFICANT PROGRESS ACHIEVED ACROSS THE BUSINESS

PROMOTING AIR QUALITY IN COVENT GARDEN

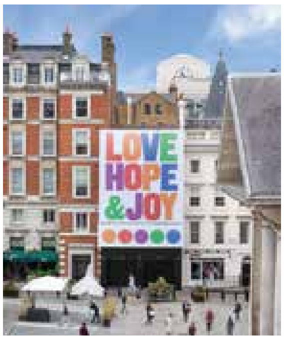
Environmental charity Hubbub opens an interactive 'Pollution Pavilion' on the East Piazza in collaboration with artists Climate and Cities and King's College London; the installation helps visitors visualise differentiating air pollution levels.

INNOVATING ACROSS DIGITAL CHANNELS

A new digital programme launches, bringing the best of Covent Garden into consumers' homes. Social media followers and engagement continue to grow across all channels. New Covent Garden website launches ahead of Christmas.

PRIORITY SAFETY AND SECURITY MEASURES

Lockdown measures introduced on 23 March. Enhanced security and cleaning measures are implemented.



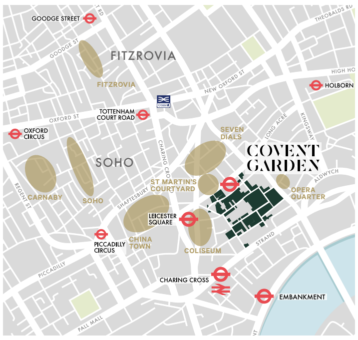
PROGRAMME OF ART & CULTURE

The estate is animated with a series of engaging installations and activities to drive consumer interest. British artist Anthony Burrill unveils an outdoor art installation, with the words Love, Hope & Joy. A series of open air health and fitness classes launch, a summertime ice cream festival is held.

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
COVID-19 key timeline		1st national lockdown			Non-essential retail reopens

NEW BRANDS JOIN COVENT GARDEN

Floral Street welcomes new destination lifestyle concepts including A.P.C. and American Vintage. British brand Lulu Guinness opens on King Street. On Henrietta Street, Big Mamma agrees terms for a new flagship and The Henrietta Hotel expands.



ACQUISITION OF SIGNIFICANT STAKE IN SHAFTESBURY PLC

Capco acquires over 25% interest in Shaftesbury PLC consistent with Capco's strategy to invest in attractive opportunities on or near the Covent Garden estate.

POSITIVE PROGRESS ON PHASE 2 HANDOVERS

Ninety-four units handed over at Lillie Square, representing approx. £116 million of net proceeds (£58 million Capco share).

PEDESTRIANISATION AND AL FRESCO DINING

Covent Garden's welcoming open air environment enhanced. Pedestrianisation of additional streets in partnership with WCC and 500 incremental covers added.

FURTHER SIGNINGS TO THE ESTATE

Ganni opens on Floral Street, signings from NaNas, Vashi, Neuhaus and Bubblewrap. The dining offering is enhanced with the introduction of Asma Khan's, Darjeeling Express and The Gentlemen Baristas.

NEW OPENINGS

Four new openings in December: Kick Game, Neuhaus, Mackintosh and Floozie Cookie.

ADDITIONAL INVESTMENT IN SHAFTESBURY PLC

£65 million investment in new Shaftesbury shares at 400p. The investment is priced attractively in view of the long-term prospects and resilience of prime central London.

COVENT GARDEN CHRISTMAS

Covent Garden auctions over 40 lots and raises over £15k, with all proceeds going to Only A Pavement Away to help the homeless. Covent Garden is London's most dazzling neighbourhood, with daily snowfall on the Piazza throughout December. An immersive LEGO installation is hosted on the East Piazza. Covent Garden hosts its first ever Mulled Wine Festival.

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
F&B operators reopen	Eat Out to Help Out launches	Rule of 6 and F&B curfew introduced	Tier system introduced, London placed in Tier 2	2nd national lockdown for four weeks	Retail and F&B reopen. London placed in Tier 4 from 20 December

ESTATE ANIMATION

Covent Garden, the Royal Opera House and Luna Cinemas partner to offer a free open air cinema screening films on the iconic Piazza.

EXCHANGEABLE BOND

£275 million raised through issuance of bonds, exchangeable into Shaftesbury shares or cash.

RECEIPT OF EARLS COURT DEFERRED PROCEEDS

Receipt of £105 million deferred consideration from the sale of Earls Court in addition to £90 million received in March.

SALE OF THE WELLINGTON BLOCK

Sale of the Wellington block for £76.5 million. The introduction of The Portfolio Club and APG as innovative owner operators will further contribute to Covent Garden's position as a world-class destination.

NEW SECURED LOAN

Completion of £125 million loan secured against Shaftesbury shares in December.

RESPONSIBLE OVERSIGHT OF FOCUSED STRATEGY

> "Capco is focused on responsible stewardship, disciplined capital management and committed to delivering long-term value for our shareholders from our unique West End focused investments.
>
> HENRY STAUNTON, CHAIRMAN

OVERVIEW

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

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

COVID-19 RESPONSE

Capco took decisive action to ensure the safety and security of Covent Garden, whilst also providing support on a case-by-case basis to customers experiencing cash flow challenges as a result of COVID-19. Extensive security and cleaning measures were implemented across the Covent Garden estate. In collaboration with stakeholders, Capco has made enhancements to public realm, including the pedestrianisation of additional streets during 2020 and the provision of al fresco dining to create a welcoming open air environment. We were encouraged by the response to these initiatives, which saw footfall and sales rebuilding well, prior to the implementation of further restrictions in December 2020.

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

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

SUSTAINABILITY

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

FINANCIAL PERFORMANCE AND POSITION

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

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

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

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

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

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

INVESTMENT IN SHAFTESBURY PLC

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

OTHER INVESTMENTS

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

THE BOARD

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

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

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

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

BOARD OVERSIGHT

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

VOTING ON AGM RESOLUTIONS

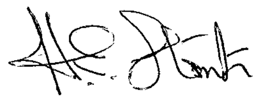
At Capco's 2020 Annual General Meeting, the Company's new Remuneration Policy was approved, however the Company received significant shareholder votes against three resolutions. The Remuneration Committee has engaged with shareholders to understand the reasons for these votes, and has made a number of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

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

LOOKING AHEAD

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

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



HENRY STAUNTON
CHAIRMAN

8 March 2021

King Street retail

CONFIDENT IN LONG-TERM PROSPECTS

"Capco's strong financial position has enabled us to take a proactive approach to protect long-term value, take advantage of market opportunities and position the business to return to growth and prosperity as the market recovers.

IAN HAWKSWORTH,
CHIEF EXECUTIVE

OVERVIEW

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

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

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

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

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

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

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

PURPOSE, STRATEGY AND CAPITAL ALLOCATION

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

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

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

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

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

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

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

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

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

VALUATION AND PERFORMANCE

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

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

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

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

PROPERTY VALUATIONS

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

NEW LEASING ACTIVITY AND ESTATE ANIMATION

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

COVENT GARDEN MARKET VALUE 2020

£1.8bn

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

1. Valuation change takes account of amortisation of tenant lease incentives, capital expenditure, disposals, fixed head leases and unrecognised trading surplus.
2. Includes Capco's interest in the Lillie Square joint venture and Lillie Square Holdings Group.
3. A reconciliation of carrying value of investment, development and trading property to the market value is shown in note 14 'Property Portfolio'.

Al fresco dining, Henrietta Street

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

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

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

COVENT GARDEN POSITIONED FOR GROWTH

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

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

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

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

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

OTHER INVESTMENTS

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

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

SUSTAINABILITY, ENVIRONMENT AND STAKEHOLDERS

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

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

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

OUR PEOPLE

We reshaped the organisation this year through the simplification of the Group, providing our talented and diverse workforce opportunities for leadership and responsibility. Our employees are key to our business which promotes a culture of creative passion for Covent Garden to allow employees to reach their potential whilst creating value for our stakeholders. Technology has enabled the business to continue to operate remotely. Effective communication and keeping everyone connected have been vital to managing this challenging period. We supported our employees through regular town halls, business updates and seminars focusing on well-being initiatives including nutrition, exercise and mental health awareness.

OUTLOOK

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

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

IAN HAWKSWORTH
CHIEF EXECUTIVE

8 March 2021

Floral Street

DRIVING LONG-TERM VALUE CREATION

PURPOSE

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

OUR RESOURCES

- World-class Covent Garden estate
- Strong financial position
- Experienced management
- High-performing team
- Extensive stakeholder relationships

HOW WE DELIVER

GROUP STRATEGY

As a central London focused REIT, Capco creates, grows and delivers value from our assets centred around the landmark Covent Garden estate, to deliver superior long-term total returns for our shareholders, while bringing benefits to our stakeholders.

1. CUSTOMER AT HEART OF THE BUSINESS
2. CREATIVE ASSET MANAGEMENT
3. STRATEGIC INVESTMENT AND CAPITAL ALLOCATION
4. STRATEGIC PARTNERSHIPS
5. RESPONSIBLE STEWARDSHIP
6. STRONG CAPITAL STRUCTURE

HOW WE MEASURE

- Financial indicators
- Non-financial measures

See pages 22 and 58 to read more.

CREATING VALUE FOR OUR STAKEHOLDERS

Occupiers | Employees | Suppliers | Visitors | Communities | Investors | Finance providers | Joint venture partners | Local authorities | Our neighbours

UNDERPINNED BY

Dynamic Culture

See page 68 to read more on our culture.

Effective Governance

See page 76 to read more on our governance.

Environment, Sustainability and Community

See page 58 to read more on our ESC activities.

ENGAGING WITH OUR STAKEHOLDERS

As the principal landowner of a globally recognised estate, working collaboratively with and understanding the needs of our stakeholders has always been at the heart of Capco's business. We believe that an approach of proactive engagement and mutual understanding is essential to create and maintain a vibrant, thriving environment in which the Company and all its stakeholders can flourish.

OCCUPIERS

We provide excellent premises to allow our retail, food and beverage and office occupiers' businesses to flourish. Our residential properties are of high quality, with a focus on environmental standards and user experience. Our regular engagement includes customer surveys and informal feedback to our property management team. During 2020, the business engaged with our customers to understand the impact of the COVID-19 pandemic on their business, and agree support measures where required.

OUR ENGAGEMENT IN 2020:

During the year, Capco provided bespoke support on a case-by-case basis to customers experiencing cash flow challenges as a result of COVID-19. These measures supported the reopening of stores during this period of significant disruption, ensuring the business is well-positioned to benefit from a recovery and prosper over time. In preparation for each reopening of the estate as restrictions were eased, extensive cleaning and security regimes were implemented and we worked with retailers to implement appropriate regimes in line with government guidelines including marked queuing systems, social distancing signage and hand sanitiser stations. We have also worked with our customers to deliver a number of marketing initiatives to promote Covent Garden and the West End, when appropriate, encouraging a return of footfall to more normal levels over time. These included an outdoor cinema on the Piazza in summer, and a Mulled Wine Festival at Christmas. We will continue to engage with, and work closely with, our customers to reopen the estate when the COVID-19 restrictions are eased again.

Read more on page 36.

EMPLOYEES

Our employees are key to our business. Our culture and the resources we provide encourage everyone to reach their potential. We engage with our employees regularly throughout the year via Company-wide meetings and updates from management. Charlotte Boyle, the Chair of the ESC Board Committee, updates the Board on employee views. We encourage regular feedback from our employees and will be introducing an employee survey during 2021.

OUR ENGAGEMENT IN 2020:

During 2020, our employees have been working predominantly from home. The Company has maintained regular contact with employees via Company-wide meetings, including updates from the Chief Executive. In addition, our head of HR and line managers regularly engage with each employee to understand any difficulties or concerns, and support employee well-being. The business established a COVID-19 Working Group to put in place appropriate working arrangements for our employees, reflecting the various restrictions that were in place during the course of the year. This group engaged regularly with our employees via email updates and posts on our intranet. The business was understanding of the challenges that homeworking, school closures and caring responsibilities presented to employees, and flexible approaches were agreed, where needed. Between periods of lockdown, our head office was moved to the Covent Garden estate. Prior to the move, the business engaged with those employees who would be affected by the move. We have received positive feedback from our employees on the measures put in place and will be engaging with our employees again as we start to return to the office once the COVID-19 restrictions are lifted.

Read more on page 68.

Engaging with our stakeholders is part of being a responsible business, and is fundamental to the delivery of our Group strategy. Our collaborative approach became even more important during 2020, when the impact of COVID-19 put great pressure on our customers, employees and local community. Information on our key stakeholder groups and some of the ways we have worked in partnership with them during the year is set out in this section. No set of stakeholders stands alone, and so engagement and benefits often span more than one area.

SUPPLIERS

We value our established relationships with our suppliers and operate a responsible procurement policy, which requires consideration of ethical matters, such as modern slavery. We require that providers of managed services to our offices and estates pay the London Living Wage to those working with Capco. We aim to pay invoices within 30 days.

OUR ENGAGEMENT IN 2020:

The smooth running of the Covent Garden estate relies on outsourced services provided by the firms who provide cleaning and security services to the estate. At the beginning of the first lockdown we engaged early with these firms to agree appropriate approaches to the closure of the estate as lockdown began. This engagement has been continuous throughout the year, as we have ensured that the estate is kept clean and safe, and ready to reopen when restrictions are lifted. We recognise the importance of these suppliers and their employees to our business, and have encouraged our outsourced suppliers to continue to employ staff working on the estate, finding alternative roles where necessary. The business depends on many other suppliers who have also been affected by the impact of COVID-19. Across the business we have engaged with our suppliers to understand the impact that the pandemic has had on their working practices and to agree revised approaches where needed to ensure that we have been able to continue to work effectively throughout the year.

VISITORS

We create world-class places in central London, and have a customer-focused approach to estate management, delivering unique and attractive destinations. We engage with members of the public via our marketing initiatives, Covent Garden website and social media channels so that they are aware of the experiences that are available at Covent Garden.

OUR ENGAGEMENT IN 2020:

The heritage of Covent Garden is incredibly important. Capco therefore took early action to ensure the safety of the estate with additional security presence deployed to protect residential homes and commercial premises. We have worked collaboratively with our customers, suppliers and Westminster City Council to provide a safe, clean environment for visitors, when restrictions allowed, including one way systems, social distancing and other measures in line with government guidance. We will continue this engagement into 2021 when restrictions are eased. We have continued to promote the Covent Garden estate across our social media channels and newly launched Covent Garden website to ensure that our visitors and potential visitors are aware of the actions we have been taking, the events that have run when restrictions were eased, and the initiatives offered by our occupiers. On the estate itself, a Visitor Information hub was provided to help visitors navigate the estate, support promotions across our occupiers, and offer walking routes to local attractions.

Read more on page 44.

COMMUNITIES

As a major stakeholder in the district, we engage and collaborate with the communities in and around our assets. We promote initiatives to improve the environment, including air quality and greening, and provide support to our selected charity partners. We engage with the community through involvement with local organisations and residents, partnerships with charities, and long-standing relationships with local schools.

OUR ENGAGEMENT IN 2020:

Capco worked closely with local communities over the course of the year and continues to provide assistance to local charity partners in the West End. Financial aid has been provided to COVID-19 funds supporting homelessness, food banks and the elderly, as well as hospitality and retail foundations. In addition, Capco has been working with a number of selected charity partners and was a founding sponsor of the Covent Garden food bank. Capco is providing funding for a chef at Dragon Hall community centre serving the elderly hot meals, with surplus food used as ready meals for the food bank. Capco also offered support to elderly, vulnerable residents during the pandemic.

Read more on page 66.

INVESTORS

We engage regularly with our shareholders, potential investors and investment analysts to provide updates on our activities, set out our investment case and understand their priorities and concerns.

OUR ENGAGEMENT IN 2020:

During 2020, we continued a full programme of investor relations activities. This included meetings with our Executive Directors and Head of Commercial Finance and Investor Relations to explain the Company's strategy and approach to the COVID-19 pandemic, a number of tours around the Covent Garden estate with shareholders and analysts, and engagement by our Chairman, Senior Independent Director and Remuneration Committee Chair on a number of governance matters.

Read more on page 82.

FINANCE PROVIDERS

We have well-established relationships with a range of finance providers, and engage with them regularly throughout the year, operating on a transparent basis.

OUR ENGAGEMENT IN 2020:

During 2020, we raised £400 million of new financing and engaged with the holders of our private placement notes and our lending banks to explain the approach that the Company was taking to the COVID-19 pandemic, and to seek temporary interest cover covenant waivers to protect the Company's financial position, ensuring stability for a wide range of stakeholders.

Read more on page 54.

JOINT VENTURE PARTNERS

We work closely with our joint venture partners to deliver projects that benefit both parties, working in line with Capco's strategy and ethos. Our engagement includes dialogue at Board and Executive Committee level, and regular contact between management teams.

OUR ENGAGEMENT IN 2020:

During 2020, we maintained regular dialogue with our joint venture partners. In particular, as the property manager for the Lillie Square joint venture, through our management activities, we ensured that our partner, KFI, was kept up to date on the changes to the estate cleaning and security regimes implemented at Lillie Square to ensure the safety and security of residents during the COVID-19 pandemic.

Read more on page 47.

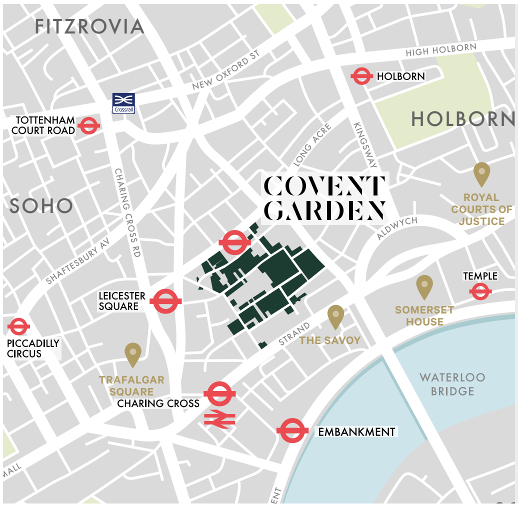
LOCAL AUTHORITIES AND CONSERVATION BODIES

As responsible stewards, we engage with local councils and conservation bodies when developing our proposals. Our engagement includes regular meetings and informal dialogue.

OUR ENGAGEMENT IN 2020:

During 2020, Capco worked in partnership with Westminster City Council to make enhancements to the public realm by introducing additional pedestrianised streets in the Covent Garden area. This allowed for greater freedom of movement and use of outdoor space, and the provision of additional outdoor seating areas for our restaurants, which provided over 500 incremental outdoor covers across over 20 al fresco dining spots. We will continue to engage with Westminster City Council on ways in which the Covent Garden estate can be opened up safely as the COVID-19 restrictions are reduced or lifted. In addition, as a key pillar of our ESC strategy, we will continue to engage with Westminster City Council on initiatives to improve air quality.

Read more on page 46.



OUR NEIGHBOURS

We have long-standing relationships with neighbouring land owners and work collaboratively with many of them, both directly and via associations, to improve the West End for our occupiers and all those who live, work and socialise there.

OUR ENGAGEMENT IN 2020:

During 2020 we maintained regular dialogue with Shaftesbury PLC and other neighbouring land owners during the periods of lockdown and reopening, benefiting from shared experience and insight. We also continued our involvement with a number of organisations that aim to improve central London, including the Westminster Property Association, Long Acre Business Alliance, Northbank BID, Heart of London Business Association, London & Partners and other industry bodies. Capco is also a patron of the British Fashion Council and the British Beauty Council, working with them to promote the retail industries.

COMPANIES ACT 2006 – S172 (1) STATEMENT

When taking Board decisions, the Directors give careful consideration to the likely impact of any recommended proposal, to ensure that the decision aligns with Group strategy and is likely to promote the success of the business, whilst giving consideration to the potential impact of any decision on the Company's stakeholders.

The precise matters considered by the Directors will depend on the nature of the proposal, but will often include factors such as:

- the likely long-term consequences of a decision
- the interests of the Company's employees
- the need to foster relationships with our suppliers
- operational impacts on the community and environment
- maintaining the Company's reputation for high standards of business conduct
- treating our shareholders fairly.

To allow the Board to consider these matters effectively, Directors receive regular updates on stakeholder views from the Executive Directors and senior management, and we include a dedicated section within Board approval papers which sets out the likely impact of the proposed recommendation on relevant stakeholders.

Whilst it is not always possible to meet the preferences of all stakeholders, which may diverge, the Board aims to ensure there is an appropriate balance. Some examples of how the Board considered the matters set out in s172(1) of the Companies Act 2006 during 2020 are set out in the table below.

Key matter	Description	Stakeholders considered
COVID-19 PANDEMIC	The impact of the COVID-19 pandemic was a key focus for the Board during 2020, and stakeholder considerations underpinned many of the decisions taken by the Board during the year. The Board concluded that providing support to the estate and the Company's customers was essential to ensure the long-term success of the Covent Garden estate, and therefore the support measures were in the best interests of the Company and its shareholders as a whole.	
INVESTMENTS IN SHAFTESBURY PLC	When considering the Group's investments in Shaftesbury PLC, the Board considered that the investments would bring benefits to a wide range of stakeholders through a broadening of the business, the potential to work with neighbours, communities, and public bodies, and potential returns for investors.	
FINANCING ACTIVITY	During the year, the Company issued an exchangeable bond and entered into a secured loan, each secured against part of the Group's investment in Shaftesbury PLC. In considering these transactions, the Board agreed that strengthening the Company's balance sheet in this way would ensure stability for a wide range of the Company's stakeholders and the financing transactions were therefore in the best interests of the Company and its shareholders as a whole.	
SALE OF THE WELLINGTON BLOCK	When considering the proposed sale of the Wellington block, in addition to the financial merits of the proposed transaction, the Board considered the impact of the transaction on a range of stakeholders, including residents' associations, the Covent Garden Area Trust and Westminster City Council. The Board concluded that the recommended purchaser would be a responsible land owner that would bring amenities to the district.	
ESTABLISHMENT OF BOARD ESC COMMITTEE	The Board recognised the increasing importance of environmental, sustainability and community matters both to investors and to Capco's employees. Whilst Capco's activities in these areas already brought substantial benefits to a wide range of stakeholders, the Board felt that there was an opportunity to build on this. Accordingly, the Board established a Board ESC Committee with oversight of environmental, sustainability and community matters, and subsequently approved Capco's new ESC strategy.	

OUR PEOPLE

Capco's employees are key to our business and they ensured that the business continued to operate smoothly despite the challenges of 2020.

Here are some of our fantastic team.

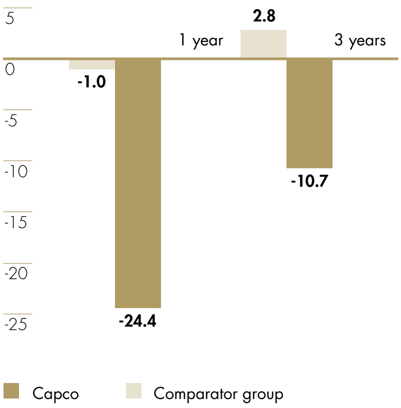
MEASURING PERFORMANCE

We measure performance against key performance indicators which are selected to reflect Group strategy. Many of these metrics are performance measures under Group remuneration arrangements, ensuring alignment with shareholder interests.

R

TOTAL PROPERTY RETURN

-24.4%



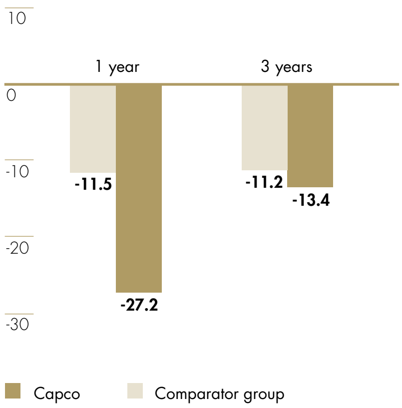
Measures gains and losses on portfolio valuation including disposals, and rents received less associated costs, including ground rent. Benchmarked against the MSCI Total Return All Property Index.

During 2020, the Group generated TPR of -24.4 per cent, underperforming its benchmark of -1.0 per cent by 23.4 per cent. (Target: 1.5 per cent per annum outperformance.)

R

TOTAL RETURN

-27.2%



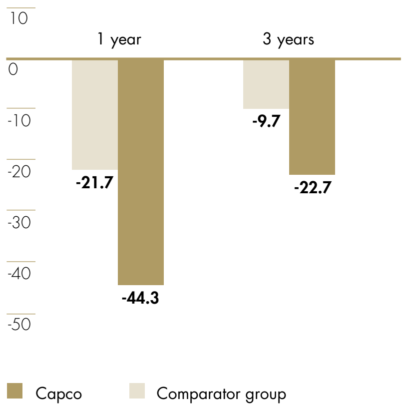
Measures growth in EPRA NTA per share plus dividends per share paid during the year. Benchmarked against a bespoke group of peer companies.

The Group generated total return of -13.4 per cent per annum on a rolling three-year basis, underperforming the comparator group by 2.2 per cent.

R

TOTAL SHAREHOLDER RETURN

-44.3%



Measures shareholder value creation (share price movement plus dividend per share paid during the year). Benchmarked against a bespoke group of peer companies.

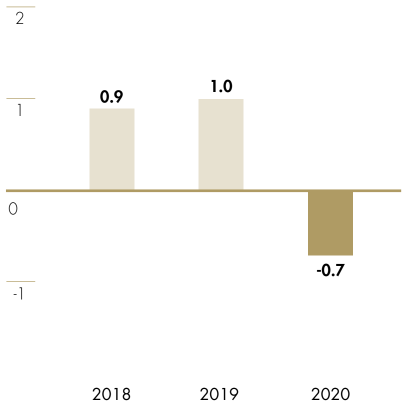
The Group generated total shareholder return of -22.7 per cent per annum on a rolling three-year basis, underperforming the comparator group by 13.0 per cent.

OTHER MEASURES

We also measure performance against a range of other financial and non-financial measures including health and safety record, HR statistics and environmental targets, and are proud to have received the following environmental accreditations:

UNDERLYING EARNINGS PER SHARE

-0.7p

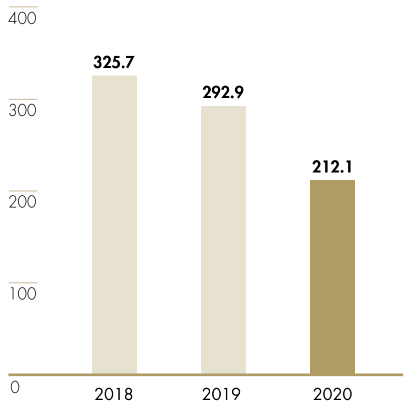


Measures income generation and cost control.

During 2020, the Group generated underlying EPS of -0.7 pence.

NET TANGIBLE ASSETS PER SHARE

212.1p

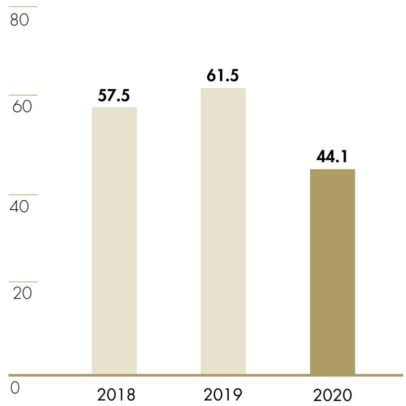


Measures the net asset value attributable to each share in the Company.

NTA per share as at 31 December 2020 was 212.1 pence, a decrease of 27.6 per cent from 31 December 2019.

UNDERLYING NET RENTAL INCOME (COVENT GARDEN)

£44.1m



Measures gross rental income less property, service charge and bad debt expenses.

Underlying NRI for 2020, excluding the impact of impairment of tenant lease incentives and lease modification costs, was £44.1 million, a 28.3 per cent decrease or 29.8 per cent decrease on a like-for-like basis. Covent Garden NRI for 2020 was £16.3 million, a decrease of 73.5 per cent from 31 December 2019. See note 2 'Segmental Reporting' for reconciliation to IFRS NRI.

R *A performance measure under Executive Directors' short-term or long-term incentive arrangements. Read more, including basis of calculation, in the Directors' Remuneration Report from page 90.*

Read more within our Responsibility reporting from page 58.

EFFECTIVE RISK MANAGEMENT

Through risk management and internal control systems the Group is able to identify, assess and prioritise risks within the business and seeks to minimise, control and monitor their impact on profitability whilst maximising the opportunities they present.

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

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

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

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

RISK MANAGEMENT STRUCTURE

BOARD

Overall responsibility for risk framework and internal control	Determines its risk appetite	Ongoing review of control effectiveness

AUDIT COMMITTEE

Monitors internal control framework

EXECUTIVE RISK COMMITTEE

Executive level management forum for the review and discussion of risks, controls and mitigation measures

Reports to Board on its work and conclusions

SENIOR MANAGEMENT TEAM

Identifies and manages risks

Compiles Group risk register

Implements mitigation measures

Reports to Executive Risk Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EMERGING RISKS

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

STRATEGIC PRIORITIES AND RISK

RISKS

Corporate
See page 26.

Property
See page 30.

OUR GROUP STRATEGY

All of the principal risks and uncertainties have been mapped to the most relevant strategic priority

1 Customer at the heart of the business

2 Creative asset management

3 Strategic investment and capital allocation

4 Strategic partnerships

5 Responsible stewardship

6 Strong capital structure

Underpinned by

Dynamic Culture | Effective Governance | Environment, Sustainability and Community

KEY Increase Stable Decrease

CORPORATE

Risk		Impact on strategy	Mitigation
ECONOMIC CONDITIONS Decline in real estate valuations due to macro-economic conditions Decline in fair value of listed investments held Relative attractiveness of other asset classes or locations Inability of the Group to adopt the appropriate strategy or to react to changing market conditions or changing consumer behaviour	2 3 4 5	Reduced return on investment and development property Reduced return on listed investments Higher finance costs Reduced profitability	Focus on prime assets Regular assessment of investment market conditions including bi-annual external valuations Regular strategic reviews Strategic focus on creating retail-led destinations and residential districts with unique attributes
FUNDING Lack of availability or increased cost of debt or equity funding	2 3 4 6	Reduced financial and operational flexibility Increased cost of borrowing Delay to development works Constrained growth, lost opportunities	Maintain appropriate liquidity to cover commitments Target longer and staggered debt maturities, and diversified sources of funding Consideration of early refinancing Covenant headroom monitored and stress tested Derivative contracts to provide interest rate protection Development phasing to enable flexibility and reduce financial exposure
POLITICAL CLIMATE Uncertain political climate or changes to legislation and policies Disruption from completing the transition period of leaving the EU could result in an adverse impact on business and consumer confidence, increase material costs and reduce labour supply	3 5	Inability to deliver business plan Reduced rental income and/or capital values as customers could suffer staff shortages, increased import prices, longer lead times and lower availability of stock	Monitoring proposals and emerging policy and legislation Engagement with key stakeholders and politicians Diversified occupiers with limited exposure to any one customer
CATASTROPHIC EXTERNAL EVENT Such as a terrorist attack, health pandemic or cyber security crime	2 5	Diminishing London's status Heightened by concentration of investments Reduced rental income and/or capital values Business disruption or damage to property Reputational damage	Terrorist insurance On-site security Health and safety policies and procedures Close liaison with police, National Counter Terrorism Security Office (NaCTSO) and local authorities Regular training

COVID-19 impact	Measures to mitigate	Change in 2020
COVID-19 has resulted in high levels of macro-economic and market uncertainty and volatility. This uncertainty combined with a significant reduction in footfall due to government action has led to a reduction in rental income and property valuations. Restrictions on international and local travel, have had a significant impact on footfall and business activity on the estate, leading to customer liquidity issues. The Group focuses on prime assets in the West End of London primarily in the retail and hospitality sector. Due to travel restrictions and changing consumer behaviour the geographical and asset class concentration risk of asset valuation and rents has been increased. The increased risk of an economic downturn as a result of COVID-19 could further impact demand for space, and result in changes to lease structures, and therefore the valuation of our assets and rental income.	We remain in regular dialogue with our customers to understand their financial position and provide support where needed. Rental support has been provided to retail and hospitality customers experiencing cash flow pressures, with rental agreements being adjusted on a case-by-case basis to include deferrals and turnover-linked arrangements where appropriate. The Group remains in regular dialogue with local authorities to understand future plans and work constructively to position the estate in the best possible manner to benefit from a recovery and prosper over the medium term including implementing al fresco dining where appropriate. The Group has had a long-term focus on maintaining a strong balance sheet, with sufficient liquidity, and continues to do so to ensure it is able to withstand market volatility and take advantage of opportunities. This has been supported by an additional £400 million of financing raised in the year from different sources and related to the Shaftesbury investment via exchangeable bonds and a secured loan. Limited business interruption insurance is held by the Group and is currently being assessed for applicability to the COVID-19 impacts up to a maximum of £10 million. Extensive forecasting, stress testing and modelling of various scenarios has been undertaken, including sensitivities arising from the COVID-19 pandemic to help plan for future impacts on the business.	↑
Reduction in net rental income and property valuation as well as increased finance costs as a result of COVID-19 has increased the risk of the Group having limited headroom against or not meeting its financial covenants.	Funding, debt and treasury metrics are monitored on a continual basis with a focus on preserving liquidity and capital. Extensive forecasting, stress testing and modelling of various scenarios has been undertaken, including sensitivities arising from the COVID-19 pandemic to help monitor any impact on debt covenants. Due to the impact of COVID-19 on the Group's net rental income, the Covent Garden interest cover covenant has not been met for the year ended 31 December 2020, however waivers have been agreed with the lenders. Due to the continued anticipated impact of the pandemic during the course of 2021 waivers are in place for the interest cover covenant for the period up to and including 31 December 2021. In determining the potential impact of COVID-19, the Group has assessed a "severe but plausible" downside scenario which takes into account current and potential further UK government restrictions in response to the pandemic. Details of this analysis are set out in note 1 to the accounts and the financial statements have been prepared on a going concern basis. £400 million of capital has been raised in the year related to the Shaftesbury investment via exchangeable bonds and a secured loan to further diversify sources of funding.	↑
The economic and political uncertainty around legislation and policy changes has been heightened due to the global impact of COVID-19 with potential long-term impacts. In addition Brexit remains a risk with disruption likely.	As part of our annual budgeting and forecasting process we have considered the impact of changes to legislation and policies from COVID-19 and Brexit and continue to monitor this in light of the current situation.	↑
The COVID-19 pandemic is a global crisis which has brought about unprecedented challenges and disruptions to our customers and visitor numbers in the near-term.	The Group's priority throughout the pandemic has been the health and safety of the Group's people, customers and visitors. Additional cleaning and security measures have been implemented and deployed across the Group's estate and offices and other initiatives have been pursued including pedestrianisation to enable social distancing. With all employees working from home, a review of cyber security has been performed to ensure appropriate controls are in place and ensure all employees remain vigilant to potential risks.	↑

KEY Increase Stable Decrease

CORPORATE CONTINUED

Risk		Impact on strategy	Mitigation
PEOPLE Inability to retain and recruit the right people and develop leadership skills within the business	1 2 4	Inability to execute strategy and business plan Constrained growth, lost opportunities	Succession planning, performance evaluations, training and development Long-term and competitive incentive rewards
HEALTH AND SAFETY Accidents causing loss of life or very serious injury to employees, contractors, occupiers and visitors to the Group's properties	1 2 3 5	Prosecution for non-compliance with legislation Litigation or fines Reputational damage Distraction of management	Health and safety procedures across the Group Appointment of reputable contractors External consultants undertake annual audits in all locations Adequate insurance held to cover the risks inherent in construction projects
COMPLIANCE WITH LAW, REGULATIONS AND CONTRACTS Breach of legislation, regulation or contract Inability to monitor or anticipate legal or regulatory changes Exit from REIT regime due to non-compliance with REIT requirements	3 4 5	Prosecution for non-compliance with legislation Litigation or fines Reputational damage Distraction of management	Appointment of external advisers to monitor changes in law or regulation Members of staff attend external briefings to remain cognisant of legislative and regulatory changes

COVID-19 impact	Measures to mitigate	Change in 2020
In response to COVID-19, all employees have been working from home to a large extent since March 2020. This has presented certain working-level, management and infrastructure challenges. There remains a risk of mass illness across employees, management or service providers which would disrupt the day-to-day activities of the Group's business and running of the estate.	Risk assessments were performed for all employees to ensure they are well equipped and able to work from home effectively. Government guidance has been followed with regular contact with staff to ensure well-being. Revised team communication strategies have been implemented to ensure managers can adequately supervise and support employees working from home. The Group's offices have been made COVID-secure in readiness for a return to normal working practices. Government guidelines will be followed as employees return to normal working practices including rotas to enable physical distancing. Business continuity plans for both employees and service providers, including introduction of external resources if required, and other policies have been reviewed together with HR policies, technology and communication where appropriate. Recruiting and on-boarding policies have been adjusted where necessary to ensure that the business is able to continue to attract, develop and retain the best possible resources. We continue to carefully monitor employees' mental and physical well-being and the health and safety of our employees and service providers remains a top priority. Risk assessments for returning to the office have been undertaken with all employees.	⊖
The COVID-19 pandemic has resulted in the closure of all non-essential retail and F&B premises and required staff to work from home. Health and safety risks have impacted all elements of our business.	We have worked closely with our customers to safely and securely close non-essential retail and F&B premises and will work with our customers to support reopening as required by government guidance. We have also ensured the health and safety of our residential customers through measures such as increased cleaning of communal areas and closure of certain facilities. As the lockdown restrictions are eased, and occupancy and footfall levels on the estate increase, efforts will be focused on ensuring that the estate is well-prepared for the safe return of customers and visitors. Health and safety protocols have been implemented across all of the Group's assets and offices. This includes signage and measures across the estate and throughout our offices to keep customers, visitors and employees aware and safe. Certain areas of the estate were pedestrianised to ensure safe social distancing can be maintained.	↑
Measures to respond to COVID-19 include the imposition of new legislation, regulations and requirements for our people, customers and visitors, which have an impact on matters such as recoverability of rents, health and safety and other matters. Reduced rental income as a result of COVID-19 has made it more challenging for the Group to meet the REIT requirements, without some dispensation from HMRC.	The COVID-19 steering group, plus additional groups set up to monitor and manage the impact of COVID-19 on the business, has been meeting regularly to review emerging legislation and requirements and regularly communicated these to the business and employees, ensuring timely implementation. Formal protocols have been put in place and communicated across the various stakeholder groups to ensure everyone is aware of the new legislation and requirements. We remain in close communication with HMRC regarding our REIT status, the Group's ability to comply with the requirements and the approach which HMRC will take in relation to a breach of the REIT conditions resulting from COVID-19.	↑

KEY Increase Stable Decrease

CORPORATE CONTINUED

Risk		Impact on strategy	Mitigation
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	2 5	Reduced capital values or business disruption, reduced income through disruption Increased operating costs to meet reporting and target metrics and compliance. Increased capital costs of retrofitting, or inability to resolve listed building or planning challenges leads to buildings becoming carbon stranded Reduced income through lower rents and longer void periods due to reduced customer demand	Board and management ESC Committees established to manage climate-related risks and opportunities with appointment of Director Sustainability and Technology Net Zero Carbon commitment for 2030 and full asset by asset review to be completed in 2021 as part of Net Zero Carbon pathway. Continued engagement with planning stakeholders to preserve heritage buildings, while enhancing environmental performance Pro-active customer and consumer engagement programme and setting of appropriate climate-related targets on both development and operations

PROPERTY

Risk		Impact on strategy	Mitigation
LEASING AND ASSET MANAGEMENT Inability to achieve target rents or to attract target customer due to market conditions Competition from other locations/formats	1 2 3	Decline in customer demand for the Group's properties Reduced income and increased vacancy Reduced return on investment and development property	Quality customer mix Strategic focus on creating mixed-use destinations with unique attributes
PLANNING AND DEVELOPMENT Unfavourable planning policy, legislation or action impacting on the ability to secure planning approvals or consents Decline in returns from development due to market conditions or increased construction costs or delays	2 3	Impact on land valuations and realisation Lower development returns due to lower sales proceeds, higher costs or delay	Engagement with local and national authorities Pre-application and consultation with key stakeholders and landowners Engagement with local community bodies Focus on prime assets Regular assessment of market conditions and development strategy Business strategy based on long-term returns Professional teams in place to manage costs and deliver programme

COVID-19 impact	Measures to mitigate	Change in 2020
Reduced ability to access the estate to implement planned carbon reduction measures. Reduced customer engagement on environmental matters due to focus on their own COVID-19 related business challenges.	Long-term planning and mobilisation of asset by asset carbon mitigation strategy and continued implementation of appropriate measures where still on site. A bespoke approach to COVID-19 support has been undertaken by the Group with its customers, which will encourage climate-related engagement following lifting of current restrictions.	⊖
The majority of retail and F&B customers were closed for business or operated on a very restricted basis between March and June 2020, and subsequently through tiered restrictions and subsequent lockdown periods which have continued into 2021. This has had a significant impact on leasing activity, rent collection and resulted in some customers going into administration leading to additional voids on the estate. Evolving lease structures may also have an impact on underlying property valuations and rental income. COVID-19 has affected suppliers and their business activities, which could lead to delays or inability to provide some services.	As a long-term investor in the estate, the Group took early action to ensure the safety and security of Covent Garden whilst also providing support on a case-by-case basis to customers experiencing cash flow challenges as a result of COVID-19. Bespoke solutions have been agreed which include rent deferrals, rent-free periods and other arrangements reflecting the financial position of each customer. For certain customers which are experiencing short-term cash flow issues, rental agreements have been linked to turnover for certain periods in exchange for other provisions such as lease extensions. We have a focused reopening strategy in place and through active asset management our main objective is to assist our customers to return as the lockdown measures continue to ease, ensuring the business is well-positioned to benefit from a recovery and prosper over time. We continuously engage with our suppliers to understand their ability to meet our demands during this challenging time.	↑
Given the broad implications and evolving nature of the pandemic and its economic implications, there is an increased risk of misalignment of objectives with stakeholders and business partners. Delays in development due to government restrictions on how building contracts operate on-site during COVID-19. Changes to planning regulations with the amendment to The Town and Country Planning Regulations 2020, from September 2020 allowing for flexibility in change in use of commercial units. Higher than anticipated reductions in sales prices as a result of the pandemic might deliver lower returns on units not yet completed.	The Group maintains strong relationships and regular, open and constructive dialogue with stakeholders. Work at Lillie Square halted for a short period in line with government guidelines during 2020. Once operations recommenced social distancing procedures were followed and monitored to ensure the completion of Phase 2. Subsequently 94 units have been handed over successfully. Future handovers will be closely monitored in line with government guidelines. We continue to consider different market scenarios in light of evolving market circumstances.	↑

VIABILITY STATEMENT

The Directors have considered the prospects of the Group over the three-year period to December 2023. With continued uncertainties resulting from COVID-19, the Directors have determined that this remains an appropriate period over which to provide the viability statement as it is the period covered by the latest business plan which takes into account the Group's current position, group financial forecasts and the potential impact of the principal risks set out on pages 26-31, including the impact of COVID-19.

In making the assessment, the Directors have taken account of the Group's resilient financial position, access to substantial liquidity, the Group's ability to raise new finance, and the low level of capital commitments together with the flexibility of future expenditure. Actions taken in 2020, including the issuance of £275 million of exchangeable bonds and a £125 million secured loan, have enhanced financial flexibility and liquidity. The Company has a strong balance sheet with net debt to gross assets of 28 per cent and access to substantial cash and undrawn facilities, amounting to £1 billion as at 31 December 2020. The Covent Garden net debt position is £352 million and there is substantial headroom against the Covent Garden loan to value covenant with a loan to value ratio of 19 per cent. The business plan considers the Group's cash flow, capital commitments, financial resources, debt covenants and other key financial risks.

The Board remains confident in the long-term fundamentals of its prime central London focused investments. The COVID-19 vaccination programme continues to be implemented in the UK, however there remains significant uncertainty over the timing and pace of recovery in central London footfall and spending, particularly as it relates to international travel.

Challenging occupier and investment market conditions have had a negative impact on property valuations and rental values with pressure on rent collection, recoverability of receivables and tenant failures. The key assumptions for the viability scenario are set out below. These assumptions were also subjected to an extreme downside sensitivity analysis, assessing the Group's earnings, liquidity and debt covenant compliance.

The Directors' conservative scenario for the purposes of viability analysis assumes that Government restrictions are eased over 2021 and a recovery in footfall and spending follows, weighted towards the second half of the viability assessment period. The scenario is based on a number of specific assumptions, including:

- A gradual recovery in business and consumer sentiment, including the implementation over time of easing measures in relation to COVID-19
- Footfall and sales recover on a gradual basis from the second half of 2021 onwards, returning to pre-COVID-19 levels in 2023
- Rent collection rates recover gradually in response to improving footfall and consumer confidence and spend
- Vacancy levels increase in 2021 reflecting continued lower levels of footfall, potential failures and macroeconomic uncertainty
- Increased levels of irrecoverable property and service charge costs are incurred
- Further declines in rental values occur over the viability assessment period, the impact of which is seen through lease breaks, expiries or default, along with widening of yields, resulting in reduced asset values and rental income
- Lease terms being more favourably weighted towards tenants, which may include increased tenant incentive packages, longer rent free periods and increased capital contributions, particularly for retail, hospitality and leisure space
- No material acquisitions and modest levels of capital expenditure
- Refinancing of the Covent Garden revolving credit facility in reduced size in advance of its maturity in December 2022

All of the Group's risks could have an impact on viability. The Directors consider the key principal risks that could impact the viability of the Group to be Economic conditions, Catastrophic external event, Funding and Leasing. Although climate change is considered by the Directors to be a principal risk, the increased costs as we transition to a more environmentally sustainable business are deemed unlikely to affect the viability of the Group within the three-year period. The Directors placed particular emphasis on those risks which could result in reduced income and asset values or a shortfall in liquidity. Sensitivity analysis was carried out which involved flexing a number of assumptions to consider alternative macroeconomic conditions and the impact of these principal risks both in isolation and combined.

The Group considered an extreme downside scenario with substantial declines in rental income and asset values.

- The projections represent a reduction in forecast net rental income (including impairment of tenant incentive balances and impact of lease modifications) of approximately 30 per cent on average across the three year period, with this reduction weighted towards the first half of the viability period, compared to 2019 pre-COVID-19 levels. It is anticipated there will be a gradual improvement in net rental income through the viability period
- A cumulative decline in property valuations of 50 per cent compared to the December 2019 valuation (of which 27 per cent is already reflected in the December 2020 valuation)

In addition, the Group has stress tested reduced availability of debt funding and counterparties not fulfilling certain contractual obligations. This analysis was carried out to evaluate the potential impact of certain principal risks materialising, in particular to stress test the Group's financing covenants. There is sufficient headroom within the Covent Garden loan to value ("LTV") covenant to withstand a significant reduction in the property valuation before a breach would occur. However, due to the anticipated impact of COVID-19 on reported net rental income, an interest cover covenant waiver has been agreed with the Covent Garden lenders in relation to the six months ending 30 June 2021 and 12 months ending 31 December 2021.

Given the current uncertainties created by COVID-19, the Group will monitor the interest cover position for the subsequent periods closely, and if required will take appropriate mitigating actions such as the reduction of certain discretionary rental expenses and finance costs. The relatively low absolute level of net debt within the Covent Garden group, £352 million at 31 December 2020, provides some comfort as to the ability to manage the capital structure of the Covent Garden group effectively.

Based on stress testing analysis and before taking account of any mitigating actions, the Group could withstand a further 68 per cent decline in property valuations from 31 December 2020, before a breach of the LTV covenant.

Noting there are interest cover covenant waivers in place for the first twelve months of the viability assessment period, under the extreme downside scenario where income is projected to be significantly lower than pre-COVID-19 levels there is substantial headroom against the interest cover covenant. In the event that certain mitigating actions are taken by management, the Group could sustain a decline where net rental income would represent less than 50 per cent of 2019 pre-COVID-19 levels. These actions comprise steps within management's control including the reduction of non-essential rental expenses and finance costs. The Group could also consider other initiatives which may include the selective monetisation of assets where appropriate, as demonstrated by the sale in 2020 of the Wellington block for £76.5 million.

Based on this assessment, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and meet their liabilities as they fall due over the period to December 2023. In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, the risk appetite, the principal risks facing the business and the effectiveness of any mitigating actions.

GOING CONCERN

The Company has a strong balance sheet with net debt to gross assets of 28 per cent and access to cash and undrawn facilities of £1 billion as at 31 December 2020. Due to the impact on reported net rental income of COVID-19, the Covent Garden interest cover covenant has not been met for the year ended 31 December 2020, however a waiver is in place with the lenders in relation to this period and due to the ongoing impact of the pandemic waivers have been agreed to 31 December 2021. In addition, the Company has analysed a severe but plausible downside forecast as part of its going concern assessment as detailed in note 1 'Principal Accounting Policies'. Based on this assessment, the going concern basis of accounting has been adopted in preparing the 2020 Annual Report & Accounts.

COVENT GARDEN

A leading global retail and dining destination

Through creative asset management and investment, Covent Garden has been transformed into a world-class destination in the heart of London's West End, well-positioned for long-term growth.

COVENT GARDEN INDEPENDENT VALUATION

£1,825 million

PERCENTAGE OF PORTFOLIO VALUE

RETAIL
50%

FOOD & BEVERAGE
21%

OFFICE
15%

RESIDENTIAL
10%

LEISURE
4%


THE ARTISAN BEAUTY COMPANY

COVENT GARDEN

SUMMARY

- Total property value of £1.8 billion, a decrease of 27.3 per cent (like-for-like) (2019: £2.6 billion)
- Net rental income down 29.8 per cent (like-for-like) and 73.5 per cent (absolute terms) to £16.3 million (2019: £61.5 million)
- 65 new leases and renewals transacted, representing £6.2 million of contracted income
- ERV decrease by 22.2 per cent (like-for-like) to £81 million (2019: £108 million)
- Sale of the Wellington block for £76.5 million

STRATEGY

- Drive rental growth and capture value appreciation
- Creative asset management across the portfolio
- Investment to drive expansion and change
- Attract the best brands and concepts to meet evolving consumer demand
- Emphasis on customer engagement to provide differentiated experiences
- Responsible stewardship of the estate – minimise environmental impact and generate benefit to stakeholders
- Disciplined capital management – maintain a strong financial position

Michelle McGrath, Executive Director

A WORLD-CLASS DESTINATION

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

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

SUPPORTING THE REOPENING OF RETAIL AND HOSPITALITY CUSTOMERS

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

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

As a long-term investor in the estate, Capco has provided support on a case-by-case basis to customers experiencing cash flow challenges as a result of COVID-19. Bespoke solutions have been agreed which include rent deferrals, rent-free periods and other arrangements reflecting the position of each customer. For certain customers, rental agreements were linked to turnover for the second half of the year in exchange for other provisions including lease extensions and greater landlord flexibility.

Against a backdrop of significant market uncertainty and challenging trading conditions, Capco continues to provide support to customers where appropriate. Capco continues to maintain regular engagement with its customers, offering assistance to provide confidence to our customers to resume trading as restrictions are eased.

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

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

PERFORMANCE

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

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

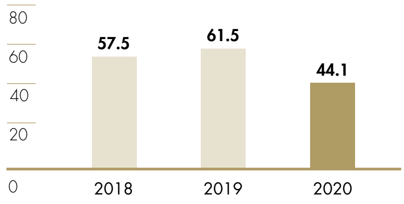
Underlying net rental income was £44.1 million for the year, down 30 per cent (like-for-like) compared to 2019. During this challenging period a small number of tenants have entered into administration, representing £4 million of passing rent.

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

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

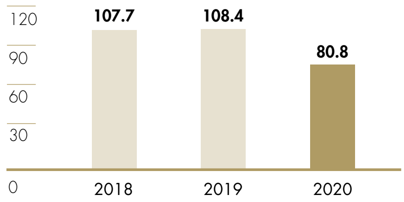
UNDERLYING NET RENTAL INCOME (COVENT GARDEN)

£44.1m



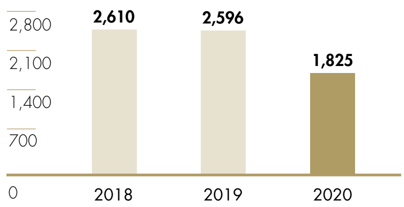
ESTIMATED RENTAL VALUE

£80.8m



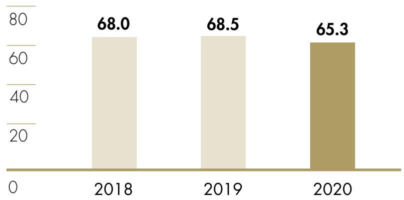
CAPITAL VALUE

£1.8bn



GROSS INCOME[1]

£65.3m



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

1 American Vintage

Influenced by the founder's extensive travels throughout the United States, American Vintage opens on Floral Street

2 GANNI

Danish Brand GANNI opens flagship store on Floral Street

3 Darjeeling Express

Asma Khan's acclaimed Indian restaurant Darjeeling Express opens a new fine dining and all-day deli concept

4 Fiona Fleur

Floral design company Fiona Fleur opens pop-up on Floral Street

5 Shavata Singh London

Lash and brow specialist Shavata Singh London opens pop-up on Floral Street

6 Peloton

Peloton's first flagship studio outside the US will open on Floral Street later this year

7 Arc'teryx

Canadian outerwear brand to open on Long Acre

8 Tiffany & Co.

Luxury jeweller Tiffany & Co. agrees to extend the lease on its James Street store

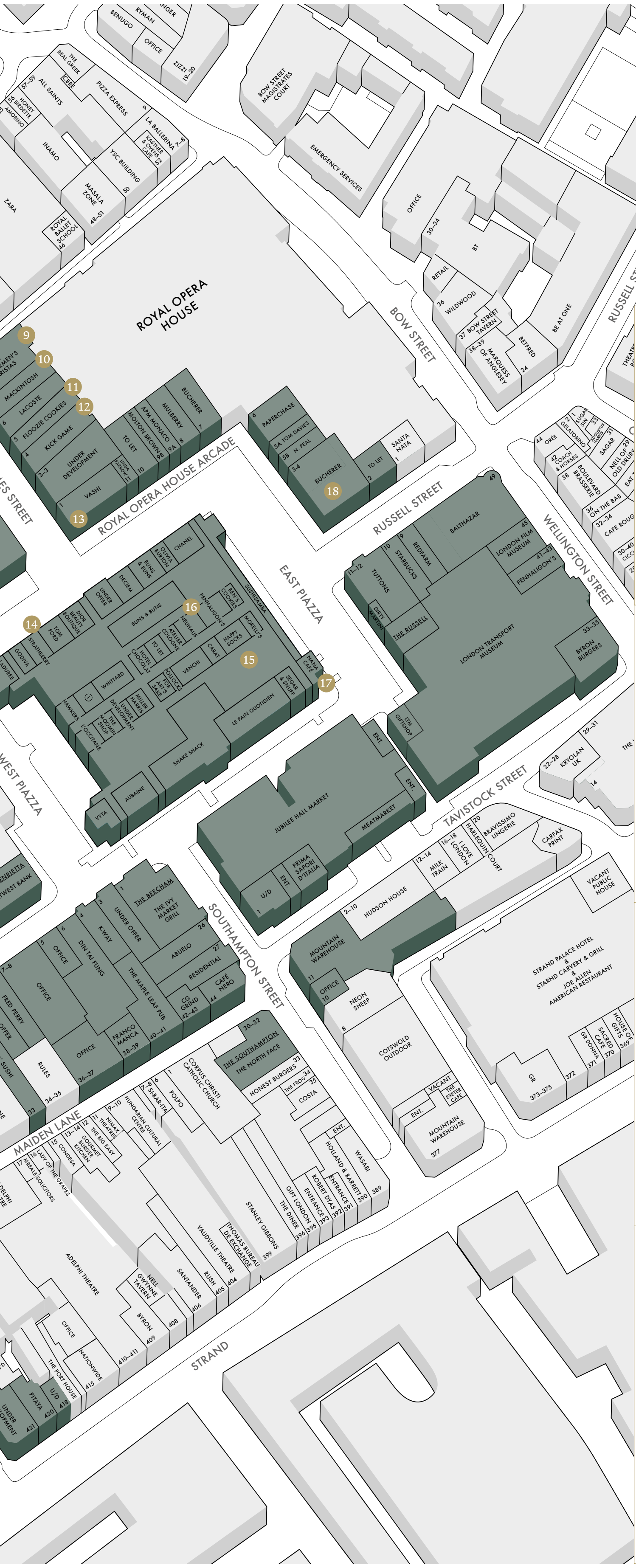
9 The Gentlemen Baristas

All-day dining and coffee concept opens pop-up on James Street

10 Mackintosh

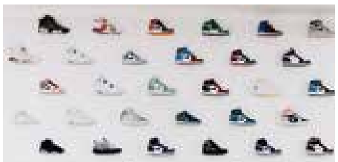
Traditional British coatmakers Mackintosh open a pop-up store on James Street

Capco-owned as at 31 December 2020



11 Floozie Cookie

Vegan cookie brand Floozie Cookie launches a pop-up on James Street



12 Kick Game

Europe's premier sneaker and streetwear store Kick Game opens on James Street

13 Vashi

Bespoke fine jewellery brand Vashi to open its new flagship store on James Street

14 Strathberry

Luxury accessories brand Strathberry to open in the Market Building later this year

15 Bubblewrap

Waffle concept Bubblewrap opens in the Market Building

16 Neuhaus

Luxury Belgian chocolatier Neuhaus opens a new store in the Market Building

17 NaNa Café

French-Lebanese inspired cuisine opens in the Market Building

18 Bucherer

Luxury watch retailer's upsized new store to open later this year within the Royal Opera House Arcade

19 Big Mamma

Italian all-day dining concept Big Mamma is due to open its Henrietta Street restaurant later this year

RETAIL

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

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

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

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

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

American Vintage, Floral Street

Al fresco dining, Henrietta Street

DINING

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

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

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

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

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

King Street

OFFICE

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

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

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

RESIDENTIAL

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

INVESTMENT ACTIVITY

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

Covent Garden residential

'Love Hope & Joy' an art installation by Anthony Burrill

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

CONSUMER ENGAGEMENT AND POSITIONING A WORLD-CLASS ESTATE

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

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

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

Covent Garden Cool Down 'ice cream festival'

60 ft Christmas tree

Rainbow Installation

Covent Garden Instagram

Snowfall on the Piazza

Cinema on the Piazza

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

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

SUSTAINABILITY, ENVIRONMENT AND STAKEHOLDER ENGAGEMENT

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

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

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

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

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

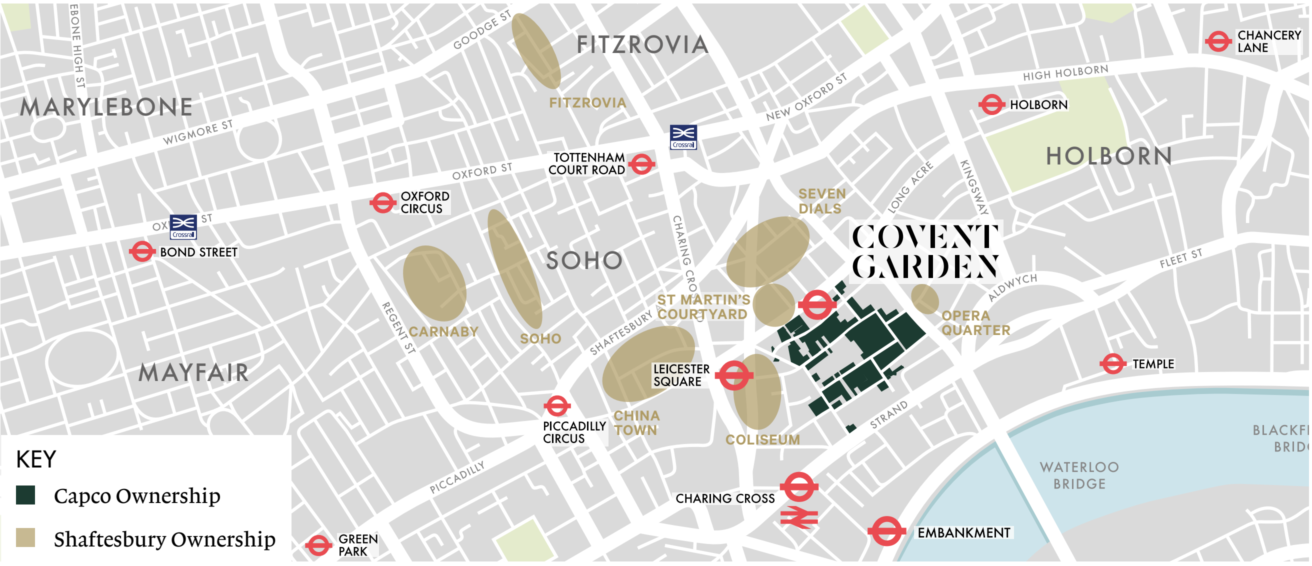
FUTURE PRIORITIES

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

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

Digme x Covent Garden

OTHER INVESTMENTS



The landowners' map is indicative

Capco holds a 25.2 per cent interest in Shaftesbury PLC

OWNERSHIP OF 25.2% SHAFTESBURY PLC SHARES

In May 2020, Capco agreed to acquire a significant shareholding in Shaftesbury across two tranches for total consideration of £436 million, at a price of 540 pence per Shaftesbury share. The investment comprised the acquisition of 64.4 million shares for £347.7 million in cash, representing 20.94 per cent of Shaftesbury's shares, which completed on 3 June 2020 (the "First Tranche") and the acquisition of a subsequent tranche of approximately 16.3 million shares for £88.2 million in cash, representing 5.31 per cent of Shaftesbury's shares (the "Second Tranche").

Capco published a shareholder circular on 21 July 2020 in respect of the acquisition of the Second Tranche, which, when aggregated with the First Tranche, constituted a Class 1 transaction for the purposes of the Listing Rules and was therefore conditional on approval by shareholders at the General Meeting. Shareholder approval was granted on 10 August 2020.

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

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

EARLS COURT DEFERRED PROCEEDS

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

LILLIE SQUARE

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

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

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

STRONG FINANCIAL POSITION

> Near-term performance has been impacted significantly by the pandemic, however the Company's financial resilience and flexibility position it strongly for recovery and long-term value creation.
>
> SITUL JOBANPUTRA, CHIEF FINANCIAL OFFICER

2020 FINANCIAL RESULTS

Net rental income	£16m
Loss for the year from continuing operations	-£704m
Underlying net rental income	£44m[1]
Underlying earnings	-£6m[1]
Total property value	£1.9bn[1]
Net assets	£1.8bn[1]
EPRA NTA per share	212p
Net debt to gross assets	28%[1]
Cash and undrawn facilities	£1,010m[1]
Total return	-27.2%
Total shareholder return	-44.3%

1. Group share.

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

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

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

RENTAL INCOME

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

- In relation to rent deferrals, the rental income is recognised as normal with the deferred rent receivable balance remaining in trade receivables until settled. The balance is assessed for impairment at each balance sheet reporting date.
- Rent-free periods provided during a lease term are generally considered to constitute a lease modification under IFRS 16 with the rental income recalculated based on the revised consideration over the remaining lease term, in line with current accounting practice for tenant lease incentives. The

balance will be assessed for impairment at each reporting date. On entering into a lease modification any initial direct costs associated with the lease, including surrender premia previously paid to outgoing customers, are derecognised and charged against income.

- Turnover-linked rents are recorded in the period in which they are earned.

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

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

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

BALANCE SHEET

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

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

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

During the year, £400 million of capital was raised through the issuance of exchangeable bonds and a secured loan, both having reference to the investment in Shaftesbury. The £275 million of exchangeable bonds, exchangeable for shares of Shaftesbury or cash at the Company's election, carry a cash coupon of two per cent per annum and are redeemable at par in March 2026. The exchangeable bonds benefit from a pledge over approximately 10.0 per cent of shares in Shaftesbury. The £125 million secured loan has a maturity of three years, is secured against shares in Shaftesbury and is at an interest rate broadly in line with the Group's weighted average cost of debt.

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

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

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

BASIS OF PREPARATION

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

The Group uses Alternative Performance Measures ("APMs"), financial measures which are not specified under IFRS, to monitor the performance of the business. These include a number of the financial highlights shown on page 3. Many of the APMs included are based on the EPRA Best Practice Recommendations reporting framework, which aims to improve the transparency, comparability and relevance of published results of public real estate companies in Europe. With effect from 1 January 2020, EPRA net asset value ("EPRA NAV") and EPRA triple net asset value ("EPRA NNNAV") have been replaced by three new net asset valuation metrics, being EPRA Net Reinstatement Value ("EPRA NRV"), EPRA Net Tangible Assets ("EPRA NTA") and EPRA Net Disposal Value ("EPRA NDV"). EPRA NTA is considered to be the most relevant measure for the Group's operating activity and is the primary measure of net asset value, replacing the metric EPRA NAV previously reported. These measures have been adopted with the comparator year shown in EPRA measures within Other Information on page 176.

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

A summary of EPRA performance measures and key Group measures included within these financial statements is shown in EPRA measures within Other Information. Internally the Board focuses on and reviews information and reports prepared on a Group share basis, which includes the Group's share of joint ventures, as this represents the economic value attributable to the Company's shareholders. In order to align with the way the Group is managed, this financial review presents the financial position, performance and cash flow analysis on a Group share basis.

DISCONTINUED OPERATION

On 29 November 2019, the Group completed the sale of its interests in Earls Court, excluding Lillie Square, to APG and Delancey (on behalf of its client fund) for £425 million. As Earls Court Properties represented a major line of business, its results and cash flows have been reported in the comparator period 1 January 2019 to 29 November 2019 as having arisen from a discontinued operation. Further information on the disposal of the Earls Court Properties business is set out in note 11 'Discontinued Operation'.

FINANCIAL PERFORMANCE

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

SUMMARY INCOME STATEMENT

	2020			2019		
Continuing operations	**Group share £m**	**Joint ventures[1] £m**	**IFRS £m**	Group share £m	Joint ventures[1] £m	IFRS £m
Net rental income[2]	**15.8**	**0.1**	**15.9**	61.2	(0.1)	61.1
Loss on revaluation and sale of investment and development property	**(693.3)**	**0.2**	**(693.1)**	(43.3)	–	(43.3)
Change in fair value of listed equity investment	**50.9**	**–**	**50.9**	–	–	–
Administration expenses[3]	**(31.5)**	**0.5**	**(31.0)**	(42.6)	(0.8)	(43.4)
Net finance costs	**(23.8)**	**0.2**	**(23.6)**	(20.9)	0.2	(20.7)
Taxation	**1.0**	**–**	**1.0**	(1.0)	–	(1.0)
Other[4]	**1.1**	**(24.9)**	**(23.8)**	(18.3)	3.3	(15.0)
Loss for the year attributable to owners of the Parent from continuing operations	**(679.8)**	**(23.9)**	**(703.7)**	(64.9)	2.6	(62.3)
Adjustments[5]:						
Net rental income – non-underlying			**27.8**			–
Loss on revaluation and sale of investment and development property			**693.1**			43.3
Change in fair value of listed equity investment			**(50.9)**			–
Administration expenses – non-underlying			**6.5**			9.7
Other			**22.5**			16.6
Taxation on non-underlying items			**(1.5)**			2.2
Underlying (loss)/earnings from continuing operations			**(6.2)**			9.5
Underlying loss from discontinued operations			**–**			(0.5)
Underlying (loss)/earnings			**(6.2)**			9.0
Underlying (loss)/earnings per share (pence):						
From continuing operations			**(0.7)**			1.1
From discontinued operation			**–**			(0.1)
Underlying (loss)/earnings per share (pence)			**(0.7)**			1.0
Weighted average number of shares			**852.0m**			855.5m

1. Lillie Square and Innova Investment.
2. Net rental income includes £27.8 million (2019: nil) of non-underlying costs in relation to lease modification and impairment of tenant incentives. Underlying net rental income, excluding these items, is £43.6 million (2019: £61.2 million).
3. Administration expenses includes £6.5 million (2019: £9.7 million) of non-underlying transaction related costs primarily related to the Shaftesbury investment which are non-recurring in nature. 2019 relate primarily to the proposed demerger.
4. Includes other costs/income, impairment of other receivables and other finance income.
5. Further details regarding the EPRA and Company specific adjustments are disclosed within note 13 'Earnings Per Share and Net Assets Per Share'.

NET RENTAL INCOME

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

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

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

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

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

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

LOSS ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

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

ADMINISTRATION EXPENSES

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

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

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

NET FINANCE COSTS

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

TAXATION

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

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

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

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

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

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

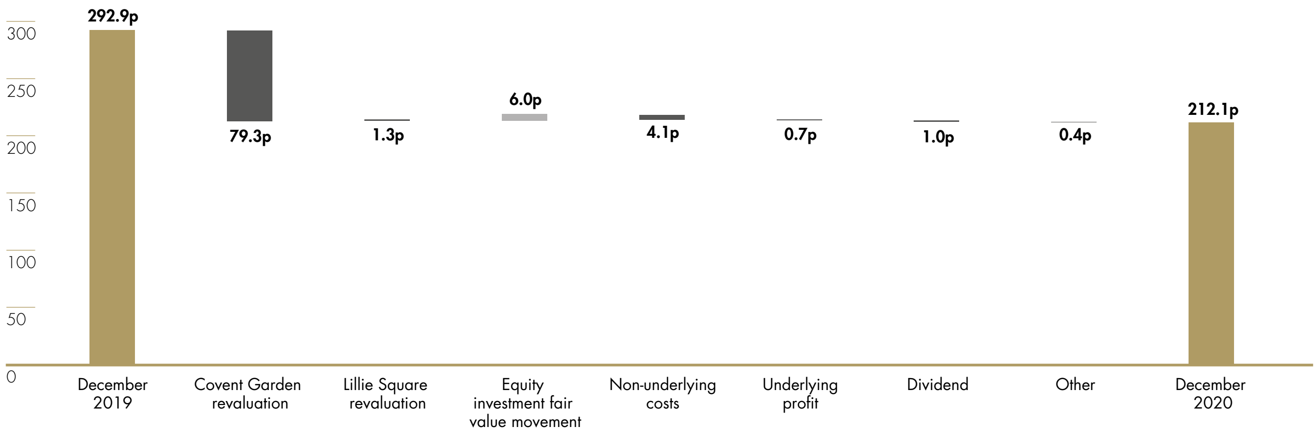
Whilst the Group is a REIT, it is subject to a number of taxes and certain sector specific charges in the same way as non-REIT companies. The Group is committed to paying its fair share of tax including liabilities arising from stamp duty land tax, employment taxes, irrecoverable VAT, and corporation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

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

DIVIDENDS

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

EPRA NET TANGIBLE ASSETS PER SHARE -27.6% TO 212.1 PENCE



FINANCIAL POSITION

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

SUMMARY ADJUSTED BALANCE SHEET

	2020			2019		
	Group share £m	**Joint ventures[1] £m**	**IFRS £m**	Group share £m	Joint ventures[1] £m	IFRS £m
Investment, development and trading property	**1,908.8**	**(113.0)**	**1,795.8**	2,706.8	(161.3)	2,545.5
Financial assets at fair value through profit and loss	**551.8**	**–**	**551.8**	–	–	–
Net debt	**(710.4)**	**(5.1)**	**(715.5)**	(411.8)	38.0	(403.8)
Other assets and liabilities[2]	**42.9**	**84.7**	**127.6**	222.1	113.7	335.8
Net assets attributable to owners of the Parent	**1,793.1**	**(33.4)**	**1,759.7**	2,487.1	(9.6)	2,477.5
Adjustments:						
Fair value of derivative financial instruments			**7.2**			3.6
Fair value adjustment of financial instrument – exchangeable bond option			**5.5**			–
Unrecognised surplus on trading property			**2.2**			15.9
Revaluation of other non-current assets			**33.4**			9.6
Deferred tax adjustments			**(2.2)**			(0.8)
EPRA net tangible assets			**1,805.8**			2,505.8
EPRA net tangible assets per share (pence)[3]			**212.1**			292.9

1. Primarily Lillie Square.
2. IFRS includes amounts receivable from joint ventures which eliminate on a Group share basis.
3. Adjusted, diluted number of shares in issue at 31 December 2020 was 851.5 million (2019: 855.5 million).

INVESTMENT, DEVELOPMENT AND TRADING PROPERTY

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

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

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

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

DEBT AND GEARING

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

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

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

1. Primarily Lillie Square.

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

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

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

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

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

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

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

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

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

1. Primarily Lillie Square.

CASH FLOW

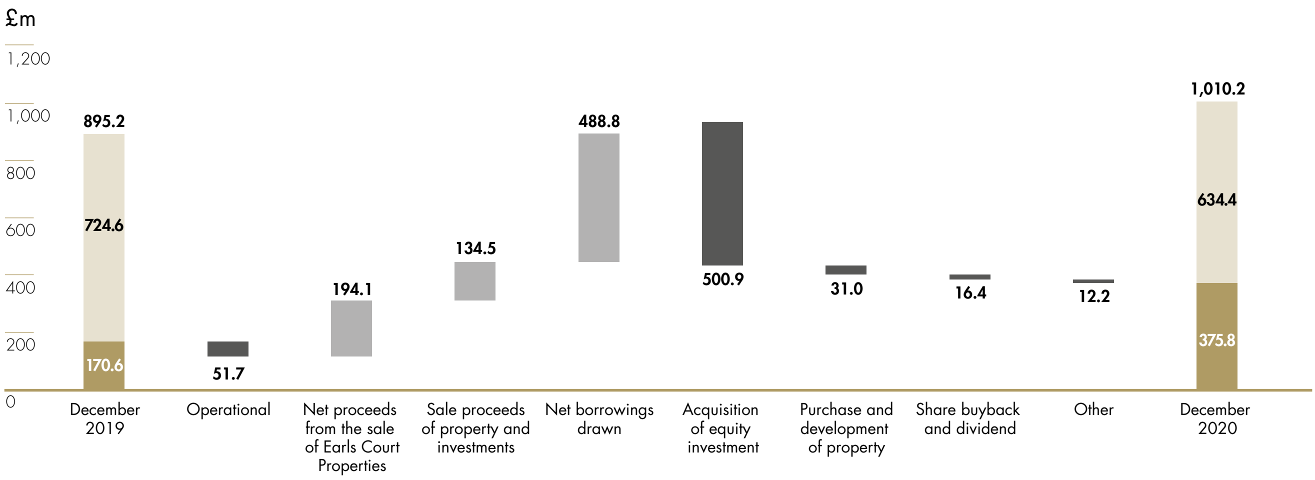
A summary of the Group's cash flow for the year ended 31 December 2020 is presented below:

SUMMARY CASH FLOW

	2020			2019		
	Group share £m	Joint ventures[1] £m	IFRS £m	Group share £m	Joint ventures[1] £m	IFRS £m
Operating cash flows after interest and tax from continuing activities	(51.7)	(3.1)	(54.8)	(1.4)	(5.4)	(6.8)
Purchase and development of property, plant and equipment	(31.0)	7.1	(23.9)	(126.5)	32.1	(94.4)
Transactions with joint venture partners	1.6	1.6	3.2	(0.8)	(0.7)	(1.5)
Net sales proceeds from discontinued operations	194.1	–	194.1	156.6	–	156.6
Net sales proceeds from property and investments	134.5	(57.5)	77.0	(0.1)	–	(0.1)
Equity investment acquisition	(500.9)	–	(500.9)	84.3	(4.7)	79.6
Net cash flow before financing	(253.4)	(51.9)	(305.3)	112.1	21.3	133.4
Financing	488.8	51.2	540.0	0.5	–	0.5
Share buyback	(11.8)	–	(11.8)	25.5	(25.5)	–
Dividends paid	(4.6)	–	(4.6)	(9.5)	–	(9.5)
Other	(6.3)	–	(6.3)	(1.8)	–	(1.8)
Net cash flow from continuing activities[2]	212.7	(0.7)	212.0	126.8	(4.2)	122.6
Net cash flow from discontinued operation	–	–	–	(2.0)	–	(2.0)
Net cash flow	212.7	(0.7)	212.0	124.8	(4.2)	120.6

1. Primarily Lillie Square.
2. Net cash flow is based on unrestricted cash and cash equivalents and therefore does not include the movement in Lillie Square deposits on a Group share basis of £7.5 million (2019: £4.1 million).

CASH AND UNDRAWN FACILITIES



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

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

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

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

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

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

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

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

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

GOING CONCERN

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

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

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

SITUL JOBANPUTRA
CHIEF FINANCIAL OFFICER

8 March 2021

DELIVERING POSITIVE ENVIRONMENTAL AND SOCIAL OUTCOMES

OUR ESC STRATEGY

This year Capco is proud to have launched our new Environment, Sustainability and Community ("ESC") strategy which sets out Capco's vision for the future, focusing on the themes of Environment & Sustainability and Community & People.

Activities are underpinned by a commitment to the highest standards of health and safety and ethical practices.

For more on health, safety and well-being, see pages 71 to 73.

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. This strategy is underpinned by four pillars which align with UN Sustainable Development Goals[1] ("SDGs") as shown below.

CLIMATE CHANGE

Commitment to Net Zero Carbon by 2030

Net Zero Carbon pathway to include three-year targets

Recognise whole life carbon of heritage buildings

For more on our climate change initiatives, see page 59.

AIR QUALITY

Pedestrianisation and greening

Internal air quality investment

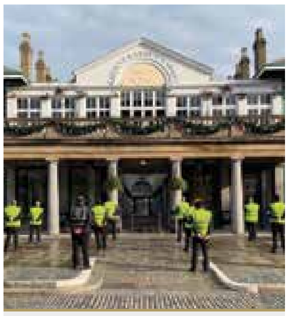
For more on our air quality initiatives, see page 62.

INNOVATION AND CHANGE

Innovate to deliver best in class in heritage environment

Become a partner of choice for climate technology in a heritage environment

For more on our innovation and change initiatives, see page 62.



COMMUNITY AND PEOPLE

Local community focus to our educational & charitable activities

Develop and reward talent in a fast moving, collegiate and creative culture

For more on our activities within the community, see page 66.

For more on our people, see page 68.

Transparent reporting through recognised indices

1. More information on the UN Sustainable Development Goals can be found at sdgs.un.org

We are proud to announce our updated Environment, Sustainability and Community ("ESC") strategy which re-affirms Capco's commitment to play its part in addressing climate change and to being a responsible and proactive member of the community in which the Company's assets are located.

Our ESC strategy is underpinned by our four pillars which align with the UN Sustainable Development Goals as shown on the previous page: Tackling Climate Change, Improving Air Quality, Driving Innovation and Change, and Prioritising People and Community.

Approximately 40 per cent of the UK's carbon emissions are produced by the built environment and real estate owners are therefore uniquely placed to support the UK's Net Zero Carbon commitments under the Paris Agreement. We are therefore committing the Company to a Net Zero Carbon target by 2030. Capco has consistently invested in our heritage buildings and estate, working to enhance our buildings from both conservation and environmental perspectives. We will implement our commitment being mindful of the heritage nature of the estate, recognising that many of the buildings have been in situ for more than 200 years and therefore act as existing carbon stores. A detailed Net Zero Carbon pathway to 2030 will be published during 2021.

Technology and creativity will have a key part to play in meeting the challenge of climate change. Our creative approach and people bring innovation to all that we do and this guiding principle is applied to all four pillars of our strategy.

> "Capco is committing to a Net Zero Carbon target by 2030. This commitment aligns to our ESC strategy and will be delivered through a detailed net zero pathway to be published in 2021.
>
> TOM ATTREE,
> DIRECTOR OF SUSTAINABILITY AND TECHNOLOGY

BRINGING OUR STRATEGY TO LIFE

Completion of our green wall at Regal House, an example of Capco's innovative approach to the environment and sustainability, has delivered the following environmental benefits:

- In excess of 8,000 plants from 21 different species providing a biodiverse haven for birds, bees, insects and other invertebrates.
- Improved thermal performance and consequent energy reduction of c. 20 per cent alongside future resilience to temperature increases.
- Improved air quality by reducing nitrogen dioxide concentrations by up to 40 per cent and PM10 particulates by up to 60 per cent.
- The living wall is 80 per cent irrigated fully by rain water capture, with overall impact estimated at less than 1/10th of a person.
- The 1,500 square feet areas of living wall also contribute significantly to the well-being of both visitors and the local community.
- Capco has subsequently partnered with the same supplier for a 379 square feet interior green wall in an office property on Southampton Street and is actively reviewing further opportunities for interior and exterior greening across the estate.

ENVIRONMENT AND SUSTAINABILITY

Capco believes in taking a responsible and forward-looking approach to environmental issues and the principles of sustainability. This year we have updated our strategy to enhance and accelerate our vision for the future, with short, medium and long-term objectives to achieve our goals. Our ESC strategy is underpinned by four pillars as shown in the figure on page 58. The first three pillars specifically address climate-related risk and opportunities, and more detail on our activities is set out below. More detail on the fourth pillar in respect of our People and Community can be found from page 66.

2020 ACHIEVEMENTS

- Launched new ESC strategy to refocus our activities in respect of climate-related risks and opportunities
- Committed to achieving Net Zero Carbon for the business by 2030
- Published initial response in alignment with Task Force for Climate-related Financial Disclosures ("TCFD")
- Energy efficiency – more than 80 per cent of landlord areas in Covent Garden now have energy efficient lighting
- Installed water efficient fixtures in all our refurbishment projects
- 100 per cent diversion of waste from landfill for the Covent Garden Market Building and our own offices
- Green lease provisions in line with Better Building Partnership Green lease provisions now adopted to be used prospectively
- Floral Court achieved recognition as a 'highly commended' development at the BREEAM awards
- Received EPRA Gold Award for sustainability reporting
- More than £50,000 in social value was generated through charitable donation and recycling of furniture as part of Capco's head office move

OUR 2021 COMMITMENTS

- Define, cost and timetable Net Zero Carbon pathway to support our 2030 commitment, and set interim carbon reduction targets
- Complete scenario-based risk assessment and integrate into our approach
- Develop an operational and development carbon budget for each building
- Enhance tenant engagement programme on environmental matters
- Continue to make a 3.5 per cent like-for-like operational energy improvement based on a 2019 benchmark
- Continue to improve EPCs across the portfolio aiming for a minimum score of D on commercial units
- Identify opportunities for rainwater harvesting and greywater recycling
- Divert at least 95 per cent of waste from landfill arising from our projects and development
- Develop biodiversity targets
- Improve our GRESB and CDP scores

TACKLE CLIMATE CHANGE

Capco recognises that climate change is the defining issue of our time, and our ESC strategy therefore sets out our commitment to become Net Zero Carbon by 2030. Our next steps to deliver on this commitment will be to:

- set out a Net Zero Carbon pathway, including setting science-based targets, integrate carbon reduction targets into leasing and all areas of our operations;
- undertake a climate resilience risk assessment, enhance our carbon data model, including the setting of a baseline; and
- communicate our strategy to our stakeholders.

We will also engage further with customers and consumers alike to ensure a collaborative approach and embed sustainable practices to make year-on-year improvements to our performance as set out in our 2021 commitments.

ENERGY MANAGEMENT

Since Capco's inception we have invested in reducing energy consumption and lowering carbon emissions across all our buildings, and have achieved year-on-year reductions in like-for-like consumption. Following the launch of our long-term goal of becoming carbon neutral by 2030, we will enhance our data capture to establish a robust baseline carbon measurement, and our future reporting will reflect our progress towards this target.

In 2020 we lowered our energy usage and met our target to reduce energy use by 3.5 per cent on a like-for-like basis compared with 2019. Our total energy usage reduced by in excess of 25 per cent. This performance reflects significantly reduced usage due to the COVID-19 pandemic.

As part of our long term engagement with Westminster City Council to reduce carbon emissions from both gas and electric street lighting, approximately 40 per cent of street lighting is now LED across the estate. On James Street, replica historic gas lighting has now been replaced with a modern gas effect LED equivalent which improves energy efficiency by more than 30 per cent.

We continue to improve the energy performance of our assets under minimum Energy Efficiency Standards ("MEES") and seek to improve EPC performance whenever we have opportunity to do so during white-boxing and refurbishment. There are no assets with an F or G EPC rating and we are focusing our efforts on improving the performance of a small number of assets with an E rating. 80 per cent of landlord areas in Covent Garden now use LED lighting. To improve our data and help target efficiency initiatives we will progress our programme to roll out smart metering across the Covent Garden portfolio.

GREENHOUSE GAS EMISSIONS INCLUDING STREAMLINED ENERGY AND CARBON REPORTING ("SECR")

Capco has engaged Carbon Footprint Limited to provide independent verification of the calculation of 2020 GHG emissions assertion, in accordance with the industry recognised standard ISO 14064-3.

Further details of our methodology to calculate GHG emissions can be found on page 186.

WASTE AND WATER MANAGEMENT

To support our aim of improving recycling rates across the Covent Garden portfolio, and in addition to the two food waste recycling facilities on the estate, in partnership with our waste contractor, Veolia, we visited all food and beverage occupiers to raise awareness of recycling opportunities. We also upgraded recycling facilities at the Jubilee Market, promoted a water bottle refill initiative and introduced designated coffee cup recycling points. 100 per cent of non-hazardous waste from the Covent Garden Market Building operations was diverted from landfill, with waste either being recycled or going to an 'energy from waste' plant.

Within our own offices, we continued to raise awareness of recycling and, when we consolidated our offices during 2020, we worked with a partner to support a range of charities and SMEs by donating excess office furniture (see page 70 for more information).

We continue to monitor water usage across the assets we control and have incorporated water-efficient appliances and fittings into our refurbishment and development projects. No fines or penalties related to non-compliant actions that harmed the environment were incurred by Capco during the most recent financial year.

CARBON OFFSET

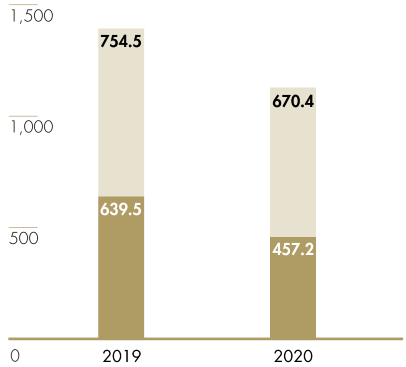
To reduce our carbon impact, we offset all directly booked business-related travel using a certified UK tree planting scheme partnered with an avoided Amazon deforestation programme. In 2020, we chose to maintain our level of offset at 2019 levels due to reduced travel in 2020.

RESPONSIBLE DEVELOPMENT

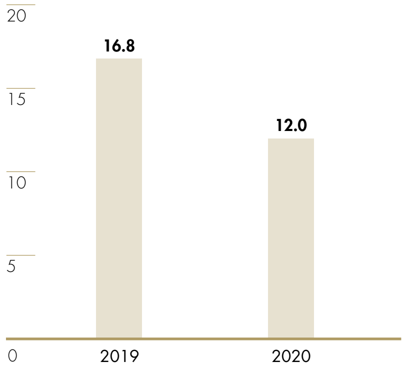
In 2020 we carried out a review of our Sustainability Framework for Projects and Development with the aim of updating the criteria to reflect the evolving standards required of new construction and major refurbishment projects. Capco has now set a higher baseline of minimum required standards on all projects, and a minimum SKA level of 'Silver' on all major projects and refurbishments.

GREENHOUSE GAS ("GHG") EMISSIONS DATA FOR YEAR ENDED DECEMBER 2020[1]

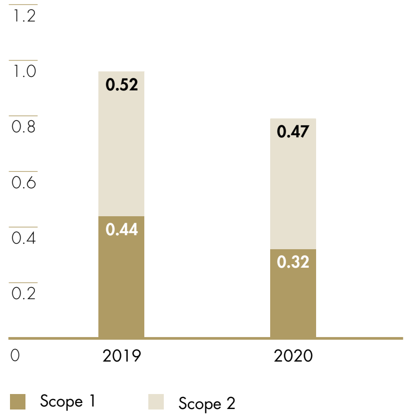
Total Scope 1 & 2 GHG Emissions (Location-based Method[2])



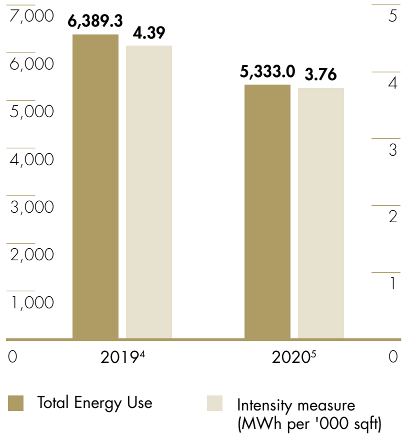
Total Scope 2 GHG Emissions (Market-based Method[3])



Intensity Measure: Tonnes of CO_2e per '000 Sq ft



Total Energy Consumption (MWh)



1. 2019 data restated to reflect the disposal of the assets affiliated with the EC business.
2. The location-based method reports emissions as tonnes of carbon dioxide equivalent (tCO_2e). 100 per cent of the emissions stated are UK-based. Details of what is included in Scope 1 and Scope 2 emissions can be found on page 186.
3. The market-based method reports emissions as tonnes of carbon dioxide (tCO_2). 100 per cent of the emissions stated are UK-based. Details of what is included in Scope 1 and Scope 2 emissions can be found on page 186.
4. The total energy consumption for 2019 comprised: 3,437,492 kwH (54 per cent) gas, 2,951,815 kwH (46 per cent) electricity and 3,845 kwH (zero per cent) transport.
5. The total energy consumption for 2020 comprised: 2,447,491 kwH (46 per cent) gas, 2,875,378 kwH (54 per cent) electricity and 9,788 kwH (zero per cent) transport.

At Lillie Square, Phase 2 of the development achieved Code for Sustainable Homes Level 4 certification.

Floral Court was 'Highly Commended' in the 'Homes' category of the global BREEAM Post Construction Awards. The shortlist comprised highly complex projects in urban contexts, all aiming to deliver homes with a focus on comfort and sustainable living. The judges noted that Floral Court: "provides a pragmatic but effective approach to working in a listed context, which will be transferable to lower-budget projects elsewhere."

We achieved SKA level Gold sustainability certification for our refurbishment works at 14 Floral Street, Tower House, Regal House and most recently at 3 Henrietta Street.

Capco remains an active member of the UK Green Building Council.

SUSTAINABILITY INDICES

Our participation in external sustainability indices and benchmarks helps us monitor our performance and identify opportunities for improvement. We achieved our second Gold award for reporting in line with the EPRA Sustainability Best Practice Recommendations for Reporting, achieved a CDP score of C and while our GRESB score fell slightly, Capco has already taken action to address this. We continued to report under FTSE4GOOD during the year.

Floral Street, 2014

Floral Street, 2020

IMPROVE AIR QUALITY

Capco has championed air quality since inception, introducing pedestrianisation to a number of streets in Covent Garden and implementing extensive greening across the estate, including the green wall in our head office building. We were able to extend pedestrianisation further during 2020, supporting our customers to reopen in between COVID-19 restrictions, and will continue to demonstrate the environmental advantages of this approach. In addition, 15 electric vehicle charging points were installed for residents in the underground garage on Floral Street. In January 2020, in partnership with Kings College, London and clean air charity Hubbub, Capco hosted a clean air pavilion and event to highlight the importance of NO_2 emissions across London. We continue to engage with Westminster City Council to maximise the pedestrianisation of the area. We will further invest in greening across the estate to improve air quality alongside biodiversity. Over time we intend to further increase air quality through use of electric vehicles for delivery and waste consolidation. Our refurbishment of our buildings will continue to have regard to interior air quality in design and implementation.

DRIVE INNOVATION AND CHANGE

Creativity and innovation are at the heart of Capco's business and we have used this in our approach to greening and our BREEAM Highly Commended development at Floral Court. Capco believes that innovation and technology are critical to meet the unique challenge of climate challenge. This creative approach will inform our search for technology and solutions which are sympathetic to the heritage nature of our buildings and deliver on our commitment to find innovative solutions for all our stakeholders. We will actively seek opportunities to partner with third parties to trial sustainability technology for the built environment while recognising that our heritage buildings are long-term carbon stores that should be celebrated. We have a proud history of working with universities and academics, and such partnerships will be continue to be considered in order to champion change.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD")

In 2019, we committed to seeking to better understand climate-related risk to Capco's business and prepare a response in alignment with the Task Force for Climate-related Financial Disclosures ("TCFD"). Our first disclosure is set out on the following pages.

Our work to explore climate-related risks and opportunities to the business will continue under the direction of the Company's ESC Committees.

GOVERNANCE

Describe the Board's oversight of climate-related risks and opportunities	The Board has established a Board Environment, Sustainability and Community Committee ("ESC"), chaired by Non-executive Director Charlotte Boyle, and including the Chairman, Chief Executive and Non-executive Directors, which oversees ESC activities on its behalf. The Board retains overall responsibility for the management of climate-related risks and opportunities. The Board monitors climate-related risk via the Executive Risk Committee, and has determined that climate-related risk is now a principal risk in its own right. More information on the Board ESC Committee and the Executive Risk Committee, including the frequency of their meetings, can be found on pages 24, 78 and 79.
Describe management's role in assessing and managing climate-related risks and opportunities	The Chief Executive, Ian Hawksworth, is responsible for ESC matters and chairs the ESC Executive Committee. This committee has been established to support the Board ESC Committee in assessing, monitoring and mitigating climate-related risks and acting upon climate-related opportunities. The committee includes Charlotte Boyle, the Company Secretary, the Group Legal Director, the Head of HR, the Director of Sustainability and Technology and representatives from the Business, and is attended by our retained sustainability adviser. Climate-related risks are separately considered by the Executive Risk Committee, as part of the risk management process based on assessments submitted by the Business units and the Director of Sustainability and Technology.

STRATEGY

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term

Capco considers climate risks and opportunities over the following time horizons:

- Short-term: 0 – 3 years
- Medium-term: 3 – 10 years
- Long-term: 10 – 30 years

Capco believes these time horizons allow for appropriate financial planning to allow for execution of strategies to address climate-related risks and act upon opportunities.

The table below sets out the climate-related transitional and physical risks and opportunities identified. At this stage, the identification is based upon forthcoming UK Government strategy and policy and the UK climate change projections ("UKCP18") published by the Met Office. In 2021, we intend to undertake a scenario-based risk assessment to understand better the medium and long-term risks of climate change.

Climate-related risks

Risk identified	Time horizon
Emerging regulation including: ○ further EPC requirements for lettable properties via the MEES regulations ○ enhanced GHG emissions reporting requiring more detailed disclosures	Short-term
Changes in market trends, with customers seeking assets with greater sustainability credentials quicker than able to provide	Medium-term
Policy relating to the upgrade of heritage buildings impeding application of energy efficiency measures	Medium-term
Changes in climate (hotter, drier summers), flood risk and extreme weather events	Long-term

Climate-related opportunities

Opportunity identified	Time horizon
Attracting and retaining customers: providing energy-efficient & sustainability-certified buildings	Short-term
Energy-efficient buildings: resulting in lower emissions and energy costs	Medium-term
Demonstrate the whole life carbon benefit of our heritage stock and deliver leadership in improving the energy performance of heritage buildings	Medium-term

STRATEGY CONTINUED

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Following the publication of the Group's Net Zero Carbon 2030 commitment, Capco is committed to publishing a detailed Net Zero Carbon pathway during the course of 2021. The Group continues to allocate resources to refurbishment and energy efficiency improvements as part of its annual budgeting process and is considering setting an internal carbon price. In addition, the Group is committed to enhancing the reporting of its own and tenant use of resources. The Group has set a minimum SKA standard of 'Silver' on all major refurbishments and continues to allocate resource to improving the energy performance (EPC rating) of assets via refurbishment programmes. However, we recognise that this may also present an opportunity as operational costs may be lower and the assets may see shorter voids if they meet tenant requirements. Supply chain and/or value chain: ○ Engaging with suppliers who can demonstrate environmental and ethical credentials ○ Selecting products that are certified to industry standards, e.g. FSC timber ○ Regularly reviewing our procurement-related policies to maintain alignment with industry standards and regulations Investment in R&D: ○ Identification of technologies that may improve the resource efficiency of our assets ○ The Group recognises the role that carbon offset will have to play over the medium-term as part of its Net Zero Carbon strategy and has set a policy to carbon offset all directly booked business travel ○ The Group has adopted relevant provisions of the Better Building Partnership's green lease into its commercial lease standard and is intending to increase tenant engagement on environmental and sustainability issues
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Capco's strategy as a steward of the Covent Garden estate has been to invest for the long-term taking climate risk and opportunity into consideration in its investment decisions. Having set a Net Zero Carbon commitment by 2030, during 2021 we plan to undertake a climate-scenario analysis for both 2°C and 1.5°C scenarios, to support the development of our Net Zero Carbon pathway. This will determine how we can enhance our resilience by examining climate projections over short, medium, and long-term time horizons. The analysis will review both the physical and transition climate change risks that may impact our business.

RISK MANAGEMENT

Describe the processes for identifying, assessing and managing climate-related risks	Capco identifies, assesses and mitigates climate-related risks using the same methodologies as all business risks. The climate-related risk assessment is reviewed by the Executive Risk Committee to ensure completeness and that appropriate mitigation measures are in place. The process for identifying, assessing and responding to risk is detailed comprehensively on pages 24 to 31. In summary, the Board has overall responsibility for the Group's risk management, determining risk appetite and reviewing principal risks and uncertainties regularly, together with the actions taken to mitigate them. Through this process, the Board has now determined that climate-related risk is no longer an emerging risk but that it should be incorporated into the Group's principal risks as set out on pages 26 to 31.

METRICS AND TARGETS

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Capco has reported environmental performance metrics since 2012 and is continually seeking ways to better understand and benchmark performance by improving accuracy and expanding existing reporting metrics. To support the assessment of climate-related risks and opportunities, Capco reports on the following metrics: ○ Energy use, including like-for-like performance for controlled assets ○ Energy performance concerning the MEES regulations and EPCs ○ Scope 1, 2 and 3 GHG emissions ○ Electricity purchased via renewable energy sources ○ Water use in controlled assets ○ Proportion of portfolio with sustainability ratings (e.g. BREEAM, Code for Sustainable Homes & SKA) ○ Waste resulting from our offices and Covent Garden estate (a proportion) Capco publishes these metrics in an annual disclosure that follows the best practice sustainability recommendations set by EPRA. In 2020, the Group achieved a 'Gold' rating for the second year running from EPRA for this disclosure in recognition of its comprehensiveness. A copy of this report can be found in the Responsibility section on our website. In addition to the detailed sustainability disclosures that Capco provides via its website, we respond to the following indices and initiatives: ○ CDP ○ FTSE4Good ○ Global Real Estate Sustainability Benchmark (GRESB) ○ S&P Global SAM DJSI / Corporate Sustainability Assessment
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks	In line with Streamlined Energy and Carbon Reporting ("SECR") requirements, Scope 1 and 2 emissions and energy use are disclosed on page 61. The Group will disclose Scope 3 emissions in the 2020 EPRA sBPR report.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Capco has set a Net Zero Carbon 2030 target. Capco will make reference to science-based targets when determining the detailed pathway to support this ambition. The performance against these targets is monitored by the Board ESC Committee and reported to the Board. Climate-related performance targets An estate 2025 mid-term carbon target, supported by a building by building plan, will be developed as part of the Net Zero Carbon pathway. This target will consider the proportion of energy demand to be met by on-site renewables. Set an internal carbon price and integrate carbon cost within the financial decision-making process. Commercial assets (required to have an EPC) to have an EPC rating of D rating or above. 100 per cent of electricity purchased to be from renewable sources. Major refurbishment projects to achieve at least a 'Silver' SKA rating (where appropriate). In addition, Capco will continue to set year-on-year like-for-like energy and carbon reduction targets.

COMMUNITY

During 2020, Capco continued to work to benefit the communities in which we operate and to support our chosen charities.

2020 ACHIEVEMENTS

- Continued to engage with schools participating in the Capco Education Programme and identified new initiatives that are of benefit to the young people in the district
- Continued to encourage our employees to engage in responsibility initiatives by participating in responsibility projects and volunteering

OUR 2021 COMMITMENTS

- Continue our education programme, with children of all ages and collaborating with local Covent Garden schools
- Continue working with ULI's Urban Plan Initiative and supporting the Brighter Futures Fund through the Young Westminster Foundation
- Employees to contribute up to five hours over the course of the year towards the wider community, either through an environmental, sustainability or community related project, which can include a matched funded activity

Covent Garden security commemorate Armistice Day

SUPPORTING THE LOCAL COMMUNITY DURING THE PANDEMIC

Capco took early action to ensure the safety of the Covent Garden estate with additional security presence deployed to protect unoccupied residential homes and commercial premises.

Capco is one of the main sponsors of the Covent Garden food bank, making significant contributions and providing assistance throughout the year. Capco approached a number of restaurants on the estate to donate unused food to the food bank. This also reduced food waste as restaurants entered various lockdowns. Capco also provided funding for a chef at Dragon Hall community centre serving the elderly hot meals, with surplus food used as ready meals for the food bank, and sponsored Christmas lunches for the elderly. Capco has also supported food banks in Fulham and Westminster.

Temporary seating was installed in and around the Market Building, which provided residents with outdoor amenity space and a weather-proof location to meet outdoors in accordance with the prevailing government guidelines.

As reported in our environmental update, in partnership with Westminster City Council, Capco enabled enhancements to the public realm by introducing and managing seven additional pedestrianised streets in the area, providing vital extra space for social distancing and over 500 incremental outdoor covers to keep residents and visitors safe and ensure retail and restaurants were able to operate when permitted.

Capco staff attended numerous Westminster City Council workshops covering a wide range of topics to assist the City Council with its aspirations to respond to their recently declared climate emergency.

The heritage of Covent Garden is very important and through the Capco Community Fund, we have supported the Arts by donating to the British Fashion Council's Foundation Fashion Fund for the COVID-19 crisis and supporting the Royal Opera House Recovery Campaign as well as the Iris Theatre based at the Actors' Church in Covent Garden.

'Gift for Good' the Covent Garden Christmas charity auction

HOMELESSNESS

Capco hosted a charity auction 'Gift for Good' in partnership with charity Only a Pavement Away which works alongside Crisis. The auction raised over £10,000 to which Capco gave an additional donation to give a total of £15,000.

During the year, Capco supported a number of homeless charities including St Mungos, a charity which is working in the Covent Garden district to support marginalised people in accessing recovery services. Capco supported their COVID-19 response fund.

Capco supported the Single Homeless Project, a London-wide charity working to prevent homelessness and help vulnerable and socially excluded people, by working with individuals to tackle the underlying causes of homelessness, such as poor mental health or drug and alcohol dependency. Capco supported their COVID-19 emergency response fund.

Capco is a strategic corporate partner of LandAid, the property industry charity aimed at ending youth homelessness in the UK. In addition, Capco supported their COVID-19 emergency fund with a specific emphasis on supporting the young people of Westminster.

Capco has also supported The Connections at St. Martin's, a homeless charity that helps thousands of people every year to move away from, and stay off, the streets of London.

EDUCATIONAL PROGRAMMES

YOUNG WESTMINSTER FOUNDATION

Capco supported the Foundation's 'Brighter Futures Fund'. Projects helped by this fund will be responding to the arising needs from the pandemic, including increased mental health concerns and isolation.

APPLE MARKET CHALLENGE

Capco facilitated the Apple Market Challenge for its 14th year. The initiative continues to be hugely successful and has now involved around 7,000 children since its inception. This year, due to COVID-19, pupils from six schools presented virtually over Zoom an eco-friendly educational product, which could be sold from the Apple Market in the Covent Garden Market Building. Four teams made the final round, and their pre-recorded presentations were viewed by judges from our staff and a winner chosen. The Challenge helps children to understand what is involved in running a small business and they assign themselves roles such as marketing, design or finance executives based on their skills.

A Year 12 student who took part as a mentor in 2019 has used her experience in the Apple Market Challenge to set up her own business which involves bulk buying from one website and selling on eBay. She applied for a Business Studies degree at university and in her personal statement said how the Apple Market Challenge inspired her interest in business.

CHARITABLE SUPPORT

TURN TO STARBOARD

As part of an armistice commemoration event, held in accordance with the government guidelines at that time, Capco supported this charity, which uses sailing training to support Armed Forces personnel and their families affected by military operations.

BLIND VETERANS

Capco supports Blind Veterans UK, which helps ex-Service men and women of every generation rebuild their lives after sight loss.

SIR SIMON MILTON FOUNDATION

We supported the Sir Simon Milton Foundation with its Christmas programme of delivering hampers across the city to its loneliest older residents.

In addition, surplus IT equipment and PCs were donated to the following charities in Westminster: Octavia Foundation, St. Peters Breakfast Club, Pimlico Toy Library, North Paddington Food Bank and Turning Point.

COMMUNITY EVENTS

Capco in conjunction with a local resident and the Lord Mayor of Westminster enabled a socially distanced Armistice Day Commemoration event on the Piazza which included the laying of a wreath to the memory of those who served in the Armed Forces and who worked in Covent Garden markets.

LILLIE SQUARE

We supported Urbanwise London in their work with students from Servite RC Primary School, St. Cuthbert with St. Matthias Primary, and Fulham Primary School in 2020. The students learned about local landmarks in their local area, explored trails and discovered architecture. A family activity guide was prepared for families in the Lillie Square area and the local schools.

We continued to work with the Urban Land Institute on its Urban Plan Project. During the year we worked with students from Fulham Cross Academy. The programme helps young people understand the role real estate plays in renewing and regenerating urban areas and brings the urban environment to life through a series of interactive real-life workshops and team-working challenges.

Capco participated in the Pathways to Property summer school presentation, alongside 30 other firms. This was an event held at the University of Reading with students participating in a number of events and lectures. This year the programme was held virtually over three days, culminating in the final day's presentation to firms.

PEOPLE

People are key to our success. We aim to develop careers by promoting talented individuals to positions of leadership.

2020 ACHIEVEMENTS

- Further improved employee performance, development and professional standards across the Company
- Continued to support initiatives that aim to increase diversity and inclusion within the property industry and strengthen a diverse talent pipeline
- We continued to encourage and inspire our employees to look after their health and well-being by building on our educational sessions with a continued focus on mental health and financial well-being

OUR 2021 COMMITMENTS

- Culture & Engagement: Creating a working environment in which employees are inspired to give their best every day and are motivated to be part of the Company's success
- Performance, Development & Growth: Encouraging employees to take personal responsibility for their own performance, development and career
- Rewarding & Recognising Excellence: Building on our high performance culture by ensuring that we have capable employees who are appropriately incentivised, rewarded and motivated to deliver excellent performance
- Equality, Diversity & Inclusion: Building on our diverse and inclusive culture that actively attracts and engages diverse, talented individuals from many different heritages and lifestyles, promoting equality and inclusion
- People & Community: Recognising the balance between social and environmental impact, we are committed to making a difference for the good of society by supporting our people, local community and stakeholders and working towards a more sustainable environment

Capco staff working remotely

COVID-19 RESPONSE

In what has been a very challenging year, the well-being of our people has continued to be of the upmost importance.

WELL-BEING

In response to the COVID-19 pandemic, we enhanced our lifestyle programme, with a focus on resilience and healthy home working. We provided additional support to employees, where needed, and we supported a number of initiatives which encouraged our employees to stay active whilst they were working from home. More detail on our well-being programme can be found on page 69.

SAFE OFFICES

We consulted with our people prior to the offices reopening when permitted, and individual risk assessments were completed.

We carried out risk assessments of our offices at Lillie Square, 15 Grosvenor Street and Regal House. The measures below were put in place to ensure the offices were COVID-secure and in line with government guidance:

- Enhanced cleaning measures and regime implemented
- Hand sanitisers were positioned at multiple points on each floor
- Social distancing measures were clearly signposted throughout the buildings
- Perspex screens were installed on Reception areas and between desks in open plan spaces
- Plasma air ionisers were fitted to air conditioning filters
- One way systems were introduced in each building with particular emphasis on common areas such as stairs, WCs and kitchens

TALENT

Our aim is to manage talent effectively and ensure that we have sufficient capability to realise our strategy. We regularly undertake succession planning exercises to review the talent pipeline and progress individuals according to capability.

We have a graduate recruitment programme for top graduates who pursue an internal programme of training and mentoring, which will ensure they are well prepared for the Royal Institution of Chartered Surveyors ("RICS") Assessment of Professional Competence ("APC"). Each graduate is assigned an experienced Capco counsellor and supervisor who guides them through the APC process.

New opportunities that arise in the business are advertised internally and we aim to promote internal candidates in order to enhance career development and encourage mobility across the Company.

TRAINING AND DEVELOPMENT

Capco training and development programmes are designed to strengthen our teams and challenge aspiring leaders.

Individual training and development needs are identified and discussed at performance review meetings with line managers.

During 2020, our employees recorded 456 hours of training activity. Mental Health eLearning was provided to all employees.

We sponsor individuals undertaking further professional qualifications, and encourage continuous learning, reflecting our commitment to a knowledge-based environment.

We recognise that coaching and mentoring can have a significant impact on behaviours, and key employees continue to benefit from bespoke coaching programmes.

PERFORMANCE MANAGEMENT

Annual performance objectives for individuals are agreed at performance review meetings, which take place at the beginning of the calendar year. Performance is measured against objectives set for the previous year and individual performance ratings underpin discretionary annual bonus awards.

We regard the giving of regular and direct feedback as a core competency of effective leadership and encourage line managers to appraise performance regularly during the year.

A new online performance management system was introduced at the end of 2020, building on our continuous performance and development culture in order to increase productivity and performance.

CULTURE

Capco promotes a high-performance and entrepreneurial culture, reflective of our business strategy. Capco people operate with integrity and are supportive of colleagues across the business. Employees are particularly engaged with the business and understand the difference they can make in progressing our strategic objectives.

We have an inclusive approach and aim to help people develop and realise their potential. Capco people are results-driven and brave in their approach to new ideas. Many of our people are in new roles and have assumed increased levels of responsibility since joining Capco.

We support new parents returning to the workplace, and encourage our people to adopt a healthy attitude to work-life balance and to participate in the community. We provide maternity coaching to senior female employees to provide additional support in transitioning back into the workplace.

BENEFITS

In addition to core elements, we reward people with an attractive package of additional benefits, which includes private medical insurance and dental cover. The Company now contributes up to 15 per cent of salary to the MyCapco pension scheme, which was increased from 10 per cent of salary in 2021. Our policy is to enable employees to take their full annual leave entitlement of 28 days per annum, rising to 30 days after four years' service, and we offer a flexible leave policy under which employees have the ability to buy and sell up to five days' holiday per calendar year. All employees have access to a bi-annual medical through our external company GP based in Harley Street.

LIFESTYLE AND WELL-BEING

In 2020, our lifestyle programme was enhanced as a result of COVID-19, with a greater focus on resilience, mental health, wellness and financial well-being. A range of virtual educational seminars were provided for our employees on a wide range of topics, including mental wellness, nutrition, alcohol awareness, spinal health and upper limbs issues and financial well-being.

Additional support was provided to employees, where needed, in the form of counselling, check-up calls from the Company's private GP and welfare calls from HR and line managers.

We encouraged our employees to stay active whilst they were working from home. A number of employees completed the 2.6 Challenge in April, and raised money for charity in aid of The Trussell Trust, which the Company match-funded. In addition, a month-long employee well-being challenge "Steptober" took place during October with over half the Company participating. A charitable donation was made to LandAid's Steptober challenge.

REWARD

The aim of our reward strategy is to compensate people for high performance and to incentivise them to strive to improve.

Core compensation packages at Capco comprise three elements: base salary, discretionary performance bonus and discretionary share awards. We regularly benchmark our approach to reward to ensure that we are appropriately competitive in the market.

Awards are made annually and take into account performance during the year.

All Capco employees are eligible to receive share awards so that everyone can participate in the success of the Company. These awards have a three-year performance period and are subject to corporate performance conditions.

SUSTAINABILITY AT CAPCO'S HEAD OFFICE

In December 2020 Capco consolidated its head office into two floors at Regal House on the Covent Garden estate, vacating its Mayfair office. We were keen to adopt a reuse strategy for excess furniture and equipment, and appointed Reyooz, a sustainable clearance firm, to help achieve this. Some desk chairs were donated to employees to assist their home desk set-ups whilst working from home and, via Reyooz, Capco's unwanted furniture has helped a broad range of charitable organisations. To date, 12,906kg has been diverted from landfill or incineration, creating an embodied carbon saving of 32 tonnes and generating an estimated social value of over £51,000 as part of the process.

We take a responsible approach at our head office, discouraging the use of single-use plastics and recycling wherever we can. In 2020 we recycled 820kg, saving 1,150kg of CO_2 as part of our day-to-day head office activities. In 2021 we intend to create a sustainability guide for our head office to further encourage a responsible consumption and production culture.

12,906kg

diverted from landfill, saving 32 tonnes of embodied carbon as part of Capco's sustainable head office move

DIVERSITY AND INCLUSION

We believe that every person in the Company has a part to play in generating value and we understand fully the benefits of a diverse workforce. Diversity is considered when making appointments at all levels.

We are keen to develop female talent across the business and provide executive coaching to our senior leadership team. There is strong female representation across the business. A summary of gender diversity across the Company as at 31 December 2020 is set out to the right.

We regularly review our policies to be a more inclusive employer and introduced a menopause policy at the end of the year. We also enhanced the Company maternity pay and shared parental leave benefits, which each now pay six months' full pay.

We support a number of initiatives which aim to increase diversity within the property industry, including being a signatory to the RICS Inclusive Employer Quality Mark, a member of the Employers' Network for Equality and Inclusion ("ENEI"), a member of Real Estate Balance, a sponsor of the Reading Real Estate Foundation and a supporter of the Pathways to Property work experience programme. Capco is a corporate member of the British Property Federation ("BPF") and supports the BPF Futures programme. In addition, Capco is a member of the BPF Diversity and Inclusion Champions network. A number of employees are involved with the Urban Land Institute ("ULI") and the ULI Next and Young Leaders Programmes. We have a policy to promote equality in relation to race, religion, gender, age, sexual orientation, disability and nationality amongst our employees.

HUMAN RIGHTS

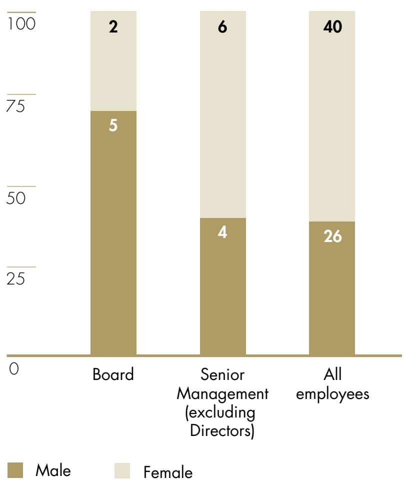
This report does not contain specific information on human rights issues as this is not considered necessary for an understanding of the development, performance or position of the Company's business. However, Capco has adopted a Corporate Responsibility policy and a supply chain policy which reflect a responsible approach to human rights.

MODERN SLAVERY

In accordance with the Modern Slavery Act 2015, the Board has approved a Modern Slavery and Human Trafficking Statement, which has been published on our website. The statement details the steps we take to avoid slavery and human trafficking in our own operations and in our supply chain. We believe that our own operations present minimal risk, but recognise that a higher level of risk is posed by the suppliers we engage to provide goods and services.

During 2020, we continued to raise awareness of modern slavery matters with those responsible for procurement.

GENDER DIVERSITY (%)[1]



1. As at 31 December 2020.

WE SUPPORT A NUMBER OF DIVERSITY INITIATIVES

HEALTH, SAFETY AND WELL-BEING

We strive to achieve the highest standards of health, safety and well-being in all our activities, our assets, our projects and our offices. We work closely with our supply chain through a risk-based, collaborative approach to the management of health, safety and well-being to ensure our standards are achieved.

2020 ACHIEVEMENTS

- We maintained an Accident Frequency Rate ("AFR") of 0.00
- We continued to develop our focus on health and well-being, including proactive mental health awareness, amongst our employees
- Our Planned Preventative Maintenance ("PPM") dashboard programme achieved 100 per cent compliance
- Our COVID-19 Secure Strategy and Risk Management Protocols ensured that there were no related outbreaks across the workforce and managed estates

2021 COMMITMENTS

The following commitments will continue in 2021:

- Enhance our visible leadership and develop our culture in safety, health and well-being
- Promote healthy workforce habits
- Ensure our contractors give health an equal billing to safety
- Monitor our PPM compliance dashboard reporting to ensure best practice amongst our operations

Enhanced cleaning measures

ACTIVITIES DURING THE YEAR

Capco continued to implement additional best practice health and safety standards on operations and development projects within the year. The improvement process was impacted by the nationwide lock-downs, which took place in March and November 2020. However, appropriate COVID-19 protocols were developed and implemented to allow workplaces to return to permitted activities. A total of 1.6 million working hours were completed on our development sites during the year and both an AFR and lost time incident frequency rate ("LTIFR") of 0.00 for the year were achieved.

The construction activity at Phase 2 Lillie Square was completed to excellent standards of health, safety and well-being on site, including through the first lock-down in March, during which time the Construction Leadership Council Site Operating Procedures were adopted by the Principal Contractor in response to COVID-19.

We maintained our membership of the Considerate Constructors Scheme ("CCS") Client Partnership and the Construction Clients Leadership Group, reflecting the Company's commitment to ensuring that our contractors provide the highest standards of health and safety on Group construction projects. As a Client Partner, Capco requires the contractors we engage to be registered with the CCS. We expect compliance with all aspects of the Scheme's Code on our registered sites.

We continued our focused visible leadership in health, safety and well-being and, despite the restrictions brought about by the COVID-19 pandemic, we continued to take a proactive approach to ensuring that health, safety and well-being were at the forefront of all of our thinking and decision-making activities. Health and safety risk assessments continue to be undertaken on all new operations and projects.

Our small projects and occupier fit-out works at Covent Garden were monitored by regular tours by our operational leaders, with attention paid to compliance with the Construction Leadership Council Site Operating Procedures. These were supported by detailed health and safety inspections across the estate, with inspections by internal and external parties carried out during the year.

We provided feedback on both the draft Building Safety Regulations and Fire Safety Reform Orders, via the British Property Federation Sounding Board.

In response to the COVID-19 pandemic, the Company established both a COVID-19 Steering Group, which monitors the impact of the pandemic on corporate-level risks, and a COVID-19 Working Group, which ensured appropriate working arrangements for our employees were put in place, reflecting the various restrictions during the year. Our offices were made COVID-secure and ongoing engagement and risk assessments are used to ensure the health, safety and well-being of our employees. For more information on engagement with our employees during the year, please refer to the Stakeholder Engagement section on page 16.

HEALTH AND SAFETY CASE STUDY

Early in the pandemic, Capco established a COVID-19 Working Group to guide the Company through its response to COVID-19 from a people perspective. Whilst the move to home working in March was immediate, the resilience of our people and systems are a testament to the business continuity investment made in advance. Our people embraced working from home and via the COVID-19 Working Group, the Company has provided practical support, including the provision of enhanced home working equipment and set up.

The operation of a major estate requires some of our people to be on-site, even during periods of restriction. Balancing the need for ensuring excellent property management (including the safety of our customers and visitors) with the safety of our people who need to come to the workplace was one of the early work streams for the COVID-19 Working Group. Measures to ensure that we had COVID-secure workplaces in line with the evolving government guidance were fast-tracked.

Working closely with our external health and safety advisers, risk assessments were carried out at each Capco office, followed by a full consultation with employees on the measures being implemented (such as hand sanitiser stations, one way systems and an enhanced cleaning regime). The measures were well-received and a new way of working was embraced by everyone. The planning for the head office move to the Covent Garden estate presented an opportunity to design in further measures such as glass screens, automatic temperature checks and an air purification system.

Collaboration with our people has been a focus and we remain committed to supporting employees' specific needs resulting from the pandemic. A detailed engagement programme has been undertaken throughout the pandemic to better understand individual requirements. We continue to provide additional flexibility in working practices to our people to enable them to balance competing interests brought about by the pandemic, such as managing home-schooling and caring responsibilities during the working day.

As we prepare for a more normalised return to the Capco workplace, the COVID-19 Working Group continues to keeps abreast of new initiatives and government guidelines. Together with the protocols undertaken above, the resilience of the workplace will be boosted for the long-term.

HEALTH AND WELL-BEING INITIATIVES

During 2020, Capco continued to ensure that health and well-being were given equal consideration with safety.

In addition to our employee initiatives described on page 69, health and well-being initiatives were championed for the workforces on our development projects, small projects and occupier fit-out works. We supported our appointed contractors on key health and well-being initiatives for their workforce, specifically around mental health.

GOVERNANCE

The health and safety governance and reporting framework continues to function effectively across the business. The Sector Safety Leadership Teams ("SSLTs") met regularly during the year to consider health, safety and well-being matters for each asset and to implement the Group's Occupational Health and Safety Management System ("OH&SMS") at operational level.

The SSLTs took responsibility for executing the COVID-19 secure protocols for each estate and for monitoring the effectiveness of and compliance with the protocols. The SSLTs are overseen by the Group Safety Leadership Team ("GSLT"), which is chaired by our Chief Executive, who is also responsible for health and safety at Board level. The COVID-19 Working Group reported into the GSLT and to the Executive Directors on COVID-19 specific matters on a frequent basis. The GSLT continues to review health and safety performance across the Group throughout the year, and facilitated the sharing of lessons learnt and best practice across the management team.

Health and safety is a standing item on the Board's agenda and the Board receives regular formal reports on health and safety, summarising health and safety performance, risks and achievements across the Group.

We retained our OHSAS 18001 certificate, which assures a compliant OH&SMS, following a detailed health and safety management review which was undertaken during the year to ensure that the system remained appropriate and continued to operate effectively at Covent Garden.

Lillie Square Phase 2 – Capco's oversight supports the highest health and safety standards on site

TRAINING

A structured Health & Safety Training programme was implemented across the Group in Q1 2020. This included IOSH Leading Safely and IOSH Managing Safely for our leaders and employees. This programme was disrupted by the nationwide lockdown in March 2020. A revised programme evolved during the year where employees were able to access a varied series of online workshops and training courses, pertinent to individual health and well-being and the revised working environment. It is planned that face to face training will recommence as soon as circumstances permit.

REPORTING

No work-related employee fatalities were recorded in 2020 or since Capco's inception. There were no RIDDOR incidents reported across the Group during 2020. The AFR for Capco development projects, small projects and occupier fit-out works at the end of 2020 stood at 0.00. Capco's LTIFR for 2020 was 0.00.

The sections of the Annual Report which make up the Strategic Report are set out on page 105. The Strategic Report has been approved for issue by the Board of Directors on 8 March 2021.

On behalf of the Board

IAN HAWKSWORTH
CHIEF EXECUTIVE

OUR LEADERSHIP TEAM

EXECUTIVE DIRECTORS

E
N

IAN HAWKSWORTH, FRICS
Chief Executive

Ian has led Capco since inception, shaping strategy and driving performance. He has over 30 years' experience in global real estate investment, development, asset and corporate management, having been an Executive Director of Hongkong Land Ltd and Liberty International PLC. Ian is a Chartered Surveyor and a member of leading international industry bodies.

SITUL JOBANPUTRA
Chief Financial Officer

Situl leads the Capco finance function (which includes reporting, treasury, corporate finance and tax) and works closely with the Chief Executive on strategy, capital allocation, investment and transactions. Having joined Capco in 2014, he undertook a number of roles in the business and was appointed as CFO in 2017. Situl is an experienced corporate financier, having led Deutsche Bank's UK real estate investment banking team before joining Capco.

MICHELLE MCGRATH
Executive Director

Michelle leads the Group's asset management and leasing teams as well as investment acquisitions and disposals. Michelle works closely with the Chief Executive on strategy and was appointed to the Board in 2020. Having joined Capco in 2014, she has undertaken a number of senior roles across the business. Michelle is an experienced corporate broker having previously been at UBS Investment Bank focusing on the UK listed real estate sector.

A Audit Committee
E Board ESC Committee
N Nomination Committee
R Remuneration Committee
Committee Chair

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

E N R

HENRY STAUNTON
Chairman

Henry is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Henry was appointed as Chairman in 2018, having joined the Board in 2010. A Chartered Accountant, Henry has extensive financial and commercial experience. His previous roles include Finance Director of Granada and ITV, Chairman of Phoenix Group Holdings and Ashtead Group, and Vice Chairman of Legal & General.

External appointments
Chairman of WH Smith PLC

A E N R

ANTHONY STEAINS
Independent Non-executive Director and Senior Independent Non-executive Director

Anthony is the CEO of Comprador Limited, a strategic corporate finance advisory firm based in Hong Kong, and has over 20 years of corporate finance experience. A Chartered Accountant, prior to founding Comprador Anthony was a Senior Managing Director and Head of Blackstone Advisory Partners in Asia and held senior positions in Asia at Lehman Brothers, Deutsche Bank and ING Barings. Anthony is a Director of Twelve Seas Investment Company II, which is listed on NASDAQ.

External appointments
CEO of Comprador Limited and a Director of Twelve Seas Investment Company II

A E N R

CHARLOTTE BOYLE
Independent Non-executive Director

Charlotte is a former partner of The Zygos Partnership, an international search and board advisory firm. Prior to this, Charlotte worked for Goldman Sachs International and Egon Zehnder International. Charlotte is a Non-executive Director of Coca-Cola HBC AG, a Non-executive adviser to Knight Frank LLP, and serves as a Board member and chair of the finance committee of Alfanar, the venture philanthropy organisation.

External appointments
Non-executive Director of Coca-Cola HBC AG, Non-executive adviser to Knight Frank LLP, and a Board member and chair of the finance committee of Alfanar.

A E N R

JONATHAN LANE OBE
Independent Non-executive Director

Jonathan Lane is a Chartered Surveyor. He was Chief Executive and then Non-executive Chairman of Shaftesbury PLC until September 2016, and was Non-executive Chairman of EasyHotel plc until October 2019. His current charitable roles include The National Trust and The Royal Theatrical Support Trust, where he is a trustee.

Strategic report
Governance
Financial statements

OUR GOVERNANCE FRAMEWORK

> "Responsible oversight of delivery of the Company's strategy.
>
> HENRY STAUNTON, CHAIRMAN

Dear Shareholder,

I am pleased to introduce Capco's 2020 Corporate Governance Report. The Board ensures that Capco's strategy is delivered responsibly, and that the Group operates in line with Capco's purpose, culture and values. This report, and the Committee reports which follow, explain how the Board and its Committees work and how we applied the principles of the 2018 UK Corporate Governance Code (the "Code") during 2020.

The key focus of the Board during the year was to ensure the safety of our employees, customers and the visitors to our assets in light of the COVID-19 pandemic, whilst providing appropriate support to our customers during the unprecedented period. However, the Board also took advantage of strategic opportunities as they arose, including our investments in Shaftesbury PLC and disposal of the Wellington block in Covent Garden. Capco has always maintained a strong programme of environmental, sustainability and community ("ESC") activities, and this year the Board was pleased to approve the Company's new ESC strategy. Reflecting this, we have established a new Board ESC Committee to oversee ESC matters on behalf of the Board. The Board ESC Committee is chaired by Charlotte Boyle, and includes Ian Hawksworth and all the independent Non-executive Directors.

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

It is important that employees have the opportunity to share their views with the Board, and for Directors to understand the employee perspective. I am pleased that Charlotte Boyle has agreed to lead the Board's engagement with our employees. Charlotte attends the management-level ESC Committee which provides a forum for views to be shared, and ensures that the views of our people are considered by the Board.

I am pleased to confirm that, despite the logistical challenges of 2020, the Board continued to operate effectively within Capco's robust governance framework. From March onwards, lockdowns and travel restrictions meant that the Directors were no longer able to meet face to face. However, we were able to meet effectively via video conference, with electronic papers. We also completed a successful remote externally facilitated board evaluation. I would like to thank my fellow Directors for their efforts to quickly adapt to this change. I hope that we are soon able to meet in person again, whilst retaining some efficiencies gained during lockdown.

The Board and Nomination Committee have continued to assess and monitor the composition, effectiveness and diversity of the Board and its Committees to ensure that they remain appropriate for the business.

We welcomed Michelle McGrath as an Executive Director in February 2020. Michelle is an experienced corporate financier and had been a senior executive of the Company for six years, most recently as Director of Covent Garden with responsibility for investment and asset management of the portfolio. I am pleased to report that Michelle has brought value to our discussions as a Board since her appointment.

During the year, Gerry Murphy and Andrew Strang retired from the Board at the 2020 AGM after many years' service, and we thank them for their extensive contributions to the Board. Following these retirements, Anthony Steains became Chairman of the Audit Committee and Senior Independent Director, and Jonathan Lane and I joined the Remuneration Committee. Following the establishment of the Board ESC Committee, Jonathan Lane will become Chairman of the Remuneration Committee after our 2021 AGM, and Charlotte Boyle will step down from that role, remaining a member of the Committee.

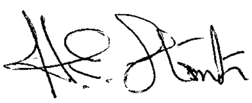
Capco embraces diversity with 43 per cent gender and ethnic diversity on our Board, an increase from 20 per cent in 2019, recognising that diversity of experience and perspective can bring benefits across the business.

The Audit Committee completed the tender of the external audit contract at the start of the year and worked closely with our auditors during the year to ensure that the accounting treatment for the implications of COVID-19 and significant corporate transactions was robust.

At Capco's 2020 Annual General Meeting, the Company received significant shareholder votes against the resolutions seeking approval of the proposed Directors' Remuneration Policy, the 2019 Directors' Remuneration Report, and the re-election of Charlotte Boyle, Chair of the Remuneration Committee. As a result, the Company was included in the Investment Association's public register of shareholder dissent. Following the 2020 AGM, the Chair of the Remuneration Committee and I actively engaged with our major shareholders with regard to our Remuneration Policy. Following this engagement, the Remuneration Committee has agreed a number of important changes to the operation of the approved Remuneration Policy, which are explained in the Directors' Remuneration Report on pages 90 to 104.

The Company also received votes of over 20 per cent against the resolution proposed at a General Meeting convened by the Company in August 2020 to approve the acquisition of an additional tranche of shares in Shaftesbury PLC, which, when aggregated with the shares acquired in May 2020, constituted a Class 1 transaction under the Listing Rules, requiring shareholder approval. Discussions with shareholders have indicated a strong level of support for the Company's investment in Shaftesbury PLC and the Board remains of the view that it represented a rare opportunity to acquire a significant interest in an exceptional mixed-use real estate portfolio, adjacent to our world-class Covent Garden estate. In light of the significant vote against the resolution the Company engaged with shareholders again, however no concerns were raised. I would like to thank our shareholders for their constructive engagement during the year.

Finally, I would like to thank our Executive Directors and all of our staff for their exemplary efforts over the course of 2020 to ensure the health and safety of our employees, visitors and customers, and for their exceptional performance in extremely challenging circumstances.



HENRY STAUNTON
CHAIRMAN

8 March 2021

THE BOARD

The Board is collectively responsible for the long-term success of the Company, and for its leadership, purpose, strategy, culture, values, standards, control and management. Day-to-day management of the Group is delegated to the Executive Directors, subject to formal delegated authority limits; however, certain matters have been reserved for Board approval. These matters are reviewed annually and include Board and Committee composition, strategy, significant funding decisions and corporate transactions, delegated authority limits and our dividend and tax policies.

BOARD COMPOSITION

As at 31 December 2020, the Board comprised the Chairman, three Executive Directors and three Non-executive Directors. The table on page 79 summarises the membership of the Board and Committees.

Biographies of each of the Directors can be found on pages 74 and 75, and additional information on Directors' skills and experience is included on page 89.

BOARD INDEPENDENCE

The Code requires that, excluding the Chairman, at least half of the Board should comprise Non-executive Directors determined to be independent.

The Board has considered the independence of the Non-executive Directors, including potential conflicts of interest, and the table on page 79 sets out those Directors considered to be independent in character and judgement. Each of these Directors has also confirmed that there is no reason why they should not continue to be considered independent.

The key responsibilities of Board members are set out in the table on page 80.

THE CHAIRMAN

Henry Staunton was appointed as Chairman of Capco in 2018, before the publication of the 2018 UK Corporate Governance Code which states that a chair should not remain in post beyond nine years from the date of their first appointment, and has been Chairman for less than three years, although he was appointed to the Capco Board in 2010.

Following the disposal of the Earls Court business in late 2019, the Company is establishing itself as a central London focused REIT. The COVID-19 pandemic has created a particularly challenging trading environment, and the Board feels that it is sensible to ensure there is stability in the Company's leadership as the market recovers. There have also been substantial changes to the Capco Board in the past two years and the Board wishes to ensure that appropriate continuity is maintained. The Chairman has the full support of the Board and continues to be viewed as independent by the Directors.

The Board has decided that, although no firm decision has been taken, in light of the circumstances outlined above it would be in the best interests of the Company, its shareholders and other stakeholders for Henry to continue to serve as Chairman until 2022, in line with our previous indication. The Board intends to start the search for a new Chair during the course of 2021.

The Senior Independent Director engaged with the Company's largest shareholders on this proposed timing in early 2021 and no concerns were raised.

THE BOARD IN 2020

The Board met formally throughout the year, holding virtual meetings from March onwards, with main meetings timed around the financial calendar, an annual strategy day, and additional meetings convened to consider specific matters as required. Attendance at Board and Committee meetings held during 2020 is shown on page 81.

Board papers are generally circulated in advance of meetings to ensure that Directors have sufficient time to consider their content prior to the meeting. If matters require approval at short notice, written approval is sought from the Directors.

The Chairman meets regularly with the Non-executive Directors without the Executive Directors being present, and maintains regular contact with both the Chief Executive and members of senior management.

As matters that require the Board's decision are often large, complex and evolve over a period of time, informal update meetings are held between Board meetings to allow Board members adequate time to explore, understand and challenge matters under consideration. These provide an opportunity for the Non-executive Directors to meet senior management. Regular updates were held during 2020, reflecting the volume of corporate activity undertaken by the Company during the year.

During 2020, the Board received regular asset, financial and performance updates from the Executive Directors and senior management from each asset and business area, and reports from the Company Secretary and Committee Chairs. The table below shows the key areas considered by the Board during the year.

MATTERS CONSIDERED BY THE BOARD IN 2020

Business Strategy, New Business and Directors	Properties	Financial management and performance	Stakeholders, Governance, Internal Controls and Risk
Market conditions and the impact of COVID-19 and Brexit	Property valuations	Annual and half year results	Ensuring the safety of our people and other stakeholders during the COVID-19 pandemic
Tenant support during COVID-19	Covent Garden performance	Monitoring of liquidity	Shareholder engagement
Acquisition of interests in Shaftesbury PLC	Lillie Square construction, completions and development	Covenant compliance and waivers	Environmental, sustainability and community strategy, including establishment of Board ESC Committee and TCFD
Investor relations	Acquisitions and disposals	Going concern and viability analysis	Risk appetite, and principal and emerging risks
Corporate strategy and value maximisation		Treasury and cash management	Health and safety, security risk and IT infrastructure
New business opportunities		Financing arrangements including launch of exchangeable bonds due 2026 and secured loan	Assessment and monitoring of Company purpose and culture
Capital allocation and key investment decisions		Group tax position and structure	External Board evaluation and action plan
Third-party interests		Market and broker updates	AGM and GM resolutions and voting
Board and Committee composition and succession planning		Dividends and share buybacks	Board and Committee composition
REIT compliance		Budget and business planning	Board Committees' terms of reference and schedule of matters reserved for the Board
Tax policy			Appointment of corporate brokers and external auditors
			Corporate policies
			Corporate insurance
			Internal audits
			Legal and regulatory updates

LEADERSHIP STRUCTURE

BOARD COMMITTEES

The Board has established Audit, Remuneration, Nomination and ESC Committees to enable the Board to operate effectively and ensure a strong governance framework for decision-making.

Each Committee has written terms of reference, which are reviewed annually. Minutes of all Committee meetings are made available to all Directors. The Committee Chairs attend the AGM to answer any questions on the Committees' activities.

A number of management committees support the business in delivering its strategy.

The terms of reference of the Board and the Board Committees, and the statements of the responsibilities of the Chairman, Chief Executive and Senior Independent Director, are available from the Company.

A summary of the role of each Committee is shown below, and the activity of each Committee during 2020 is described on pages 83 to 104.

BOARD

Collectively responsible for the long-term success of the Company. Management of strategy, leadership and risk.

AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE	BOARD ESC COMMITTEE
Oversees financial reporting	Sets Remuneration Policy	Recommends Board appointments	Monitors implementation of ESC Strategy
Monitors internal controls, including risk management	Sets remuneration and incentives for Executive Directors and designated senior management	Board succession planning	Monitors employee engagement and people matters
Monitors the impact of the COVID-19 pandemic on financial reporting	Approves annual performance objectives	Reviews Directors' skills, experience and independence	
Monitors internal and external auditors		Board evaluation	
Further information can be found in the Audit Committee Report on pages 83 to 86, and Principal Risks and Uncertainties on pages 26 to 31.	*Further information can be found in the Directors' Remuneration Report on pages 90 to 104.*	*Further information can be found in the Nomination Committee Report on pages 87 to 89.*	*Further information can be found in the Responsibility Report on pages 58 to 73.*

BUSINESS COMMITTEES

EXECUTIVE RISK COMMITTEE	Executive management forum for review and discussion of risks, controls and mitigation measures Meets at least three times a year
DISCLOSURE COMMITTEE	Monitors whether there is inside information within the business Ensures disclosure requirements are met and that appropriate records are maintained Meets bi-weekly
GROUP SAFETY LEADERSHIP TEAM	Provides Group-wide oversight of management and implementation of Capco's Health and Safety Policy and management system Provides Group-wide oversight of the management of security risk Meets four times a year
ENVIRONMENT, SUSTAINABILITY AND COMMUNITY EXECUTIVE COMMITTEE	Reports on and co-ordinates sustainability, environmental management, community engagement and charitable activities Considers employee views and people initiatives Sets targets and objectives and monitors progress Meets at least three times a year
COVID-19 STEERING GROUP	Monitors corporate-level risks that are impacted by or newly arise as a result of COVID-19 Meets weekly

BOARD INDEPENDENCE

Name	Year of first appointment	Independent	Audit Committee	Nomination Committee	Remuneration Committee	ESC Committee
Henry Staunton (Chairman)	2010	N/A		**N**	R	E
Ian Hawksworth (Chief Executive)	2010	No		N		E
Situl Jobanputra	2017	No				
Michelle McGrath (appointed 26 February 2020)	2020	No				
Charlotte Boyle	2018	Yes	A	N	**R**	**E**
Jonathan Lane	2019	Yes	A	N	R	E
Anthony Steains (SID)	2016	Yes	**A**	N	R	E
Gerry Murphy (retired 1 May 2020)	2015	N/A				
Andrew Strang (retired 1 May 2020)	2010	N/A				
		50 per cent independent				

● Committee Chair

ROLES OF BOARD MEMBERS

The following table sets out the key responsibilities of Board members:

Position	Name	Responsibilities
Chairman	Henry Staunton	Leads the Board, ensures its effectiveness and sets its agenda. Ensures an effective link between shareholders, other stakeholders, the Board and management.
Chief Executive	Ian Hawksworth	Develops the Company's strategic direction, implements policies and strategies agreed by the Board and manages the business.
Chief Financial Officer	Situl Jobanputra	Responsible for financial matters, and works closely with the Chief Executive in developing and implementing Group strategy and overseeing investment and transactions.
Executive Director	Michelle McGrath	Responsible for investment, asset management, leasing and day to day operations. Supports the Chief Executive in implementing Group strategy and objectives.
Non-executive Directors	Charlotte Boyle, Jonathan Lane and Anthony Steains	Constructively challenge the Executive Directors and monitor the delivery of the agreed corporate strategy within the risk and control framework set by the Board.

All Directors have access to the advice and services of:

Company Secretary	Ruth Pavey	Advises the Board on corporate governance matters and ensures a good flow of information within the Board and its Committees, and between senior management and the Non-executive Directors.
Group Legal Director	Alison Fisher	Provides legal advice and guidance to the Board; reports on corporate services activities.

OVERSIGHT OF CULTURE AND VALUES

Throughout the year, the Board monitors corporate culture and values to ensure that they are aligned with Company purpose and the delivery of corporate strategy, and are appropriately reflected across the business. The Board receives regular updates on HR matters and the Group's people and community initiatives under the ESC strategy, and, with assistance from its Committees, reviews and monitors corporate policies. For example, the Remuneration Committee reviews the Group's HR policies, the Audit Committee reviews policies relating to financial crime and internal controls, and the Nomination Committee reviews policies relating to equal opportunities and diversity. The Group has an independent whistleblowing hotline which can be used to raise concerns, and the Board would receive updates on any matters raised. This broad range of oversight allows the Board to monitor corporate culture effectively.

ENSURING AN EFFECTIVE BOARD

The Board conducts an evaluation of its own performance and that of its Committees and Directors each year, to ensure that it continues to operate effectively and to identify potential areas for improvement. The Code recommends that companies undertake an externally facilitated board evaluation at least every three years. Capco undertook an externally facilitated evaluation in 2016, and elected to use an internal evaluation in 2019 due to the strategic matters that were under consideration during 2019. An externally facilitated evaluation was therefore undertaken in 2020. NJMD Corporate Services Limited ("NJMD"), which provides no other services to the Group, was engaged to undertake the facilitation.

The Directors were each asked to complete a questionnaire covering all matters relating to the performance of the Board, its Committees and its Directors, following which each participant was interviewed by NJMD with comments being noted on a confidential basis. A report was prepared by NJMD which concluded that the Board is effectively run and administered, with all Directors indicating a high degree of satisfaction with the performance and operation of the Company. The report made a number of recommendations and observations, which were considered by the Board and were accepted. Some of the agreed actions are shown on the next page.

In addition, the Senior Independent Director conducted an appraisal of the Chairman's performance which confirmed that, notwithstanding his tenure, Henry remains independent and continues to have the full confidence of the Board, and that the Directors are satisfied that he continues to commit sufficient time to the Company. The Chairman also undertook appraisals of the other Directors' performance.

It is expected that an internally facilitated Board evaluation will be undertaken in 2021.

2020 BOARD EVALUATION

The Company had previously committed to undertaking an externally facilitated evaluation in 2020

The Chairman and Company Secretary considered the approach to be taken and recommended that NJMD be engaged to undertake the evaluation

The Nomination Committee approved the appointment of NJMD

Each Director completed a questionnaire and structured interview with NJMD

A report was prepared by NJMD and provided to the Board for consideration

A NUMBER OF ACTIONS WERE AGREED

ACTIONS FOR 2020

- Ensure Board papers reflect increased focus on Covent Garden
- Review reporting of environmental, sustainability and governance matters to the Board

PROGRESS

- The balance of Board reporting reflects the Company's portfolio
- New Board ESC Committee established with oversight of environmental, sustainability and community matters

ACTIONS FOR 2021

- Review succession plans for both the Board and the Senior Management Team
- Keep culture and values under review to ensure that they reflect and remain consistent with the Company's strategy
- Ensure effectiveness of workforce engagement mechanisms

ATTENDANCE AT MEETINGS

The table below shows Directors' attendance at Board and Committee meetings held during 2020. In addition, the Group Legal Director attends each Board meeting and the Company Secretary attends each Board and Committee meeting. Regular Board updates were held between formal meetings. The Board ESC Committee was established in December 2020, and is expected to meet at least three times a year.

Name	Board	Audit	Remuneration	Nomination
Henry Staunton (Chairman)	14/15[1]	–	3/3	3/3
Ian Hawksworth (Chief Executive)	15/15	–	–	3/3
Situl Jobanputra	15/15	–	–	–
Michelle McGrath (appointed 26 February 2020)	14/14	–	–	–
Charlotte Boyle	15/15	4/4	5/5	3/3
Jonathan Lane	15/15	4/4	3/3	3/3
Anthony Steains	14/15[1]	2/2	5/5	3/3
Gerry Murphy (retired 1 May 2020)	1/1	2/2	2/2	1/1
Andrew Strang (retired 1 May 2020)	1/1	–	–	–
Total meetings held during the year	**15**	**4**	**5**	**3**

1. The missed meeting was a second, short, procedural meeting held on the same day as an earlier meeting. Henry Staunton and Anthony Steains were unable to attend the later meeting due to clashes with prior commitments.

COMMUNICATION WITH STAKEHOLDERS

OUR POLICY

The Board is keen to ensure that our shareholders and potential investors have a good understanding of Capco's business and performance, and that Directors are aware of any issues and concerns that shareholders and other stakeholders may have so that these may be properly considered by the Board.

Communication with shareholders and other stakeholders

Communication with the Company's investors is a priority for the Board. The Company runs an extensive investor relations programme, and the Chief Executive, Chief Financial Officer and Head of Commercial Finance and Investor Relations hold meetings with institutional investors throughout the year, including results presentations, webcasts, roadshows, one-to-one meetings, industry conferences and investor tours. The Company's major shareholders are encouraged to meet with the Chairman and the Senior Independent Director to discuss any matters they may wish to raise. During 2020, Directors engaged with shareholders on matters including the Company's remuneration arrangements, the acquisition of interests in Shaftesbury PLC and the Chairman's tenure.

Shareholders' and stakeholders' views

The Directors receive regular updates on the Company's major shareholders' and stakeholders' views, and Board approval papers include a dedicated section on stakeholders. You can read more about the Company's engagement with its stakeholders on pages 16 to 19.

The Non-executive Directors are invited to attend the Company's results presentations. Private shareholders may raise questions through the Company Secretary's office either by telephone (+44 (0)20 3214 9170) or by email (feedback@capitalandcounties.com).

Our Non-executive Director Charlotte Boyle ensures the views of our employees are considered by the Board. As part of this engagement process, Charlotte attends the management level ESC Committee which provides a forum for employee views to be shared.

CORPORATE WEBSITE

Our corporate website allows visitors to access Company information, annual reports, results presentations and webcasts. The site also includes links to our division websites and contact details for shareholder queries.

ANNUAL GENERAL MEETING

Our 2021 AGM will be held on 11 May 2021. Due to the COVID-19 pandemic, to ensure the safety of our shareholders, it is currently expected that the 2021 AGM will be held as a closed meeting. Although shareholders will not therefore be permitted to attend our 2021 AGM in person, we would encourage shareholders to submit any questions they may wish to have answered by sending an email to feedback@capitalandcounties.com or by calling +44 (0)20 3214 9170 and a response will be provided. Shareholders are advised to vote in advance of the meeting, prior to the proxy deadline. The Notice of Annual General Meeting will be issued to shareholders at least 20 working days before the meeting.

Separate resolutions will be proposed on each issue and, in accordance with the Code, each Director will offer themselves for re-election. We publish the results of the votes on all resolutions on our website following the meeting. Shareholders are requested to check the Company's website for the latest details concerning the 2021 AGM.

CONFLICTS OF INTEREST AND TIME COMMITMENTS

The Company's Articles of Association permit the Board to authorise potential conflicts of interest that may arise. The Board has adopted a procedure under which Directors must notify the Chairman of any potential conflicts. The Chairman then decides whether a conflict exists and recommends its authorisation by the Board where appropriate. In cases where there is a potential conflict of interest, an appropriate protocol to be followed should the conflict of interest materialise is agreed. In addition, a Director who had a conflict of interest would not be counted in the quorum or entitled to vote when the Board considered the matter in which the Director had an interest. The interests of new Directors are reviewed during the recruitment process and, if appropriate, authorised by the Board on appointment.

On appointment, and each subsequent year, Non-executive Directors are required to confirm in writing that they have sufficient time to devote to the Company's affairs. In addition, they are required to seek prior approval from the Chairman before taking on any additional external commitments that may affect their time available to devote to the Company, and the Board is advised of any changes.

The Board is satisfied that all Non-executive Directors are contributing effectively to the operation of the Board.

2018 UK CORPORATE GOVERNANCE CODE

Other than as explained within this report, the Company has applied the principles and complied with the provisions of the 2018 UK Corporate Governance Code during 2020.

DTR DISCLOSURE

The disclosures required under DTR 7.2 of the Disclosure and Transparency Rules are contained in this report, and the Audit Committee and Nomination Committee Reports, except for information required under DTR 7.2.6, which is contained in the Directors' Report on pages 105 to 106.

AUDIT COMMITTEE REPORT

> "Effective oversight during a period of uncertainty.
>
> ANTHONY STEAINS, CHAIRMAN

MEMBERS:
ANTHONY STEAINS (CHAIRMAN)
CHARLOTTE BOYLE
JONATHAN LANE

I am pleased to introduce Capco's 2020 Audit Committee Report. I was appointed as Chairman of the Committee following Gerry Murphy's retirement from the Board on 1 May 2020. I would like to thank Gerry for his work as Chairman of the Committee.

The Committee continues to play a key oversight role for the Board, monitoring and reviewing all aspects of the Group's financial reporting, internal controls and risk management procedures.

This report provides an overview of the work undertaken by the Committee during 2020. The most significant topics considered by the Committee during the year included the Group's property valuations, the impact of the COVID-19 pandemic on the Company's finances and reporting, including liquidity and going concern, the financing activities undertaken during the year, taxation and the accounting treatment of significant or complex corporate transactions, particularly the acquisition of shareholdings in Shaftesbury PLC and the share buyback undertaken in the first half of the year. In considering each of these matters, the Committee appropriately challenged management and the Company's advisers to ensure that the accounting treatment and assumptions were robust. The Committee also reviewed the Company's risk and viability statement disclosures before they were recommended to the Board.

During the year, the Committee continued to closely monitor and review best practice governance recommendations in relation to the external audit function. As we reported last year, PricewaterhouseCoopers LLP ("PwC") were reappointed as the Group's external auditor following a tender process undertaken in 2019, and a new audit partner led the 2020 audit. The transition of the audit partner has gone well, with significant upfront involvement and appropriate challenge throughout the year, especially in light of the accounting implications of COVID-19, including impairment of rent receivables, investments in Shaftesbury PLC, financing transactions and the going concern assessment. As a result of the lockdowns, the Capco and PwC teams were both working from home for significant parts of the year and audit reviews were conducted remotely.

Finally, following consideration of the matters reviewed during the year and the Group's principal risks, the Committee concluded, and made a recommendation to the Board that, taken as a whole, the Annual Report and Accounts are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

ANTHONY STEAINS
CHAIRMAN

8 March 2021

The Audit Committee, reporting to the Board, oversees the financial reporting process, monitors the effectiveness of internal control, internal audit, risk management and the statutory audit and monitors the independence of the statutory auditors and the provision of non-audit services. As at 31 December 2020 and the date of this report, the Committee comprises three independent Non-executive Directors and is chaired by Anthony Steains who is considered to have significant recent and relevant financial experience. The Board believes that the Committee as a whole has competence in real estate matters.

The Committee's meetings were also attended by the Company's Chairman, Executive Directors, Company Secretary and Group Financial Controller, together with senior representatives of the external and internal auditors.

The valuers and members of senior management, including the Interim Head of Tax, attended meetings by invitation to present reports required for the Committee to discharge its responsibilities.

The Audit Committee met four times during 2020. One of the meetings was to consider the audit tender proposals. Attendance at these meetings is shown in the table on page 81. The Committee also met privately during the year with both the external and internal auditors.

The Committee follows an annual programme, which is agreed with the Committee Chair, management and external auditors prior to each financial year, and ensures it gives thorough consideration to matters of particular importance to the Company, and additional matters are considered when appropriate. The Committee's agenda over the past 12 months, and the significant matters considered by the Committee during the year are set out below.

The Company was not subject to any FRC reviews during 2020.

THE AUDIT COMMITTEE OVER THE PAST 12 MONTHS

Regular meeting items	August 2020 meeting	November 2020 meeting	March 2021 meeting
Report from Group Financial Controller Accounting treatment of significant transactions Accounting standards and policies Property valuations External auditor report Risk management review Regulatory update Internal auditor report Tax update Alternative performance measures	Interim results announcement Liquidity forecasting Going concern Non-Audit Services Policy and Committee Terms of Reference 2020 Audit Plan	Effectiveness and independence of external auditor Internal controls Viability statement review Corporate governance policies, Non-audit Services Policy and Committee terms of reference 2021 Internal Audit Plan	Going concern assessment Preliminary results, Annual Report, Viability Statement and Management Representation Letter Determining and recommending to the Board that the Annual Report taken as a whole was fair, balanced and understandable Effectiveness of internal audit

SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE IN 2020

Matter considered	What the Committee did
Valuations	As in previous years, the independent external valuers presented the year end and half year valuations to the Committee. The Committee reviewed the valuation process and component parts of the valuations, discussed the valuations with the external auditors and challenged the valuers on the assumptions used. The Committee also advised the Board on the independence of the valuers and obtained confirmation that management had provided all requested information. The Committee was satisfied that the approach taken by the valuers was appropriate. Further information can be found in note 14 on pages 144 to 146 of the notes to the financial statements.
Accounting for Shaftesbury PLC related transactions	As in previous years, the Committee received updates from the Group Financial Controller on significant and complex transactions at each meeting. With regard to each transaction, such as the acquisitions of shareholdings in Shaftesbury PLC and the subsequent £400 million capital raised against the investment, the Committee discussed the accounting treatments with management and the external auditors and is satisfied that the appropriate approach has been taken.
Recoverability of rental receivables, deferrals and tenant lease incentives	The Committee received updates from the Group Financial Controller on the accounting treatment for rental income support provided to tenants as a result of the impact of COVID-19, which has included rent deferrals, rent free periods and other arrangements, depending on the position of each tenant. Due to the support provided, and overall implications of COVID-19 on tenants, the methodology adopted and rationale for judgements made in assessing the expected credit loss on recoverability of rent receivables, deferrals and tenant lease incentives at the balance sheet reporting date was also reported by the Group Financial Controller. Due to the material impact on net rental income of i) the accounting treatment for derecognition of initial direct costs when entering into lease modifications and ii) the impairment of tenant lease incentives in respect of those tenants in administration or in severe financial difficulty, a proposal was put forward for these items to be adjusted from the underlying earnings alternative performance measure. The Committee discussed the accounting treatment and the proposed changes to the alternative performance measure with management, and satisfied itself that the treatment was appropriate. The Committee also reviewed and assessed the assumptions used in calculating the expected credit loss for rents receivable and tenant lease incentives and the overall levels of impairment provision. The Committee also discussed the approach with the external auditors and is satisfied that the approach taken has been appropriate.
Going concern	The Committee received updates from the Group Financial Controller on the liquidity forecast and going concern assessment for the Group at both the August and March meetings where a detailed analysis on both a base case and a severe but plausible downside had been performed to reflect the ongoing impact of COVID-19 on the Group. The proposed Going Concern disclosures for inclusion in the interim and annual results were tabled at each meeting. In approving the year-end accounts, the main area of focus for the Going Concern review was on the headroom on the Covent Garden interest cover covenant during the Going Concern period to 30 June 2022, where covenant waivers were not in place. The Committee challenged the key assumptions assumed in the severe but plausible downside scenario to ensure sufficient headroom was maintained on covenants during the Going Concern period. The proposed disclosure was also reviewed by the Committee to ensure it fully reflected the key assumptions, including discussion with the external auditors. The Committee is satisfied that it is appropriate to continue to adopt the Going Concern basis of accounting. This information can be found in note 1 on page 123 of the notes to the financial statements.

EXTERNAL AUDITORS

COMMITTEE RESPONSIBILITIES

The Committee oversees the relationship with PricewaterhouseCoopers LLP ("PwC"), the external auditors, and is responsible for developing, implementing and monitoring the Company's policy on external audit, and for monitoring the auditors' independence, objectivity and compliance with ethical, professional and regulatory requirements. PwC were first appointed as external auditors of the Company in 2010, and were reappointed in 2020 following a tender process.

The external auditors are not permitted to perform any work that they may subsequently need to audit or which might either create a conflict of interest or affect the auditors' objectivity and independence.

ACCESS TO COMMITTEE

The external auditors have direct access to the Audit Committee Chairman should they wish to raise any concerns outside formal Committee meetings.

EFFECTIVENESS OF AUDITORS

Following the reappointment of PwC as the external auditor in January 2020, the Committee continued to monitor PwC's effectiveness and performance during the remainder of 2020, and considered a paper prepared by the Group Financial Controller which confirmed that in management's view PwC were providing an independent and good-quality audit service and continued to deliver against all services considered at their appointment. Matters considered in reaching this conclusion included audit partner rotation (which occurred at the start of 2020), continuity of audit team, commitment to understanding the Group's business and transactions, the level of technical challenge on the Group's accounts and accounting policies, and the segregation of work between audit and non-audit services teams.

The Committee further considered a number of areas where the auditors had challenged the accounting treatment proposed by management, and the resolutions reached, and concluded that the service provided by the external auditors during 2020 was independent and objective, that they were able to challenge management where appropriate, and that the Group's audit was robust and objective. A key area of challenge from the external auditors during the year has been on the accounting treatment of, and disclosures relating to, the impact of COVID-19. Due to the implications of COVID-19 on accounting for tenant support as lease modifications, recoverability of rental receivables, deferrals and tenant lease incentives and the implications on going concern, upfront discussions have occurred between management and the external auditors to ensure the appropriate accounting and disclosure requirements have been met.

THE STATUTORY AUDIT SERVICES FOR LARGE COMPANIES MARKET INVESTIGATION (MANDATORY USE OF COMPETITIVE TENDER PROCESSES AND AUDIT COMMITTEE RESPONSIBILITIES) ORDER 2014 – STATEMENT OF COMPLIANCE

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.

NON-AUDIT SERVICES

Non-audit services are normally limited to assignments that are closely related to the annual audit or where the work is of such a nature that a detailed understanding of the Group is necessary.

The Company has adopted a Non-Audit Services Policy that is consistent with the FRC's current Ethical Standard. The purpose of the policy is to ensure that the provision of non-audit services by the external auditors does not compromise their independence or objectivity. A number of non-audit services, which reflect the FRC's list of prohibited non-audit services, are prohibited under the policy. The policy requires the Audit Committee Chairman to approve in advance any non-audit work with a cost exceeding £75,000 for work related to the interim review or, for other projects, the lower of £50,000 or 15 per cent of the estimated annual level of the auditors' fees at that time.

From the start of the year, unless an exemption has been obtained from the FRC, the total value of non-audit services in a financial year must not exceed 70 per cent of the average of the fees paid to the external auditors in the last three consecutive years for the audit of Capco, its Group undertakings and joint ventures.

Services below this limit are pre-approved by the Audit Committee under the policy, subject to the non-audit services falling within a permitted category, consideration and approval by an Executive Director. Approval is only given following a full and thorough assessment of the value case for using the auditors, the skills and experience the auditors would bring and determination that the auditors are the most suitable provider of the service. Non-audit services commissioned by an Executive Director are reported to the Audit Committee.

Additionally, consideration must be given to the preservation of auditor independence; and in advance of providing permitted non-audit services the external auditors are required to report that they are acting independently, that provision of the non-audit services to be provided is not prohibited and does not impair their objectivity and that they are not:

- Auditing their own work
- Making management decisions for the Company, or playing any part in such decisions
- Creating a mutuality of interest
- Being remunerated via a contingent success fee
- Developing close personal relationships with the Company's personnel
- Acting in the role of advocate for the Company
- Providing recruitment services
- Providing remuneration advice
- Providing services linked to the financing, capital structure and allocation and investment strategy of the Company, except for providing assurance services on the same

The Non-Audit Services Policy was reviewed and updated during the year to ensure it remained in alignment with the revised Ethical Standard. The policy was updated to detail permitted and prohibited non-audit services. Following a review of the updated Non-Audit Services Policy, the Committee is satisfied that the policy is operating effectively.

The total fees paid and payable to PwC in 2020 were £625,000, of which £65,000 related to non-audit work (2019: £2,070,000 of which £1,759,000 related to non-audit work). The increase in the statutory audit fee reflects the additional work performed during the year for key audit matters including going concern and impairment of rent receivables. The significant levels of non-audit work in 2019 resulted from assurance services in connection with the previously contemplated demerger and the disposal of the Earls Court interests.

PwC were selected over direct engagement of another service provider or a tender for this undertaking due to their detailed knowledge and understanding of the business. Non-audit work during 2020 relates to the interim review and agreed upon procedures related to the verification of share scheme performance outcomes and other assurance services. The total fees for non-audit services represented 10 per cent of the total audit fees payable for the year (2019: 85 per cent). The total fees paid and payable to PwC in 2020 and 2019 are set out in the table below. Deloitte LLP acted as reporting accountants in relation to the Class 1 Circular issued during 2020.

FEES FOR NON-AUDIT SERVICES

	2020	2019
Total fees paid to PwC	**£625,000**	£2,070,000
Non-audit fees	**£65,000**	£1,759,000

INTERNAL AUDITOR

INTERNAL AUDIT PLAN

BDO LLP ("BDO") has been appointed to act as Capco's internal auditor. During 2020, BDO's audit plan included reviews of property management activities at Covent Garden, health and safety at Covent Garden, lease renegotiations at Covent Garden, insurance, expenses, treasury, cash management and bank covenants, procurement and accounts payable. No significant issues were raised during the reviews.

During 2021, it is expected that the audit plan will include reviews of human resources and talent management, corporate governance, IT controls, contract management, payroll, service charge, business continuity, financial management and budgetary control, legislative and regulatory compliance.

COMMITTEE RESPONSIBILITIES

The Committee reviews the work of the internal auditor, the audit plan, any matters identified as a result of internal audits and whether recommendations are addressed by management in a timely and appropriate way. The Committee is satisfied that the internal auditor continues to be independent and its services remain effective.

ACCESS TO THE COMMITTEE

The internal audit partner has direct access to the Audit Committee Chairman should they wish to raise any concerns outside formal Committee meetings. The Committee meets with the internal auditor at least once per year without management being present.

INTERNAL CONTROL AND RISK MANAGEMENT

RISK MANAGEMENT

The Board has overall responsibility for the Group's risk management framework and system of internal control, and the ongoing review of their effectiveness. It also determines the risk appetite of the Group and regularly reviews emerging and principal risks and uncertainties. The framework is designed to manage rather than eliminate risk, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Board has delegated responsibility for the review of the adequacy and effectiveness of the Group's internal controls relating to risk to the Committee, and the Committee reviews the controls relating to risks and the proposed principal risk disclosures.

A description of the Group risk management framework and the review undertaken during the year is set out on page 24.

VIABILITY STATEMENT

As part of its work in reviewing the Group's financial statements, the Committee reviewed the methodology for the preparation of the viability statement including the principal risks, supporting analysis, qualifications and assumptions to be disclosed.

The viability statement can be found on page 32.

INTERNAL CONTROLS

The Audit Committee monitors and reviews the effectiveness of the Group's internal controls and reports regularly to the Board on its work and conclusions. In reviewing the effectiveness of the Group's internal controls, the Committee considers reports provided by the Group Financial Controller, external auditors and internal auditor. No significant failings or weaknesses were identified in the review process.

Details of the Group's internal controls are set out below:

Day-to-day procedures and internal control framework

- Schedule of matters reserved for the Board
- Remit and terms of reference of Board Committees
- Delegated authority limits
- Documentation of significant transactions
- The Executive Directors are closely involved in the day-to-day operations of the business and hold regular meetings with senior management to review aspects of the business, including risks and controls
- Regular Board updates on strategy and project developments
- A Whistleblowing Policy and hotline under which staff may raise matters of concern confidentially. No calls were received during the year

Specific controls relating to financial reporting and consolidation process

- Appropriately staffed management structure, with clear lines of responsibility and accountability
- A comprehensive budgeting and review system. Board and Audit Committee updates from the Chief Financial Officer which include forecasts, performance against budget and financial covenants
- Led by the Chief Executive, the Group Finance team participates in the control self-assessment and policy compliance elements of the risk management framework and sets formal requirements for each finance function, which specify the reports and approvals required
- BDO conducts regular audits of the Group's financial control procedures and reports its findings to the Audit Committee

The Committee is satisfied that the Group's internal controls are operating effectively and that systems are in accordance with prevailing FRC guidance.

NOMINATION COMMITTEE REPORT

"Ensuring an effective Board to deliver the Company's strategy.

HENRY STAUNTON, CHAIRMAN

MATTERS CONSIDERED BY THE COMMITTEE DURING 2020 INCLUDED:

- Board and Committee composition, including establishment of Board ESC Committee
- 2018 UK Corporate Governance Code
- Succession planning
- Diversity at Board level and across the Company
- Externally facilitated Board evaluation
- Directors' skills, experience and training opportunities
- Directors' time commitments and independence
- Committee terms of reference

MEMBERS:

HENRY STAUNTON (CHAIRMAN)

IAN HAWKSWORTH
CHARLOTTE BOYLE
JONATHAN LANE
ANTHONY STEAINS

I am pleased to introduce Capco's 2020 Nomination Committee Report.

Following a review of our Board and Committees, we implemented a number of changes in the first half of 2020 to ensure that the structures were appropriate for Capco as it established itself as a central London focused REIT. We welcomed Michelle McGrath, who joined Capco from UBS in 2014 and had undertaken a number of roles within the business, most recently as Director of Covent Garden, as an Executive Director of the Company in February 2020. Andrew Strang and Gerry Murphy retired at the 2020 AGM. Anthony Steains became Chair of the Audit Committee and Senior Independent Director, and Jonathan Lane and I joined the Remuneration Committee.

I am delighted to report that, despite the challenges brought by the COVID-19 pandemic, the new, compact Board has operated effectively during the year, and this was recognised in the findings of our externally facilitated Board evaluation.

During the year, recognising the importance of ESC matters, the Board established a new Board ESC Committee, chaired by Charlotte Boyle, to oversee the management of Capco's new ESC strategy. The Committee recommended that all the independent Non-executive Directors and the Chief Executive serve on this important new Board Committee.

Having agreed to Chair the Board ESC Committee, Charlotte Boyle will step down as Chair of the Remuneration Committee following our 2021 AGM, and Jonathan Lane will become Chairman of that Committee. I am pleased that Charlotte will continue as a member of the Remuneration Committee, which benefits greatly from her experience and perspective. Charlotte has also agreed to be the Non-executive Director with responsibility for reporting to the Board on employee perspectives, and attends the management ESC Committee in this capacity.

Diversity continues to be a focus for Capco and we hugely value the benefits of a diverse workforce. Diversity covers many characteristics, and we consider these as a whole, with 43 per cent gender and ethnic diversity on our Board, an increase from 20 per cent in 2019. When making future appointments to the Board, the Committee will be mindful of its commitment further to increase its diversity.

All the Directors will be seeking re-election at the forthcoming AGM. Prior to recommending my own reappointment to the Board, the Senior Independent Director engaged with the Company's largest shareholders and led the other Directors in considering my proposed reappointment, as I have served on the Board for more than nine years. Whilst no firm decision has been taken, with the support of the Board, I intend to continue as Chairman until 2022 in line with previous guidance. However, the Board intends to begin a search for my successor during 2021.

In 2021, the Committee will continue to monitor Board composition, skills, experience and diversity, to ensure that the Board continues to be positioned to deliver Capco's strategy, as we start to reopen the Covent Garden estate following the challenges brought by the pandemic.

HENRY STAUNTON
CHAIRMAN

8 March 2021

The Nomination Committee has responsibility for making recommendations on Board appointments and succession to the Board.

The members of the Committee as at 31 December 2020 and the date of this report are listed in the box on the previous page. The Nomination Committee met three times during the year, and attendance at these meetings is shown in the table on page 81.

BOARD COMPOSITION AND SUCCESSION

The Committee regularly considers Board composition and succession planning for both Executive and Non-executive Directors and makes recommendations to the Board where appropriate. In considering Executive Director succession, the Board's strategy is to consider both internal and external candidates, whilst aiming to develop a choice of internal potential successors. The focus of Non-executive Director succession planning is to ensure that the Board and its Committees continue to have the right mix of skills and experience to deliver Capco's strategy. A summary of Directors' core skills and experience is shown in the table on page 89.

Chairman's tenure

Henry Staunton was appointed as Chairman of the Company in 2018, having first been appointed as a Non-executive Director in 2010. Cognisant of the requirement under the 2018 UK Corporate Governance Code that a chair should not remain in post beyond nine years from the date of their first appointment to the board, the Board and Nomination Committee gave regular consideration to the Chairman's tenure during 2020. The Senior Independent Director also engaged with the Company's largest shareholders on the Board's intentions regarding Chair succession.

The Company is establishing itself as a central London focused REIT following the disposal of the Earls Court business in late 2019. In addition, the COVID-19 pandemic has created a particularly challenging trading environment, and the Board feels that it is sensible to ensure there is stability in the Company's leadership as the market recovers. There have also been substantial changes to the Capco Board in the past two years and the Board wishes to ensure that appropriate continuity is maintained.

During the year the Senior Independent Director conducted a review of the Chairman's performance, and the topic was also considered during the external Board evaluation conducted during the year. These discussions confirmed that Henry remains independent, demonstrates objective judgement, and continues to have the full support of the Board. The Board therefore concluded that, in light of the circumstances outlined above, although no firm decision has been taken, it would be in the best interests of the Company, its shareholders and other stakeholders for Henry to continue to serve as Chairman until 2022, in line with the previous indication provided. The Board intends to start the search for a new Chair during the course of 2021.

Establishment of Board ESC Committee and change to Remuneration Committee Chair

Recognising the importance of ESC matters, and aware that Capco intended to launch a new ESC strategy, a new Board ESC Committee was established in late 2020 to oversee the management of Capco's new ESC strategy. The Committee is chaired by Charlotte Boyle, and initially also comprised Ian Hawksworth and Anthony Steains. The Committee subsequently determined that it would be appropriate for all the independent Non-executive Directors to serve on this important new Board Committee, and so Henry Staunton and Jonathan Lane were appointed as members of the Committee in February 2021.

It has been agreed that, in light of her roles as Chair of the Board ESC Committee, and the Non-executive Director designated to report to the Board on employee views, Charlotte Boyle will step down as Chair of the Remuneration Committee following our 2021 AGM, and Jonathan Lane will become Chairman of that Committee. Charlotte will continue to be a member of the Remuneration Committee.

Director recruitment

Capco operates a rigorous and transparent recruitment process for new Directors, which is summarised above.

DIRECTOR INDUCTION

An induction programme is provided for each new Director, which is tailored depending on the individual's experience and expected role on the Board. A typical induction programme for a Capco Non-executive Director will include individual meetings with the Chairman, Executive Directors, Company Secretary and members of senior management, site tours with management, and meetings with the Company's brokers, advisers and lawyers. The Director is also provided with copies of past Board and Committee papers and minutes, and individual briefings are arranged on topics such as Directors' duties and responsibilities, remuneration structure and regulations and the property market.

During the year a tailored induction was provided to Michelle McGrath who was appointed as an Executive Director in February 2020.

DIRECTOR DEVELOPMENT

The Chairman and the Committee together ensure that Directors keep their skills and knowledge up to date to allow them to fulfil their roles on the Board and Board Committees. The Group Legal Director and Company Secretary regularly update the Board on legal and corporate governance matters, and information on

TYPICAL DIRECTOR RECRUITMENT PROCESS

Nomination Committee considers Board composition and determines desired skills and experience

A person specification is prepared

A shortlist of executive search firms is prepared and a selection process followed

A list of candidates is identified

The Chairman and Chief Executive meet with shortlisted candidates and provide feedback to the Committee

All Directors and the Company Secretary are given the opportunity to meet the preferred candidate

The Committee makes a formal recommendation to the Board training opportunities and seminars is circulated to Directors. The Company also arranges periodic briefings from external advisers, and Directors receive regular business updates from the Executive Directors. Directors may also take independent advice at the Company's expense where they feel this is appropriate.

SUCCESSION PLANNING BELOW BOARD LEVEL

The Committee ensures that appropriate succession plans are in place for both Board and senior management positions.

DIVERSITY AND INCLUSION

Capco embraces diversity as a business. Diversity covers many characteristics, and we consider these as a whole.

The Board recognises that diversity of experience and perspective can bring benefits across the business. Capco's Board Diversity and Inclusion Policy aligns with the Committee's aim of ensuring that the Board has the right mix of skills and experience to deliver Capco's strategy, and properly reflects the Board's view of the benefits of diversity.

The Board Diversity and Inclusion Policy states that, when considering the nomination of new Directors, the Nomination Committee will evaluate the balance of skills, knowledge and experience on the Board, to establish the particular skills, experience and aptitudes desirable for that appointment. Such evaluations will pay particular attention to the merits of diversity, including diversity of gender, race, age and background.

Capco has a great level of diversity on our Board, particularly amongst our Executive Directors. This diversity, is summarised in the adjacent table. The Board remains committed to encouraging diversity and intends that its composition will continue to become more reflective of the diversity across Capco's business over time. The Board Diversity and Inclusion Policy does not include targets for gender or other characteristics; however, in conducting searches, Capco will only use executive search firms that are signatories to the Voluntary Code of Conduct for Executive Search Firms, and will require diverse candidate shortlists, from which appointments will be made on merit. The Board believes that diverse shortlists increase the likelihood of identifying the best candidates for each appointment.

The composition of the Board will be kept under review to ensure that the best balance of skills and experience is maintained, and the effectiveness of the Board Diversity and Inclusion Policy will be monitored by the Nomination Committee.

We are proud that we have strong representation from female employees across the business. Over 60 per cent of our workforce, and a similar proportion of our senior management, is female; a great achievement, which has been recognised by the Hampton-Alexander report on FTSE Women Leaders.

Capco is supportive of employee development, including those who wish to seek Non-executive roles elsewhere, and provides development opportunities, including executive coaching and mentoring from our Non-executive Directors. We regularly review our employment policies to ensure we are an inclusive employer, and intend to continue to build on our diverse and inclusive culture, attracting and engaging talented individuals from different backgrounds. It is hoped that such initiatives will help develop the next generation of Board members either within Capco or in the wider business world.

Capco supports a number of initiatives which promote diversity across the property industry, and we encourage all our employees to get involved. During the year, as part of its review of Board diversity, the Committee reviewed the Group's diversity policies, and received an update on the diversity initiatives supported by the Company which include Real Estate Balance (where one of our employees is co-chair of the NextGen Committee), the RICS Inclusive Employer Quality Mark, the Employers' Network for Equality & Inclusion, the Reading Real Estate Foundation and the Pathways to Property work experience programme. Capco also participates in the BPF Futures programme, the BPF Diversity and Inclusion Champions network and the Urban Land Institute Next and Young Leaders Programmes.

More information on Capco's people practices and diversity initiatives, including our policies that make Capco a more inclusive employer, can be found on pages 68 to 70 of the Responsibility Report.

SUMMARY OF DIRECTORS' SKILLS AND EXPERIENCE

Director	Skills and experience
Henry Staunton	Financial and commercial management
Ian Hawksworth	Global real estate investment and development. Corporate leadership and management
Situl Jobanputra	Corporate finance, capital markets, investment, and commercial and financial management
Michelle McGrath	Commercial, leasing and asset management, investment and capital markets. Day to day operations and estate management.
Charlotte Boyle	Commercial and business leadership, with a particular focus on people, talent, succession and employee engagement.
Jonathan Lane	Real estate investment
Anthony Steains	Corporate finance and Asian markets

CAPCO'S DIVERSITY IN FIGURES

	Capco Board
Gender and ethnic diversity of Board	43 per cent
Gender diversity of senior management	62 per cent
Gender diversity of senior management and direct reports	44 per cent

DIRECTORS' REMUNERATION REPORT

> "Listening to shareholders.
>
> CHARLOTTE BOYLE, CHAIR OF THE REMUNERATION COMMITTEE

MATTERS CONSIDERED BY THE COMMITTEE OVER THE PAST YEAR INCLUDE:

- Executive Director and senior management remuneration
- Institutional investor voting reports and voting at 2020 AGM
- Engagement with shareholders to understand reasons for votes against the 2019 Directors' Remuneration Report and Remuneration Policy
- Proposed amendments to operation of approved Remuneration Policy, including introduction of post-cessation shareholding requirements and changes to required deferral of annual bonus
- Impact of COVID-19, and how this should be reflected in remuneration decisions
- Tender of remuneration adviser position and appointment of new remuneration adviser
- Legislative and regulatory developments
- Investor body guidelines
- 2020 Directors' Remuneration Report
- Committee terms of reference
- Remuneration across the Group and review of workforce policies
- Setting, and evaluation, of performance against Executive Directors' performance targets
- Share scheme awards and performance targets
- Directors' shareholdings and ownership requirements
- Chairman's remuneration
- Chairman's and Chief Executive's expenses

MEMBERS:

CHARLOTTE BOYLE (CHAIR)

HENRY STAUNTON
JONATHAN LANE
ANTHONY STEAINS

ANNUAL STATEMENT

Dear Shareholder,

I am pleased to introduce the Directors' Remuneration Report for 2020.

As for many businesses, 2020 was an extremely challenging year due to the impact of the COVID-19 pandemic on all Capco's activities. The Remuneration Committee would like to thank the Executive Directors and all our employees for their proactive and dedicated approach to managing the impact on our business. The Covent Garden estate was kept safe and ready to welcome shoppers and visitors in a responsible way, when restrictions allowed, and alongside this the business continued to focus on its strategy to deliver long-term value creation centred around the estate and maintaining a strong balance sheet. Particular achievements in the year included making a significant investment in Shaftesbury PLC, generating significant disposal proceeds on the sale of the Wellington block, strengthening the balance sheet through successful funding activities, achieving further operating efficiencies, and keeping our employees motivated and aligned throughout the disruptions of the year. The Committee recognises and appreciates the Executive Directors' efforts and achievements during the year, however it has ensured that its decision-making is aligned with all our stakeholders. The decisions taken by the Committee have therefore been made in the context of the Company's financial performance, providing alignment with the shareholder experience.

Capco's new Remuneration Policy was approved at the Company's 2020 AGM with 70 per cent support. The 2019 Report on Remuneration was not approved by shareholders, reflecting in particular decisions made relating to the disposal of Earls Court in 2019. Following the AGM the Chairman and I have actively engaged with shareholders representing over 80 per cent of the share register to understand their concerns with both the 2019 Report on Remuneration and the Remuneration Policy. There was general understanding that, whilst a number of shareholders were unable to support the 2019 Report on Remuneration, the remuneration decisions taken in 2019 were specific to the strategic actions taken in 2019. Shareholders welcomed the opportunity to discuss these past decisions and the overall engagement process and the Chairman and I valued their feedback. It was evident from the focus of the discussions that some shareholders wanted to see changes to certain aspects of the new Policy. As a result we have subsequently agreed some important changes to the operation of the Policy. I would like to thank our shareholders for their engagement as well as the Executive Directors for agreeing to these changes. It was clear from our discussions that the Executive team are highly regarded by shareholders.

Details of the main remuneration decisions taken by the Committee are set out below.

COVID-19 PANDEMIC – A PROACTIVE AND RESPONSIBLE APPROACH

Capco took a proactive and responsible approach to the COVID-19 pandemic and worked with our tenants, service providers and other stakeholders to ensure the Covent Garden estate was safe and ready to reopen when restrictions allowed. Capco has not received any direct business support from the government and has not made use of the government's furlough scheme. It has not been necessary to make any employees redundant as a result of the pandemic and an active decision was made not to reduce any employees' salaries. In addition, Capco encouraged our main service providers to continue to employ staff, redeploying them to other roles, where possible.

Capco paid the final 2019 dividend in May 2020 as planned, and returned £12 million to shareholders through share repurchases in the early part of 2020. However, in view of deteriorating market conditions and an uncertain outlook, the decision was taken to cancel the share buyback programme and suspend the payment of dividends, reflecting that a prudent approach to the balance sheet was in the interests of all our stakeholders.

OPERATION OF APPROVED REMUNERATION POLICY

The Committee has decided to make the following changes to the operation of the approved Remuneration Policy, with the agreement of the Executive Directors, until a new Policy is introduced, which is likely to be at the 2023 AGM. These changes are:

- **Introduction of a post-cessation shareholding requirement:** A new post-cessation shareholding requirement has been introduced at the level of 200 per cent of salary for all Executive Directors, capturing the 2021 annual bonus and all Performance Share Plan awards made from 1 January 2021. The consistent level for all Executive Directors reflects the fact that each Director receives the same level of award under the Performance Share Plan, and is felt to be a sufficiently large number to impact behaviours appropriately without being unduly restrictive or punitive.
- **Increase to deferral of annual bonus:** The level of bonus deferral has been increased such that 40 per cent of the whole bonus will be deferred. Under the Policy as approved, only bonus earned in excess of 100 per cent of salary was to be deferred.
- **The 2020 Recruitment Policy:** The Remuneration Committee undertakes that the maximum bonus awarded to new recruits will be 150 per cent of salary, in line with the Remuneration Policy for Executive Directors, rather than the higher limit permitted under the approved Remuneration Policy.
- **Performance Share Plan comparator group:** The comparator group under the Performance Share Plan will be widened from seven companies to all 19 FTSE 350 REITs. This reflects the loss of Intu Properties plc and the fact that Capco is now the largest shareholder in Shaftesbury PLC.

These changes are in addition to those already introduced under the new Remuneration Policy, which included the reduction of the Performance Share Plan grants for the Chief Executive and Chief Financial Officer from 350 per cent of salary to 300 per cent of salary, and implementation of a voluntary reduction in their pension allowances from 24 per cent to the workforce rate of 15 per cent by the end of 2022.

The Committee has also improved its disclosure of annual bonus targets. The 2020 targets are set out on page 98 and targets will be disclosed at the end of each financial year, to the extent that they are no longer commercially sensitive, rather than a year in arrear.

The Committee believes that these amendments to the operation of the approved Remuneration Policy have addressed the concerns raised by shareholders. Overall, the policy continues to support the delivery of appropriate, proportional outcomes that are aligned with shareholder returns and incentivises balanced decision-making to deliver the corporate strategy. Importantly, the policy aligns with the Company's corporate culture, with every employee eligible to participate in the Annual Bonus Scheme and pension arrangements and to receive annual awards under the Performance Share Plan.

PERFORMANCE MEASUREMENT IN 2020 AND VARIABLE REMUNERATION OUTCOMES

2020 Annual bonus

Whilst the personal performance of Capco's Executive Directors and employees was extremely strong in 2020, including the strategic investments and disposals and financing initiatives referenced above, the Company's financial performance was impacted by the COVID-19 pandemic. Total shareholder return for the year was -44.3 per cent and Underlying Earnings per Share were -0.7p. As a result the threshold targets for the financial performance measures under the Annual Bonus Scheme, which were set prior to the pandemic, were not met.

The Committee assessed the non-financial performance objectives of each of the Executive Directors during the year and the outcomes are shown on page 98. The results and the Committee's separate assessment is that all three Executive Directors performed exceptionally well in challenging circumstances, leading and navigating the business through the year, protecting the interests of the Company and its stakeholders and successfully implementing a number of operational, financial and strategic objectives. In response to the challenges of COVID-19 their actions were focused on safeguarding employees, supporting customers and protecting shareholders' interests, ensuring that the Company and the estate are positioned strongly for the future.

This performance means that each Executive Director would ordinarily have been awarded a bonus close to the maximum amount in respect of the non-financial target element (under which up to 37.5 per cent of salary is payable). However, whilst recognising the Executive Directors' efforts and their commitment and achievements against their non-financial objectives, the Committee felt that the payment of any bonus in relation to this exceptional year was, regrettably, not appropriate taking into account the impact of COVID-19 on shareholder returns and our wider stakeholders. The Committee has therefore exercised downwards discretion in relation to the non-financial target element to reduce the bonus outcomes to zero per cent of salary.

2018 PSP awards

The performance targets for the Performance Share Plan awards granted in 2018 are not expected to be met, and so the awards are expected to lapse in full.

EXECUTIVE DIRECTOR REMUNERATION IN 2021

Salary review

In view of the efforts of and additional demands and pressures placed on employees, salary increases and annual bonuses have been awarded to all eligible staff (excluding the Board), albeit at moderated levels compared with previous years. However, recognising the impact of the pandemic and the uncertain economic environment, the Committee has decided not to award any increases in annual salary to the Executive Directors. There will also be no increase to the fees paid to the Chairman and Non-executive Directors.

Annual bonus

The annual bonus opportunity for 2021 will be 150 per cent of salary. The financial measures and the weightings of financial and non-financial measures will be unchanged. The non-financial performance targets for 2021 have a greater emphasis on ESC matters, reflecting Capco's renewed focus on these areas and aligning with Capco's new ESC strategy.

Pension contributions

The employer pension contribution has been increased by five per cent to a maximum of 15 per cent of salary for all employees other than Executive Directors appointed prior to 1 January 2020, As announced last year, the pension contributions for the Chief Executive and Chief Financial Officer will be reduced by four per cent to 20 per cent in 2021 and a further five per cent to 15 per cent in 2022.

PSP awards

The Committee considers that the PSP award provides appropriate longer-term incentivisation and retention for the Executive Directors. The Chief Executive and Chief Financial Officer agreed to a voluntary reduction in their annual award levels of 50 per cent of salary last year. All Executive Directors' grants will therefore be made at the level of 300 per cent of salary unless the Committee decides to moderate the award level to reflect any significant reduction in the share price from the level at which the 2020 grants were made. Performance conditions on the awards will be the same as in previous years.

Benefits

Benefits will continue to operate as in prior years.

COMMITTEE MEMBERSHIP

Following the establishment of the Board ESC Committee, which I chair, I will be stepping down as Chair of the Remuneration Committee following the 2021 AGM, but remaining a member of the Committee, and Jonathan Lane will become Chairman of the Committee. I would like to thank my fellow Directors and Capco's management for their support over the past three years.

CONCLUSION

As a new Remuneration Policy was approved at the 2020 AGM, this year we will only be asking shareholders to approve the Annual Report on Remuneration and this Annual Statement. We have listened carefully to shareholders' feedback in 2020 and the subsequent changes to the Policy and the decisions made by the Committee during the year reflect alignment with the shareholder experience whilst continuing to provide appropriate motivation and retention for the Executive Directors. I hope shareholders will support the operation of the Remuneration Policy, as explained within this report, at the forthcoming AGM.

Finally, I would like to thank the Executive Directors, the Committee members and all of Capco's employees again for their extraordinary commitment during 2020.

Charlotte Boyle

CHARLOTTE BOYLE
CHAIR

8 March 2021

1. SUMMARY OF REMUNERATION POLICY

Capco's Remuneration Policy was approved at the 2020 AGM, which was held on 1 May 2020. However, the Remuneration Committee has since committed to a number of changes to the operation of the Policy. The table below sets out a summary of the Remuneration Policy for Executive Directors, including the changes to the implementation of the Policy agreed with shareholders. This summary is provided for information purposes only.

The full Remuneration Policy approved at the 2020 AGM is included in the 2019 Annual Report and can be viewed on our corporate website at https://www.capitalandcounties.com/investors/investor-information/approved-remuneration-policy. Details of actual remuneration paid, share awards made, and the approach to remuneration for 2021 are set out within the Annual Report on Remuneration, which starts on page 94.

REMUNERATION POLICY SUMMARY TABLE

Element of remuneration	Operation and performance metrics
BASE SALARY	Base salaries are normally reviewed on an annual basis, with any increase normally taking effect from 1 April. The Committee reviews base salaries with reference to other property companies (including the constituents of the long-term incentive plan's comparator group), UK companies of a similar size, each Executive Director's performance and contribution during the year, the scope of each Executive Director's responsibilities and changes to the remuneration and overall conditions of other employees. When reviewing base salaries, the Committee is mindful of the gearing effect that increases in base salary will have on the potential total remuneration of the Executive Directors. Base salary increases will be applied in line with the outcome of the annual review and will normally be in line with increases awarded to other employees. However, the Committee may make additional adjustments in certain circumstances to reflect, for example, an increase in scope or responsibility, development in role, to address an increase in size or complexity of the business, to address a gap in market positioning and/or to reward the long-term performance of an individual.
ANNUAL BONUS	The maximum bonus opportunity for Executive Directors is 150 per cent of annual salary, with a bonus of 75 per cent of salary payable for achieving target levels of performance. Executives' performance is measured relative to challenging one-year targets in key financial, operational and strategic measures. The measures selected and their weightings vary each year according to the strategic priorities. At least 75 per cent of the bonus will be measured against financial performance. The annual bonus arrangements are reviewed at the start of each financial year to ensure the performance measures and weightings are appropriate and support the business strategy. The Committee reviews performance against the annual bonus targets but has the ability to take into account broader factors and, subject to the 150 per cent of salary maximum, may exercise two-way discretion to ensure that the annual bonus awarded properly reflects the performance of the Company and each Director. It has been agreed with shareholders that 40 per cent of any bonus awarded will be deferred in Capco shares or nil-cost options for three years without further performance conditions but subject to risk of forfeiture should an Executive Director leave the Company in certain circumstances. Deferred bonus is subject to malus.
PERFORMANCE SHARE PLAN	Executive Directors are eligible to receive awards of shares under the PSP, which may be made as awards of shares or nil-cost options, at the discretion of the Committee. From 2021, the maximum grant which may be made to participants as awards or nil-cost options has reduced to 300 per cent of salary. The vesting of awards is subject to continued employment and the Company's performance over a three-year performance period. Current performance measures and weightings are: ○ 50 per cent on relative Total Return (NTA growth plus dividends) ○ 50 per cent on relative Total Shareholder Return For both measures, performance is measured relative to a bespoke comparator group of property companies. PSP awards vest on the third anniversary of the date of grant, and are subject to a two-year post-vesting holding period. 25 per cent of an award vests for threshold performance, with full vesting taking place for equalling or exceeding maximum performance conditions and straight-line vesting between threshold and maximum. A post-cessation shareholding requirement applies. In assessing the outcome of the performance conditions, the Committee must satisfy itself that the figures are a genuine reflection of underlying financial performance, and may exercise downward discretion when determining the proportion of an award that will vest. PSP awards are subject to malus and clawback.
BENEFITS	Benefits are set at a level which the Committee considers appropriate in light of relevant market practice for the role and individual circumstances, and will be in line with those offered to some or all employees, which may include private dental and health care, life insurance, personal accident cover, travel insurance, income protection and a car allowance, currently paid in cash. Directors may participate in flexible benefit arrangements offered to other employees, including the ability to buy or sell annual leave. Directors may receive seasonal gifts and a gift on leaving the Board (including payment of any tax thereon), in appropriate circumstances. Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects individual circumstances.
PENSION	Capco offers a defined contribution pension scheme. Executive Directors may elect to be paid some or all of their entitlement in cash. The maximum contribution for any Executive Director appointed on or after 1 January 2020 is in line with the level available for other employees at any given time (which is currently 15 per cent of salary). The pension contribution for Executive Directors appointed before the 2017 AGM is reducing from 24 per cent to 20 per cent in 2021 and 15 per cent (or such other maximum level of opportunity as is available to other employees) from 2022.

2. ANNUAL REPORT ON REMUNERATION

This section of the Directors' Remuneration Report explains how Capco's current Remuneration Policy has been implemented during the year.

2.1 REMUNERATION COMMITTEE

The Remuneration Committee is responsible for determining and recommending to the Board the policy for the remuneration of the Executive Directors, setting targets for the Company's incentive schemes and determining the total individual remuneration package for each Executive Director, and certain members of senior management. Membership of the Committee as at 31 December 2020 and the date of this report is set out on page 90. In addition, the Chief Executive and Company Secretary are invited to attend Committee meetings and contribute to discussions. The Committee meets regularly throughout the year to consider matters relating to executive and employee remuneration, and provides updates to the Board on the matters considered and the decisions reached. Attendance at the five meetings held during the year is shown in the table on page 81 and a summary of the matters considered by the Committee during the year when reviewing remuneration matters and making decisions about executive remuneration is set out on page 90. To ensure that conflicts of interest are avoided or managed, those attending the meeting are requested to leave the meeting when matters relating to their own remuneration, or any other matters which may be judged to be a potential conflict of interest, are discussed.

2.2 REMUNERATION COMMITTEE AND ITS ADVISERS

The Committee appointed Korn Ferry as its independent remuneration adviser in 2020, following a competitive process. Prior to Korn Ferry's appointment, the Committee was advised by the executive compensation practice of Aon. During the year, the Committee received advice on matters including remuneration structure, incentive design and target-setting from its advisers. Both Aon and Korn Ferry are members of the Remuneration Consultants Group and adhere to its code of conduct. The Committee has received confirmation of independence from Aon and Korn Ferry, and is satisfied that the advice received was objective and independent. In addition to advice provided to the Committee, Korn Ferry also provided share award valuation services to the Company. During 2020, the Company was charged a total of £59,000 by Aon and £62,655 by Korn Ferry in respect of advice to the Committee. Fees were charged on a time basis.

2.3 STATEMENT OF SHAREHOLDER VOTING

The table below shows the results of the advisory vote on the 2019 Directors' Remuneration Report and the binding vote on the current Remuneration Policy at the 2020 AGM.

Voting on Remuneration Report 2020 AGM

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
Approval of Remuneration Report	226,020,219	32.17	476,556,594	67.83	702,576,813	457,764

Voting on Remuneration Policy 2020 AGM

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
Approval of Remuneration Policy	491,278,465	70.41	206,419,016	29.59	697,697,481	5,337,096

2.4 STATEMENT OF IMPLEMENTATION OF POLICY FOR 2021

Salary

The Executive Directors' salaries are reviewed annually. In 2021, the Committee determined that the Executive Directors would not receive a base salary increase. The salaries for the Executive Directors are set out in the table below:

Executive Director salaries – 2020 and 2021

	2021	2020	% Increase
Ian Hawksworth	**£640,000**	£640,000	Nil
Situl Jobanputra	**£425,000**	£425,000	Nil
Michelle McGrath	**£345,000**	£345,000	Nil

Pension and benefits

As described in the remuneration policy summary table on page 93.

Annual bonus

Opportunity

The annual bonus opportunity will remain unchanged for 2021. As explained in the Chair's letter on page 90, 40 per cent of the whole amount of any bonus awarded will be deferred into shares for three years under the PSP.

Performance conditions

In common with previous years, the financial performance targets for the year ending 31 December 2021 will be based on growth in EPRA Net Tangible Assets per share ("NTA"), Total Property Return relative to the MSCI Total Return All Property Index, and underlying EPS.

The weightings of each measure, which are unchanged from 2020, are shown in the table below. The relative weighting of financial and individual performance measures will also remain unchanged.

Performance targets

The TPR target is included in the Company's KPIs on page 22. The KPIs are in part dependent upon the occurrence of certain discrete events. Therefore, whilst the outperformance targets that apply to the long-term incentives are disclosed, the Board has decided that as the Group operates in specific locations within the competitive central London property market, prospective disclosure of specific short-term NTA and EPS targets would provide a level of information to counterparties that could prejudice the Company's commercial interests. The Committee will publish the performance targets retrospectively once they have ceased to be commercially sensitive, which is expected to be when the bonus amounts are determined. Further information on the Company's KPIs can be found on page 22.

2021 financial performance measures

Net Tangible Assets per share	33.33%
Underlying Earnings per Share	33.33%
Relative Total Property Return	33.33%

Performance Share Plan

PSP awards of 300 per cent of salary of 2020 salary will be made to each Executive Director as awards or nil-cost options unless the Committee decides to moderate the award level to reflect any significant reduction in the share price from the level at which the 2020 awards were made. The applicable performance conditions and comparator group are set out in the tables below.

Performance conditions for 2021 PSP awards

	Threshold (25%)	Maximum
TR	Median	Upper Quartile
TSR	Median	Upper Quartile

TR AND TSR COMPARATOR GROUP FOR PSP AWARDS

- For awards made in 2021, the comparator group is the 19 REITS that are members of the FTSE 350
- For awards made prior to 2021, the comparator group is British Land, Capco, Derwent London, Great Portland Estates, Hammerson, Intu Properties, Land Securities, Workspace (from 2019), Segro (until 2018) and Shaftesbury

The rules of the Performance Share Plan provide the Board with flexibility on whether the shares awarded will ultimately be delivered by issuing new equity, or purchasing shares on the stock market. In deciding whether to issue or purchase shares the Board will consider a number of factors with a view to minimising dilution of shareholders' interests, these include whether and by how much the shares are trading at a discount/premium to Net Tangible Assets, Group liquidity and market outlook. If there is sufficient liquidity and shares are trading at a discount to Net Tangible Assets then it is expected that shares would be purchased rather than issued. It is confirmed that the share awards made in 2021 will be settled using shares purchased in the market.

Chairman and Non-executive Director remuneration

The fees paid to the Chairman and Non-executive Directors are reviewed annually. The Committee reviews the Chairman's fee and the remuneration of the Non-executive Directors is considered by the Chairman and the Chief Executive. Following the 2020 reviews, it was agreed that no increase would be awarded for 2021. Recognising the importance of the Board ESC Committee, the fees for membership of this Committee have been set at the same level as those for the Audit and Remuneration Committees. However, it has been decided that Directors will receive a maximum of two non-Chair Committee membership fees.

The Chairman has been appointed for a three-year term, subject to annual re-election by shareholders, which will expire at the 2021 AGM. The Chairman's annual base fee for 2020 and 2021 is £284,000.

The Non-executive Director fees for 2020 and 2021 are set out in the table below.

Non-executive Director fees for 2020 and 2021

	2021	2020	% Increase
Basic fee	**£55,000**	£55,000	Nil
Committee member (except Nomination Committee)	**£7,000**	£7,000	Nil
Committee member (Nomination Committee)	**£6,200**	£6,200	Nil
Committee Chairman (except Nomination Committee)	**£16,600**	£16,600	Nil
Senior Independent Director	**£13,400**	£13,400	Nil

2.5 SINGLE FIGURE OF REMUNERATION

The table below shows the single figures of total remuneration paid to each Director in 2020 and 2019. The charts in Figure 1 on page 97 illustrate the contribution that each element of remuneration made to the total remuneration of the Executive Directors.

Single figure of remuneration 2020 and 2019 (Audited)

Executive Directors

£000	Fixed remuneration: Base salary	Taxable benefits[4]	Pension-related benefits[5]	Performance-related remuneration: Single-year variable (annual bonus)[6,9]: Cash	Deferred into shares	Multiple-year variable[7] (long-term)	Total remuneration: Total fixed	Total performance-related	Total
2020									
Ian Hawksworth	**635**	**26**	**152**	**–**	**–**	**–**	**813**	**–**	**813**
Situl Jobanputra	**418**	**25**	**100**	**–**	**–**	**–**	**543**	**–**	**543**
Michelle McGrath[1]	**288**	**2**	**29**	**–**	**–**	**–**	**319**	**–**	**319**
2019									
Ian Hawksworth	617	26	148	388	388	–	791	775	1,566
Situl Jobanputra	390	24	94	250	250	–	508	500	1,008

Chairman and Non-executive Directors

£000	2020 Fees	2020 Taxable benefits[8]	2020 Total remuneration	2019 Fees	2019 Taxable benefits[8]	2019 Total remuneration
Henry Staunton	**281**	**15**	**296**	274	12	286
Charlotte Boyle	**84**	**–**	**84**	83	–	83
Jonathan Lane[2]	**72**	**–**	**72**	55	–	55
Anthony Steains	**88**	**8**	**96**	65	41	106
Gerry Murphy[3]	**32**	**–**	**32**	96	–	96
Andrew Strang[3]	**18**	**–**	**18**	56	1	57

1. Appointed on 26 February 2020.
2. Appointed on 1 March 2019.
3. Retired from the Board on 1 May 2020.
4. Comprises medical insurance and car allowance of £1,500 per month, where applicable.
5. Comprises pensions contributions or payments in lieu of pension contributions.
6. Part of the annual bonus earned is deferred in Capco shares or nil-cost options for three years, subject to forfeiture should the Executive Director leave the Company. For 2019, half of the bonus was deferred in Capco shares.
7. The 2020 disclosure for Executive Directors comprises the estimated value on maturity of the 2018 PSP awards which had a performance period that ran from 2018 to 2020, and were expected to vest in early 2021. These awards are included in the 2020 single figure as the performance conditions relating to these awards had been substantially (but not fully) completed during 2020. The disclosure was calculated assuming that zero per cent of the PSP awards would vest. The 2019 multi-year variable comparators were previously disclosed on the basis described above, assuming vesting of zero per cent, and it is confirmed that the awards lapsed as the performance conditions were not satisfied.
8. Comprises medical insurance and travel expenses relating to Board meeting attendance where these are taxable or would be if the Director were resident in the UK for tax purposes. Where applicable, the Company pays the tax payable on Non-executive Director expenses as they are incurred in the fulfilment of Directors' duties.
9. As explained in the 2019 Directors' Remuneration Report, two alternative sets of financial performance conditions were set, depending on whether a corporate/asset transaction was undertaken in the year. The set used for that year's bonus were: Sales price compared to an assessment of the valuation at the time of sale which replaced valuations at the start of the year (50 per cent), and an assessment on a discretionary basis against the strong relative performance at Covent Garden (50 per cent). The unused performance conditions were Absolute NAV per share (50 per cent), Relative Total Property Return (30 per cent) and Underlying EPS (20 per cent). The range for all elements of both sets of targets was 10 per cent at threshold increasing to 100 per cent for full achievement.

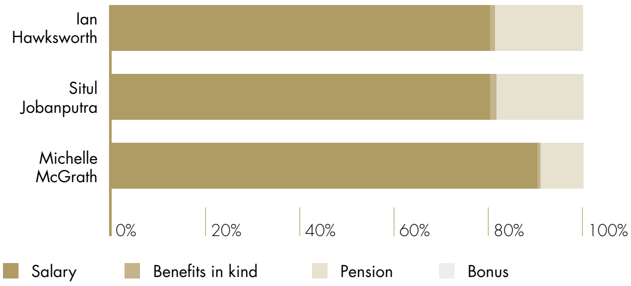
What is included in the single figure?

- The salary or fees paid in the year
- The gross cash value of any taxable benefits
- The total annual bonus awarded for the year – including both cash and the deferred element
- The expected value of any long-term incentive awards due to vest
- The cash value of any pension contribution or allowance

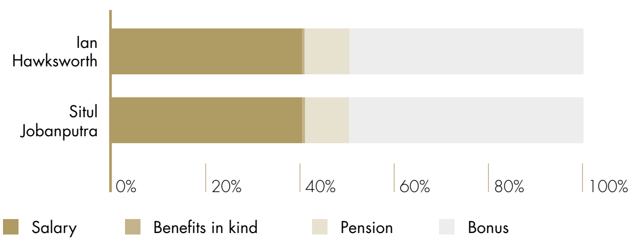
The figures below illustrate the contribution that each element of the Executive Directors' remuneration made to the single figure disclosures.

FIGURE 1

Composition of 2020 single figures



Composition of 2019 single figures



2.6 ANNUAL BONUS OUTCOMES FOR 2020

Opportunity

Executive Directors can earn bonuses of up to 150 per cent of salary. The Committee has committed that 40 per cent of the total amount of any bonus earned is deferred in Capco shares or nil-cost options for three years, subject to forfeiture should the Executive Director leave the Company.

Performance measures and targets

Awards made in respect of the year ended 31 December 2020 were based 75 per cent on financial performance, and 25 per cent on individual performance.

Financial measures: The financial performance targets for the year ended 31 December 2020, which are set out in the table on page 98, were based on growth in NTA per share, Total Property Return relative to the MSCI Total Return All Property Index, and underlying EPS.

Non-financial measures: The Committee assessed individual performance against a set of KPIs which align with the Company's objectives outlined on page 22 of the Annual Report. A summary of Directors' personal objectives is set out on page 98.

Outcome of 2020 annual bonus performance measures (Audited)

Outcome of financial measures: The Company's performance for the year ended 31 December 2020 did not meet the threshold performance targets for NTA, TPR or EPS performance. Accordingly, no awards were made to the Executive Directors in respect of the financial performance measure.

Outcome of non-financial measures: The Committee considered the performance of each Executive Director against the personal targets set for 2020. The Committee concluded that all three Executive Directors performed exceptionally well in challenging circumstances, leading and navigating the business through the year, protecting the interests of the Company and its stakeholders and successfully implementing a number of operational, financial and strategic objectives. In response to the challenges of COVID-19 their actions were focused on safeguarding employees, supporting customers and protecting shareholders' interests, ensuring that the Company and the estate are positioned strongly for the future. This performance means that each Executive Director would ordinarily have been awarded a bonus close to the maximum in respect of the non-financial target element (under which up to 37.5 per cent of salary is payable). However, whilst recognising the Executive Directors' efforts and their commitment and achievements against their non-financial objectives, the Committee felt that the payment of any bonus in relation to this exceptional year was, regrettably, not appropriate taking into account the impact of COVID-19 on shareholder returns and our wider stakeholders. The Committee has therefore exercised downwards discretion in relation to the non-financial target element to reduce the bonus outcomes to zero per cent of salary.

A breakdown of the personal objectives, and achievements in the year, is set out on the following page.

OUTCOMES OF 2020 FINANCIAL OBJECTIVES

	Measure			
	Absolute NTA (25/75)	Relative TPR (25/75)	Underlying EPS (25/75)	**Total**
Ian Hawksworth	0/25	0/25	0/25	**0/75**
Situl Jobanputra	0/25	0/25	0/25	**0/75**
Michelle McGrath	0/25	0/25	0/25	**0/75**

OUTCOMES OF 2020 ANNUAL BONUS NON-FINANCIAL OBJECTIVES

	Area of focus				
	Corporate	Financial	Commercial/ Transactions	People/ESC/ organisational	**Total**
Ian Hawksworth	11.50/12.50	4.75/5.00	3.75/3.75	2.00/2.50	**22/25**
Situl Jobanputra	4.25/5.00	9.50/10.00	4.50/5.00	3.75/5.00	**22/25**
Michelle McGrath	3.75/3.75	2.50/3.75	13.25/15.00	2.50/2.50	**22/25**

Corporate

- Implemented strong investor relations programme, helping establish Capco as a leading central London REIT

Commercial/Transactions

- Acquisition of interests in Shaftesbury PLC
- Strategic disposal of the Wellington block
- Completed key letting transactions
- Maintained leading digital marketing programme

Financial

- Agreed covenant waivers with lenders
- Identified and implemented key financing initiatives including exchangeable bond and secured loan

People/ESC/Organisational

- Ensured effective and secure remote working
- Supported development of ESC strategy
- Ensured health and safety of employees, tenants and visitors during COVID-19 pandemic
- Developed and implemented revised operational business plan to respond to COVID-19 pandemic

Disclosure of 2020 annual bonus financial performance targets (Audited)

The Committee has previously committed to publishing the financial performance targets once they cease to be commercially sensitive. The Committee has determined that the financial performance targets that applied in respect of the year ended 31 December 2020 are no longer commercially sensitive; accordingly, the targets and the Company's performance against these targets are set out below. In future, the Committee expects to continue to disclose annual bonus targets following completion of the performance period.

2020 Financial targets

Performance measure	Weighting	Target range		Actual performance	% of bonus opportunity awarded
		Threshold (10% payout)	Maximum (100% payout)		
Net Tangible Assets per share	33.33%	270p	300p	212.1p	0%
Relative Total Property Return	33.33%	0	1.5% outperformance	-24.4% underperformance	0%
Underlying Earnings per Share	33.33%	1.46p	1.6p	-0.7p	0%

2.7 LONG-TERM INCENTIVE OUTCOMES FOR 2020 (AUDITED)

In 2018, awards of 350 per cent of salary were made to Executive Directors under the Company's Performance Share Plan ("PSP") with a performance period of 2018-2020.

Performance measures and targets: The performance conditions for the PSP comprise two equally weighted measures:

- Three-year relative Total Return (TR, growth in NTA per share plus dividends)
- Three-year relative Total Shareholder Return (TSR, increase in price of an ordinary share plus dividends)

The performance targets for the PSP awards are shown in the table on below, and the PSP comparator group is shown on page 95. Awards vest on a straight-line basis between threshold and maximum performance.

Performance outcome: In early 2021, the Committee determined that Capco's TR was not expected to equal the median of the comparator group (vs an outperformance target of two per cent per annum) and that Capco's TSR was not expected to equal the median of the comparator group (vs an outperformance target of four per cent per annum), and as such the performance conditions relating to the 2018 PSP had not been met. Accordingly, the 2018 PSP awards are expected to lapse, and no value has been included in the single figure disclosures in respect of these awards.

2.8 SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED)

The performance measures for awards made under the PSP in 2020 are summarised in the table below. The performance comparator group is set out on page 95.

Performance conditions for PSP awards

	Threshold		Maximum	
	2018 (33%)	2020 (25%)	2018	2020
TR	Median	Median	Median + 2%	Upper Quartile
TSR	Median	Median	Median + 4%	Upper Quartile

The 2020 PSP awards and 2019 deferred bonus awards are set out in the table below.

PSP (Audited)[1]

	Basis of award	Market price on date of grant[2]	Exercise price if any	Face value of award	Number awarded	Performance period	Post-vesting holding period	Threshold vesting %[3]	Exercisable between
Ian Hawksworth	350 per cent of salary	201.35p	Nil	£2,239,999	1,112,490	2020–2022	2023–2024	12.5%	2023–2030
Ian Hawksworth	Value of deferred bonus	201.35p	Nil	£387,798	192,450	N/A	N/A	100%	2023–2030
Situl Jobanputra	350 per cent of salary	201.35p	Nil	£1,487,999	738,763	2020–2022	2023–2024	12.5%	2023–2030
Situl Jobanputra	Value of deferred bonus	201.35p	Nil	£249,998	124,161	N/A	N/A	100%	2023–2030
Michelle McGrath	300 per cent of salary	201.35p	Nil	£1,034,999	514,030	2020–2022	2023–2024	12.5%	2023–2030

1. PSP awards are granted as nil-cost options.
2. Average closing share price on the three business days preceding the date of grant.
3. Assumes threshold vesting under one performance condition for annual PSP awards. There are no performance conditions for the deferred bonus.

2.10 PAYMENTS FOR LOSS OF OFFICE AND PAYMENTS TO PREVIOUS DIRECTORS (AUDITED)

No payments for loss of office or payments to previous Directors in respect of relevant services were made during 2020.

2.11 SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The service contracts of Executive Directors are approved by the Remuneration Committee and are one-year rolling contracts. The commencement dates of the current contracts are shown below. The service contracts may be terminated by either party giving one year's notice to the other.

	Commencement date	Notice period
Ian Hawksworth	17 May 2010	12 months
Situl Jobanputra	1 January 2017	12 months
Michelle McGrath	26 February 2020	12 months

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

	Date of appointment	Date of most recent letter of appointment	Unexpired term as at 31 December 2020
Charlotte Boyle	1 October 2017	14 May 2020	4 months
Jonathan Lane	1 March 2019	14 May 2020	4 months
Henry Staunton	2 June 2010	29 May 2018	4 months
Anthony Steains	1 March 2016	14 May 2020	4 months

The service contracts and letters of appointment may be viewed at the Company's registered office.

2.12 TOTAL PENSION ENTITLEMENT (AUDITED)

No Director participates in or has a deferred benefit under a defined benefit pension scheme.

2.13 EXTERNAL NON-EXECUTIVE DIRECTORSHIPS

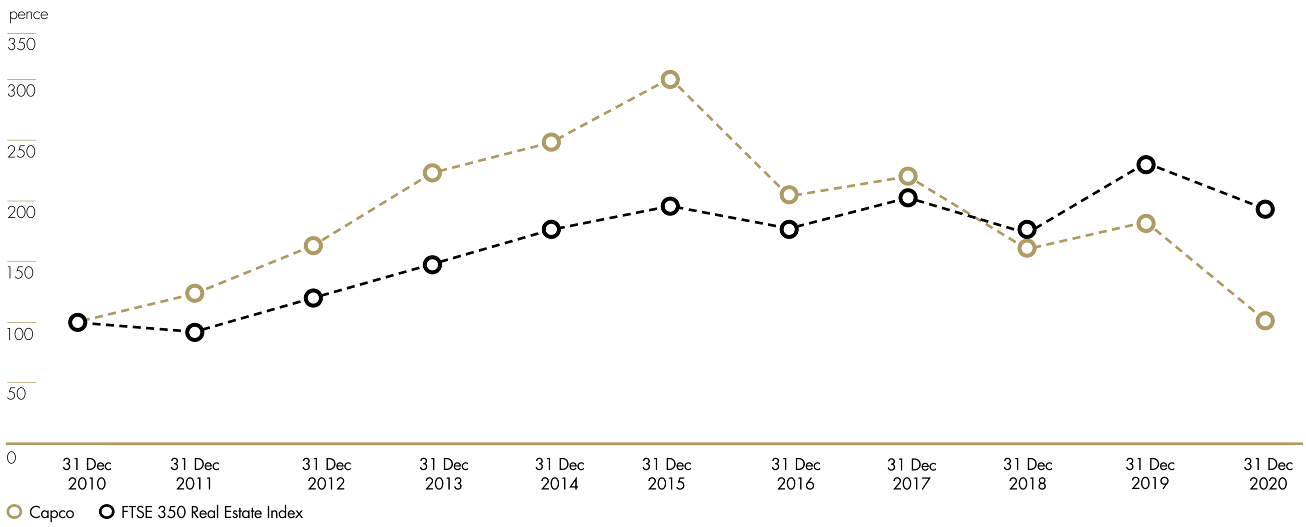
No Executive Director currently serves as a Non-executive Director elsewhere.

2.14 CHART OF SINGLE FIGURE OF CHIEF EXECUTIVE'S REMUNERATION VS TSR

The graph on the following page shows the total shareholder return at 31 December 2020 of £100 invested in Capital & Counties Properties PLC on 1 January 2011, compared with the FTSE 350 Real Estate Index. The Committee considers this benchmark to be the most relevant benchmark for the Company's performance.

The table below the graph shows, for each financial year, information on the remuneration of Ian Hawksworth, who has been Chief Executive of Capco since its establishment in 2010.

FIGURE 2: TOTAL SHAREHOLDER RETURN



Financial year	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**
Single figure £000	1,253	8,968	3,530	3,396	3,275	918	1,307	991	1,566	**813**
Annual bonus % of max	100	95	94.67	96.73	91.25	21.25	61.60	23.75	83.33	**0**
MSP vesting % of max	N/A	100	100	93.1	40 or 80[1]	0	0	0	N/A	**N/A**
PSP vesting % of max	N/A	100	100	93.1	60	0	0	0	0	**0**

1. Depending on the award. Please refer to 2015 Annual Report for more information.

2.15 PERCENTAGE CHANGE IN REMUNERATION OF DIRECTORS AND EMPLOYEES

The table below shows the percentage change in the remuneration of each Director between 2019 and 2020 compared with the average percentage change in remuneration for Capco employees. The data in this table will be expanded over the next five years, to provide a five-year record of remuneration changes.

	Executive Directors			Non-executive Directors				
	Ian Hawksworth	Situl Jobanputra	Michelle McGrath	Henry Staunton[1]	Charlotte Boyle	Jonathan Lane[2]	Anthony Steains[3]	Average employee[4]
Salary/Fees	2.92	7.18	N/A	2.55	1.20	30.91	35.28	4.94
Benefits	–	4.17	N/A	25.0	N/A	N/A	-80.49	12.34
Annual Bonus	-100.00	-100.00	N/A	N/A	N/A	N/A	N/A	-69.47

1. Increase in benefits reflects increased cost of medical insurance, and travel expenses for essential secure travel during COVID-19 pandemic.
2. Appointed 1 March 2019. Increase in fees reflects additional Committee memberships.
3. Increase in fees reflects appointment as Senior Independent Director and Chairman of the Audit Committee. Reduction in benefits reflects reduced travel expenses due to Board meetings being held virtually for most of 2020.
4. As Capital & Counties Properties PLC has no direct employees, information for Group employees has been disclosed on a voluntary basis. To allow a meaningful comparison, the analysis for employees is based on a consistent group of individuals, being those employed at 31 December 2019 and 31 December 2020, and has been calculated on a full-time equivalent basis. The Directors are excluded from the employee figures.

2.16 CHIEF EXECUTIVE PAY RATIO

As Capco has fewer than 250 employees, it is not legally required to report pay ratios. However, the ratios below are disclosed on a voluntary basis.

The table below sets out the Chief Executive pay ratio compared with the 25th, median and 75th percentile employee within the Group. Option A as defined in The Companies (Miscellaneous Reporting) Regulations 2018 was used to calculate the ratios, as this calculation methodology was considered to be the most accurate method. The employees included in the calculation are those employed by the Group at 31 December 2020, on a FTE basis. The remuneration figures for employees have been calculated using salaries payable from April 2020 to April 2021. The figure for the Chief Executive's remuneration is the single figure of remuneration for the year ended 31 December 2020.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Modified option A	14.4:1	7.9:1	6.0:1

The remuneration used to calculate the pay ratios is set out below.

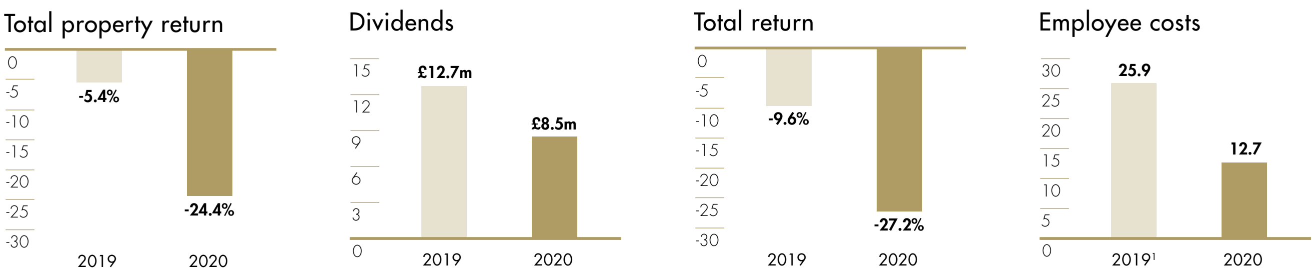
Year	Chief Executive £000	25th percentile £000	Median £000	75th percentile £000
Base salary	635	45	85	95
Total remuneration	813	56	103	136

The Chief Executive's total remuneration for 2020 does not include any performance-related remuneration. In years when annual bonus awards are made, or PSP awards vest, the pay ratios may be significantly greater than those for 2020, due to the relative weighting of variable remuneration for Executive Directors. In addition, due to the Group's relatively small number of employees, the ratios calculated may vary between years as a result of employees joining or leaving the Company.

2.17 DISTRIBUTION STATEMENT

The graphs in Figure 3 below illustrate Capco's dividends paid and total employee pay expenditure (this includes pension, variable pay, and social security) for the financial years ended 31 December 2019 and 31 December 2020, and the percentage change in each. The aforementioned measures are those prescribed by the remuneration disclosure regulations; however, they do not reflect Capco's KPIs, which are explained on page 22. Accordingly, graphs showing Capco's one-year TPR and TR are also included.

FIGURE 3



1. The employee costs figure stated for 2019 includes £5.9m of costs for employees from discontinued operations.

2.18 STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS (AUDITED)

(a) Directors' shareholdings

The beneficial interests in the shares of the Company for each Director who served during the year as at 31 December 2020 and 8 March 2020, being a date not less than one month before the date of the Notice of Annual General Meeting, are set out in the table below. The Chief Executive is required to achieve a shareholding in the Company equivalent to 300 per cent of salary and the other Executive Directors are currently required to achieve a shareholding in the Company equivalent to 200 per cent of base salary, to be achieved by retaining at least 50 per cent of any vested share awards (net of tax). A new post-cessation shareholding requirement has been introduced at the level of 200 per cent of salary for all Executive Directors, capturing the 2021 Annual Bonus and all Performance Share Plan awards made from 1 January 2021.

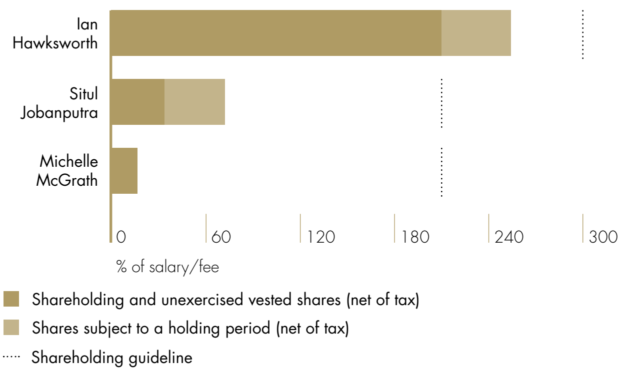
The current shareholdings of the Executive Directors, and their value based on a share price of 145 pence, being the price of a Capital & Counties Properties PLC share on 31 December 2020, are illustrated in the table below. The shares which are included in these holdings are those held beneficially by the Director, their spouse or dependant family members, shares held within ISAs, PEPs or pensions, shares that are subject to a holding period, such as deferred bonus, and vested but unexercised awards. The latter three categories are included on a net of tax basis.

Directors' shareholdings (including connected persons) – 2020 and 2019 (Audited)

	2020 Number	2019 Number	Increase during the year
Chairman			
Henry Staunton	**350,000**	250,000	100,000
Executive			
Ian Hawksworth	**909,492**	820,604	88,888
Situl Jobanputra	**100,000**	50,000	50,000
Michelle McGrath[1]	**40,000**	N/A	40,000
Non-executive			
Charlotte Boyle	**15,052**	10,052	5,000
Jonathan Lane[2]	**250,000**	40,950	209,050
Anthony Steains	**–**	–	–
Former Directors			
Gerry Murphy[3]	**50,000**	50,000	–
Andrew Strang[4]	**–**	–	–

1. Appointed to the Board on 26 February 2020.
2. Appointed to the Board on 1 March 2019.
3. Shareholding as at 1 May 2020, being the date that Gerry Murphy retired from the Board.
4. Shareholding as at 1 May 2020, being the date that Andrew Strang retired from the Board.

FIGURE 4: VALUE OF EXECUTIVE DIRECTOR SHAREHOLDINGS AND SHARE INTERESTS AS AT 31 DECEMBER 2020 (AUDITED)



(b) Directors' share interests (Audited)

Details of Executive Directors' share scheme interests, including information on share awards that were exercised or vested during the year, are set out in the tables below.

(i) Summary of Executive Directors' interests in shares and share schemes

Executive Director	Shares held	Nil-cost option awards in respect of deferred bonus	Awards no longer subject to performance conditions	Nil-cost option awards, subject to performance conditions	Total
Ian Hawksworth	909,492	368,853	–	2,799,557	4,077,902
Situl Jobanputra	100,000	211,436	–	1,796,722	2,108,158
Michelle McGrath	40,000	–	–	877,762	917,762
Total	**1,049,492**	**580,289**	**–**	**5,474,041**	**7,103,822**

(ii) Outstanding awards made under PSP

Name	Year granted	Option price (pence) if any	Held at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2020	Exercisable during or between
Ian Hawksworth	2017	Nil	29,528	–	–	–	29,528	2020–2027
Ian Hawksworth[1,2]	2017	Nil	667,553	–	–	667,553	–	–
Ian Hawksworth[1,2]	2018	Nil	789,483	–	–	–	789,483	2021–2028
Ian Hawksworth	2018	Nil	102,153	–	–	–	102,153	2021–2028
Ian Hawksworth[1,2]	2019	Nil	897,584	–	–	–	897,584	2022–2029
Ian Hawksworth	2019	Nil	44,722	–	–	–	44,722	2022–2029
Ian Hawksworth[1,2]	2020	Nil	–	1,112,490	–	–	1,112,490	2023-2030
Ian Hawksworth	2020	Nil	–	192,450	–	–	192,450	2023-2030
Situl Jobanputra[1,2]	2017	Nil	364,630	–	–	364,630	–	–
Situl Jobanputra[1,2]	2018	Nil	486,111	–	–	–	486,111	2021–2028
Situl Jobanputra	2018	Nil	58,289	–	–	–	58,289	2021–2028
Situl Jobanputra[1,2]	2019	Nil	571,848	–	–	–	571,848	2022–2029
Situl Jobanputra	2019	Nil	29,986	–	–	–	28,986	2022–2029
Situl Jobanputra[1,2]	2020	Nil	–	738,763	–	–	738,763	2023-2030
Situl Jobanputra	2020	Nil	–	124,161	–	–	124,161	2023-2030
Michelle McGrath[1]	2017	Nil	128,221	–	–	128,221	–	–
Michelle McGrath[1]	2018	Nil	148,643	–	–	–	148,643	2021–2028
Michelle McGrath[1]	2019	241.76	12,409	–	–	–	12,409	2022–2029
Michelle McGrath[1]	2019	Nil	202,680	–	–	–	202,680	2022–2029
Michelle McGrath[1,2]	2020	Nil	–	514,030	–	–	514,030	2023-2030
Total			**4,532,840**				**6,054,330**	

1. Subject to performance conditions that apply to awards made under the PSP as set out on pages 95 and 99.
2. Subject to a two-year post-vesting holding period.

The market price of Capital & Counties Properties PLC shares on 31 December 2020 (being the last day for trading during the year) was 145 pence and during the year the price varied between 267 pence and 99 pence. No Executive Directors exercised share options during the year and so the aggregate gain on exercise of share options was nil. This Remuneration Report has been approved for issue by the Board of Directors on 8 March 2021.

CHARLOTTE BOYLE
CHAIR OF THE REMUNERATION COMMITTEE

DIRECTORS' REPORT

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 December 2020.

STRATEGIC REPORT

The Group's 2020 Strategic Report, which includes a review of the Group's business model and strategy during the financial year, the Group's position at year end and a description of the principal risks and uncertainties facing the Group and how these are managed and mitigated, and an indication of likely future developments in the Group, comprises the following sections of the Annual Report:

COMPANY'S LISTINGS

The Company has a primary listing on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange. For the purposes of its listing on the Johannesburg Stock Exchange, the Company maintains an overseas branch register in South Africa. The Company's secured exchangeable bonds due 2026 are listed on the Frankfurt Stock Exchange.

DIRECTORS

The Directors of the Company who held office during the year and up to the date of signing the financial statements were as follows:

CHAIRMAN:

- Henry Staunton

EXECUTIVE DIRECTORS:

- Ian Hawksworth
- Situl Jobanputra
- Michelle McGrath (appointed 26 February 2020)

NON-EXECUTIVE DIRECTORS:

- Charlotte Boyle
- Jonathan Lane
- Anthony Steains

FORMER DIRECTORS:

- Gerry Murphy (retired 1 May 2020)
- Andrew Strang (retired 1 May 2020)

Biographies of each current Director can be found on pages 74 and 75 and details of each Director's interests in the Company's shares are set out on page 103.

The powers of the Directors are determined by UK legislation and the Company's Articles of Association, together with any specific authorities that shareholders may approve from time to time.

The rules governing the appointment and replacement of Directors are contained in the Company's Articles and UK legislation. In compliance with the 2018 UK Corporate Governance Code, all the Directors will retire from office and will offer themselves for re-election at the 2021 Annual General Meeting.

COMPENSATION FOR LOSS OF OFFICE

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company share schemes may cause share options and awards to vest on a takeover.

DIRECTORS' CONFLICTS OF INTEREST

The Company has procedures in place for the management of conflicts of interest. Should a Director become aware that they, or a connected party, have an interest in an existing or proposed transaction with the Group, they should notify the Company Secretary before the next meeting or at the meeting. Directors have a continuing obligation to notify any changes to their potential conflicts.

DIRECTORS' INDEMNITIES AND INSURANCE

In accordance with the Company's Articles, the Company has indemnified the Directors to the full extent allowed by law. The Company maintains Directors' and Officers' liability insurance, which is reviewed annually.

ARTICLES OF ASSOCIATION

Changes to the Articles of Association must be approved by shareholders in accordance with the Companies Act 2006.

DIVIDENDS

Given market conditions and the continued significant uncertainties due to COVID-19, the Board did not declare or propose a dividend during the year. It is intended that the Company will recommence dividend payments as soon as appropriate.

CAPITAL STRUCTURE AND PURCHASE OF OWN SHARES

Details of the Company's issued ordinary share capital, including details of movements in the issued share capital during the year, shares repurchased and cancelled during the year and authorities to issue or repurchase shares are shown in note 28 to the financial statements on page 160. Each share carries the right to one vote at general meetings of the Company.

Holder	Shares held at time of last notification	Percentage held at time of last notification	Nature of holding	Date of last notification
Norges Bank	127,656,465	14.999%	Direct interest	1 July 2020
BlackRock, Inc.	62,556,255	7.32%	Indirect interest	27 November 2019
Foord Asset Management (Pty) Ltd	59,505,194	6.99%	Indirect interest	26 February 2021
Public Investment Corporation SOC Limited	42,370,771	4.994%	Direct interest	28 May 2020
Madison International Realty	36,658,505	4.30%	Direct interest	13 November 2020

There are no specific restrictions on the transfer of shares beyond those standard provisions set out in the Articles of Association. No shareholder holds shares carrying special rights with regard to control of the Company.

USE OF FINANCIAL INSTRUMENTS

Information on financial risk management objectives and policies, including hedging policies, and exposure of the Company in relation to the use of financial instruments, can be found in note 26 on pages 154 to 159.

CHANGE OF CONTROL PROVISIONS

There are a number of agreements which alter or terminate upon a change of control of the Company, including the £705 million Covent Garden facility, the Covent Garden £150 million, £175 million and £225 million notes and the £125 million secured loan which contain provisions that may require any outstanding facilities to be repaid on a change of control. The £275 million exchangeable bonds due 2026 also contain provisions which may trigger early redemption or exchange of the bonds on a change of control. The Lillie Square development joint venture contains provisions which are triggered by a change of control. The Performance Share Plan ("PSP") includes provisions relating to the treatment of awards in the event of a change of control.

SUBSTANTIAL SHAREHOLDINGS

The significant holdings of voting rights in the share capital of the Company notified and disclosed in accordance with Disclosure and Transparency Rule 5, as at 5 March 2021, are shown in the table above.

CORPORATE GOVERNANCE STATEMENT

The information fulfilling the requirements of the corporate governance statement can be found on pages 76 to 104, which should be deemed to be incorporated within this Directors' Report.

EMPLOYEES

Information on Group employees, and engagement with employees during the year can be found on pages 16, 68 to 70 and in note 7 on page 136.

ENGAGEMENT WITH STAKEHOLDERS

Information on the ways in which the Directors have regard to the need to foster the Company's business relationships with stakeholders including suppliers, customers and others, and the effect of that regard is set out in our Stakeholder Engagement section on pages 16 to 21 of this Report. Further information related to engagement with various stakeholders during the year can be found on pages 8, 14, 16 to 21, 62, 66 to 70 and 72.

THE ENVIRONMENT

Details of the Group's Environment, Sustainability and Community ("ESC") strategy and its aims and activities are set out on pages 58 to 70 and available on the Company's website www.capitalandcounties.com.

ADDITIONAL DISCLOSURES

The information required to be disclosed pursuant to LR 9.8.4R and Schedule 7, Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations (as amended) can be found in the following locations:

	Page
Interest capitalised	137
Non-pre-emptive issue of equity	160
Interests in significant contracts	162

GOING CONCERN

As set out on page 33, the Directors have a reasonable expectation that the Company and the Group will have adequate resources to meet both ongoing and future commitments over a period of at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

DISCLOSURE TO AUDITORS

So far as the Directors are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

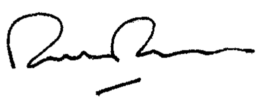
INDEPENDENT AUDITORS

The Board has recommended that PricewaterhouseCoopers LLP, who have indicated their willingness to continue in office, be reappointed as the Company's independent auditors and a resolution seeking their reappointment will be proposed at the forthcoming Annual General Meeting. The external audit contract was last put out to competitive tender in 2019.

ANNUAL GENERAL MEETING

Due to the COVID-19 pandemic, the 2021 AGM is currently intended to be held as a closed meeting. Whilst not able to attend in person, shareholders are invited to submit any questions they may wish to have answered by sending an email to feedback@capitalandcounties.com or by calling +44(0)20 3214 9170. Shareholders are advised to vote in advance of the meeting, prior to the proxy deadline. Please refer to the Notice of AGM 2021 and the Company's website for further details.

By Order of the Board.



RUTH PAVEY
COMPANY SECRETARY

8 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing the financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether for the Group and Company, international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("EU") have been followed, subject to any material departures disclosed and explained in the financial statements; and

d. prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Governance section, confirm that, to the best of their knowledge:

- the Group and the Company financial statements, which have been prepared in accordance with IFRSs as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group and Company;
- the Directors' 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; and
- having taken all matters considered by the Board and brought to the attention of the Board during the year into account, the Directors consider that the Annual Report & Accounts, taken as a whole, are fair, balanced and understandable. The Directors believe that the disclosures set out in the Annual Report & Accounts provide the information necessary for shareholders to assess the Group and Company's position, performance, business model and strategy.

The financial statements on pages 118 to 174 were approved by the Board of Directors on 8 March 2021 and signed on its behalf by:

IAN HAWKSWORTH
CHIEF EXECUTIVE

SITUL JOBANPUTRA
CHIEF FINANCIAL OFFICER

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Capital & Counties Properties PLC's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's and Company's loss and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the consolidated and Company balance sheets as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company statements of changes in equity and the consolidated statement of cash flows and Company statement of cash flows for the year then ended; and the notes to the accounts, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

SEPARATE OPINION IN RELATION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED PURSUANT TO REGULATION (EC) NO 1606/2002 AS IT APPLIES IN THE EUROPEAN UNION

As explained in note 1 to the Group financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the Group in the period under audit.

OUR AUDIT APPROACH

Overview

Audit scope	○ We audited the complete financial information of the Group, which comprises Covent Garden, Lillie Square and Other.
Key audit matters	○ Valuation of investment and development property (Group) ○ Recoverability of rental receivables, deferrals and lease incentives (Group) ○ Going concern (Group) ○ Accounting for Shaftesbury related transactions (Group) ○ COVID-19 (Group)
Materiality	○ Overall Group materiality: £29.1 million (2019: £31.0 million) based on 1 per cent of total assets. ○ Overall Company materiality: £23.2 million (2019: 20.6 million) based on 1 per cent of total assets. ○ Performance materiality: £21.8 million (Group) and £17.4 million (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, including the Real Estate Investment Trust ("REIT") requirements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with management and the Group's internal auditors, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Evaluation of management's controls designed to prevent and detect irregularities.
- Evaluation of the Group's compliance with the REIT requirements, including considering the impact of the COVID-19 pandemic on the various REIT compliance tests.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of investment and development property and recoverability of rental receivables (see key audit matters below).
- Identifying and testing journal entries, in particular any journal entries posted to revenue with unusual account combinations or posted by senior management.
- Reviewing relevant meeting minutes, including those of the Board and Audit Committee.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Recoverability of rental receivables, deferrals and lease incentives, going concern, accounting for Shaftesbury related transactions and COVID-19 are new key audit matters this year. Taxation, which was a key audit matter last year, is no longer included because taxation is no longer considered to have a material impact on the Group. Otherwise, the key audit matters below are consistent with last year.

KEY AUDIT MATTER

VALUATION OF INVESTMENT AND DEVELOPMENT PROPERTY (GROUP)

Refer to the Audit Committee Report and notes 1, 5 and 14 to the financial statements.

The valuation of the Group's investment and development property is the key component of the net asset value and underpins the Group's result for the year. Accordingly we identified this area as a key audit matter.

The result of the revaluation this year was a loss of £692.2 million (2019: loss of £192.7 million) as set out in note 14, which is accounted for within 'Loss on revaluation and sale of investment and development property' and is a significant component of the result for the year.

The Group's property portfolios, which comprise investment property (including retail, food and beverage, commercial and residential) as well as development property located in central London, are not uniform in nature. Accordingly, there are a number of different assumptions made by the Group's third party valuers, CBRE and JLL (the "valuers"), in determining fair value:

- Investment property – the valuation of investment properties (principally the Group's Covent Garden portfolio) is inherently subjective, due principally to the individual nature of each property, which greatly influences the future rental income expected to be generated. The assumptions on which the property values are based are influenced by tenure and tenancy details for each property, prevailing market yields and the estimated rental value of each property.
- Development property – the valuation of development property (principally comprising the Group's share of the Lillie Square joint venture development) is also inherently subjective. Development properties are valued using the residual approach in the absence of comparable transactions of development sites with similar characteristics at the valuation date. This method involves estimating the fair value of the completed project using either a sales comparison or income capitalisation method, less amounts for estimated costs to completion, finance costs and a market-based profit margin providing a return on development risk.

Macro-economic factors and uncertain market conditions impact the valuation of investment and development property. The fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus on this area.

In addition, the valuation of the investment and development property in the current environment is particularly subjective given the current challenges facing the retail and hospitality occupier and investor markets as a result of COVID-19. The pandemic has also resulted in lower levels of comparable transactions and leasing activity. These factors have significantly increased the subjectivity within these valuations for the year ended 31 December 2020.

The valuers were engaged by the Directors, in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards ("RICS").

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Assessing the valuers' expertise and objectivity

The valuers are well-known and established firms. We assessed the competence and capabilities of the valuers and verified their qualifications. We also assessed their independence by discussing the scope of their work and reviewing the terms of their engagement for unusual terms or fee arrangements. Based on this work, we are satisfied that the valuers were independent and competent and the scope of their work was appropriate.

We engaged internal real estate valuation experts and qualified chartered surveyors with deep market knowledge in reading the external valuation reports prepared by CBRE (in respect of the Covent Garden portfolio) and JLL (in respect of the Lillie Square development). We confirmed that the valuation approaches for each were in accordance with the RICS standards and suitable for use in determining the final value for the purpose of the financial statements.

Data provided to the valuers

For investment properties, we validated a sample of the data provided to the valuers by management and found that it was consistent with the information we audited. This data included tenancy schedules, cost schedules, square footage details, capital receipts from residential sales completions and capital expenditure over the period, which we agreed back to appropriate supporting documentation.

For development properties, we agreed that the planned schemes being valued were consistent with the actual planned developments.

Assumptions and estimates used by the valuers

We met with the valuers independently of management and gained an understanding of the valuation methods and assumptions used. We compared the movement in capital values over the period with market sector benchmarks to help identify significant changes in assumptions. The nature of assumptions used varied across the portfolio, depending on the nature of each property but they included estimated capital values, investment yields, estimated rental values, estimates of void rates and rent free periods, construction costs, finance cost and developers' margins. In each of these areas, and on a sample basis, we compared the estimates and assumptions used by the valuers against our own expectations, using evidence of comparable market transactions. Where we identified estimates and assumptions that were outside the typical ranges used, we discussed these with the valuers to understand the rationale and then assessed, based on all the available evidence and our experience in this sector, whether the use of the estimate or assumption was justified.

As part of this work, we considered the reasonableness of assumptions that are not so readily comparable with published benchmarks, in particular ERV where, for a sample of individual units, we specifically challenged the valuers to support their individual ERV assumptions with reference to available evidence and in the context of the impact of COVID-19 on retailers.

It was evident from our interaction with the external valuers, and from our review of the valuation reports, that close attention had been paid to each property's individual characteristics at a detailed, tenant by tenant level, as well as considering specific factors such as the latest leasing and sale activity, the desirability of the asset and the impact that COVID-19 has had on the asset.

Our testing indicated that the estimates and assumptions used were appropriate in the context of the Group's property portfolio and reflected the circumstances of the market in the year.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
RECOVERABILITY OF RENTAL RECEIVABLES, DEFERRALS AND LEASE INCENTIVES (GROUP) *Refer to the Audit Committee Report and notes 1 and 4 to the financial statements.* At 31 December 2020, the Group has rent receivable balances of £34.7 million against which an Expected Credit Loss (ECL) provision of £12.4 million has been booked and £37.5 million of unamortised lease incentives, against which an ECL provision of £6.1 million has been booked. The disruption created by COVID-19, in particular the closure of non-essential retail at various times during the year, has placed significant stress on the Group's tenants. In response to this, the Group has provided significant support to its tenants in the form of rent deferrals, rent-free periods and other arrangements, depending on the position of each tenant. This has resulted in a significant increase in the level of arrears as at 31 December 2020 and incremental lease incentives carried on the Group's balance sheet. As a result, there is a heightened level of judgement and estimation uncertainty associated with calculating the required ECL provision, both in respect of rent receivables and unamortised lease incentives. The effects of the pandemic are likely to continue to be experienced for some time. In this context the estimation of an ECL provision against accounts receivables and unamortised lease incentives is highly subjective and contains significant estimation uncertainty. The Directors have utilised a provisioning matrix methodology to determine the ECL provision. Under this approach each tenant has been placed into a risk category based on the perceived risk of tenant default. Multiple data points have been used to drive this categorisation including: the size and type of business, payment history, latest current trading performance, credit information, forward-looking economic factors and ongoing tenant negotiations. A provisioning percentage has then been applied to each category to reflect the expected portion of receivables within each risk category for which an ECL provision is required. In considering the provision for unamortised lease incentives management has also assessed whether a tenant is expected to continue in operation until the planned end of its lease term. Management has also considered the additional security provided by tenant deposits when considering required ECL provisions. On the basis of the significant estimation uncertainty in determining appropriate level of ECL provisions, in particular given the ongoing impact that COVID-19 is having on the retail and food and beverage sectors, we identified this as a key audit matter.	We evaluated the methodology utilised by the Directors in determining the ECL provisions as at 31 December 2020 and satisfied ourselves that the approach is compliant with the requirements of IFRS 9 Financial Instruments. We obtained and checked the mathematical accuracy, and completeness, of the underlying data used to calculate the provision balances, both in respect of rent arrears and unamortised lease incentives. This included verifying, on a sample basis, a tenant's year end outstanding receivable balance; a tenant's year end unamortised lease incentive balance; the tenant's credit history and current trading performance; the status of ongoing discussions with the tenant in particular in relation to the impact of COVID-19 on rent collection; the ageing of the balances; the level of cash collections both during the year and post year end; and forward looking macroeconomic factors, amongst others. For a sample of tenant debtors across the different risk categories, we obtained and reviewed the assessment performed by management to determine the tenant's viability and associated risk categorisation. We verified the mathematical accuracy of the provision calculations and checked that the provision had been calculated in line with IFRS 9 and the Group's accounting policy. We performed sensitivity analysis to understand the impact that reasonable changes in the provisioning percentage assumptions could have on the overall ECL provision and assessed the appropriateness of related disclosures in the notes to the accounts. Based on our audit work performed, we consider the approach to the methodology for, and calculation of ECL provisions to be appropriate.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
GOING CONCERN (GROUP)	
The Group's financial statements at 31 December 2020 have been prepared on a going concern basis. Refer to note 1 Basis of preparation. The ongoing COVID-19 pandemic and associated government restrictions have had a significant impact on the Group's Covent Garden portfolio and are likely to impact the Group's net rental income well into 2021 and potentially beyond. Accordingly, the Directors have performed a detailed going concern assessment covering the period to 30 June 2022 (the "Going Concern period") which considers the expected ongoing impact of COVID-19 on both available liquidity and covenant compliance. As a result the Board has concluded that there are no material uncertainties regarding the Group's ability to continue as a going concern. In doing so the Directors have assessed a base case scenario, and have also applied sensitivities in determining a severe but plausible downside scenario. As disclosed in note 1, in view of the expected negative impact on net rental income during 2021 the Directors have obtained a waiver of the Group's interest cover covenant for all assessment periods up to and including 31 December 2021. In light of these covenant waivers, the risk associated with the going concern assessment has been focused on the Group's expected covenant compliance for the first half of FY2022 (being the last six months of the Going Concern period).	We evaluated the Directors' going concern assessment and, with the support of internal specialists in this area, performed the following procedures: We assessed the appropriateness of the Group's cash flow, liquidity and gearing covenant forecasts in the context of the Group's 2020 financial position. We understood and assessed the appropriateness of the key assumptions used both in the base case and in the severe but plausible downside scenario, including assessing whether we considered the downside sensitivities to be appropriately severe. We corroborated key assumptions (eg rental income and finance costs) to underlying documentation and ensured this was consistent with our audit work in these areas. We obtained and reviewed documents confirming the waiver of interest cover covenants for the periods to 30 June 2021 and 31 December 2021, as well as waivers received for the periods to 30 June 2020 and 31 December 2020. We tested the mathematical accuracy of management's cash flow models. We obtained and reperformed the Group's forecast covenant compliance calculations, including sensitising the forecasts of net rental income and property values to assess the potential impact of downside sensitivities on covenant compliance. We considered the appropriateness of the mitigating actions available to management in the event of the downside scenario materialising. Specifically, we focused on whether these actions are within the Group's control and are achievable. We reviewed the going concern disclosures in the financial statements. We also reviewed the disclosures provided relating to the going concern basis of preparation, and found that these provided an explanation of the Directors' assessment that was consistent with the evidence we obtained. Our conclusions on going concern are set out in the "Conclusion relating to Going concern".

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
ACCOUNTING FOR SHAFTESBURY RELATED TRANSACTIONS (GROUP) *Refer to the Audit Committee Report and notes 17, 19 and 23 to the financial statements.* During 2020 the Group acquired a significant investment in Shaftesbury PLC. The initial acquisition of shares was completed in two tranches for a total consideration of £436 million. Further, on 22 October 2020, the Group participated in a capital raising by Shaftesbury PLC and invested a further £65 million, resulting in an aggregate 25.2 per cent interest in Shaftesbury PLC. As at 31 December 2020 the carrying value of the Group's investment was £551.8 million. Subsequent to the acquisition, the Group raised £400 million of financing via the issuance of £275 million exchangeable bonds and a £125 million secured loan, both linked to its investment in Shaftesbury PLC. The £275 million exchangeable bonds are exchangeable for shares of Shaftesbury PLC and have a cash coupon of 2.0 per cent per annum and are redeemable at par in March 2026. The bondholder has an option to call for settlement in Shaftesbury PLC shares (where the strike price has been achieved). If called upon, Capco (as issuer) has the right to settle any exchange of the bonds in Shaftesbury PLC shares, cash or a combination of Shaftesbury PLC shares and cash. For accounting purposes, the exchangeable bond has been bifurcated into a separate financial liability and an option element, the latter representing the fair value of the embedded option to convert the financial liability into equity of Shaftesbury PLC. The debt component has been valued based on the total proceeds less the fair value of the option and is subsequently accounted for at amortised cost. At 31 December 2020 the Group has recognised a derivative liability of £15.3 million and debt of £260.3 million (including £5.9 million of debt issue costs which are to be amortised over the period to maturity). The £125 million secured loan has a maturity of three years, is secured against shares in Shaftesbury PLC and is at an interest rate broadly in line with the Group's weighted average cost of debt. These significant transactions warranted additional audit focus due to their magnitude and the potential for complex contractual terms that involve accounting judgement.	We understood the detailed nature of the transactions and assessed the proposed accounting treatment and disclosures in relation to the Group's accounting policies and applicable IFRS accounting standards. We obtained evidence to confirm that the Group is appropriately accounting for its stake in Shaftesbury PLC as an investment measured at fair value through profit and loss, on the basis that the Group has no significant influence over Shaftesbury PLC. We corroborated the carrying value of the Group's investment in Shaftesbury PLC as at 31 December 2020 to publicly quoted share price information on that date. We obtained and reviewed the underlying documentation detailing the terms of the exchangeable bonds and the secured loan. We assessed the reasonableness of the valuation methodology and assumptions used in valuing the derivative liability within the exchangeable bonds as at 31 December 2020. We performed procedures to confirm that the secured loan has been accounted for appropriately and the financial covenant requirements in relation to the secured loan had been met at 31 December 2020. Based on the work performed, we found the accounting methods and disclosures applied in respect of the accounting for Shaftesbury PLC related transactions to be appropriate.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
COVID-19 (GROUP)	
Refer to the Strategic Report – Principal risks and uncertainties and the Viability statement, the Audit Committee Report and note 1 to the financial statements. The COVID-19 pandemic has had a significant impact on the Group, reducing both property valuations and net rental income severely. The extent of the negative impact of the pandemic on future performance is difficult to predict as government restrictions continue, at least through the first half of 2021. The most significant impacts of COVID-19 on the Group and Company financial statements have been: *Ability of the entity to continue as a going concern* The Directors' have carefully considered the expected ongoing impact of COVID-19 on both available liquidity and covenant compliance and have concluded that there are no material uncertainties regarding the Group's ability to continue as a going concern. In doing so they have assessed a base case scenario, and have also applied sensitivities in determining a severe but plausible downside scenario. As disclosed in note 1 the Directors have obtained a waiver of the Group's interest cover covenant for periods up to and including 31 December 2021. This is described in the key matter above. *Valuation of investment and development property* The valuations of investment and development properties have fallen, in some cases significantly, during the year. The lower levels of transactional activity and leasing evidence has also served to heighten the estimation uncertainty within the valuations. This is described in the key audit matter above. *Recoverability of rental receivables, deferrals and lease incentives* The Expected Credit Loss provisions recognised against tenant receivable balances and unamortised lease incentives have significantly increased during the year as a result of the distress being experienced by tenants as a result of COVID-19. This is described in the key audit matter above. *Qualitative Disclosures in the Annual Report and Financial Statements* In order to assess the impact of COVID-19 on the business, management have updated their risk assessment and prepared an analysis of the potential impact on revenues, profits, cash flows, operations and the liquidity position of the Group over the next three years. The Directors' conclusions in this area are set out in the Viability Statement on page 32.	We evaluated the Group's updated risk assessment and analysis and considered whether it addresses the relevant threats posed by COVID-19. *Ability of the entity to continue as a going concern* Refer to the key audit matter above for details of how we considered the impact of COVID-19 in our audit procedures over going concern. *Valuation of investment and development property* Our procedures and conclusions in respect of the valuation of investment and development properties are set out in the key audit matter above. *Recoverability of rental receivables, deferrals and lease incentives* Our procedures and conclusions in respect of expected credit loss provisions recorded for tenant receivable balances and unamortised lease incentives are set out in the key audit matter above. *Qualitative Disclosures in the Annual Report and Financial Statements* In addition to the procedures above, we assessed the disclosures presented in the Annual Report in relation to COVID-19, by reading the other information, including the Principal risks and uncertainties and the Viability statement set out in the Strategic report, and assessing their consistency with the financial statements and the evidence we obtained in our audit. We have nothing to report in respect of these disclosures. We considered whether changes to working practices brought about by COVID-19 had an adverse impact on the effectiveness of management's business process and IT controls. Our planned tests of controls did not identify any evidence of material deterioration in the control environment.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured along the following business lines: Covent Garden, Lillie Square and Other. The Group engagement team audited all business lines.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£29.1 million (2019: £31.0 million).	£23.2 million (2019: £20.6 million).
How we determined it	1 per cent of total assets	1 per cent of total assets
Rationale for benchmark applied	The key measure of the Group's performance is the valuation of investment and development properties and the balance sheet as a whole. On this basis, and consistent with the prior year, we set an overall Group materiality level based on total assets.	The Company is predominantly an investment holding company and therefore total assets is deemed the most appropriate benchmark.

In addition to overall Group materiality, a specific materiality was also applied to certain areas of the income statement and related working capital balances. Our specific materiality is aligned with the metrics in the consolidated income statement that we believe are of particular interest to the members and we determined those metrics to be net rental income and net finance costs. In order to reflect their specific characteristics, we applied materiality levels of 5 per cent of the three year average of net rental income from 2018 – 2020 and 5 per cent of net finance costs.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75 per cent of overall materiality, amounting to £21.8 million for the Group financial statements and £17.4 million for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.5 million (Group audit) (2019: £1.5 million) and £1.2 million (Company audit) (2019: £1.0 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSION RELATING TO GOING CONCERN

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included procedures outlined in the key audit matter above.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our Auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

DIRECTORS' REMUNERATION

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

CORPORATE GOVERNANCE REPORT

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report & Accounts that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Audit Committee, we were appointed by the members on 3 June 2010 to audit the financial statements for the year ended 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement is 11 years, covering the years ended 31 December 2010 to 31 December 2020.

ANDREW PAYNTER (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS
LONDON

8 March 2021

	Note	2020 £m	2019 £m
Continuing operations			
Revenue	2	**73.0**	79.4
Rental income	2	**73.9**	77.6
Rental expenses[1]	4	**(58.0)**	(16.5)
Net rental income	2	**15.9**	61.1
Other (costs)/income		**(1.0)**	1.8
Loss on revaluation and sale of investment and development property	5	**(693.1)**	(43.3)
Change in fair value of financial assets through profit or loss	17	**50.9**	–
Impairment of investments and other receivables	6	**(28.2)**	(21.0)
		(655.5)	(1.4)
Administration expenses	7	**(31.0)**	(43.4)
Operating loss		**(686.5)**	(44.8)
Finance income	8	**0.5**	0.5
Finance costs	9	**(24.1)**	(21.2)
Other finance income	8	**20.5**	11.9
Other finance costs	9	**(0.6)**	–
Change in fair value of derivative financial instruments	19	**(14.5)**	(5.2)
Net finance costs		**(18.2)**	(14.0)
Share of post-tax loss from joint ventures	16	**–**	(2.5)
Loss before tax		**(704.7)**	(61.3)
Current tax		**0.8**	(2.1)
Deferred tax		**0.2**	1.1
Taxation	10	**1.0**	(1.0)
Loss for the year from continuing operations		**(703.7)**	(62.3)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	11	**1.0**	(245.5)
Loss for the year		**(702.7)**	(307.8)
Loss attributable to:			
Owners of the Parent		**(702.7)**	(253.6)
Non-controlling interest	18	**–**	(54.2)
Earnings per share attributable to owners of the Parent[2]			
Basic and diluted loss per share		**(82.5)p**	(29.7)p
Earnings per share from continuing operations attributable to owners of the Parent[2]			
Basic and diluted loss per share	13	**(82.6)p**	(7.3)p
Weighted average number of shares	13	**852.0m**	855.5m

1. Included in rental expenses is £25.1 million (2019: £1.6 million) of expected credit loss relating to bad debt expense in relation to rent receivables and impairment of tenant lease incentives. Rental expenses also include £16.7 million of lease modification expenses. See note 4 'Rental Expenses' for further information.
2. Earnings per share from the discontinued operation are shown in note 13 'Earnings per Share and Net Assets per Share'.

	Note	**2020 £m**	2019 £m
Loss for the year		**(702.7)**	(307.8)
Total comprehensive income/(expense) for the year		**(702.7)**	(307.8)
Attributable to:			
Owners of the Parent		**(702.7)**	(253.6)
Non-controlling interest	18	**–**	(54.2)
Arising from:			
Continuing operations		**(703.7)**	(62.3)
Discontinued operation	11	**1.0**	(245.5)

	Note	2020 £m	2019 £m
Non-current assets			
Investment and development property	14	**1,795.8**	2,545.5
Property, plant and equipment	15	**4.4**	5.7
Investment in joint ventures	16	**0.3**	0.3
Financial assets at fair value through profit or loss	17	**551.8**	–
Deferred tax	27	**6.8**	6.6
Trade and other receivables	20	**118.2**	248.8
		2,477.3	2,806.9
Current assets			
Trade and other receivables	20	**65.7**	139.4
Cash and cash equivalents	21	**365.1**	153.1
		430.8	292.5
Total assets		**2,908.1**	3,099.4
Non-current liabilities			
Borrowings, including lease liabilities	23	**(1,079.0)**	(555.3)
Derivative financial instruments	19	**(22.5)**	(3.6)
		(1,101.5)	(558.9)
Current liabilities			
Borrowings, including lease liabilities	23	**(1.6)**	(1.6)
Tax liabilities		**(1.0)**	(2.1)
Trade and other payables	22	**(44.3)**	(59.3)
		(46.9)	(63.0)
Total liabilities		**(1,148.4)**	(621.9)
Net assets		**1,759.7**	2,477.5
Equity			
Share capital	28	**212.8**	213.6
Other components of equity		**1,546.9**	2,263.9
Equity attributable to owners of the Parent		**1,759.7**	2,477.5

These consolidated financial statements have been approved for issue by the Board of Directors on 8 March 2021 and signed on its behalf by:

IAN HAWKSWORTH
CHIEF EXECUTIVE

SITUL JOBANPUTRA
CHIEF FINANCIAL OFFICER

		Equity attributable to owners of the Parent									
	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve[1] £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2019		212.7	225.6	–	421.8	8.6	(0.6)	1,868.1	2,736.2	247.4	2,983.6
Loss for the year		–	–	–	–	–	–	(253.6)	(253.6)	(54.2)	(307.8)
Total comprehensive expense for the year ended 31 December 2019		–	–	–	–	–	–	(253.6)	(253.6)	(54.2)	(307.8)
Transactions with owners											
Ordinary shares issued[2]	28	0.9	3.3	–	–	–	–	(0.4)	3.8	–	3.8
Dividends	12	–	–	–	–	–	–	(12.7)	(12.7)	–	(12.7)
Realisation of merger reserve[1]		–	–	–	(54.2)	–	–	54.2	–	–	–
Realisation of share-based payment reserve on issue of shares		–	–	–	–	(3.5)	–	6.2	2.7	–	2.7
Fair value of share-based payment		–	–	–	–	0.9	–	–	0.9	–	0.9
Realisation of cash flow hedge		–	–	–	–	–	0.2	–	0.2	–	0.2
Contribution from non-controlling interest	18	–	–	–	–	–	–	–	–	1.0	1.0
Derecognition of non-controlling interest at disposal	18	–	–	–	–	–	–	–	–	(194.2)	(194.2)
Total transactions with owners		0.9	3.3	–	(54.2)	(2.6)	0.2	47.3	(5.1)	(193.2)	(198.3)
Balance at 31 December 2019		**213.6**	**228.9**	**–**	**367.6**	**6.0**	**(0.4)**	**1,661.8**	**2,477.5**	**–**	**2,477.5**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(702.7)**	**(702.7)**	**–**	**(702.7)**
Total comprehensive expense for the year ended 31 December 2020		**–**	**–**	**–**	**–**	**–**	**–**	**(702.7)**	**(702.7)**	**–**	**(702.7)**
Transactions with owners											
Ordinary shares issued[2]	28	**0.7**	**3.3**	**–**	**–**	**–**	**–**	**–**	**4.0**	**–**	**4.0**
Share buyback	28	**(1.5)**	**–**	**1.5**	**–**	**–**	**–**	**(11.8)**	**(11.8)**	**–**	**(11.8)**
Dividends	12	**–**	**–**	**–**	**–**	**–**	**–**	**(8.5)**	**(8.5)**	**–**	**(8.5)**
Realisation of merger reserve[1]		**–**	**–**	**–**	**(53.9)**	**–**	**–**	**53.9**	**–**	**–**	**–**
Realisation of share-based payment reserve on issue of shares		**–**	**–**	**–**	**–**	**(0.9)**	**–**	**0.8**	**(0.1)**	**–**	**(0.1)**
Fair value of share-based payment		**–**	**–**	**–**	**–**	**1.3**	**–**	**–**	**1.3**	**–**	**1.3**
Total transactions with owners		**(0.8)**	**3.3**	**1.5**	**(53.9)**	**0.4**	**–**	**34.4**	**(15.1)**	**–**	**(15.1)**
Balance at 31 December 2020		**212.8**	**232.2**	**1.5**	**313.7**	**6.4**	**(0.4)**	**993.5**	**1,759.7**	**–**	**1,759.7**

1. Represents non-qualifying consideration received by the Group following the share placing in May 2014 and previous share placements. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration and therefore will not form part of distributable reserves as they form part of linked transactions. Realised merger reserve relates to the Wellington block disposed of in the year as the properties were originally acquired using proceeds from the share placements. In the prior year the realised merger reserve related to properties held in Earls Court Properties and Floral Court that were disposed of during 2019.
2. Share premium includes £3.3 million (2019: £3.2 million) of ordinary shares issued relating to the bonus issue in lieu of cash dividends. Refer to note 12 'Dividends' for further information.

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Cash (utilised)/generated from operations	31	**(32.3)**	1.7
Interest paid		**(22.7)**	(20.2)
Interest received		**0.5**	0.5
Tax paid		**(0.3)**	(1.4)
Net cash outflow from continuing operating activities		**(54.8)**	(19.4)
Net cash outflow from discontinued operating activities	31	**–**	(2.2)
Net cash outflow from operating activities		**(54.8)**	(21.6)
Cash flows from investing activities			
Purchase and development of property		**(23.9)**	(94.4)
Sale of property		**76.8**	79.6
Sale of discontinued operation	11	**194.1**	168.9
Sale of subsidiaries[1]		**0.2**	0.2
Acquisition of listed equity investment		**(500.9)**	–
Loan advances to/(from) joint ventures		**3.2**	(1.5)
Net cash (outflow)/inflow from continuing investing activities		**(250.5)**	152.8
Net cash outflow from discontinued investing activities	11	**–**	(4.8)
Net cash (outflow)/inflow from investing activities		**(250.5)**	148.0
Cash flows from financing activities			
Issue of shares		**–**	0.5
Share buyback		**(11.8)**	–
Borrowings drawn	23	**930.0**	105.0
Borrowings repaid	23	**(390.0)**	(105.0)
Principal element of lease payment		**(0.9)**	(0.9)
Purchase and repayment of derivative financial instruments		**(5.4)**	(0.9)
Cash dividends paid	12	**(4.6)**	(9.5)
Net cash inflow/(outflow) from continuing financing activities		**517.3**	(10.8)
Net cash inflow from discontinued financing activities	11	**–**	5.0
Net cash inflow/(outflow) from financing activities		**517.3**	(5.8)
Net increase in cash and cash equivalents		**212.0**	120.6
Unrestricted cash and cash equivalents at 1 January		**153.1**	32.5
Unrestricted cash and cash equivalents at 31 December	21	**365.1**	153.1

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

1 PRINCIPAL ACCOUNTING POLICIES

GENERAL INFORMATION

Capital & Counties Properties PLC (the "Company") was incorporated and registered in England and Wales and domiciled in the United Kingdom on 3 February 2010 under the Companies Act 2006 as a public company limited by shares, registration number 7145051. The registered office of the Company is Regal House, 14 James Street, London, WC2E 8BU, United Kingdom. The principal activity of the Company is to act as the ultimate parent company of Capital & Counties Properties PLC Group (the "Group"), whose principal activity is the investment, development and management of property.

The Group's assets principally comprise investment and development property at Covent Garden.

BASIS OF PREPARATION

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

The Directors have taken advantage of the exemption offered by section 408 of the Companies Act 2006 not to present a separate income statement or statement of comprehensive income for the Company. The financial statements of the Company are set out on pages 167-174.

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

Amendments to References to the Conceptual Framework in IFRS Standards:

- IAS 1 'Presentation of Financial Statements' (amendment) (Definition of material)
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (amendment) (Definition of material)
- IFRS 3 'Business Combinations' (amendment) (Definition of a business)
- IFRS 7 'Financial Instruments: Disclosures' (amendment) (Interest Rate Benchmark Reform)
- IFRS 9 'Financial Instruments' (amendment) (Interest Rate Benchmark Reform)
- IFRS 16 'Leases' (amendment) (COVID-19 related Rent Concessions)
- Amendments to IFRS (Annual improvements cycle 2015-2017)

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

- IAS 1 'Presentation of Financial Statements' (amendment) (Classification of Liabilities as Current and Non-Current)
- IFRS 3 'Business Combinations' (amendment) (Reference to Conceptual Framework)
- IAS 16 'Property, Plant and Equipment' (amendment) (Proceeds before Intended Use)
- IFRS 10 and IAS 28 (amendments) (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)
- IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (Onerous contracts – Cost of fulfilling a contract)
- Amendments to IFRS (Annual improvements cycle 2018-2020)

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

A summary of the Group's principal accounting policies, which have been applied consistently across the Group, is set out below.

GOING CONCERN

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

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

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

GOING CONCERN CONTINUED

Severe but plausible downside scenario

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

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

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

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

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

Conclusion

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

BASIS OF CONSOLIDATION

These consolidated financial statements include the consolidation of the following limited partnerships: Capital & Counties CGP, Capco CGP 2012 LP, CG Investments 2016 LP, Innova Investment Group Holdings LP and EC Properties LP (up until disposal on 29 November 2019). The members of these qualifying partnerships have taken advantage of exemptions available in Statutory Instrument 2008/569 and therefore will not produce consolidated accounts at the partnership level.

The consolidated financial statements are prepared in British pounds sterling, which is also determined to be the functional currency of the Parent.

SUBSIDIARIES

Subsidiaries are fully consolidated from the date on which the Group has control, it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over an entity. Subsidiaries cease to be consolidated from the date this control is lost.

Non-controlling interests are recognised on the basis of their proportionate share in the recognised amounts of a subsidiary's identifiable net assets. On the balance sheet non-controlling interests are presented separately from the equity of the owners of the Parent. Profit or loss and total comprehensive income or expense for the period attributable to non-controlling interests are presented separately in the income statement and the statement of comprehensive income.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

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 and 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 2020 was determined by independent, appropriately qualified external valuers CBRE for the Covent Garden estate and JLL for Lillie Square. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards.

As various inputs used in the valuation calculations are based on assumptions, property valuations are inherently subjective and subject to a degree of uncertainty. The Group's external valuers have made a number of assumptions as outlined within note 14 'Property Portfolio' in forming their opinion on the valuation of the Group's investment and trading properties and although these assumptions are in accordance with the RICS Valuation Professional Standards, if any prove to be incorrect, it may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position. The key unobservable inputs used in the valuation models and a sensitivity analysis for each are disclosed on page 146.

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

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

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

The provision for expected credit loss against rent receivables is £12.4 million (2019: £1.4 million) and is included within the rent receivable balance included in note 20 'Trade and Other Receivables'. An overall expense has been recorded through net rental income of £14.0 million (2019: £1.6 million) reflecting the rent receivables impaired in the year for tenant failures or tenants who have vacated as well as the movement on the balance sheet provision. The year end balance sheet provision is £12.4 million.

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

The key areas of accounting judgement are:

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

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

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

OPERATING SEGMENTS

Management has determined the operating segments with reference to reports on divisional financial performance and position that are regularly reviewed by the Executive Directors, who are deemed to be the chief operating decision makers.

REVENUE RECOGNITION

Rental income is recognised as revenue on a straight-line basis over the lease term.

Tenant lease incentive payments, and in certain instances surrender premium payments which are directly linked to new leases, are amortised on a straight-line basis over the lease terms as a reduction in net rental income. Surrender premiums received for early termination of leases are reflected in net rental income.

A lease modification occurs when an existing lease is renegotiated. Lease modifications are accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. On entering into a lease modification any initial direct costs associated with the lease, including surrender premia previously paid, are derecognised through rental expense in the year.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, for example increases arising on rent reviews and turnover rent, are recorded as income in the periods in which they are earned.

Service charge income in the ordinary course of business is recorded as income over time in the year in which the services are provided.

Other income includes management fees charged to joint ventures for services associated with the management of properties and other general expenses as defined by management agreements. These fees are recognised over time, using time elapsed as the input method which measures the benefit simultaneously received and consumed by the customer, over the period the services are provided.

Where revenue is obtained by the sale of property, it is recognised when the buyer obtains control of the property. This will normally take place on legal completion.

FOREIGN CURRENCIES

Transactions in currencies other than the Group's functional currency are recorded at the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from settlement of these transactions and from retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

INCOME TAXES

Current tax is the amount payable on the taxable income for the year and any adjustment in respect of prior years. It is calculated using rates that have been enacted or substantially enacted by the balance sheet date.

In accordance with IAS 12 'Income Taxes', deferred tax is provided for using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases of those assets and liabilities. However, temporary differences are not recognised to the extent that they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss; or are associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary difference can be controlled by the parent, venture or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that management believes it is probable that future taxable profit will be available against which the deferred tax assets can be recovered. Deferred tax assets and liabilities are only offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable group or different taxable entities where there is an intention to settle balances on a net basis.

Tax is included in the income statement except when it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is also recognised in other comprehensive income or directly in equity respectively.

DISCONTINUED OPERATION

A discontinued operation is a component of the Group's business that represents a separate major line of the business that has been disposed of or is classified as held for sale. Discontinued operations are presented separately from continuing operations in both the income statement and statement of cash flows.

SHARE-BASED PAYMENT

The cost of granting share options and other share-based remuneration to employees and Directors is recognised through the income statement with reference to the fair value of the instrument at the date of grant.

The income statement is charged over the vesting period of the options with a corresponding increase in equity. An option pricing model is used applying assumptions around expected yields, forfeiture rates, exercise price and volatility.

Upon eventual exercise, a reserves transfer occurs with no further charge reflected in the income statement.

Own shares held in connection with employee share plans and other share-based payment arrangements are treated as treasury shares and deducted from equity.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

INVESTMENT AND DEVELOPMENT PROPERTY

Investment and development property is owned or leased by the Group and held for long-term rental income and capital appreciation.

The Group has chosen to use the fair value model. Property and any related obligations are initially recognised when the significant risks and rewards attached to the property have transferred to the Group. Payments made in respect of the future acquisition of investment and development property are initially recognised as prepayments until the recognition criteria outlined above have been met. Investment and development property is recorded at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value.

The fair value of property is arrived at by adjusting the market value as above for directly attributable tenant lease incentives and fixed head leases.

Property held under leases is stated gross of the recognised lease liability.

The valuation is based upon assumptions as outlined within the property portfolio note. These assumptions conform with the RICS Valuation Professional Standards. The cost of properties includes capitalised interest and other directly attributable outgoings, with the exception of properties and land where no development is imminent in which case no interest is included. Interest is capitalised (before tax relief) on the basis of the weighted average cost of debt outstanding until the date of practical completion.

When the Group redevelops a property for continued future use, that property is classified as investment and development property during the redevelopment period and continues to be measured at fair value.

Gains or losses arising from changes in the fair value of investment and development property are recognised in the income statement in the period in which they arise. Depreciation is not provided in respect of investment property including plant and equipment integral to such investment property. Investment and development properties cease to be recognised as investment and development property when they have been disposed of or when they cease to be held for the purpose of generating rental income or for capital appreciation.

Disposals are recognised on completion. Gains or losses arising are recognised in the income statement. The gain on disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

A property ceases to be recognised as investment and development property and is transferred at its fair value to trading property when in the Directors' judgement, development commences with the intention of sale. Criteria considered in this assessment include the Board's stated intention, contractual commitments and physical, legal and financial viability.

When the use of a property changes from trading property to investment and development property, the property is transferred at fair value with any resulting gain or loss recognised in the income statement.

TRADING PROPERTY

Trading property comprises those properties that in the Directors' view are not held for long-term rental income or capital appreciation and are expected to be disposed of within one year of the balance sheet date or to be developed with the intention to sell.

Such property is constructed, acquired, or if transferred from investment and development property, transferred at fair value which is deemed to represent cost. Subsequently trading property is carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling costs. This approximates market value as determined by professionally qualified external valuers at the balance sheet date. Details of the valuation methodology are set out in note 14 'Property Portfolio'.

The amount of any write down of trading property to market value is recognised as an expense in the period the write down occurs. Should a valuation uplift occur in a subsequent period, the amount of any reversal shall be recognised as a reduction in the previous write down in the period in which the uplift occurs. This may not exceed the property's cost.

The sale of trading property is recognised as revenue when the buyer obtains control of the property. Total costs incurred in respect of trading property are recognised simultaneously as an expense.

LEASES

The Group assesses whether a contract is or contains a lease, at inception of the contract.

Group as a lessee:

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

LEASES CONTINUED

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and lease liabilities in 'Borrowings' in the balance sheet.

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group as a lessor:

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risk and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

As lessor, the Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

PROPERTY, PLANT AND EQUIPMENT

Property consists of leased properties. At the commencement date of a lease, a right-of-use asset and a lease liability are recognised. Initial recognition of the asset and liability is measured at the present value of the lease payments, discounted at the average incremental borrowings rate applicable at the date of recognition. Depreciation is charged against the asset to the income statement on a straight-line basis over an asset's estimated useful life.

Plant and equipment consist of fixtures, fittings and other office equipment. Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset plus any attributable cost in bringing the asset to its working condition for its intended use. Depreciation is charged to the income statement on a straight-line basis over an asset's estimated useful life, using the straight-line basis. Currently, the maximum life of the Group's plant and equipment is 10 years. The residual value and useful life of an asset is reviewed at each financial year end.

INVESTMENT IN GROUP COMPANIES

Investment in Group companies, which eliminates on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. Impairment losses are determined with reference to the investment's fair value less estimated selling costs. Fair value is derived from the subsidiaries', and their subsidiaries', net assets at the balance sheet date. On disposal, the difference between the net disposal proceeds and its carrying amount is included in the income statement.

INVESTMENT IN JOINT VENTURES

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Investments in joint ventures are accounted for using the equity method. On initial recognition the investment is recognised at cost, and the carrying amount is subsequently increased or decreased to recognise the Group's share of the profit or loss of the joint venture after the date of acquisition. Goodwill, if any, on acquisition is included in the carrying amount of the investment.

The Group's investment in joint ventures is presented separately on the balance sheet and the Group's share of the joint venture's post-tax profit or loss for the period is also presented separately in the income statement.

Where there is an indication that the Group's investment in joint ventures may be impaired the Group evaluates the recoverable amount of its investment, being the higher of the joint venture's fair value less costs to sell and value in use. If the recoverable amount is lower than the carrying value an impairment loss is recognised in the income statement.

If the Group's share of losses in a joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make payments on behalf of the joint venture.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

INVESTMENTS AND OTHER FINANCIAL ASSETS

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

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

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses non-traded derivative financial instruments to manage exposure to interest rate risk. They are initially recognised on the trade date at fair value and subsequently remeasured at fair value based on market price. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Instruments that have not been designated as qualifying for hedge accounting are classified as fair value through profit and loss. Changes in fair value of these instruments are recognised directly in the income statement.

The Group designates certain derivatives as hedges of a highly probable forecast transaction (cash flow hedge). For hedging instruments, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. The methodology for assessment of impairment is defined in the following paragraph.

IMPAIRMENT OF FINANCIAL ASSETS

The Group applies the IFRS 9 'Financial Instruments' expected credit loss model in order to calculate a lifetime expected loss allowance for all financial assets. To measure the expected credit losses, receivables are reviewed on an individual contract basis. The expected loss rates are based on forward-looking information as well as historical evidence of collection. In the current environment the historical loss rates are adjusted to reflect current and future information such as estimated future cash flows or by using fair value where this is available through observable market prices and review of macro-economic factors which may affect the counter-party's ability to settle the receivables.

For rent receivables, all tenants are allocated a risk rating, as determined by management, and provided a rating of maximum, high, medium and low risk. Maximum risk tenants, which account for 10 per cent of the commercial portfolio, are predominantly in the retail and F&B sector. The classification is developed by taking into consideration information on the tenant's credit rating, current financial position, historical trading performance, historical default rate and the current impact of COVID-19 on the operational performance of the business. In assessing the provision the Group identifies risk factors associated by sector (food and beverage, retail, office, leisure and residential) and the type of rent receivable outstanding (rent arrears, service charge, insurance, other). In determining the provision on a tenant by tenant basis, the Group considers both recent payment history and future expectations of the tenant's ability to pay or possible default in order to recognise an expected credit loss allowance. Based on sector and rent receivable type a provision is provided in addition to a full provision for maximum risk tenants or known issues.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the original impairment was recognised, the impairment reversal is recognised in the income statement on a basis consistent with the original charge.

Tenant lease incentives are impaired based on an assessment of tenant affordability and fully impaired for all maximum risk tenants.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognised at fair value. Cash and cash equivalents comprise cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

TRADE AND OTHER PAYABLES

Trade payables are obligations for goods or services acquired in the ordinary course of business. Trade and other payables are recognised at fair value and subsequently measured at amortised cost until settled.

DEPOSITS

Property deposits and on account receipts are held within trade and other payables.

PROVISIONS

Provisions are recognised when the Group has a current obligation arising from a past event and it is probable that the Group will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

BORROWINGS

Borrowings mainly comprise bank loans (revolving credit facility and secured loan), loan notes (US Private Placements) and compound financial instruments (exchangeable bonds).

Bank loans and loan notes are ordinarily recognised initially at their net proceeds as an approximation of fair value. If the transaction price is not an approximation of fair value at initial recognition, the Group determines the fair value as evidenced by a quoted price in an active market for an identical instrument or based on a valuation technique that uses data from observable markets. Bank loans and loan notes are subsequently carried at amortised cost. Any transaction costs, premiums or discounts are capitalised and recognised over the contractual life of the loan using the effective interest rate method, or on a straight-line basis where it is impractical to do so.

In the event of early repayment, transaction costs, premia or discounts paid or unamortised costs are recognised immediately in the income statement.

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

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

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

PENSIONS

The costs of the defined contribution scheme and the Group's personal pension plans are charged against profits or losses in the year in which they fall due.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities are disclosed where there are present or possible obligations arising from past events, but the economic impact is uncertain in timing, occurrence or amount. A description of the nature and, where possible, an estimate of the financial effect of contingent liabilities are disclosed.

Capital commitments are disclosed when the Group has a contractual future obligation which has not been provided for at the balance sheet date. Amounts are only provided for where such obligations are onerous.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2 SEGMENTAL REPORTING

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

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

- Covent Garden;
- Other comprises the Shaftesbury PLC ('Shaftesbury') investment, Innova, The Great Capital Partnership, Earls Court Properties (up until disposal on 29 November 2019) and other head office companies and investments, including the payment of internal rent;
- Lillie Square represents the Group's interests in Lillie Square and a number of smaller properties in the adjacent area.

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

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

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

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

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

2 SEGMENTAL REPORTING CONTINUED

REPORTABLE SEGMENTS

	2020					
Continuing operations	**Covent Garden £m**	**Other £m**	**Lillie Square £m**	**Group total £m**	**Consolidation adjustments £m**	**IFRS total £m**
Rental income	73.9	–	1.9	75.8	(1.9)	73.9
Proceeds from sale of trading property	–	–	64.9	64.9	(64.9)	–
Other costs	–	(0.4)	–	(0.4)	(0.5)	(0.9)
Revenue	73.9	(0.4)	66.8	140.3	(67.3)	73.0
Rent receivable	68.8	–	0.2	69.0	(0.2)	68.8
Service charge income	5.1	–	1.7	6.8	(1.7)	5.1
Rental income	73.9	–	1.9	75.8	(1.9)	73.9
Property and service charge expenses	(15.8)	(0.4)	(2.0)	(18.2)	2.0	(16.2)
Bad debt expenses	(14.0)	–	–	(14.0)	–	(14.0)
Underlying net rental income/(expense)	44.1	(0.4)	(0.1)	43.6	0.1	43.7
Lease modification and impairment of tenant lease incentives	(27.8)	–	–	(27.8)	–	(27.8)
Net rental income/(expense)	16.3	(0.4)	(0.1)	15.8	0.1	15.9
Profit on sale of trading property	–	–	8.9	8.9	(8.9)	–
Write down of trading property	–	–	(1.4)	(1.4)	1.4	–
Other costs	–	(0.5)	–	(0.5)	(0.5)	(1.0)
Loss on revaluation and sale of investment and development property	(692.6)	–	(0.7)	(693.3)	0.2	(693.1)
Impairment of investments and other receivables	–	–	–	–	(28.2)	(28.2)
Change in fair value of financial assets at fair value through profit or loss	–	50.9	–	50.9	–	50.9
Segment (loss)/profit	(676.3)	50.0	6.7	(619.6)	(35.9)	(655.5)
Unallocated costs:						
Administration expenses				(31.5)	0.5	(31.0)
Operating loss				(651.1)	(35.4)	(686.5)
Net finance costs[1]				(29.7)	11.5	(18.2)
Loss before tax				(680.8)	(23.9)	(704.7)
Taxation				1.0	–	1.0
Loss for the year from continuing operations				(679.8)	(23.9)	(703.7)
Discontinued operation						
Profit for the year from discontinued operation				1.0	–	1.0
Loss for the year				(678.8)	(23.9)	(702.7)
Loss attributable to:						
Owners of the Parent				(678.8)	(23.9)	(702.7)
Summary balance sheet						
Total segment assets[2]	2,209.6	586.7	137.1	2,933.4	(46.8)	2,886.6
Total segment liabilities[2]	(740.5)	(408.3)	(12.9)	(1,161.7)	13.4	(1,148.3)
Segmental net assets	1,469.1	178.4	124.2	1,771.7	(33.4)	1,738.3
Unallocated assets[1]				21.4	–	21.4
Net assets				1,793.1	(33.4)	1,759.7
Other segment items:						
Depreciation	(0.3)	(1.2)	–	(1.5)	–	(1.5)
Capital expenditure	(19.1)	–	(8.1)	(27.2)	7.0	(20.2)

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

2 SEGMENTAL REPORTING CONTINUED

REPORTABLE SEGMENTS

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

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

3 UNDERLYING EARNINGS

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

One of the key performance measures the Group uses is underlying earnings. The Group considers the presentation of underlying earnings to be useful supplementary information as it removes unrealised 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.

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

£16.7 million lease modification expenses comprise directly attributable lease costs previously held on balance sheet and amortised in accordance with IFRS 16. These non-cash costs have been incurred as a result of the Group providing rental support to its tenants during the COVID-19 pandemic and have been written off in the current period in accordance with the Group's accounting policy. £11.1 million costs relate to the impairment of tenant lease incentives in respect of tenants who have entered administration during the pandemic or are experiencing significant disruption to cash flows. Given the scale of the rental support provided to tenants in 2020 these non-cash lease modification expenses and impairment of incentives are highly material and at levels not experienced in the past nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude. Accordingly they have been excluded from underlying profit on that basis, as disclosed in the Group's APM policy. Details of all APMs used by the Group are set out in the APM section on page 175.

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

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

Continuing operations	Note	2020 £m	2019 £m
Net rental income		**43.6**	61.2
Other (costs)/income		**(0.5)**	0.9
Administration costs		**(25.0)**	(32.9)
Underlying operating profit		**18.1**	29.2
Finance costs		**(24.3)**	(21.4)
Finance income		**0.5**	0.5
Net finance costs		**(23.8)**	(20.9)
(Loss)/profit before tax		**(5.7)**	8.3
Taxation		**(0.5)**	1.2
Underlying (loss)/earnings from continuing operations		**(6.2)**	9.5
Underlying loss from discontinued operations	11	**–**	(0.5)
Underlying (loss)/earnings		**(6.2)**	9.0
Underlying (loss)/earnings per share from continuing operations (pence)		**(0.7)**	1.1
Underlying loss per share from discontinued operations (pence)		**–**	(0.1)
Underlying (loss)/earnings per share (pence)		**(0.7)**	1.0
Weighted average number of shares in issue	13	**852.0m**	855.5m
Underlying (loss)/earnings from continuing operations		**(6.2)**	9.5
Adjustment to reconcile to IFRS:			
Lease modification expenses	4	**(16.7)**	–
Impairment of tenant lease incentives	4	**(11.1)**	–
Loss on revaluation and sale of investment and development property	5	**(693.1)**	(43.3)
Impairment of investments and other receivables	6	**(28.2)**	(21.0)
Transaction related administration expenses	7	**(6.5)**	(9.7)
Other finance income	8	**20.5**	11.9
Exceptional finance charges	9	**(0.6)**	–
Change in fair value of derivative financial instruments	19	**(14.5)**	(5.2)
Change in fair value of financial asset at fair value through profit or loss	17	**50.9**	–
Taxation		**1.5**	(2.2)
Other		**0.3**	(2.3)
Loss for the year from continuing operations		**(703.7)**	(62.3)

4 RENTAL EXPENSES

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

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

5 LOSS ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

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

6 IMPAIRMENT OF INVESTMENTS AND OTHER RECEIVABLES

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

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

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

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

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

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

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

7 ADMINISTRATION EXPENSES

Included within administration expenses in the income statement are:

Continuing operations	2020 £m	2019 £m
Depreciation	1.5	1.3
Other administration expenses	23.0	32.4
Transaction related administration expenses[1]	6.5	9.7
Total administration expenses	**31.0**	**43.4**

1. Transaction related administration expenses totalled £6.5 million (2019: £9.7 million) and relate principally to the costs incurred in respect of the acquisition of the shareholding in Shaftesbury during the current year. The prior year costs relate to the proposed demerger. These costs have been classified as non-underlying as they do not represent the recurring, underlying performance of the Group.

(A) EMPLOYEE COSTS

Continuing operations	2020 £m	2019 £m
Wages and salaries	9.7	13.6
Social security costs[1]	1.5	2.3
Other pension costs	0.5	0.5
Share-based payment	1.0	3.3
Total employee costs from continuing operations	12.7	19.7
Discontinued operation		
Employee costs from discontinued operation	–	5.9
Total employee costs	12.7	25.6

1. Included in social security costs is a credit of £0.3 million for national insurance on share options (2019: credit of £0.1 million). The credit for both years is due to changes in vesting and forfeiture assumptions.

(B) EMPLOYEE NUMBERS

Average monthly number of people (including Executive Directors) employed	2020	2019
Total average headcount	**70**	**73**

The details of individual Directors' remuneration and pension benefits as set out in the tables contained in the Directors' Remuneration Report on pages 90 to 104 form part of these consolidated financial statements.

Share-based payment charges are calculated based on the expected fair value of share awards as calculated using the Black-Scholes option pricing model.

The Group recharges corporate head office costs based primarily on asset value to its operations. This is the basis for the administration expenses disclosed within note 11 'Discontinued Operation'.

(C) AUDITORS' REMUNERATION

Continuing operations	2020 £m	2019 £m
Remuneration to the principal auditors in respect of audit fees:		
Parent Company and Group consolidated financial statements	0.4	0.2
Audit of the financial statements of the Company's subsidiaries	0.1	0.1
Fees related to the audit of the Company and its subsidiaries	**0.5**	**0.3**
Audit related assurance services including interim review	0.1	0.1
Total fees for audit and audit related services	**0.6**	**0.4**
Reporting accountant assurance services[1]	–	1.7
Total auditors' remuneration	**0.6**	**2.1**

1. Fees payable to the principal auditors in the prior year included fees in relation to reporting accountant assurance services for the Group's completed sale of its interest in Earls Court Properties and previous demerger plans. PwC were selected to undertake this work as, given their prior knowledge of the Group's activities, they were best placed to carry out the work, taking into account general efficiency and effectiveness. Consideration was given to the effect this may have on their independence, which it was concluded would not be impacted by undertaking this work.

The Group's auditors, PricewaterhouseCoopers LLP, are engaged on assignments additional to their audit engagement duties where their expertise and experience of the Group are important. 2020 non-audit fees, including the interim review, represented 13.0 per cent of the total fee (2019: 85.0 per cent). Non-audit fees, excluding the reporting accountant assurance services for the Group's possible demerger and sale of Earls Court Properties incurred in 2019, represent 15.9 per cent of total audit fees in 2019. Further details on the Audit Committee's non-audit services policy can be found on pages 85.

8 FINANCE INCOME

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

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

9 FINANCE COSTS

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

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

10 TAXATION

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

10 TAXATION CONTINUED

FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

The tax credit assessed for the year is £1.0 million (2019: charge £1.0 million) against a loss before tax of £704.7 million (2019: £61.3 million). A reconciliation against the standard rate of corporation tax in the United Kingdom ("UK") is explained below:

Continuing operations	2020 £m	2019 £m
Loss before tax	**(704.7)**	(61.3)
Loss on ordinary activities multiplied by the standard rate in the UK of 19% (2019: 19%)	**(133.9)**	(11.6)
Revaluation losses attributable to REIT business	**121.9**	7.8
Adjustments in respect of previous years	**(0.8)**	0.4
Expenses disallowed	**12.4**	4.7
Non-taxable items	**(0.6)**	0.4
REIT tax-exempt rental losses/(profits)	**–**	(0.1)
Other temporary differences	**0.2**	(0.9)
Restatement of deferred income tax following change in corporation tax rate	**(0.2)**	0.3
Total income tax (credit)/charge reported in the consolidated income statement	**(1.0)**	1.0

As a UK REIT, the Group is exempt from UK corporation tax on income and gains from qualifying activities. Non-qualifying activities are subject to UK corporation tax. As a UK REIT, Capco must distribute at least 90 per cent of the Group's income profits from its tax-exempt property rental business, and 100 per cent of the Group's UK REIT investment profits, by way of a dividend, which is known as a Property Income Distribution ("PID"). A corporation tax charge 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 12 'Dividends'.

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

Tax on discontinued operations is £nil (2019: £1.2 million). As disclosed within note 11 'Discontinued Operation' the prior year charge relates to tax adjustments in respect of previous years.

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

11 DISCONTINUED OPERATION

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

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

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

11 DISCONTINUED OPERATION CONTINUED

EARLS COURT PROPERTIES

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

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

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

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

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

11 DISCONTINUED OPERATION CONTINUED

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

Summarised income statement	Year ended 31 December 2020 £m	Period ended 29 November 2019 £m
Revenue	–	3.6
Net rental income	–	3.1
Loss on revaluation and sale of investment and development property	–	(151.6)
Administration expenses	–	(4.0)
Operating loss	–	(152.5)
Loss from discontinued operation before tax	–	(152.5)
Taxation	–	1.2
Loss from discontinued operation after tax[1]	–	(151.3)
IFRS 5 impairment of discontinued operation	–	(84.0)
Profit/(loss) on disposal of discontinued operation[2]	**1.0**	(10.2)
Profit/(loss) on disposal and IFRS 5 impairment of discontinued operation	**1.0**	(94.2)
Profit/(loss) from discontinued operation after tax	**1.0**	(245.5)
Attributable to:		
Owners of the Parent	**1.0**	(191.3)
Non-controlling interest	–	(54.2)
Underlying earnings/(loss) from discontinued operation		
Profit/(loss) for the period from discontinued operation	**1.0**	(191.3)
Group adjustments:		
Loss on revaluation and sale of investment and development property	–	151.6
Profit/(loss) on disposal and IFRS 5 impairment of discontinued operation	**(1.0)**	94.2
Non-controlling interest in respect of Group adjustments	–	(55.0)
Underlying loss from discontinued operation	–	(0.5)

1. Consists of £nil (2019: £97.1 million) attributable to owners of the Parent and £nil (2019: £54.2 million) attributable to non-controlling interest.
2. Relates to working capital adjustments in the current year.

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

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

1. Net debt represents the Group share of external debt and cash held on disposal.
2. Current year amount relates to post-completion adjustment in working capital refunded to the purchaser.
3. Cash consideration received on completion of the disposal in 2019 was £174.7 million. Current year cash consideration received represents the accelerated payment of £89.7 million which was received in March 2020 in respect of payments made by Capco to the London Borough of Hammersmith and Fulham pursuant to the CLSA that was refunded by the purchaser after completion and the first instalment of the deferred consideration of £105.0 million which was received in November 2020.

11 DISCONTINUED OPERATION CONTINUED

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

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

12 DIVIDENDS

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

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

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

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

13 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(A) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

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

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

(B) BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

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

1. EPRA Earnings per share is disclosed in table 1 of the EPRA measures on page 176.

(C) HEADLINE EARNINGS PER SHARE

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

	2020			2019		
	(Loss)/ earnings £m	Shares[1] million	(Loss)/ earnings per share (pence)	(Loss)/ earnings £m	Shares[1] million	(Loss)/ earnings per share (pence)
Continuing and discontinued operations attributable to owners of the Parent						
Basic loss	**(702.7)**	**852.0**	**(82.5)**	(253.6)	855.5	(29.7)
Group adjustments:						
Loss on revaluation and sale of investment and development property	**693.1**			194.9		
Deferred tax adjustments	**–**			0.3		
Current tax adjustments	**(0.6)**			–		
Non-controlling interest in respect of the Group adjustments	**–**			(54.2)		
(Profit)/loss on disposal and IFRS 5 impairment of discontinued operation	**(1.0)**			94.2		
Joint venture adjustments:						
Loss on revaluation and sale of investment and development property	**0.2**			–		
Headline loss	**(11.0)**	**852.0**	**(1.3)**	(18.4)	855.5	(2.2)
Dilutive effect of contingently issuable share option awards[2]	**–**	**0.3**		–	0.7	
Dilutive effect of contingently issuable deferred share awards[2]	**–**	**0.1**		–	0.5	
Diluted headline loss	**(11.0)**	**852.4**	**(1.3)**	(18.4)	856.7	(2.2)

1. Weighted average number of shares in issue has been adjusted by 2.5 million (2019: 1.6 million) for the issue of bonus shares in connection with the scrip dividend scheme.
2. Further information on these potential ordinary shares can be found in note 33 ‘Share-Based Payments’.

13 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

(D) NET ASSETS PER SHARE

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

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

1. This relates to the impairment under IFRS 9 of amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture. Further details are disclosed within note 6 'Impairment of Investments and Other Receivables'.
2. This relates to the fair value of interest rate collars. Further details are disclosed within note 19 'Derivative Financial Instruments'.
3. Includes fair value of exchangeable bond option component included under derivative liabilities as disclosed in note 19 'Derivative Financial Instruments'.
4. EPRA NRV, NTA and NDV are alternative performance measures that are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA) to provide a transparent and consistent basis to enable comparison between European property companies. See Alternative Performance Measures and EPRA measures on pages 175 to 179 for further information.

14 PROPERTY PORTFOLIO

(A) INVESTMENT AND DEVELOPMENT PROPERTY

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

1. Included in 'Other' in the prior period is the Group's interest in Earls Court Properties which was disposed of on 29 November 2019. Details of the disposals are set out in note 11 'Discontinued Operation'.
2. Loss on revaluation of £192.7 million in 2019 includes a loss on revaluation of £151.6 million which relates to Earls Court Properties for the period prior to disposal which is included in the loss for discontinued operation in the consolidated income statement. The remainder of the loss, relating to continuing operations, is recognised in the consolidated income statement within loss on revaluation and sale of investment and development property.

(B) MARKET VALUE RECONCILIATION OF TOTAL PROPERTY

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

1. The unrecognised surplus on trading property is shown for 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.

14 PROPERTY PORTFOLIO CONTINUED

(B) MARKET VALUE RECONCILIATION OF TOTAL PROPERTY CONTINUED

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

1. The unrecognised surplus on trading property is shown for 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.

At 31 December 2020, the Group was contractually committed to £0.8 million (2019: £7.0 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 29 'Capital Commitments' for further information on capital commitments.

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

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

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

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

Due to the impact of COVID-19 CBRE have included an assumption on loss on near-term income over the next six to 12 months of £27 million. There has been no other change in the valuation methodology used as a result of COVID-19. Whilst the property valuations reflect the external valuers' assessment of the impact of COVID-19 at the valuation date, we consider +/- 10 per cent for ERV and +/-50bps movement on yields to capture the increased uncertainty in these key valuation assumptions.

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

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

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

14 PROPERTY PORTFOLIO CONTINUED

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.

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 2020 £m	Market value 2019 £m	Valuation technique	Key unobservable inputs	Range (weighted average) 2020	Range (weighted average) 2019
Covent Garden	1,825.1	2,595.6	Income capitalisation	Estimated rental value per sq ft[1] per annum ("p.a.")	£16–£215 (£76)	£20–£342 (£93)
				Equivalent yield	1.8%–6.0% (3.9%)	2.2%–6.0% (3.6%)
Other	2.1	1.5	Income capitalisation	Estimated rental value per sq ft[1] p.a.	£31–£38 (£32)	£31–£38 (£33)
				Equivalent yield	2.9%–3.8% (3.3%)	3.3%–3.7% (3.4%)
At 31 December	**1,827.2**	2,597.1				

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

Covent Garden properties are valued under the income capitalisation method and if all other factors remained equal, an increase in estimated rental value of 10 per cent would result in an increased asset valuation of £150.9 million (2019: £229.5 million). A decrease in the estimated rental value of 10 per cent would result in a decreased asset value of £149.3 million (2019: £217.2 million). Conversely, an increased equivalent yield of 50 basis points would result in a decreased asset valuation of £209.9 million (2019: £317.9 million). A decreased equivalent yield of 50 basis points would result in an increased asset valuation of £268.9 million (2019: £414.5 million).

For Other properties valued under the income capitalisation method and if all other factors remained equal, an increase in estimated rental value of 10 per cent would result in an increased asset valuation of £0.2 million (2019: £0.2 million). A decrease in the estimated rental value of 10 per cent would result in a decreased asset value of £0.2 million (2019: £0.2 million). Conversely, an increased equivalent yield of 50 basis points would result in a decreased asset valuation of £0.3 million (2019: £0.2 million). A decreased equivalent yield of 50 basis points would result in an increased asset valuation of £0.4 million (2019: £0.3 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 on these changes.

15 PROPERTY, PLANT AND EQUIPMENT

	2020 Property £m	2020 Plant and equipment £m	2020 Total	2019 Property £m	2019 Plant and equipment £m	2019 Total
Movement for the year						
Net carrying value at 1 January	**4.7**	**1.0**	**5.7**	–	3.1	3.1
Additions	**–**	**0.2**	**0.2**	5.4	0.4	5.8
Disposals	**–**	**–**	**–**	–	(1.9)	(1.9)
Depreciation charge	**(0.9)**	**(0.6)**	**(1.5)**	(0.7)	(0.6)	(1.3)
Net carrying value at 31 December	**3.8**	**0.6**	**4.4**	4.7	1.0	5.7

Property consists of leased office buildings.

16 INVESTMENT IN JOINT VENTURES

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

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

LSJV

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

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

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

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

16 INVESTMENT IN JOINT VENTURES CONTINUED

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

1. Includes restricted cash and cash equivalents of £10.9 million (2019: £26.0 million) relating to amounts received as property deposits that will not be available for use by LSJV until completion of building work. There is a corresponding liability of £10.9 million (2019: £26.0 million) within other current liabilities.
2. Other non-current liabilities in the prior year relate to deep discount bonds. The current year balance of £266.8 million is included under other current liabilities as the bonds are redeemable at their nominal value of £276.1 million on 24 August 2021. Recoverable amounts receivable by the Group, net of impairments, of £85.0 million (2019: £98.4 million) are recognised on the consolidated balance sheet within non-current trade and other receivables.
3. Amounts payable to joint venture partners relate to working capital funding advanced by the Group and KFI.
4. The unrecognised surplus on trading property and the market value of LSJV's property portfolio are shown for informational purposes only and are not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value.

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 income statement during the year.

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

16 INVESTMENT IN JOINT VENTURES CONTINUED

RECONCILIATION OF SUMMARISED FINANCIAL INFORMATION:

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

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

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

RECONCILIATION OF INVESTMENT IN JOINT VENTURES:

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

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

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

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

18 NON-CONTROLLING INTEREST

On 29 November 2019, the Group completed the sale of its interests in Earls Court Properties, including ECPL, a company in which the Group held a 63 per cent interest. TTL Earls Court Properties Limited, a subsidiary of TfL, held a 37 per cent non-controlling interest in ECPL. Further information on the sale of the Earls Court Properties business can be found in note 11 'Discontinued Operation'.

The accumulated non-controlling interest is presented below.

Discontinued operation	**2020 £m**	2019 £m
At 1 January	**–**	247.4
Loss and total comprehensive expense for the year attributable to non-controlling interest	**–**	(54.2)
Contribution from non-controlling interest	**–**	1.0
Derecognition of non-controlling interest at disposal	**–**	(194.2)
At 31 December	**–**	–

19 DERIVATIVE FINANCIAL INSTRUMENTS

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

1. Details of exchangeable bonds issued during the year are set out in note 23 'Borrowings'.

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

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

20 TRADE AND OTHER RECEIVABLES

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

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

21 CASH AND CASH EQUIVALENTS

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

22 TRADE AND OTHER PAYABLES

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

23 BORROWINGS, INCLUDING LEASE LIABILITIES

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

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

The market value of investment and development property secured as collateral against borrowings at 31 December 2020 was £nil (2019: £nil).

Undrawn facilities and cash attributable to the Group at 31 December 2020 were £940.1 million (2019: £868.1 million).

The fair values 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 14 'Property Portfolio'.

The lease liability obligations are in respect of leasehold interests in investment and development property and a lease liability over corporate premises. Details of these leases are set out in note 24 'Lease Liabilities'.

23 BORROWINGS, INCLUDING LEASE LIABILITY CONTINUED

On 30 November 2020 the Group issued £275 million of secured exchangeable bonds maturing in March 2026. The notes are exchangeable into cash or ordinary shares of Shaftesbury. The reference share price was set at 532.70 pence and the initial exchange price (which reflects a 35 per cent premium to the reference share price) was set at 719.15 pence. Interest of 2.0 per cent per annum will be paid semi-annually in arrears in equal instalments. The net proceeds received from the issue of the exchangeable bonds have been split between the financial liability element and an option component, representing the fair value of the embedded option to convert the financial liability into equity of Shaftesbury. In accordance with IAS 32, the option and debt components of the bonds are accounted for separately and the initial carrying value of the debt component has been determined using the fair value of the instrument as a whole less the fair value of the embedded derivative. As a result, £265.3 million was recognised as a liability in the balance sheet on issue and the remainder of the proceeds of £9.7m, which represents the option component, was accounted for as a derivative liability. The debt component is accounted for at amortised cost at the effective interest rate method and the derivative liability is accounted for at fair value through profit or loss. Transaction costs of £5.9 million were allocated between the two components and the element relating to the debt component is being amortised through the effective interest rate method. The issue costs apportioned to the embedded derivative of £0.3 million have been expensed through the income statement.

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

	2020			
	Current borrowings £m	**Non-current borrowings £m**	**Cash and cash equivalents £m**	**Net debt £m**
Analysis of movement in net debt				
Balance at 1 January	**1.6**	**555.3**	**(153.0)**	**403.9**
Borrowings drawn[1]	**–**	**920.2**	**(920.2)**	**–**
Borrowings repaid	**–**	**(390.0)**	**390.0**	**–**
Other net cash movements	**(0.9)**	**(6.7)**	**318.2**	**310.6**
Other non-cash movements	**0.9**	**0.2**	**(0.1)**	**1.0**
Balance at 31 December	**1.6**	**1,079.0**	**(365.1)**	**715.5**

1. Borrowings drawn per the statement of consolidated cash flows amounts to £930.0 million. This differs to the amount shown above by £9.8 million due to the bifurcation of the exchangeable bonds. The option component of the exchangeable bonds is shown in note 19 'Derivative Financial Instruments'.

	2019			
	Current borrowings £m	Non-current borrowings £m	Cash and cash equivalents £m	Net debt £m
Analysis of movement in net debt				
Balance at 1 January	0.7	616.5	(32.5)	584.7
Borrowings drawn[1]	–	109.0	(109.0)	–
Borrowings repaid[1]	–	(172.5)	172.5	–
Other net cash movements	–	–	(184.1)	(184.1)
Other non-cash movements	0.9	2.3	–	3.2
Balance at 31 December	1.6	555.3	(153.1)	403.8

1. Included in the borrowings drawn and repaid above is £4.0 million drawn and £67.5 million repaid which relates to Earls Court Properties.

The maturity profile of gross debt (excluding lease liabilities) is as follows:

	2020 £m	2019 £m
Wholly repayable within one year	**–**	–
Wholly repayable in more than one year but not more than two years	**140.0**	–
Wholly repayable in more than two years but not more than five years	**257.5**	–
Wholly repayable in more than five years	**692.5**	550.0
	1,090.0	550.0

Certain borrowing agreements contain financial and other covenants that, if contravened, could alter the repayment profile. Details of financial covenants are included in the Other Information section on page 182.

24 LEASE LIABILITIES

LEASE LIABILITIES INCLUDED WITHIN INVESTMENT AND DEVELOPMENT PROPERTY

(A) MINIMUM LEASE PAYMENTS UNDER LEASE OBLIGATIONS

	2020 £m	2019 £m
Not later than one year	**0.7**	0.7
Later than one year and not later than five years	**2.9**	2.9
Later than five years	**18.0**	18.0
	21.6	21.6
Future finance charges on lease liabilities	**(15.5)**	(15.5)
Present value of lease liability	**6.1**	6.1

(B) PRESENT VALUE OF MINIMUM LEASE OBLIGATIONS

	2020 £m	2019 £m
Not later than one year	**0.7**	0.7
Later than one year and not later than five years	**2.3**	2.3
Later than five years	**3.1**	3.1
	6.1	6.1

Lease liabilities included under investment and development property are in respect of leasehold interests in investment and development property. Certain leases provide for payment of contingent rent, usually a proportion of rental income in addition to the minimum lease payments above, £0.5 million contingent rent has been paid during the year (2019: £0.5 million).

These lease liabilities are effectively secured obligations, as the rights to the leased asset revert to the lessor in the event of default.

LEASE LIABILITIES INCLUDED WITHIN PROPERTY, PLANT AND EQUIPMENT

(A) MINIMUM LEASE PAYMENTS UNDER LEASE OBLIGATIONS

	2020 £m	2019 £m
Not later than one year	**0.9**	0.9
Later than one year and not later than five years	**2.9**	3.7
Later than five years	**–**	0.3
	3.8	4.9
Future finance charges on lease liabilities	**(0.1)**	(0.2)
Present value of lease liability obligations	**3.7**	4.7

(B) PRESENT VALUE OF MINIMUM LEASE OBLIGATIONS

	2020 £m	2019 £m
Not later than one year	**0.9**	0.9
Later than one year and not later than five years	**2.8**	3.5
Later than five years	**–**	0.3
	3.7	4.7

Lease liabilities included under property, plant and equipment are in respect of a lease over office buildings occupied by the Group. The lease is unsecured, at a fixed rate, held at fair value and matures in 2025.

25 OPERATING LEASES

The Group earns rental income by leasing its investment property to tenants under operating leases.

In the United Kingdom standard commercial leases vary considerably between markets and locations but typically are for a term of five to fifteen years at market rent with provisions to review every five years.

The Group is exposed to changes in the residual value of properties at the end of the current leases. This residual value risk is mitigated through the implementation of active asset management initiatives which aim to ensure the Group enters into new leasing deals prior to the expiry of current leases. The Group also offers lease incentives to encourage high quality tenants to remain in properties for longer lease terms. Expectations about the future residual values are reflected in the fair value of the properties.

The future minimum lease amounts receivable under non-cancellable operating leases are as follows:

	2020 £m	2019 £m
Not later than one year	**61.3**	65.4
Later than one year and not later than five years	**169.1**	194.3
Later than five years	**261.9**	309.8
	492.3	569.5

The consolidated income statement includes £0.2 million (2019: £0.9 million) recognised in respect of expected increased rent resulting from outstanding reviews where the actual rent will only be determined on settlement of the rent review.

26 FINANCIAL RISK MANAGEMENT

The Group's financial risk management strategy seeks to set financial limits for treasury activity to ensure they are in line with the risk appetite of the Group. The Group is exposed to a variety of risks arising from the Group's operations: market risk (including interest rate risk and price risk), liquidity risk and credit risk.

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

CATEGORIES OF FINANCIAL INSTRUMENTS

		2020		2019	
	Note	**Carrying value £m**	**(Loss)/gain to income statement £m**	Carrying value £m	(Loss)/gain to income statement £m
Cash and cash equivalents	21	**365.1**	**–**	153.1	–
Other financial assets[1]		**138.4**	**–**	320.1	–
Total cash and other financial assets		**503.5**	**–**	473.2	–
Investment held at fair value through profit or loss	17	**551.8**	**50.9**	–	–
Total investment held at fair value through profit or loss		**551.8**	**50.9**	–	–
Derivative financial liabilities	19	**(22.5)**	**(14.5)**	(3.6)	(5.2)
Total held for trading liabilities		**(22.5)**	**(14.5)**	(3.6)	(5.2)
Borrowings, including lease liability	23	**(1,080.6)**	**–**	(556.9)	–
Other financial liabilities[2]		**(29.7)**	**–**	(45.5)	–
Total borrowings and other financial liabilities		**(1,110.3)**	**–**	(602.4)	–

1. Includes rent receivable, amounts due from joint ventures, deferred consideration on the sale of Earls Court Properties and other receivables.
2. Includes trade and other payables (excluding rents in advance) and tax liabilities.

The majority of the Group's financial risk management is carried out by Group Treasury under policies approved by the Board of Directors. The policies for managing each of these risks and the principal effects of these policies on the results for the year are summarised below.

26 FINANCIAL RISK MANAGEMENT CONTINUED

MARKET RISK

Interest rate risk

Interest rate risk comprises both cash flow and fair value risks. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market interest rates.

The Group's interest rate risk arises from borrowings issued at variable rates that expose the Group to cash flow interest rate risk, whereas borrowings issued at fixed interest rates expose the Group to fair value interest rate risk.

It is Group policy, and often a requirement of our lenders, to eliminate substantially all short and medium-term exposure to interest rate fluctuations in order to establish certainty over medium-term cash flows by using fixed interest rate derivatives. Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. Interest rate caps protect the Group by capping the maximum interest rate payable at the caps ceiling. Interest rate collars protect the Group by capping the maximum interest rate payable at the collar's ceiling but sacrifice the profitability of interest rate falls below a certain floor.

The table below shows the effects of derivative contracts on the drawn external borrowings profile of the Group and its joint ventures. The table is calculated on a Group share basis in line with the reporting of this information internally to management.

	Fixed/Capped 2020 £m	**Floating 2020 £m**	Fixed/Capped 2019 £m	Floating 2019 £m
Nominal value of Group borrowings excluding lease liability	**825.0**	**265.0**	550.0	–
Nominal value of joint venture borrowings excluding lease liability	**–**	**5.6**	–	55.5
	825.0	**270.6**	550.0	55.5
Derivative impact (nominal value of derivative contracts)		**(270.6)**	–	(55.5)
Borrowings profile net of derivative impact	**825.0**	**–**	550.0	–
Interest rate protection		**100%**		100%

Group policy is to ensure that interest rate protection on Group external debt is greater than 25 per cent.

In 2016, the Group entered into a forward starting interest rate swap to hedge the variability in specified hedged interest cash flows arising on £60.0 million of outstanding debt from 2016 to 2026. The loss recognised in other comprehensive income in the year was £nil (2019: £nil). This loss will be reclassified from other comprehensive income to the consolidated income statement over the term of the designated debt. The fair value of the designated hedging instrument at 31 December 2020 is £nil (2019: £nil). The hedge was 100 per cent effective; therefore no charge for an ineffective portion has been taken to the consolidated income statement.

The Group has entered into various non-traded derivative instruments to manage its exposure to interest rate risk. These derivatives have not been designated as hedging instruments and therefore they are classified as financial derivatives at fair value through profit or loss.

The sensitivity analysis below illustrates the impact of a 50 basis point ("bps") shift, upwards and downwards, in the level of interest rates on the movement in fair value of interest rate collars entered into by the Group.

	Increase in interest rates by 50 bps 2020 £m	**Decrease in interest rates by 50 bps 2020 £m**	Increase in interest rates by 50 bps 2019 £m	Decrease in interest rates by 50 bps 2019 £m
Effect on profit before tax (change in fair value of derivative financial instruments):				
Increase/(decrease)	**4.1**	**(4.1)**	5.7	(5.7)

The sensitivity analysis above is a reasonable illustration of the possible effect from the changes in slope and shifts in the yield curve that may actually occur and represents management's assessment of possible changes in interest rates. The fixed rate derivative financial instruments are matched by floating rate debt, therefore such a movement would have a very limited effect on Group cash flow overall.

Price risk

The Group is exposed to price risk in respect of its investment in listed property securities. The Group limits its exposure to equity price risk by only investing in securities that are listed on a recognised stock exchange and where the Directors are satisfied with the overall strategies implemented by such companies. The primary goal of the Group's investment in equity securities is to hold the investments for the long-term. Management is assisted by external advisers in this regard. Certain investments are designated as at FVTPL because their performance is actively monitored and they are managed on a fair value basis.

The effect of a one per cent change to the share price of the listed investments will have the following impact on the 31 December 2020 statement of profit and loss:

Change in fair value of financial assets at fair value through profit or loss	**1% increase in share price 2020 £m**	**1% decrease in share price 2020 £m**	1% increase in share price 2019 £m	1% decrease in share price 2019 £m
Effect on profit before tax:				
Increase/(decrease)	**5.5**	**(5.5)**	–	–

26 FINANCIAL RISK MANAGEMENT CONTINUED

LIQUIDITY RISK

Liquidity risk is managed to ensure that the Group is able to meet future payment obligations when financial liabilities fall due.

The Group's policy is to seek to minimise its exposure to liquidity risk by managing its exposure to interest rate risk and to refinancing risk. The Group seeks to borrow for as long as possible at the lowest cost.

Liquidity analysis is intended to provide sufficient headroom to meet the Group's operational requirements and investment commitments.

The Group's policy also includes maintaining adequate cash, as well as maintaining adequate committed and undrawn facilities.

A key factor in ensuring existing facilities remain available to the Group is the borrowing entity's ability to meet the relevant facility's financial covenants. The Group has a process to monitor regularly both current and projected compliance with the financial covenants.

The Group regularly reviews the maturity profile of its financial liabilities and will seek to avoid concentrations of maturities through the regular replacement of facilities and by staggering maturity dates. Refinancing risk may be reduced by reborrowing prior to the contracted maturity date, effectively switching liquidity risk for market risk. This is subject to credit facilities being available at the time of the desired refinancing.

The tables below set out the maturity analysis of the Group's financial liabilities based on the undiscounted contractual obligations to make payments of interest and to repay principal. Where interest payment obligations are based on a floating rate, the rates used are those implied by the par yield curve.

2020

	Carrying value	1 yr		Between 1-2 yrs		Between 2-5 yrs		Over 5 yrs		Total	
Group	**£m**	**Interest £m**	**Principal £m**	**Interest £m**	**Principal £m**	**Interest £m**	**Principal £m**	**Interest £m**	**Principal £m**	**Interest £m**	**Principal £m**
Bank loans	**262.2**	**7.0**	**–**	**6.8**	**140.0**	**3.1**	**125.0**	**–**	**–**	**16.9**	**265.0**
Loan notes	**548.2**	**15.7**	**–**	**15.7**	**–**	**43.0**	**132.5**	**35.8**	**417.5**	**110.2**	**550.0**
Exchangeable bonds	**260.3**	**4.6**	**–**	**5.5**	**–**	**16.5**	**–**	**2.7**	**275.0**	**29.3**	**275.0**
Lease liabilities	**9.8**	**–**	**1.6**	**–**	**2.4**	**–**	**2.7**	**–**	**3.1**	**–**	**9.8**
Other payables	**13.9**	**–**	**13.9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13.9**
Interest rate derivatives payable	**3.8**	**–**	**–**	**0.1**	**–**	**3.7**	**–**	**–**	**–**	**3.8**	**–**
	1,098.2	**27.3**	**15.5**	**28.1**	**142.4**	**66.3**	**260.2**	**38.5**	**695.6**	**160.2**	**1,113.7**

2019

	Carrying value	1 yr		Between 1-2 yrs		Between 2-5 yrs		Over 5 yrs		Total	
Group	£m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m	Interest £m	Principal £m
Loan notes	546.1	18.6	–	18.6	–	49.9	–	47.4	550.0	134.5	550.0
Lease liabilities	10.8	–	1.6	–	2.4	–	3.4	–	3.4	–	10.8
Other payables	17.7	–	17.7	–	–	–	–	–	–	–	17.7
Interest rate derivatives payable	3.6	0.6	–	0.6	–	0.7	–	–	–	1.9	–
	578.2	19.2	19.3	19.2	2.4	50.6	3.4	47.4	553.4	136.4	578.5

Contractual maturities reflect the expected maturities of financial instruments.

As disclosed in note 23, the Group has an unsecured revolving credit facility, loan notes and a secured loan that contain loan covenants. A future breach of covenant may require the Group to repay the facilities earlier than indicated in the above table. Details of the non-recourse loan covenants are set out on page 182 'Financial Covenants'.

Under the various debt agreements, covenants are monitored on a regular basis by the treasury department and regularly reported to management to ensure compliance with the agreement. The interest payments on variable interest rate loans and bonds issued in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Due to the anticipated impact on reported net rental income of COVID-19, a waiver of the interest cover covenant has been agreed with the Covent Garden lenders in relation to the period up to and including December 2021. Further details are included in note 1 'Accounting Policies'. Given uncertainties resulting from COVID-19, the Group will monitor the interest cover position closely, taking mitigating actions as appropriate.

26 FINANCIAL RISK MANAGEMENT CONTINUED

CREDIT RISK

The Group's principal financial assets are trade and other receivables, amounts receivable from joint ventures, listed equity investments and cash and cash equivalents. Credit risk is the risk of financial loss if a tenant or counterparty fails to meet an obligation under a contract. Credit risk arises primarily from trade receivables relating to tenants but also from the Group's undrawn commitments and holdings of assets such as cash deposits and loans with counterparties. The carrying value of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking into account the value of any deposits or guarantees obtained.

Trade and other receivables:

Credit risk associated with trade receivables is actively managed; tenants are managed individually by asset managers, who continuously monitor and work with tenants, anticipating and wherever possible identifying and addressing risks prior to default. Tenants are managed through a large and diverse tenant base to reduce the credit risk to the Group. Trade receivables are less than one per cent of total assets at 31 December 2020 (2019: less than one per cent).

Prospective tenants are assessed through an internally conducted review process, by obtaining credit ratings and reviewing financial information. As a result, deposits or guarantees may be obtained. The amount of deposits held as collateral at 31 December 2020 was £13.5 million (2019: £14.6 million).

During the year tenant default risk, and as such credit risk, has increased due to the current operational and financial issues caused by COVID-19. In view of disruption to business and consumer activity, bespoke support has been provided to customers on a case-by-case basis, which includes rent deferrals, rent-free periods and other arrangements reflecting the position of each customer. Rent receivable balances are provided by applying the IFRS 9 'Financial Instruments' expected credit losses which uses a lifetime expected loss allowance.

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

Trade receivable balances are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable recovery include the failure of the debtor to engage in a repayment plan with the Group and a failure to make contractual payments.

The amounts of trade receivables presented in the balance sheet are net of impairment for doubtful receivables.

Ageing of gross trade receivables and loss allowances were as follows:

	2020 £m		2019 £m	
	Gross carrying amount	**Loss allowance**	Gross carrying amount	Loss allowance
Not yet due	**2.0**	**(0.6)**	0.8	–
0-90 days	**11.9**	**(4.5)**	3.7	(0.6)
91-180 days	**14.2**	**(2.0)**	0.3	(0.2)
Over 180 days	**6.6**	**(5.2)**	0.9	(0.6)
Trade receivables	**34.7**	**(12.4)**	5.7	(1.4)

As at 31 December 2020 there is a provision for trade receivables of £12.4 million (2019: £1.4 million). The total expense for the year is £14.0 million (2019: £1.6 million), as shown in note 4 'Rental Expenses', reflecting impairments during the year and movement in the provision.

As the Group operates predominantly in central London, it is subject to some geographical risk. However, this is mitigated by the extensive range of tenants from varying business sectors and the credit review process as noted above.

Other receivables includes £15.1 million (2019: £200.8 million) of deferred consideration in respect of the Earls Court Properties disposal in the prior year. This is held at the net present value of future cash flows after deduction of the lifetime expected loss allowance. A total of £210.4 million was receivable in two equal instalments, 12 months and 24 months after completion of which the first instalment was received in November 2020. An accelerated payment of £89.7 million in respect of payments made by Capco to the London Borough of Hammersmith and Fulham pursuant to the CLSA was paid during 2020. The credit risk of the counterparties, APG and Delancey (on behalf of its client fund), has been assessed by the Group in conjunction with its financial advisers. No provision for expected credit loss was booked against the remaining deferred consideration balance of £15.3 million due in November 2021.

Amounts receivable from joint ventures:

Included within receivables is £nil (2019: £nil) of amounts advanced to LSJV. The carrying value of the investment in LSJV is £nil (2019: £nil) as the Group's share of losses exceeds the cost of its investment. Total funding advanced to LSJV, including the deep discount bonds, of £188.7 million (2019: £173.9 million) has been impaired by £103.7 million (2019: £75.5 million). Details of the impairment are set out in note 6 'Impairment of Investments and Other Receivables'.

26 FINANCIAL RISK MANAGEMENT CONTINUED

CREDIT RISK CONTINUED

LSJV is in a net liability position due to carrying trading property at the lower of cost and net realisable value and the amortisation of the deep discount bonds. However, based on a market valuation undertaken by the Group's valuers JLL, there is an unrecognised surplus of £2.2 million (Group share) as at 31 December 2020. This surplus will only be evidenced on sale of trading property when significant risks and rewards have transferred to the buyer. Therefore, while Lillie Square demonstrates positive pricing evidence commercially and funding provided is not deemed to be at risk of default, for reporting purposes the Group is required to allocate losses against amounts advanced to LSJV, to the extent that losses do not exceed the investment, until the unrecognised surplus on trading property is realised through sale.

Cash, deposits and derivative financial instruments:

The credit risk relating to cash, deposits and derivative financial instruments is actively managed by Group Treasury. Relationships are maintained with a number of institutional counterparties, ensuring compliance with Group cash investment policy relating to limits on the credit ratings of counterparties. The maximum exposure to cash and deposits as at 31 December 2020 amounted to £375.8 million (2019: £170.6 million). The maximum fair value exposure to derivative financial instruments is £22.5 million (2019: £3.6 million).

Gross carrying value and loss allowance of other receivables (excluding trade receivables) are set out in the table below:

	2020 £m		2019 £m	
	Gross carrying amount	**Loss allowance**	Gross carrying amount	Loss allowance
Amounts receivable from joint ventures	**188.7**	**(103.7)**	173.9	(75.5)
Other receivables[1]	**37.2**	**(6.1)**	217.7	–

1. £6.1 million loss allowance in the current year relates to the provision against tenant lease incentives. An additional amount of £5.0 million has also been derecognised in the year for tenants who have fallen into administration or vacated in the year.

CAPITAL STRUCTURE

The Group seeks to enhance shareholder value both by investing in the business so as to improve the return on investment and by managing the capital structure. The Group uses a mix of equity, debt and other financial instruments and aims to access both debt and equity capital markets with maximum efficiency.

The key ratios used to monitor the capital structure of the Group are net debt to gross assets and the interest cover ratio. The Group aims not to exceed an underlying net debt to gross assets of more than 40 per cent and to maintain interest cover above 125 per cent. These ratios are disclosed on a Group share basis in line with the reporting of this information internally to management. These metrics are discussed in the Financial Review on page 48.

Net debt to gross assets	**2020 £m**	2019 £m
Total assets	**2,954.8**	3,184.3
Less: cash	**(375.8)**	(170.6)
	2,579.0	3,013.7
Net debt	**(710.4)**	(441.8)
	27.5%	14.7%

The maximum net debt to gross assets for the year was 27.5 per cent and occurred in December 2020.

Interest cover	**2020 £m**	2019 £m
Finance costs	**(24.3)**	(21.3)
Finance income	**0.5**	0.4
	(23.8)	(20.9)
Underlying operating profit	**18.1**	27.3
	76.1%	130.8%

The minimum interest coverage ratio for the year was 76.1 per cent and occurred on 31 December 2020.

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. Loan to value is calculated based on total borrowings less cash divided by the market value of the portfolio. As at 31 December 2020 the loan to value is 19.3 per cent (2019: 21.3 per cent). Interest cover ratio is calculated based on net rental income less a fixed administration cost dividend by net finance costs. As at 31 December 2020 the interest cover ratio is 76.1 per cent (2019: 130.8 per cent). The interest cover ratio covenant has not been met for 31 December 2020 but a covenant waiver for this period and up to and including 31 December 2021 is in place.

26 FINANCIAL RISK MANAGEMENT CONTINUED

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. The different valuation levels are defined in note 14 'Property Portfolio'.

The tables below present the Group's financial assets and liabilities recognised at fair value at 31 December 2020 and 31 December 2019. There were no transfers between levels during the year.

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

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.

27 DEFERRED TAX

The change in corporation tax rate referred to in note 10 '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 2020 (2019: £nil). The Group's contingent tax liability on investment properties, calculated on the same basis but based on a deemed market value disposal at year end is £nil (2019: £nil).

A disposal of the Group's trading properties at their market value as per note 14 'Property Portfolio', before utilisation of carried forward losses, would result in a corporation tax charge to the Group of £0.4 million (19 per cent of £2.2 million).

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

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

28 SHARE CAPITAL AND SHARE PREMIUM

Group and Company

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

1. In 2019 a total of 1,885,642 new shares were issued to satisfy employee share scheme awards.
2. In 2020 a total of 313,882 new shares were issued to satisfy employee share scheme awards.

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

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

29 CAPITAL COMMITMENTS

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

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

30 CONTINGENT LIABILITIES

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

31 CASH FLOW INFORMATION

(A) CASH GENERATED FROM CONTINUING OPERATIONS

Continuing operations	Note	2020 £m	2019 £m
Loss before tax		**(704.7)**	(61.3)
Adjustments:			
Loss on revaluation and sale of investment and development property	5	**693.1**	43.3
Impairment of investments and other receivables	6	**28.2**	21.0
Loss from joint ventures	16	**–**	2.5
Fair value gain of financial assets at fair value through profit or loss	17	**(50.9)**	–
Depreciation	7	**1.5**	1.3
Amortisation of tenant lease incentives and other direct costs		**23.4**	2.3
Bad debt expenses	4	**14.0**	1.6
Share-based payment[1]	33	**1.4**	4.1
Finance income	8	**(0.5)**	(0.5)
Finance costs	9	**24.1**	21.2
Other finance income	8	**(20.5)**	(11.9)
Other finance costs	9	**0.6**	–
Change in fair value of derivative financial instruments	19	**14.5**	5.2
Change in working capital:			
Change in trade and other receivables		**(37.5)**	(8.0)
Change in trade and other payables		**(19.0)**	(19.1)
Cash (utilised)/generated from continuing operations		**(32.3)**	1.7

1. This relates to the IFRS 2 'Share-based payment' charge. Refer to note 33 'Share-Based Payments' for further details.

(B) CASH USED IN DISCONTINUED OPERATION

Discontinued operation	Note	2020 £m	2019 £m
Loss before tax		**–**	(152.5)
Adjustments:			
Loss on revaluation and sale of investment and development property	11	**–**	151.6
Depreciation		**–**	0.8
Change in working capital:			
Change in trade and other receivables		**–**	0.3
Change in trade and other payables		**–**	(2.4)
Cash used in discontinued operation		**–**	(2.2)

31 CASH FLOW INFORMATION CONTINUED

(C) 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		**555.3**	**1.6**	**–**	**556.9**
Cash flows from financing activities					
Proceeds from borrowings	23	**920.2**	**–**	**9.8**	**930.0**
Repayment of revolving credit facility	23	**(390.0)**	**–**	**–**	**(390.0)**
Facility fees capitalised		**(6.6)**	**–**	**–**	**(6.6)**
Principal element of lease payment		**–**	**(0.9)**	**–**	**(0.9)**
Total cash flows used in financing activities		**523.6**	**(0.9)**	**9.8**	**532.4**
Non-cash movements from financing activities					
Facility fee amortised		**1.2**	**–**	**–**	**1.2**
Lease liability		**(0.9)**	**0.9**	**–**	**–**
Changes in fair value		**–**	**–**	**5.5**	**5.5**
Finance cost amortised		**0.7**	**–**	**–**	**0.7**
Facility fees capitalised		**(0.9)**	**–**	**–**	**(0.9)**
Total non-cash flows from financing activities		**0.1**	**0.9**	**5.5**	**6.5**
Balance at 31 December		**1,079.0**	**1.6**	**15.3**	**1,095.8**

32 RELATED PARTY TRANSACTIONS

(A) TRANSACTIONS WITH DIRECTORS

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

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

Share dealings

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

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

32 RELATED PARTY TRANSACTIONS CONTINUED

(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 16 'Investment in Joint Ventures', 20 'Trade and other receivables' and 29 'Capital commitments'. During the year the Group paid management fees of £1.0 million (2019: income of £1.8 million) that was charged on an arm's length basis.

Property purchased by Directors of the Company

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

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

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

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

33 SHARE-BASED PAYMENTS

The Group operates a number of share-based payment schemes relating to employee benefits and incentives. All schemes are equity settled with the increase in equity measured by reference to the fair value of the Group's equity instruments at the grant date of the share awards. The corresponding expense is recognised on a straight-line basis over the vesting period based on Group estimates of the number of shares that are expected to vest. The total expense recognised in the consolidated income statement in respect of share-based payments for 2020 was £1.4 million (2019: £4.1 million). All options have a vesting period of three years and a maximum contractual life of 10 years. The fair value of share awards is determined by the market price of the shares at the grant date.

Full details of the performance criteria, vesting outcomes and any additional holding periods for the performance share plan are set out within the Directors' Remuneration Report on pages 90 to 104.

1. PERFORMANCE SHARE PLAN

Market value and nil cost options to subscribe for ordinary shares and conditional awards of free shares may be awarded under the Performance Share Plan ("PSP"), and could previously be awarded under the former Performance Share Plan ("Former PSP"). The Company may make a proportion of awards as HMRC approved market value options.

Share options outstanding at 31 December 2020 were exercisable between nil pence and 312 pence and have a weighted average remaining contractual life of eight years and are exercisable between 2020 and 2030.

33 SHARE-BASED PAYMENTS CONTINUED

(A) MARKET VALUE OPTION AWARDS

	2020		2019	
	Number of market value options	**Weighted average exercise price (pence)**	Number of market value options	Weighted average exercise price (pence)
Outstanding at 1 January	**907,020**	**228.8**	459,981	231.0
Awarded during the year	**102,886**	**201.4**	758,349	241.8
Forfeited during the year	**(280,094)**	**(260.7)**	(261,573)	283.9
Exercised during the year[1]	**(123,928)**	**(119.8)**	(49,737)	157.7
Outstanding at 31 December	**605,884**	**231.6**	907,020	228.8
Exercisable at 31 December	**27,793**		151,721	

1. The weighted average share price at the date of exercise was 234.5 pence (2019: 267.6 pence).

(B) NIL COST OPTION AWARDS

	Number of nil cost options	
	2020	2019
Outstanding at 1 January	**4,040,887**	4,618,751
Awarded during the year	**2,681,894**	2,386,703
Forfeited during the year	**(1,032,183)**	(2,097,118)
Exercised during the year	**–**	(867,449)
Outstanding at 31 December	**5,690,598**	4,040,887
Exercisable at 31 December	**29,528**	–

(C) DEFERRED SHARE AWARDS

	Number of deferred share awards	
	2020	2019
Outstanding at 1 January	**3,443,305**	3,725,657
Awarded during the year	**728,195**	1,375,312
Forfeited during the year	**(1,797,674)**	(1,577,005)
Exercised during the year	**(425,611)**	(80,659)
Outstanding at 31 December	**1,948,215**	3,443,305

33 SHARE-BASED PAYMENTS CONTINUED

2. FORMER MATCHING SHARE PLAN

Under the Former Matching Share Plan ("Former MSP"), nil cost option awards could be made in respect of certain shares purchased by Directors, Directors' deferred bonus, or matching of Directors' deferred bonus. No awards were made under the Former MSP in 2019 or 2020, and no further awards will be made. No Former MSP awards remain outstanding.

(A) DEFERRED SHARE AWARDS – NIL COST OPTIONS

	Number of nil cost options	
	2020	2019
Outstanding at 1 January	–	593,379
Exercised during the year	–	(593,379)
Outstanding at 31 December	–	–
Exercisable at 31 December	–	–

(B) DEFERRED SHARE AWARDS AND CO-INVESTMENT – MATCHED NIL COST OPTIONS

	Number of matched nil cost options	
	2020	2019
Outstanding at 1 January	–	891,004
Forfeited during the year	–	(740,503)
Exercised during the year	–	(150,501)
Outstanding at 31 December	–	–
Exercisable at 31 December	–	–

3. FAIR VALUE OF SHARE-BASED PAYMENT

The fair value of share awards is calculated using the Black-Scholes option pricing model for the half that is subject to the total return performance condition and using the stochastic pricing model for the half that is subject to the total shareholder return performance condition. Inputs to the models for share awards during the year are as follows:

Year of share award	**2020**	2019	2018	2017
Closing share price at grant date	**154p**	241p	270p	317p
Exercise price	**0-269p**	0–241p	0–270p	0–317p
Expected option life	**3-5.5 years**	3–6.5 years	3–6.5 years	3–6.5 years
Risk-free rate	**0.8-0.9%**	0.6–0.8%	0.9–1.3%	0.2–0.6%
Expected volatility	**26.8-33.0%**	23.7–24.6%	24.3–30.0%	24.3–30.5%
Expected dividend yield[1]	**1.0%**	0.6%	0.6%	0.5%
Average share price	**162p**	238p	274p	288p
Value per option	**22-72p**	26–87p	33–115p	38–135p

1. Expected dividend yield is based on public pronouncements about future dividend levels; all other measures are based on historical data.

34 RELATED UNDERTAKINGS

The Company's subsidiaries and other related undertakings at 31 December 2020 are listed on the following page. All Group entities are included in the consolidated financial statements.

Unless otherwise stated, the Company holds 100 per cent of the voting rights and beneficial interests in the shares of the following subsidiaries. The share capital of each of the companies, where applicable, comprises ordinary shares unless otherwise stated.

34 RELATED UNDERTAKINGS CONTINUED

Registered address: Regal House, 14 James Street, London, WC2E 8BU

Related undertakings	
20 The Piazza Limited	Capital & Counties CG Nominee Limited
20 The Piazza Management Limited	Capital & Counties Limited[1,2]
22 Southampton Street Limited	CG Investments 2016 GP Limited
22 Southampton Street Management Limited	CG Investments 2016 LP
34 Henrietta Street Limited	CG Investments 2016 Nominee Limited
34 Henrietta Street Management Company Limited	CG Treasury Limited[1]
C & C Management Services Limited[1]	Covent Garden (43 Management) Limited
C&C Properties UK Limited[1]	Covent Garden (49 Wellington Street) Limited
Capco CG 2012 Limited	Covent Garden Group Holdings Limited
Capco CG 2012 Nominee Limited	Covent Garden Management Services Limited[1]
Capco CGP 2012 LP	Floral Court Collection Management Limited
Capco Covent Garden Limited[1]	Floral Court Limited
Capco Covent Garden Residential Limited	Innova Investment Partnership GP Limited (50%)[3]
Capco Group Treasury Limited[1]	Innova Investment Limited Partnership (50%)[3]
Capco Investment London Limited[1]	Innova Investment Group Holdings GP Limited
Capco Investment London 2 Limited[1]	Innova Investment Group Holdings LP
Capco Investment London (No.1) Limited	Innova Investment Group Holdings Nominee Limited
Capco Investment London (No.2) Limited	Innova Investment Management Limited
Capco Investment London (No.3) Limited	Lillie Square Clubhouse Limited (50%)[3]
Capco Investment London (No.4) Limited	Lillie Square Developments Limited (50%)[3]
Capco Investment London (No.5) Limited	Lillie Square GP Limited (50%)[3]
Capco London Limited	Lillie Square LP (50%)[3]
Capital & Counties CG Limited	Lillie Square Management Limited (50%)[3]
Capital & Counties CGP	Lillie Square Nominee Limited (50%)[3]

1. Direct undertakings of the Parent.
2. Non-voting deferred shares.
3. Equity accounted joint ventures.

Registered address: 27 Esplanade, St Helier, Jersey, JE1 1SG

Related undertakings	
Capital & Counties CG (No. 1) Limited	CG Investments 2016 (No. 1) Limited
Capital & Counties CG (No. 2) Limited	CG Investments 2016 (No. 2) Limited
Capital & Counties Properties (Jersey) 3 Limited[1]	CG Investments 2016 Group Limited
Capvestco 2 Limited[1]	Covent Garden Limited
Capvestco 3 Limited[1]	Covent Garden LP Limited
Capvestco 3 Holdings Limited	Innova Investment Group Holdings LP Limited
Capvestco Earls Court Limited	Innova Investment Holdings Limited
Capvestco Limited[1]	Lillie Square LP Limited

1. Direct undertakings of the Parent.

Registered address: 33 Cavendish Square, London, W1G 0PW

Related undertakings	
Great Capital Partnership (G.P.) Limited (50%)[1]	The Great Capital Partnership (50%)[1]
Great Capital Property Limited (50%)[1]	

1. Equity accounted joint ventures.

	Note	2020 £m	2019 £m
Non-current assets			
Property, plant and equipment	II	**3.8**	4.7
Investment in Group companies	III	**516.4**	516.4
		520.2	521.1
Current assets			
Trade and other receivables	IV	**1,794.9**	1,545.9
		1,794.9	1,545.9
Total assets		**2,315.1**	2,067.0
Non-current liabilities			
Borrowings, including lease liability	V	**(263.2)**	(3.8)
Derivative financial instruments	VI	**(15.3)**	–
		(278.5)	(3.8)
Current liabilities			
Borrowings, including lease liability	V	**(0.9)**	(0.9)
Trade and other payables		**(1.5)**	(5.9)
		(2.4)	(6.8)
Total liabilities		**(280.9)**	(10.6)
Net assets		**2,034.2**	2,056.4
Equity			
Share capital	28	**212.8**	213.6
Other components of equity		**1,821.4**	1,842.8
Total equity		**2,034.2**	2,056.4

The loss for the year attributable to shareholders of the Company is £7.1 million (2019: profit of £8.5 million). References in roman numerals refer to the notes to the Company financial statements, references in numbers refer to the notes to the Group financial statements.

These financial statements of Capital & Counties Properties PLC (registered number: 07145051) have been approved for issue by the Board of Directors on 8 March 2021 and signed on its behalf by:

IAN HAWKSWORTH
CHIEF EXECUTIVE

SITUL JOBANPUTRA
CHIEF FINANCIAL OFFICER

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve[1] £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2019		212.7	225.6	–	421.8	8.6	1,184.5	2,053.2
Profit for the year		–	–	–	–	–	8.5	8.5
Total comprehensive income for the year ended 31 December 2019		–	–	–	–	–	8.5	8.5
Transactions with owners								
Ordinary shares issued[2]	28	0.9	3.3	–	–	–	(0.4)	3.8
Dividends	12	–	–	–	–	–	(12.7)	(12.7)
Realisation of merger reserve[1]		–	–	–	(54.2)	–	54.2	–
Realisation of share-based payment reserve on issue of shares		–	–	–	–	(3.5)	6.2	2.7
Fair value of share-based payment		–	–	–	–	0.9	–	0.9
Total transactions with owners		0.9	3.3	–	(54.2)	(2.6)	47.3	(5.3)
Balance at 31 December 2019		**213.6**	**228.9**	**–**	**367.6**	**6.0**	**1,240.3**	**2,056.4**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(7.1)**	**(7.1)**
Total comprehensive income for the year ended 31 December 2020		**–**	**–**	**–**	**–**	**–**	**(7.1)**	**(7.1)**
Transactions with owners								
Ordinary shares issued[2]	28	**0.7**	**3.3**	**–**	**–**	**–**	**–**	**4.0**
Share buyback	28	**(1.5)**	**–**	**1.5**	**–**	**–**	**(11.8)**	**(11.8)**
Dividends	12	**–**	**–**	**–**	**–**	**–**	**(8.5)**	**(8.5)**
Realisation of merger reserve[1]		**–**	**–**	**–**	**(53.9)**	**–**	**53.9**	**–**
Realisation of share-based payment reserve on issue of shares		**–**	**–**	**–**	**–**	**(0.9)**	**0.8**	**(0.1)**
Fair value of share-based payment		**–**	**–**	**–**	**–**	**1.3**	**–**	**1.3**
Total transactions with owners		**(0.8)**	**3.3**	**1.5**	**(53.9)**	**0.4**	**34.4**	**(15.1)**
Balance at 31 December 2020		**212.8**	**232.2**	**1.5**	**313.7**	**6.4**	**1267.6**	**2,034.2**

1. Represents non-qualifying consideration received by the Company 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 as they form part of linked transactions. Realised merger reserve relates to the Wellington block disposed of in the year as the properties were originally acquired using proceeds from the share placements. In the prior year the realised merger reserve related to properties held in Earls Court Properties and Floral Court that were disposed of during 2019.
2. Share premium includes £3.3 million (2019: £3.2 million) of ordinary shares issued relating to the bonus issue in lieu of cash dividends. Refer to note 12 'Dividends' for further information.

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Cash (utilised)/generated from operations	VIII	**(257.7)**	9.9
Net cash (outflow)/inflow from continuing operating activities		**(257.7)**	9.9
Net cash (outflow)/inflow from operating activities		**(257.7)**	9.9
Cash flows from financing activities			
Issue of shares		**–**	0.5
Share buyback		**(11.8)**	–
Borrowings drawn	VIII	**275.0**	–
Principal element of lease payment		**(0.9)**	(0.9)
Cash dividends paid	12	**(4.6)**	(9.5)
Net cash inflow/(outflow) from continuing financing activities		**257.7**	(9.9)
Net cash inflow/(outflow) from financing activities		**257.7**	(9.9)
Net increase in cash and cash equivalents		**–**	–
Unrestricted cash and cash equivalents at 1 January		**–**	–
Unrestricted cash and cash equivalents at 31 December		**–**	–

I PRINCIPAL ACCOUNTING POLICIES

GENERAL INFORMATION

Capital & Counties Properties PLC (the "Company") was incorporated and registered in England and Wales and domiciled in the United Kingdom on 3 February 2010 under the Companies Act as a public company limited by shares, registration number 7145051. The registered office of the Company is Regal House, 14 James Street, London, WC2E 8BU, United Kingdom. The principal activity of the Company is to act as the ultimate parent company of Capital & Counties Properties PLC Group (the "Group"), whose principal activity is the investment, development and management of property.

BASIS OF PREPARATION

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

The Directors have taken advantage of the exemption offered by section 408 of the Companies Act 2006 not to present a separate income statement or statement of comprehensive income for the Company.

In the current year, the Company has applied the amendments to IFRS Standards and Interpretations issued by the Board as set out in the accounting policies of the Group on page 123 that are effective for annual periods that begin on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

INVESTMENT IN GROUP COMPANIES

Investment in Group companies, which eliminates on consolidation, is stated in the Company's separate financial statements at cost less impairment losses, if any. Impairment losses are determined with reference to the investment's fair value less estimated selling costs. Fair value is derived from the subsidiaries', and their subsidiaries', net assets at the balance sheet date. On disposal, the difference between the net disposal proceeds and its carrying amount is included in the income statement.

OTHER

Accounting policies for going concern, share-based payments, cash and cash equivalents, trade and other receivables, borrowings, derivative financial instruments, trade and other payables and financial instruments are the same as those applied by the Group and are set out on pages 123 to 130.

The auditors' remuneration for audit and other services is disclosed in note 7 to the Group accounts.

II PROPERTY, PLANT AND EQUIPMENT

	2020 £m	2019 £m
Movement for the year		
Net carrying value at 1 January	**4.7**	–
Additions	**–**	5.4
Depreciation charge	**(0.9)**	(0.7)
Net carrying value at 31 December	**3.8**	4.7

Property, plant and equipment of the Company comprises a leased office building. Details of the lease liability is set out in note VII 'Lease Liability'.

III INVESTMENT IN GROUP COMPANIES

	2020 £m	2019 £m
At 1 January	**516.4**	516.4
At 31 December	**516.4**	516.4

Investments in Group companies are carried at cost less impairment losses, if any. An impairment test is performed on an annual basis. An impairment charge of £nil was recorded in the current year (2019: £nil).

IV TRADE AND OTHER RECEIVABLES

	2020 £m	2019 £m
Current		
Amounts owed by subsidiaries	**1,794.4**	1,544.5
Other receivables	**–**	0.9
Prepayments and accrued income	**0.5**	0.5
Trade and other receivables	**1,794.9**	1,545.9

An impairment test is performed on an annual basis to determine the recoverability of amounts owed by subsidiaries. An impairment charge of £nil was recorded in the current year (2019: £nil).

V BORROWINGS, INCLUDING LEASE LIABILITY

	2020						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Current							
Lease liability obligation	0.9	–	0.9	0.9	–	0.9	0.9
Borrowings, including lease liability	0.9	–	0.9	0.9	–	0.9	0.9
Non-current							
Exchangeable bonds	260.3	260.3	–	260.3	–	269.4	275.0
Borrowings	260.3	260.3	0.9	261.2	–	270.3	275.9
Lease liability obligation	2.9	–	2.9	2.9	–	2.9	2.9
Borrowings, including lease liability	263.2	260.3	3.8	264.1	–	271.2	278.8
Total borrowings, including lease liability	264.1						

	2019						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Current							
Lease liability obligation	0.9	–	0.9	0.9	–	0.9	0.9
Borrowings, including lease liability	0.9	–	0.9	0.9	–	0.9	0.9
Non-current							
Lease liability obligation	3.8	–	3.8	3.8	–	3.8	3.8
Borrowings, including lease liability	4.7	–	4.7	4.7	–	4.7	4.7
Total borrowings, including lease liability	4.7						

The fair values of the Company'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 14 'Property Portfolio'.

The lease liability of the Company relates to the lease liability over corporate premises. Details of this lease is set out in note VII 'Lease Liability'.

On 30 November 2020 the Company issued £275 million of secured exchangeable bonds maturing in March 2026. The notes are exchangeable into cash or ordinary shares of Shaftesbury on maturity. The reference share price was set at 532.70 pence and the initial exchange price (which reflects a 35 per cent premium to the reference share price) was set at 719.15 pence. Interest of two per cent per annum will be paid semi-annually in arrears in equal instalments. The net proceeds received from the issue of the exchangeable bonds have been split between the financial liability element and an option component, representing the fair value of the embedded option to convert the financial liability into equity of Shaftesbury. In accordance with IAS 32, the option and debt components of the bonds are accounted for separately and the initial carrying value of the debt component has been determined using the fair value of the instrument as a whole less the fair value of the embedded derivative. As a result, £265.3 million was recognised as a liability in the balance sheet on issue and the remainder of the proceeds of £9.7m, which represents the option component, was accounted for as a derivative liability. The debt component is accounted for at amortised cost at the effective interest rate method and the derivative liability is accounted for at fair value through profit or loss. Issue costs of £5.9 million were allocated between the two components and the element relating to the debt component is being amortised through the effective interest rate method. The issue costs apportioned to the embedded derivative of £0.3 million have been expensed through the income statement.

In addition, the Company is guarantor to the £125 million three-year secured loan gained in December 2020 and is secured against shares in Shaftesbury. The loan is held by two Group entities.

V BORROWINGS, INCLUDING LEASE LIABILITY CONTINUED

	2020			
Analysis of movement in net debt	**Current borrowings £m**	**Non-current borrowings £m**	**Cash and cash equivalents £m**	**Net debt £m**
Balance at 1 January	**0.9**	**3.8**	**–**	**4.7**
Borrowings drawn	**–**	**265.2**	**(265.2)**	**–**
Other net cash movements	**(0.9)**	**(6.7)**	**265.2**	**257.6**
Other non-cash movements	**0.9**	**0.9**	**–**	**1.8**
Balance at 31 December	**0.9**	**263.2**	**–**	**264.1**

	2019			
Analysis of movement in net debt	Current borrowings £m	Non-current borrowings £m	Cash and cash equivalents £m	Net debt £m
Balance at 1 January	–	–	–	–
Other non-cash movements	0.9	3.8	–	4.7
Balance at 31 December	0.9	3.8	–	4.7

The maturity profile of gross debt (excluding lease liabilities) is as follows:

	2020 £m	2019 £m
Wholly repayable in more than five years	**275.0**	–
	275.0	–

VI DERIVATIVE FINANCIAL INSTRUMENTS

Derivative liabilities	**2020 £m**	2019 £m
Non-current		
Derivative liability – exchangeable bonds[1]	**(15.3)**	–
Derivative financial liabilities	**(15.3)**	–

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

VII LEASE LIABILITY

LEASE LIABILITY INCLUDED WITHIN PROPERTY, PLANT AND EQUIPMENT

(A) MINIMUM LEASE PAYMENTS UNDER LEASE OBLIGATIONS

	2020 £m	2019 £m
Not later than one year	**0.9**	0.9
Later than one year and not later than five years	**3.0**	3.7
Later than five years	**–**	0.3
	3.9	4.9
Future finance charges on lease liabilities	**(0.1)**	(0.2)
Present value of lease liability obligations	**3.8**	4.7

(B) PRESENT VALUE OF MINIMUM LEASE OBLIGATIONS

	2020 £m	2019 £m
Not later than one year	**0.9**	0.9
Later than one year and not later than five years	**2.9**	3.5
Later than five years	**–**	0.3
	3.8	4.7

Lease liabilities included under property, plant and equipment are in respect of a lease over office buildings occupied by the Group. The lease is unsecured, at a fixed rate, held at fair value and matures in 2025.

VIII CASH FLOW INFORMATION

(A) CASH GENERATED FROM CONTINUING OPERATIONS

Continuing operations	2020 £m	2019 £m
(Loss)/profit before tax	**(6.8)**	8.5
Adjustments:		
Depreciation	**0.9**	0.9
Finance costs	**1.0**	0.1
Other finance income	**(6.9)**	(19.1)
Change in fair value of derivative financial instruments	**5.5**	–
Change in working capital:		
Change in trade and other receivables	**(246.3)**	11.5
Change in trade and other payables	**(5.1)**	8.0
Cash (utilised)/generated from continuing operations	**(257.7)**	9.9

(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		**3.8**	**0.9**	**–**	**4.7**
Cash flows from financing activities					
Proceeds from borrowings	V	**265.2**	**–**	**9.8**	**275.0**
Facility fees capitalised		**(5.9)**	**–**	**–**	**(5.9)**
Principal element of lease payment		**–**	**(0.9)**	**–**	**(0.9)**
Total cash flows used in financing activities		**259.3**	**(0.9)**	**9.8**	**268.2**
Non-cash movements from financing activities					
Lease liability		**(0.9)**	**0.9**	**–**	**–**
Finance cost amortised		**0.9**	**–**	**–**	**0.9**
Facility fees capitalised		**0.1**	**–**	**–**	**0.1**
Changes in fair value		**–**	**–**	**5.5**	**5.5**
Total non-cash flows from financing activities		**0.1**	**0.9**	**5.5**	**6.5**
Balance at 31 December		**263.2**	**0.9**	**15.3**	**279.4**

IX RELATED PARTY TRANSACTIONS

(A) TRANSACTIONS BETWEEN THE PARENT COMPANY AND ITS SUBSIDIARIES

Transactions between the Parent Company and its subsidiaries, which are related parties, have been eliminated on consolidation for the Group.

Significant transactions between the Parent Company and its subsidiaries are shown below:

Subsidiary	Nature of transaction	2020 £m	2019 £m
Funding activities			
Capco Group Treasury Limited	Interest on intercompany loan	**6.9**	19.1

Significant balances outstanding at 31 December between the Parent Company and its subsidiaries are shown below:

	Amounts owed by subsidiaries	
Subsidiary	2020 £m	2019 £m
Capco Group Treasury Limited	**1,794.2**	1,544.5

The amount due from Capco Group Treasury Limited is unsecured, interest bearing at 0.6 per cent (2019: 1.25 per cent) and repayable on demand.

ALTERNATIVE PERFORMANCE MEASURES

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Set out below is a summary of the APMs used in this Annual Report.

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

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

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

APM	Definition of measure	Nearest IFRS measure	Explanation and reconciliation	2020	2019
Underlying earnings	(Loss)/profit for the period excluding unrealised and one-off items	(Loss)/profit for the year	Note 3	(£6.2)m	£9.0m
Underlying earnings per share	Underlying earnings per weighted number of ordinary shares	Basic (loss)/earnings per share	Note 3	(0.7)p	1.1p
EPRA earnings	Recurring earnings from core operational activity	Profit/(loss) for the year	EPRA measures Table 1	£17.9m	(£6.7)m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	Basic earnings/(loss) per share	EPRA measures Table 1	2.1p	(0.8)p
EPRA NTA	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	Net assets attributable to shareholders	Note 13	£1,805.8m	£2,505.8m
EPRA NTA per share	EPRA NTA per the diluted number of ordinary shares	Net assets attributable to shareholders per share	Note 13	212.1p	292.9p
Market value of property portfolio	Market value of investment, development and trading properties	Investment, development and trading properties	Note 14	£1,942.4m	£2,774.2m
Interest cover	Underlying operating profit divided by net underlying finance costs	N/A	Note 26	76.1%	130.8%
Net debt to gross assets	Net debt divided by total assets excluding cash and cash equivalents	N/A	Note 26	27.5%	14.7%
Gross debt with interest rate protection	Proportion of the gross debt with interest rate protection	N/A	Note 26	100%	100%
Weighted average cost of debt	Cost of debt weighted by the drawn balance of external borrowings	N/A	Financial Review, page 55	2.6%	3.0%
Cash and undrawn committed facilities (Group share)	Cash and cash equivalents plus undrawn committed facilities shown on a Group share basis	N/A	Financial Review, page 55	£1,010.2m	£895.2m
Cash and undrawn committed facilities (IFRS)	Cash and cash equivalents plus undrawn committed facilities shown on an IFRS basis	N/A	Financial Review, page 55	£940.1m	£868.1m
Occupancy	ERV of occupied space as a percentage of ERV of combined portfolio	N/A	N/A	96.5%	96.8%

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

EPRA MEASURES

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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

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

EPRA MEASURES CONTINUED

3) EPRA EARNINGS PER SHARE

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

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

EPRA MEASURES CONTINUED

2) NET ASSETS PER SHARE

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

1. Further information on these potential ordinary shares can be found in note 33 'Share-Based Payments'.
2. This relates to the impairment under IFRS 9 of amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture. Further details are disclosed within note 6 'Impairment of Investments and Other Receivables'.

EPRA MEASURES CONTINUED

3) NET INITIAL YIELD AND 'TOPPED-UP' NET INITIAL YIELD

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

4) EPRA VACANCY RATE

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

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

5) PROPERTY RELATED CAPEX

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

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

ANALYSIS OF PROPERTY PORTFOLIO

1. PROPERTY DATA AS AT 31 DECEMBER 2020

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

2. ANALYSIS OF CAPITAL RETURN FOR THE YEAR

Like-for-like capital	**Market value 31 December 2020 £m**	Market value 31 December 2019 £m	**Revaluation loss[1] 31 December 2020 £m**	**Decrease**
Covent Garden	**1,825.1**	2,507.9	**(675.1)**	**(27.3)%**
Other[2]	**116.3**	124.8	**(11.6)**	**(9.1)%**
Total like-for-like capital	**1,941.4**	2,632.7	**(686.7)**	**(26.4)%**
Investment and development property	**1,827.8**	2,511.2	**(675.4)**	**(27.3)%**
Trading property[3]	**113.6**	121.5	**(11.3)**	**(9.0)%**
Non like-for-like capital				
Acquisitions	**1.0**	–	**(0.3)**	
Disposals	**–**	141.5	**(20.4)**	
Group share of total property	**1,942.4**	2,774.2	**(707.4)**	**(27.0)%**
Investment and development property	**1,828.8**	2,598.9	**(692.4)**	**(27.8)%**
Trading property[3]	**113.6**	175.3	**(15.0)**	**(11.7)%**
All property				
Covent Garden	**1,825.1**	2,595.6	**(691.7)**	**(27.8)%**
Other[2]	**117.3**	178.6	**(15.7)**	**(11.3)%**
Group share of total property	**1,942.4**	2,774.2	**(707.4)**	**(27.0)%**

1. Revaluation loss includes amortisation of lease incentives and fixed head leases.
2. Relates to the Group's interest in Lillie Square and Earls Court Properties. Earls Court Properties was disposed of 29 November 2019.
3. Represents unrecognised surplus and write down or write back to market value of trading property. Presented for information purposes only.

ANALYSIS OF PROPERTY PORTFOLIO CONTINUED

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

4. ANALYSIS OF COVENT GARDEN BY USE

31 December 2020

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

FINANCIAL COVENANTS

FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL COVENANTS ON NON-RECOURSE DEBT

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

1. The loan values are the nominal values at 31 December 2020 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.
2. Covent Garden comprises £705 million revolving credit facility ("RCF") maturing in December 2022, £565.0 million of which is undrawn at 31 December 2020, and £550 million Private Placement unsecured notes maturing between 2024 and 2037.

HISTORICAL RECORD
CONTINUING AND DISCONTINUED OPERATIONS

Consolidated income statement	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Net rental income[1]	**15.8**	63.3	63.5	73.4	81.5
Profit on sale of trading property	**8.9**	0.9	6.7	14.5	4.4
Other income	**(0.5)**	1.0	1.8	2.3	2.7
Loss on revaluation and sale of investment and development property	**(693.3)**	(139.8)	(78.8)	(28.0)	(124.8)
Profit/(loss) on disposal and IFRS 5 impairment of discontinued operation	**1.0**	(94.2)	29.5	–	–
Revaluation of equity investment	**50.9**	–	–	–	–
Non-recurring (costs)/income	**(1.4)**	(15.4)	(4.3)	1.5	(5.0)
Administration expenses[2]	**(31.5)**	(46.6)	(41.6)	(41.4)	(50.5)
Operating (loss)/profit	**(650.1)**	(230.8)	(23.2)	22.3	(91.7)
Net finance costs	**(29.7)**	(25.5)	(17.1)	(16.0)	(37.8)
(Loss)/profit before tax	**(679.8)**	(256.3)	(40.3)	6.3	(129.5)
Taxation	**1.0**	0.1	(4.3)	(6.7)	10.9
Loss for the year	**(678.8)**	(256.2)	(44.6)	(0.4)	(118.6)

Consolidated balance sheet	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Investment and development property	**1,797.4**	2,547.3	3,066.7	3,318.1	3,443.0
Other non-current assets	**599.7**	165.1	157.2	155.1	120.0
Cash and cash equivalents	**375.8**	170.6	49.9	52.3	64.8
Other current assets	**182.2**	302.3	181.8	158.7	231.1
Total assets	**2,955.1**	3,185.3	3,455.6	3,684.2	3,858.9
Non-current borrowings, including lease liabilities	**(1,084.5)**	(610.8)	(621.9)	(785.3)	(881.1)
Other non-current liabilities	**(22.5)**	(3.6)	–	(5.8)	(17.5)
Current borrowings, including lease liabilities	**(1.6)**	(1.6)	(0.7)	(0.7)	(31.1)
Other current liabilities	**(53.3)**	(82.2)	(84.5)	(92.6)	(124.2)
Total liabilities	**(1,161.9)**	(698.2)	(707.1)	(884.4)	(1,053.9)
Net assets	**1,793.1**	2,487.1	2,748.5	2,799.8	2,805.0

Prepared on a Group share basis.

Per share information	Pence	Pence	Pence	Pence	Pence
Basic (loss)/earnings per share	**(79.6)**	(29.7)	(6.7)	(0.1)	(14.0)
Underlying earnings per share	**(0.7)**	1.0	0.9	1.3	1.4
Basic net assets per share	**210.4**	290.0	321.6	329.7	331.5
EPRA NTA	**212.1**	292.9	325.7	333.8	339.6
Dividend per share	**–**	1.5	1.5	1.5	1.5

1. Underlying net rental income for continuing operations as at 31 December 2020 is £43.6 million (2019: £61.2 million).
2. Included in administration expenses for continuing operations as at 31 December 2020 is £6.5 million (2019: £9.7 million) of non-recurring transaction related costs which are excluded from the calculation of underlying earnings.

CHAIRMAN

Henry Staunton

EXECUTIVE DIRECTORS

Ian Hawksworth, Chief Executive
Situl Jobanputra, Chief Financial Officer
Michelle McGrath, Executive Director

NON-EXECUTIVE DIRECTORS

Charlotte Boyle
Jonathan Lane OBE
Anthony Steains

COMPANY SECRETARY

Ruth Pavey

REGISTERED OFFICE

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Telephone: 020 3214 9150
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REGISTERED NUMBER

7145051

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www.capitalandcounties.com
www.coventgarden.london

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SOLICITORS

Herbert Smith Freehills LLP
Linklaters LLP
Webber Wentzel (South Africa)

FINANCIAL ADVISER

Rothschild & Co.

CORPORATE BROKERS

Jefferies International Limited
UBS AG London Branch

SA SPONSOR

UBS South Africa (Pty) Ltd

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.

BPS

Basis point is a unit equal to one hundredth of a percentage point.

CAPCO

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

CASH AND UNDRAWN FACILITIES

Cash and cash equivalents plus undrawn committed facilities.

CDP

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

CLSA

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

DILUTED FIGURES

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

EARLS COURT PROPERTIES

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

ECPL

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

EPRA

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

EPRA EARNINGS

Profit or loss for the 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 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 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 SBPR

European Public Real Estate Association Sustainability Best Practice Recommendations for Reporting, a guidance framework for reporting environmental performance. Capco publishes details of its environmental performance in line with the EPRA sBPR.

EPRA TOPPED-UP INITIAL YIELD

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

EPRA VACANCY

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

ESC

Environment, Sustainability and Community

ESTIMATED RENTAL VALUE (ERV)

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

FTSE4GOOD

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

F&B

Food and Beverage

FRC

Financial Reporting Council.

GCP

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

GEA

Gross external area.

GRESB

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

GREENHOUSE GAS (GHG) EMISSIONS METHODOLOGY

Capco continues to monitor and report all greenhouse gas emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 and the extension of these regulations to include the Streamlined Energy and Carbon Emissions Reporting ("SECR"). The GHG emissions data is prepared by following the 'Greenhouse Gas ("GHG") Protocol: A Corporate Accounting and Reporting Standard' published by the World Resources Institute ("WRI") and the operational consolidation method is adopted, as this reflects where Capco has the ability to influence GHG emissions. Scope 1 emissions for 2019 and 2020 comprise direct emissions, including fuel combustion in owned or controlled boilers, backup generators and vehicles. Scope 2 emissions for 2019 and 2020 comprise indirect emissions released from purchased electricity. Capco were responsible for all Scope 1 and Scope 2 emissions stated. For Scope 2 emissions, those arising from generated electricity usage are reported in two ways. Firstly, Capco calculates the 'location-based' emissions which reflect emissions according to the energy mix of the National Grid. Secondly, Capco reports 'market-based' emissions which reflect the energy mix provided by our energy suppliers. This helps Capco to demonstrate the reduction in emissions as a result of purchasing energy from suppliers who generate renewable energy. Capco has engaged Carbon Footprint Limited to provide independent verification of the 2020 greenhouse gas emissions assertion, in accordance with the industry recognised standard ISO 14064-3. The 2019 GHG emissions and energy data has been restated in this year's report to reflect the disposal of the assets affiliated with the Earls Court business.

GRESB

Global Real Estate Sustainability Benchmark.

GROSS INCOME

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

FTSE 350 REAL ESTATE INDEX

London Stock Exchange index derived from real estate companies in the FTSE 100 and FTSE 250 indices.

HEADLINE EARNINGS

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

HMRC

Her Majesty's Revenue and Customs.

IFRS

International Financial Reporting Standards.

INNOVA

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

JSE

Johannesburg Stock Exchange.

KWOK FAMILY INTERESTS (KFI)

Joint venture partner in the Lillie Square development.

LBHF

The London Borough of Hammersmith & Fulham.

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. Previously known as Investment Property Databank (IPD).

NAV

Net Asset Value.

NET DEBT

Total borrowings less cash and cash equivalents.

NET DEBT TO GROSS ASSETS

Calculated on the basis of the Group's net debt divided by the Group's gross assets less cash.

NET ZERO CARBON

Net Zero Carbon is when the total greenhouse gases produced by the company are equal or less than the emissions that the company removes from the environment.

NIA

Net Internal Area.

NET RENTAL INCOME (NRI)

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

NOMINAL EQUIVALENT YIELD

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

OCCUPANCY RATE

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

PASSING RENT

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

P.A.

Per annum.

PROPERTY INCOME DISTRIBUTIONS (PID)

Distribution under the REIT regime that constitutes at least 90% 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%. If the Group distributes profits from their non-qualifying business, the distribution will be taxed as an ordinary dividend in the hands of the investors.

REAL ESTATE INVESTMENT TRUST (REIT)

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

RICS

Royal Institution of Chartered Surveyors.

RIDDOR

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

SAICA

South African Institute of Chartered Accountants.

S&P GLOBAL SAM DJSI

The Dow Jones Corporate Sustainability Assessment, a sustainability index of Standard & Poor Dow Jones, to which Capco submits information.

SECTION 106

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

SHAFTESBURY

Shaftesbury PLC

SMEs

Small and medium-sized enterprises.

TENANT LEASE INCENTIVES

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

TFL

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

TOTAL PROPERTY RETURN (TPR)

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

TOTAL RETURN (TR)

The growth in EPRA NAV per share plus dividends per share paid during the year.

TOTAL SHAREHOLDER RETURN (TSR)

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

UNDERLYING EARNINGS PER SHARE (EPS)

Underlying earnings divided by the weighted average number of shares in issue during the 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 in 2020, these balances have been excluded from underlying net rental income due to being highly material and at levels not experienced in the past nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude.

WEIGHTED AVERAGE UNEXPIRED LEASE TERM

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

WCC

Westminster City Council.

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").

REGISTRARS

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

FOR SHAREHOLDERS REGISTERED IN THE UK:

Link Group
10th Floor, Central Square,
29 Wellington Street, Leeds,
LS1 4DL

Telephone: 0371 664 0300.
Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 am-17:30 pm, Monday to Friday excluding public holidays in England and Wales

Email: enquiries@linkgroup.co.uk
www.linkassetservices.com

FOR SHAREHOLDERS REGISTERED IN SOUTH AFRICA:

Computershare Investor Services Proprietary Limited

Rosebank Towers, 15 Biermann Avenue, Rosebank, South Africa

Postal address: Private Bag X9000, Saxonwold, 2132, South Africa

Telephone: +27 (0) 11 370 5000 or 086 1100 933 (lines are open 8.00 am-4.30 pm Monday-Friday)

Email:
web.queries@computershare.co.za
www.computershare.com

PAYMENT OF DIVIDENDS

If you are a shareholder and wish to have your dividends paid directly into a bank or building society, please complete a mandate form which is available from the appropriate registrar.

SHARE PRICE INFORMATION

The latest information on the Capital & Counties Properties PLC share price is available on the Company's website www.capitalandcounties.com.

The shares are traded on the LSE with LSE code CAPC, SEDOL B62G9D3, ISIN GB00B62G9D36. The shares are traded on the JSE under the abbreviated name CAPCO and JSE code CCO.

WEB-BASED ENQUIRY SERVICE FOR SHAREHOLDERS

Shareholders registered in the UK can register at www.signalshares.com to access a range of online services including:

- Online proxy voting
- Electing to receive shareholder communications electronically
- Viewing your holding balance, indicative share price and valuation
- Viewing transactions on your holding including any dividend payments you have received
- Updating your address details or registering a mandate to have your dividends paid directly to your bank account
- Accessing a wide range of shareholder information, including downloadable forms

To register to use this service, you will need your investor code ("IVC"), which can be found on your share certificate(s).

SHARE DEALING SERVICES

Many banks, building societies and investment managers offer share dealing services. Additionally, UK shareholders may trade their shares using the online and telephone dealing service that Link Group provide. To use this service, shareholders should contact Link: within the UK 0371 664 0445 (calls are charged at the standard geographic rate and will vary by provider; lines are open 8.00 am-4.30 pm Monday to Friday, excluding public holidays in England and Wales); or from outside the UK: +44(0) 371 664 0445 (calls outside the UK are charged at the applicable international rate) or you can log on to www.linksharedeal.com. This service is only available to private individuals resident in the UK, the EEA, Channel Islands and the Isle of Man who hold shares in a company for which Link Market Services provides share registration services, or a nominee programme administered by Link Market Services Trustees Limited.

ELECTRONIC COMMUNICATION

Capco has adopted electronic communications. This means that shareholders will receive documents from the Company electronically unless they elect to receive hard copies.

The Group's annual results and interim results will be published on the Company's website www.capitalandcounties.com. If you are a shareholder who receives hard copies of documents and you wish to elect to receive electronic communications, please contact the appropriate Registrar.

Shareholders may revoke an election to receive electronic communications at any time.

SHAREGIFT

ShareGift is a charity share donation scheme for shareholders who may wish to dispose of a small quantity of shares where the market value makes it uneconomical to sell on a commission basis. Further information can be found on its website www.sharegift.org, by telephoning 020 7930 3737 or by emailing help@sharegift.org.

STRATE CHARITY SHARES (SCS)

SCS is an independent non-profit and registered charity share donation scheme for shareholders who may wish to dispose of small holdings of shares that are too costly to sell via a stock broker on a commission basis. Further information can be found at www.strate.co.za, by emailing charityshares@computershare.co.za or by calling 0800 202 363 or +27 (0) 11 870 8207 if you are phoning from outside South Africa.

INVESTMENT SCAMS

Shareholders are advised to be wary of any unsolicited calls, mail or emails that offer free advice, the opportunity to buy shares at a discount or to provide free company or research reports. Such approaches are often investment scams. Information on how to protect yourself from investment scams can be found at www.fca.org.uk/scamsmart or by calling the FCA's consumer helpline on 0800 111 6768.

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

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