capco

Annual report & accounts 2021

Capital & Counties Properties PLC

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.

Strategic Report

Governance

Financial Statements

A leading London property company

A prime central London REIT

About us

A prime central London REIT driving long-term value creation centred around our landmark Covent Garden estate.

Our 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 values

- **Collegiate, supportive and inclusive**
- **Environmentally and socially responsible**
- **High performance and entrepreneurial**
- **Innovative and creative**
- **Professional: We act with integrity and hold ourselves to the highest standards**

About Capco

Portfolio Valuation

£2.4bn[1] 100%

Covent Garden

£1,729m 72%

Shaftesbury Investment

£596m 25%

Lillie Square

£86m[2] 3%

See pages 40 to 56 for our operating review

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.

2021 financial results

0.5p
Underlying earnings per share

1.5p
Dividend per share

212.4p
EPRA net tangible assets per share

16.5%
Total shareholder return

1.5%
Total property return

Financial strength

£1.8bn Group net assets	**£652m** Access to liquidity
£599m Group net debt	**24%** Group net debt to gross assets
£254m Covent Garden net debt	**15%** Covent Garden loan to value

See page 20 to 21 and 189 where we discuss our alternative performance measures.

See page 57 to 67 for the financial review.

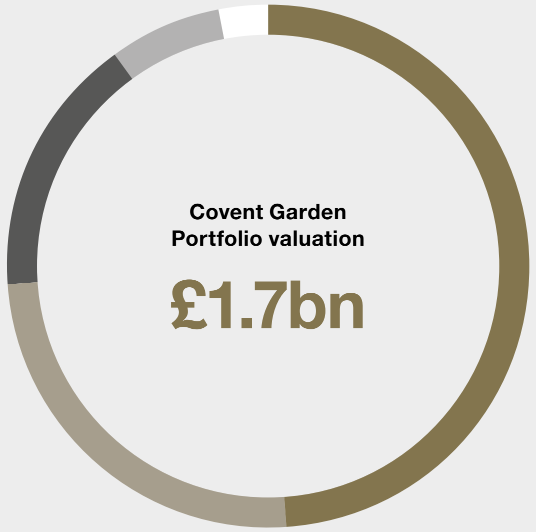
Covent Garden Portfolio

Lettable space

1.1m sq ft

71 buildings

503 units



Sector	Sq ft	% of portfolio by value
Retail	0.4m	49%
Food & beverage	0.2m	25%
Office	0.2m	16%
Residential	0.2m	7%
Leisure	0.1m	3%

Our 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 8.

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 90 to 91.

Strong capital structure

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

For more on our capital structure, see page 57.

Sustainable approach

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

For more on our sustainability, see page 68.

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.

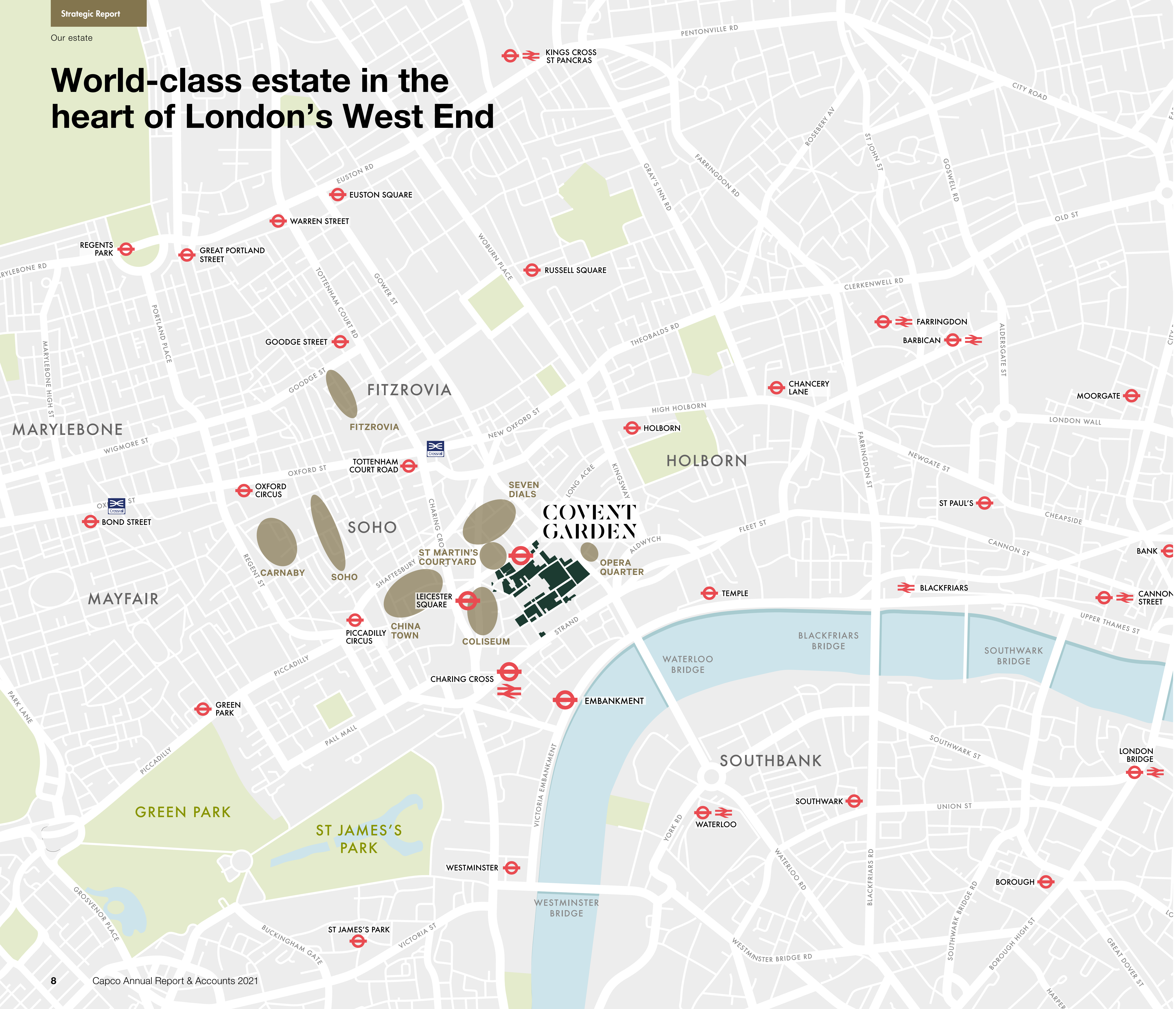
For more on our governance, see page 88.

Dynamic, inclusive culture

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

For more on our culture, see pages 82 and 94.

World-class estate in the heart of London's West End



Covent Garden

Portfolio valuation

£1.7bn

Lettable space

1.1m sq ft

Buildings

71

Units

503

Prime West End location

Scale and concentrated ownership

Rich in heritage

Global brand recognition

Capco Ownership

Shaftesbury Ownership

The landowners' map is indicative

Capco holds a 25.2 per cent interest in Shaftesbury PLC

2021 year in review

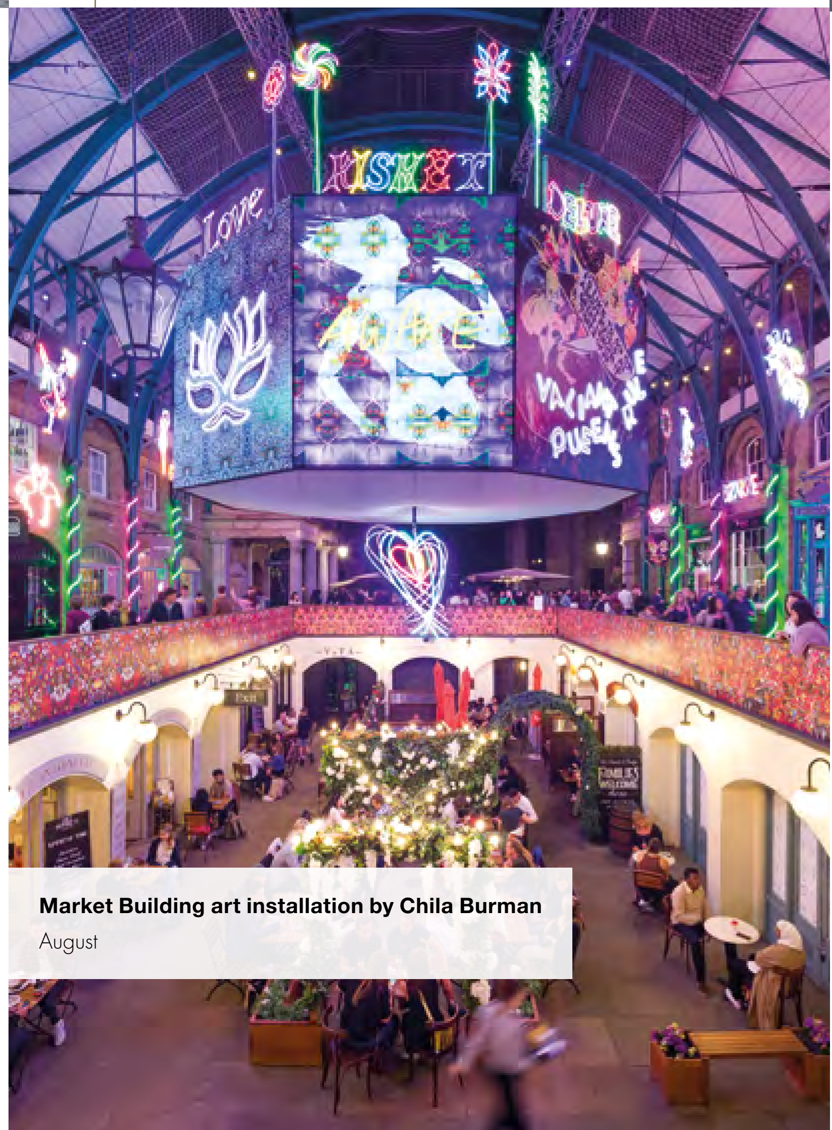
Hello London, James Street
April

Spring

- Covent Garden curates a programme of digital first experiences to bring a taste of the area to everyone at home
- Capco announces its commitment to Net Zero Carbon by 2030
- New al fresco dining scheme unveiled with outdoor dining available across a number of newly pedestrianised streets
- Retail and al fresco dining reopens, welcoming occupiers and consumers back to Covent Garden with a street food festival and 'Hello London' sign
- Vashi opens new flagship site and Bucherer opens its new upsized store, both located in the Royal Opera House Arcade

Autumn

- Premium watch brand TAG Heuer signs on James Street
- Chila Burman takes over the historic Market Building with an immersive large-scale light installation
- Covent Garden announces extension of its al fresco dining scheme. Over 1,000 outdoor dining seats remain available at restaurants across the estate with Westminster City Council approval and support from local stakeholders
- Working groups established to consider feedback from employee engagement survey
- Experimental Group signs a late night live music and dining concept
- Giant balloon dog sculptures installed across the Piazza and Halloween pumpkin market launched in the Apple Market



Market Building art installation by Chila Burman
August

Al fresco dining, Henrietta Street

Summer

- The Summer Festival, a three-month celebration of live music and British summertime, launches on the East Piazza
- Capco completes the sale of two freehold properties 26-27 Southampton Street and 30-32 Southampton Street for £50.2 million
- Glossier agrees terms to open its first permanent physical UK store in iconic location overlooking Covent Garden's Piazza and Reformation agrees terms to open a new flagship store on King Street
- Ave Mario and Mrs Riot open two new restaurants on Henrietta Street
- London-born artist Lakwena transforms Floral Street and King Street and a month-long programme with the Royal Opera House launches

Winter

- Covent Garden launches its Christmas programme, with daily snowfall on the Piazza and brand partnerships with LEGO ®, Disney's Frozen and American Express
- Covent Garden's charity auction raises over £22k, with all proceeds going to Only A Pavement Away to help the homeless
- Ten new brands introduced to Covent Garden including global apparel brand Uniqlo which will occupy a flagship store located at a new site combining 19-21 Long Acre and Carriage Hall
- Capco completes new £300 million unsecured revolving credit facility for Covent Garden
- Capco publishes its Net Zero Carbon Pathway and its intention to join the UN Race to Zero setting out activities and timelines to support our commitment
- Capco realises proceeds through disposal of two Covent Garden properties, Lillie Square apartments and receipt of the final instalment of Earls Court deferred consideration

Covent Garden Christmas
November – December

Confident in long-term growth prospects

Ian Hawksworth
Chief Executive

"Covent Garden has had a strong second half of 2021 and despite the backdrop of the Omicron variant, consumers continued to be attracted to the West End's most vibrant destination. We are pleased with the strong levels of leasing activity and improving market indicators which have contributed to a valuation uplift in the second half. We look ahead with confidence to continued progress in 2022 and in the long-term prospects of the Covent Garden estate and the West End."

Ian Hawksworth, Chief Executive

Overview

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

"Through our long-term vision, entrepreneurial culture and strong balance sheet, we have positioned the business for recovery and growth."

Ian Hawksworth, Chief Executive

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

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

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

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

Driving value creation

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

Capco has assembled the Covent Garden portfolio over a period of 15 years. As a long-term steward of the Covent Garden estate, Capco has taken a creative approach with strategic investment to establish a world-class estate rich in heritage and culture in the heart of London's West End. Covent Garden's scale and concentrated ownership would be incredibly difficult to replicate making it a scarce and valuable real estate investment.

The Group has a strategic focus on Covent Garden and the West End. Capco's investment strategy is to invest in complementary opportunities on or near the Covent Garden estate. Capco's ambitious and creative culture promotes value creation opportunities whilst maintaining financial and investment discipline.

Substantially all of the Company's property value is within prime central London through the Covent Garden business, which is currently independently valued at £1.7 billion as well as the Shaftesbury investment which is valued at £596 million. Capco has a strong track record of accretive investment and aggregation of ownership in the Covent Garden area and it is intended that opportunities to expand our ownership will be pursued in line with ambitions to grow the business.

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

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

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

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

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

Dividend

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

Improving market indicators

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

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

Strong leasing momentum driving rental growth

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

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

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

+16.5%
Total Shareholder Return

+0.4%
Total Return

+4.6%
Valuation growth in H2 2021

+3%
ERV growth in H2 2021

60
New leasing transactions

Covent Garden independent valuation 2021

£1.7bn

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

1. Valuation change takes account of amortisation of tenant lease incentives, capital expenditure, disposals, fixed head leases and unrecognised trading surplus.
2. Includes Capco's interest in the Lillie Square joint venture and Lillie Square Holdings Group.
3. A reconciliation of carrying value of investment, development and trading property to the market value is shown in note 16 'Property Portfolio'.

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

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

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

Valuation and performance

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

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

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

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

East Piazza

CBRE has undertaken an independent valuation of the Covent Garden estate. The total valuation of the estate is £1,729 million and represents the aggregated value of the individual properties, with no reflection of any additional estate premium which potential investors may ascribe to the concentrated and comprehensive nature of ownership within the estate. The predominantly freehold nature, concentrated ownership, scale of the estate as well as the portfolio mix may lead prospective purchasers to regard certain parts of the portfolio, for example by street, to have a greater value than the aggregate of the individual property values.

Sustainability, Environment and Stakeholders

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

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

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

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

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

Net Zero Carbon by 2030

Responsible stewardship

+8.5%
Total return on Shaftesbury investment

£47m
Gross sales from Lillie Square

Our People

Our people are key to our business, which promotes a culture of creative passion for Covent Garden to allow employees to reach their potential whilst creating value for our stakeholders.

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

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

Other investments

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

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

Outlook

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

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

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

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

Ian Hawksworth
Chief Executive

22 February 2022

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 20 to 21 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, Inclusive Culture and Embedded Values
See pages 82 and 94 to read more on our culture, and pages 3 and 19 to read more about our values.

Effective Governance
See page 88 to read more on our governance.

Environment, Sustainability and Community
See page 68 to read more on our ESC activities.

Our values

Our values underpin Capco's culture and the way we operate as a business. They guide our decisions as we implement our strategy, creating economic and social value for our stakeholders. We are:

Collegiate, supportive and inclusive

We value collaboration and creativity and treat our colleagues with respect. We champion employee well-being, and provide a wide range of benefits and initiatives in support of this. We support and promote a range of programmes that aim to increase inclusivity and diversity across our industry.

See page 83 for more information.

Environmentally and socially responsible

We aim to make Covent Garden a UK leader in sustainability for heritage environments and have a comprehensive ESC strategy, aligned to our corporate values, under which we will address climate change, improve air quality, drive innovation, and support communities and people. We support the communities in and around our properties through collaboration, projects and financial support.

See page 68 for more information.

High performance and entrepreneurial

We have a high-performance and entrepreneurial culture, and work together to deliver our strategy. We are ambitious for our business and our employees. We have a clear business model and strategy which explain how we deliver value for our investors. We provide training and development opportunities to encourage our employees to reach their full potential.

See page 82 for more information.

Innovative and creative

We take an innovative approach to the management of our assets, seeking creative opportunities to deliver value for our stakeholders. This approach will help us address the challenge of climate change through our Net Zero Carbon Pathway.

See page 40 for more information.

Professional: We act with integrity and hold ourselves to the highest standards

We expect the highest standards across the business, from health and safety, professional ethics and corporate governance, to the standards we apply across our property portfolio. We have a range of policies that set out our expectations to ensure that our employees, suppliers, partners and stakeholders understand our standards.

See page 83 for more information.

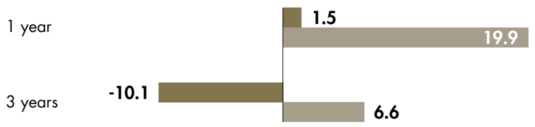
Measuring performance

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 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 106.

R Total property return

1.5%



■ Capco ■ Comparator group

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 2021, the Group generated TPR of 1.5 per cent, underperforming its benchmark of 19.9 per cent by 18.4 per cent. (Target: 1.5 per cent per annum outperformance.)

R Total return

0.4%

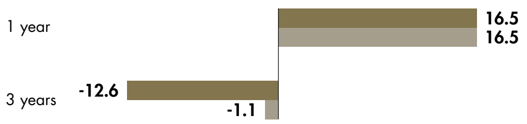
■ Capco ■ Comparator group

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 -12.9 per cent per annum on a rolling three-year basis, underperforming the comparator group by 5.2 per cent.

R Total shareholder return

16.5%



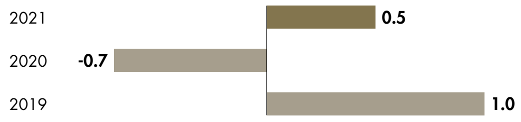
■ Capco ■ Comparator group

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 -12.6 per cent per annum on a rolling three-year basis, underperforming the comparator group by 11.5 per cent.

R Underlying earnings per share

0.5p



Measures income generation and cost control.

During 2021, the Group generated underlying EPS of 0.5 pence.

R Net tangible assets per share

212.4p

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

NTA per share as at 31 December 2021 was 212.4 pence, an increase of 0.2 per cent from 31 December 2020.

Underlying net rental income (Covent Garden)

£52.1m

Measures gross rental income less property, service charge and expected credit losses.

Covent Garden underlying NRI for 2021, excluding the impact of impairment of tenant lease incentives and lease modification costs, was £52.1 million, a 18.1 per cent increase or 21.6 per cent increase on a like-for-like basis. Covent Garden NRI for 2021 was £46.2 million, an increase of 183.1 per cent from 31 December 2020. See note 2 'Segmental Reporting' for reconciliation to IFRS NRI.

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:

Read more within our Responsibility reporting from page 68.

Effective risk management

Risk Management

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

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

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

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

Risk 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

Risk Appetite Statement

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

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

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

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

Risk outlook

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

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

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

The long term impact of COVID-19 on the future demand for and use of lettable space, evolution of consumer behaviour (including an acceleration of trends in online shopping) and travel patterns could have further implications for the real estate market and the Group's portfolio. In view of the unpredictable nature of the pandemic, the evolution of legislative and policy measures such as the removal of government support measures and other government guidance will be monitored closely together with the impact of related emerging risks. Throughout the year, as restrictions were lifted and customer trade conditions improved, rental collections have increased resulting in an increase in property values in the second half of the year.

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

A COVID committee was established early on in the pandemic to help co-ordinate the Company's response and activities. The committee, led by the Chief Executive and comprised of senior management and those responsible for key areas of operational activity, plus additional groups set up to monitor and manage the impact of COVID-19 on the business, met regularly to discuss issues surrounding COVID-19 and the impact on the business, and approve decisions and actions promptly. In addition, the leadership team across the business has discussed relevant matters as a group on a very regular basis since March 2020. The Board regularly receives updates and has convened regular additional meetings as required, in order to provide appropriate oversight and governance. Our risk assessment on COVID-19 remains that it is not a separate principal risk but rather an overarching factor which has a significant impact on all of our principal risks.

Our focus has been on implementing appropriate measures on a timely basis to mitigate this impact. Included within the description of each principal risk is a summary of the impact of COVID-19.

In recent years the UK has experienced heightened economic and political uncertainty after voting to leave the EU from 31 January 2020 and completing the transitional period on 31 December 2020. Uncertainty remains in particular in relation to long-term international trade arrangements and the overall impact on the UK economy.

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

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

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

During 2020, the Group acquired a 25.2 per cent shareholding in Shaftesbury PLC ("the Investment"). Due to the listed nature of the Investment, the market price of Shaftesbury PLC shares may be volatile and subject to wide fluctuations as a result of a variety of factors, including, but not limited to, Shaftesbury PLC's operating results, financial position, performance or prospects.

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

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, inclusive culture • Effective Governance • Environment, Sustainability and Community

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

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

Emerging risks

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

Principal risks and uncertainties

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

Principal risks overview

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

Key Increase Stable Decrease

Corporate

Economic conditions

Stable; 2, 3, 4, 5

Decline in real estate valuations due to macro-economic conditions

Impact of higher interest rates

Decline in fair value of listed investments held

Relative attractiveness of other asset classes or locations

Inability of the Group to adopt the appropriate strategy or to react to changing market conditions or changing consumer behaviour

Inflationary pressures on operating costs

Impact on strategy

Reduced return on investment and development property

Reduced return on listed investments

Higher operating costs

Higher finance costs

Reduced profitability

Mitigation

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

Context and actions taken

The Group focuses on prime assets in the West End of London primarily in the retail and hospitality sector.

Due to travel restrictions and changing consumer behaviour the geographical and asset class concentration risk resulted in an increased risk in 2020. As restrictions have lifted during 2021, footfall and spend have continued to improve with certain customers trading in line with or in excess of 2019 levels.

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

We remain in close dialogue with local authorities to understand future plans and work constructively to position the estate in the best possible manner to benefit from a recovery and prosper over the medium term.

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

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

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

Funding

Stable; 2, 3, 4, 6

Lack of availability or increased cost of debt or equity funding

Requirement to refinance or repay earlier than maturity on certain debt facilities, leading to a potential loss of control of underlying assets

Impact on strategy

Reduced financial and operational flexibility

Increased cost of borrowing

Constrained growth, lost opportunities

Mitigation

Maintain appropriate liquidity to cover commitments

Target longer and staggered debt maturities, and diversified sources of funding

Consideration of early refinancing

Covenant headroom monitored and stress tested

Fixed rate financing and derivative contracts to provide interest rate protection

Context and actions taken

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

Funding, debt and treasury metrics are monitored on a continual basis with a focus on preserving liquidity and capital. Extensive forecasting, stress testing and modelling of various scenarios has been undertaken, including sensitivities arising from the pandemic to help monitor any impact on debt covenants. Although interest cover covenant waivers in respect of 2021 were agreed with the Covent Garden lenders to address interruption to near-term income, the debt covenants were comfortably met.

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

Political climate

Increase; 3, 5

Uncertain political climate and / or changes to legislation and policies

Disruption from completing the transition period of leaving the EU could result in an averse impact on business and consumer confidence, increase material costs, prolonged supply chains and reduced labour supply

Impact on strategy

Inability to deliver business plan or a structural change to the business plan impacting returns or capital values

Reduced rental income and/or capital values as tenants could suffer staff shortages, increased import prices, longer lead times and lower availability of stock

Mitigation

Monitoring proposals and emerging policy and legislation, with industry lobbying where appropriate

Engagement with key stakeholders and politicians

Diversified occupiers with limited exposure to any one market

Context and actions taken

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

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

Catastrophic external event

Stable; 2, 5

Such as a terrorist attack, natural disaster, health pandemic or cyber security crime

Impact on strategy

Diminishing London's status

Heightened by concentration of investments

Reduced rental income and/or capital values

Business disruption or damage to property

Reputational damage

Mitigation

Terrorist insurance

On-site and cyber security

Health and safety policies and procedures

Close liaison with police, National Counter Terrorism Security Office (NaCTSO) and local authorities

Regular staff training and briefings

Context and actions taken

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

The COVID-19 pandemic is a global crisis which has brought about unprecedented challenges and disruptions to our customers and visitor numbers. The Group's priority throughout the pandemic has been the health and safety of the Group's people, tenants and visitors. Additional cleaning and security measures have been implemented and deployed across the Group's estate and offices and other initiatives have been pursued including al fresco dining and pedestrianisation to enable social distancing.

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

Key Increase Stable Decrease

Corporate continued

People

1 2 4

Inability to retain and recruit the right people and develop leadership skills within the business

The Group has a relatively limited headcount, resulting in key person risk

Impact on strategy

Inability to execute strategy and business plan

Constrained growth, lost opportunities

Pressure on corporate costs

Mitigation

Succession planning, performance evaluations, training and development

Long-term and competitive incentive rewards

Flexible and modern working practices

Context and actions taken

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

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

There remains a risk of illness across employees, management or service providers which would disrupt the day-to-day activities of the Group's business and running of the estate. Revised team communication strategies have been implemented to ensure managers can adequately supervise and support employees working from home.

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

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

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

Health and safety

1 2 3 5

Accidents causing loss of life or very serious injury to employees, contractors, occupiers and visitors to the Group's properties; or near misses of the same

Impact on strategy

Prosecution for non-compliance with legislation

Litigation or fines

Reputational damage

Distraction of management

Mitigation

Health and safety procedures across the Group

Appointment of reputable contractors

External consultants undertake annual audits in all locations

Adequate insurance held to cover the risks inherent in construction projects

Health and safety training programme in place for all relevant employees

Context and actions taken

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

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

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

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

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

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

Key: Increase, Stable, Decrease

Compliance with law, regulations and contracts

3 4 5

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

Impact on strategy

Prosecution for non-compliance with legislation

Litigation or fines

Reputational damage

Distraction of management

Mitigation

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

Context and actions taken

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

Measures to respond to COVID-19 include the imposition of new legislation, regulations and requirements for our people, customers and visitors, which have an impact on matters such as recoverability of rents, health and safety and other matters. The COVID committee and additional working groups set up to monitor and manage the impact of COVID-19 on the business have been meeting regularly to review emerging legislation and requirements and regularly communicated these to the business and employees, ensuring timely implementation. Formal protocols have been put in place and communicated across the various stakeholder groups to ensure everyone is aware of the new legislation and requirements.

Reduced rental income as a result of COVID-19 has made it more challenging for the Group to meet the REIT requirements, without some dispensation from HMRC. We remain in close communication with HMRC regarding our REIT status, the Group's ability to comply with the requirements and the approach which HMRC will take in relation to a breach of the REIT conditions resulting from COVID-19.

Climate change

2 5

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

Impact on strategy

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 tenant demand

Mitigation

Board and management ESC Committees established to manage climate-related risks and opportunities and Sustainability team in place

Net Zero Carbon commitment by 2030 backed by published Net Zero Carbon pathway. For more detail on the mitigation measures in place for climate risk, please refer to the Group's TCFD disclosures on pages 76 to 78 as well as the Group's Net Zero Carbon Pathway

Active management plan with external reporting via recognised indices and benchmarks, including EPRA, CDP and GRESB

Continued engagement with 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

Context and actions taken

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

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

Property

	Context and actions taken
Leasing and Asset management (Stable; 1, 2, 3) Inability to achieve target rents or to attract target tenants due to market conditions Competition from other locations/formats **Impact on strategy** Decline in tenant demand for the Group's properties Reduced income and increased vacancy Reduced return on investment and development property **Mitigation** Quality tenant mix Strategic focus on creating retail destinations with unique attributes	Context and actions taken We take measured risks by using our expertise in place making and creative and active asset management to deliver long term value through rental growth and attracting new tenants. The majority of retail and F&B tenants were closed for business or operated on a very restricted basis in early 2021. This has had a significant impact on leasing activity and rent collection. However, throughout the COVID-19 period, Capco maintained high occupancy levels reflecting the strength of demand for prime central London real estate. Although the Group has largely kept leases structure on a quarterly in advance basis we are aware that evolving lease structures may also have an impact on underlying property valuations and rental income. In addition, the impact of Brexit and the pandemic on tenant demand and supply chains as well as inflationary pressures is also kept under review. As a long-term investor in the estate, the Group took early action to ensure the safety and security of Covent Garden whilst also providing support on a case-by-case basis to customers experiencing cash flow challenges as a result of COVID-19. Bespoke solutions have been agreed which include rent deferrals, rent-free periods and other arrangements reflecting the financial position of each customer. This has continued during 2021 following the restrictions in the first quarter of the year however we expect a lower level in the future as a result of our tenants being open for trade following the continued relaxation of restrictions into the summer months. For certain tenants which are experiencing short-term cash flow issues, rental agreements have been linked to turnover for certain periods in exchange for other provisions such as lease extensions. We have a focused leasing and marketing strategy, ensuring the business is well-positioned to benefit from a recovery and prosper over the medium and long term. We continually engage with our suppliers to understand their ability to meet our demands during this challenging time.
Planning and development (Stable; 2, 3) Unfavourable planning policy, legislation or action impacting on the ability to secure planning approvals or consents Decline in returns from development due to market conditions or increased construction costs or delays **Impact on strategy** Impact on land valuations and realisation Lower development returns due to lower sales proceeds, higher costs or delay **Mitigation** 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	Context and actions taken We look for opportunities to create or enhance value in our portfolio through the planning process, cognisant of the risks but using our experience and skill to deliver our objectives. We seek to create value in our land holdings by undertaking strategic investments and partnerships, land enablement, realisation of value and selective development. Given the broad implications and evolving nature of the pandemic and its economic implications, there is an increased risk of misalignment of objectives with stakeholders and business partners. Higher than anticipated reductions in residential sales prices as a result of the pandemic might deliver lower returns on units not yet sold. Capco maintains strong relationships with stakeholders and is in regular communications to understand priorities. We continue to model various pricing points for future sales and continue to monitor this in light of the current situation.

Key Increase Stable Decrease

Viability statement

The Directors have considered the prospects of the Group over the three-year period to December 2024. 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 22 to 30, 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 2021, including the refinancing of the Covent Garden revolving credit facility and asset disposals have further enhanced financial flexibility and liquidity. The Company has a strong balance sheet with net debt to gross assets of 24 per cent and access to substantial cash and undrawn facilities, amounting to £652 million as at 31 December 2021. The Covent Garden net debt position is £254 million and there is substantial headroom against the Covent Garden loan to value covenant with the current ratio of 15 per cent compared to the upper limit of 60 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 and expects the impact of the pandemic will reverse over the medium-term. Following the effective vaccination and booster programme, there has been an encouraging trajectory in operational metrics with footfall and sales growing. This recovery has been reflected in improved rent collection and strong leasing activity across the Covent Garden estate. However there remains uncertainty for the Group's hospitality, retail and leisure tenants in particular facing economic challenges from supply chain and staffing pressures. Nevertheless, over the COVID-19 period, the Group has successfully maintained high occupancy levels by supporting its tenants. Further substantial support would lead to a reduction in cash flows and to a lesser extent in earnings, depending on the nature of the rental support granted. No new funding is expected to be required due to the Group's significant cash reserves and access to undrawn facilities. 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 is based on a number of specific assumptions, including:

- A gradual recovery in business and consumer sentiment
- Gradual recovery in footfall and sales returning to pre COVID-19 levels by the end of 2023
- Continued recovery in rent collection rates in response to improving footfall and consumer confidence and spend
- Increased vacancy levels in 2022 reflecting macroeconomic uncertainty, lower levels of footfall, supply chain and staff pressures, and potential failures
- Increased levels of irrecoverable property and service charge costs
- 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

All of the Group's risks could have an impact on viability. Climate change is considered by the Directors to be an urgent issue and investment will be required to enhance the environmental performance and to meet the commitment to achieve Net Zero Carbon by 2030, but the costs anticipated within the viability period are not expected to be significant. The impact of climate change risks within the viability assessment period is expected to be limited. Interruptions to trade from severe weather events are possible but would be consistent with impact considered in the extreme downside assumptions.

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. 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 individually and in combination.

The Group has also 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 25 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 levels. It is anticipated that there will be a gradual improvement in net rental income during the viability period.
- A further cumulative decline in property valuations of 40 per cent compared to the December 2019 valuation.

The Group has sufficient cash reserves and undrawn facilities to meet debt maturities during the viability period. The RCF facility which is currently fully undrawn has a three year term with two one-year extension options. It is anticipated the extension will be exercised or a similar form of financing will be put in place. The £125 million secured loan matures in December 2023 and £132.5 million of private placement debt matures in 2024. In addition, the Group has stress tested reduced availability of debt funding. 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 covenant to withstand a significant reduction in the property valuation before a breach would occur. Notwithstanding the extended closure of non-essential retail and hospitality in the first half of 2021, the Group traded significantly ahead of its severe but plausible downside projections for the year. Whilst covenant waivers were in place for 2021, the interest cover ratio in relation to the Covent Garden debt for 2021 was 225.1 per cent, comfortably ahead of the covenant level of 120 per cent. Despite the backdrop of the Omicron variant, operating metrics including rent collection have continued to show improvement over the important Christmas trading period.

The Group will continue to monitor the interest cover position 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, £254 million at 31 December 2021, together with the strong liquidity position of the Group provides 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 70 per cent decline in property valuations from 31 December 2021, before a breach of the LTV covenant.

Under the extreme downside scenario where income is projected to be significantly lower than pre-COVID 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 35 per cent of 2019 pre-COVID levels. These actions comprise steps within management's control including the reduction of non-essential rental expenses and finance costs.

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 2024. 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 24 per cent and access to cash and undrawn facilities of £652 million as at 31 December 2021. The Covent Garden group had net debt of £254 million and a loan to value ratio of 15 per cent, which compares with a debt covenant level of 60 per cent. Whilst covenant waivers were in place for 2021, the interest cover ratio in relation to the Covent Garden debt for 2021 was 225.1 per cent, comfortably ahead of the covenant level of 120 per cent. 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 2021 Annual Report & Accounts.

Engaging with our stakeholders

As the long-term steward of a globally recognised estate, we work collaboratively with a wide range of stakeholders, engaging proactively to understand their needs and priorities. This engagement with our stakeholders, which aligns with our corporate values, is part of being a responsible business, and is fundamental to the delivery of our Group strategy. More about our values can be found on pages 3 and 19. We believe that the resulting mutual understanding is essential as we create and maintain a vibrant, thriving environment in which the Company and all its stakeholders can flourish.

Information on our key stakeholder groups and examples of our engagement during 2021 are set out below. No set of stakeholders stands alone, meaning that engagement and benefits often span more than one group. During the coming year we will work closely with our stakeholders as we continue our journey towards becoming Net Zero Carbon by 2030.

Occupiers

We provide excellent premises with a focus on environmental standards and user experience to allow our retail, food and beverage and office occupiers' businesses to flourish. Our residential properties are of high quality. We undertake regular direct engagement with our retail, food and beverage and office occupiers, and work closely with our residential occupiers to ensure high standards are maintained. Our engagement includes customer surveys and more informal feedback as our experienced property management team maintains close working relationships with our occupiers.

Our engagement in 2021:

We worked closely with our business occupiers to proactively support their successful reopening during the first half of 2021, providing bespoke solutions to address the ongoing impact of COVID-19 on a case-by-case basis. This engagement minimised tenant failures, ensuring high occupancy levels across the estate. Occupiers reacted positively to our creative and innovative approach, with some increasing their presence on our estate, and a number of short-term leases transitioning into longer-term occupation. We welcomed a number of new occupiers as part of our carefully curated and proactive approach.

We worked with our food and beverage occupiers to provide over 1,000 outdoor covers for al fresco dining. We provided extensive cleaning and security regimes across the estate, which helped occupiers to benefit more quickly as consumer confidence began to return, and supported retailers with their own health and safety measures to ensure safety for all stakeholders. Our consumer-focused marketing strategy promoted Covent Garden and the wider West End in collaboration with our occupiers via online channels, press coverage, estate events and an extensive cultural programme which enhanced visitor experience, allowing our occupiers to benefit from increased footfall.

During 2021 we engaged with our commercial occupiers on carbon, water and waste in support of our ESC strategy and Net Zero Carbon goals. We will continue this engagement during 2022, and encourage our occupiers to reduce their own environmental impact.

Read more on page 40.

Employees

Our employees are key to our business. We have a highly engaged, experienced and motivated team and this is reflected in our strong and positive culture. We ensure that our employees are provided with the resources, training and well-being support to allow everyone to reach their potential. We engage with our employees regularly throughout the year via Company-wide meetings and updates from management. During 2021 we undertook a detailed employee engagement survey to understand employees' views on a wide range of matters.

Charlotte Boyle, the Chair of the ESC Board Committee, updates the Board on employee views regularly.

Our engagement in 2021:

During 2021 we undertook our first employee engagement survey, which sought views on a wide range of topics, including our culture, corporate strategy, employee support and working practices. We received a 93 per cent response rate, with 96 per cent of employees confirming that they were proud to work for Capco. Following the survey, a number of employee-led working groups have been established to consider matters highlighted in the survey results and recommendations will be brought forward for implementation as appropriate.

A number of Company-wide meetings were held during 2021. During these meetings Company news is shared, and questions are answered, providing a two-way open dialogue between management and employees. Topics covered in the year included financial results, our marketing and ESC strategies and the employee engagement survey.

During 2021 there were periods when our employees were working predominantly from home. Regular communication was maintained by line managers and our head of HR to ensure adequate support was provided to our employees, and each employee received three well-being days during the first half of the year. We undertook consultation with employees before our return to the office when government restrictions allowed and received positive feedback in the employee engagement survey on the Company's management of COVID-19, and employee communications during the pandemic. We delivered seminars focusing on well-being, diversity, equality and inclusion initiatives.

Read more on page 81.

Suppliers

To ensure the provision of a high quality service to our customers, we develop and maintain constructive relationships with our suppliers, including those that help us manage and develop our assets, and professional service providers. We operate a responsible procurement policy and sustainable development framework and engage directly with our suppliers to ensure our expectations are met. This includes consideration of ethical and sustainability matters further down the supply chain, such as modern slavery, and actions to reduce their impact on the environment. 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 2021:

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. We engaged collaboratively with these providers throughout the year, working together to maintain a clean and safe estate, whilst also ensuring the safety of their employees. We ensured that the various cultural installations and pop-up experiences which animated our estate during the year were provided by reputable suppliers with a proven track record in health and safety and engaged with them to ensure they understood the standards we expect to be maintained.

We published an updated Sustainability Development Framework during the year and engaged with our projects and development suppliers to ensure the sustainability measures outlined in the framework, including standards on environmental performance, responsible procurement, well-being measures and stakeholder engagement, were incorporated from the outset.

We published our Net Zero Carbon Pathway in 2021, and our ambitious target to deliver long-term carbon-efficient operations and buildings will require even closer engagement with our suppliers in 2022 and the years ahead.

Visitors

We create world-class places in central London, and have a customer-focused approach to estate management, delivering unique and attractive destinations. We provide a safe and secure environment to allow visitors to fully enjoy our unique estate at Covent Garden. We use a variety of methods to engage with our visitors, including support and information on the estate itself, our digital channels and marketing initiatives.

Our engagement in 2021:

During 2021 we provided a programme of estate animations to enhance our visitors' experience, including art installations, open air performances in partnership with the Royal Opera House, food festivals, over 1,000 al fresco dining seats, a new botanical garden outdoor picnic area and extensive Christmas experiences. Our digital engagement continued via our Covent Garden website and social media channels, including a schedule of digital-first experiences to bring Covent Garden to everyone at home through a new digital activity hub.

In addition we continued our commitment to enhancing the air quality and biodiversity of our estate with further pedestrianisation of streets around the Piazza and instruction of an ecological survey in partnership with the London Wildlife Trust.

Read more on page 51.

Communities

As a major stakeholder in the district, we engage and collaborate with the wider community and residents who live in and around our estate. We co-ordinate initiatives that promote a greener, more bio-diverse and culturally rich estate for these communities. We support and engage with a range of local community-focused educational and charitable programmes.

Our engagement in 2021:

We have undertaken consultation and community engagement on our Covent Garden Community Charter, which will be launched to benefit the community in 2022. We continued our COVID-19 charitable efforts during 2021, supporting homelessness charities, local food banks and the elderly as well as hospitality, retail and cultural foundations. We funded an outdoor theatre stage for the IRIS Theatre Company in St Paul's Church and supported this community-based charity with marketing and promotional expertise. We became a partner of Wild West End, a charitable partnership, which aims to enhance the quality of green space and the local environment for communities and wildlife. To create a further greener environment we maintained a residents' herb barrow and installed our first hydroponic farm towers, growing herbs, salad and vegetables and providing community engagement.

Read more on page 79.

Floral Street

Let's do London campaign launch

Investors

We engage regularly with our existing shareholders, potential investors and investment analysts to provide updates on our activities, communicate our investment case and governance framework, and understand their priorities and concerns.

Our engagement in 2021:

An extensive programme of investor relations activities continued during 2021. This included meetings with our Executive Directors and Director of Commercial Finance and Investor Relations to explain the Company's strategy to our investors and tours of the Covent Garden estate with shareholders and analysts, and attendance at a number of industry events and investor conferences. We have updated the market as a whole via our results announcements and additional trading updates. Prior to the 2021 AGM we provided an opportunity for shareholders to submit questions, which were answered in advance of the meeting. We have also engaged with shareholders on matters including remuneration, ESC, AGM resolutions and the outcomes of shareholder votes.

Read more on page 94.

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 2021:

During 2021, we worked closely with our lending banks to complete a new £300 million revolving credit facility (replacing the previous facility which was due to mature in December 2022) and to manage the transition from LIBOR to SONIA. We also continued to engage with lenders in respect of the temporary interest cover covenant waivers put in place in 2020 and 2021 to protect the Company's financial position, and ensured that our lending banks, holders of our private placement notes and bondholders were briefed on the Group's financial position and our proactive actions in response to COVID-19 and evolving market conditions. Ensuring the Company's financial stability directly benefits a range of other stakeholders.

Read more on page 94.

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 regular dialogue between management teams, outside of formal Board and Executive Committee meetings.

Our engagement in 2021:

During 2021, we worked with our joint venture partner at Lillie Square to meet strategic goals, including the successful completion of the bulk sale and repayment of an existing external loan facility. As property manager for the Lillie Square joint venture, we also ensured that our joint venture partner was kept informed of measures implemented to ensure the continued safety of residents at Lillie Square during the pandemic and provision of estate management services.

Read more on page 56.

Local authorities and conservation bodies

Capco is a responsible steward and remains committed to constructive engagement with local councils and conservation bodies to ensure the quality of our world-class estate is maintained and that proposals to improve the district are appropriately developed. We engage via regular formal meetings and informal dialogue.

Our engagement in 2021:

During 2021, we worked collaboratively with Westminster City Council on the extension of pedestrianisation and the al fresco dining scheme allowing 1,000 outdoor seats. These projects received strong support from other local stakeholders and support our commitment to improve air quality on the estate.

We play an important co-ordinating role at the heart of the district, bringing together a range of different bodies, who can work together for the benefit of all. These initiatives include a zero emissions working group, inclusivity and disability awareness initiatives and place-making. We also continually engage with the Covent Garden Area Trust. We believe in proactive and open engagement, and so we provide our views on relevant consultations and draft policies.

Read more on page 48.

Our neighbours

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

Our engagement in 2021:

During 2021, we continued to share experience and insight with our neighbouring land owners as government restrictions eased. Our Estate Director provides a co-ordinating chairmanship role on behalf of our neighbours in the Northbank BID and Long Acre Business Alliance. We also continued our involvement and engagement in a number of other bodies that work to improve central London. These included the Westminster Property Association, Heart of London Business Association, London & Partners and other industry bodies and tourism partners. We maintain a close relationship with the Royal Opera House and nearby theatres. Capco remains a patron of the British Fashion Council and the British Beauty Council, working with them to promote the retail industries.

Armistice Day, November

Companies Act 2006 – S172(1) statement

The Board confirms that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006.

Stakeholder engagement

Pages 33 to 37 outline the ways in which key stakeholder groups have been engaged with during 2021, and the outcomes of such engagement.

Methods used by the Board

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. Pages 93 to 94 of the Governance section include further details of Board activities during the year and engagement with stakeholders on the same.

To ensure the Board considers the interests of all stakeholders, Directors receive regular updates on stakeholder views from the Executive Directors and senior management. A dedicated section within Board approval papers sets out the likely impact of the proposed recommendation on relevant stakeholders. As the Non-executive Director responsible for employee engagement, Charlotte Boyle updates the Board on employee views.

Whilst it is not always possible to meet the preferences of all stakeholders, the Board aims to ensure all relevant factors are considered before a decision is taken.

Some examples of how the Board considered stakeholder interests and the matters set out in S172(1) of the Companies Act 2006 during 2021 are set out in the tables below and on the adjacent page.

Key matter	Description	Stakeholders considered
Proactive support of tenants	In considering the provision of rental support to tenants in light of the ongoing COVID-19 pandemic during 2021, the Board considered the benefits of a vibrant, well-occupied estate to a range of stakeholders. The Board concluded that providing continued support was essential to ensure the long-term success of the Covent Garden estate and that providing this support and flexible measures, on a case-by-case basis, was in the best interests of the Company and its shareholders as a whole.	
Strength of balance sheet and financial flexibility	A key part of Capco's strategy is to maintain a strong capital structure. In considering the appropriate finance structure for the Company, the Board determined that maintaining a strong balance sheet would ensure stability for a wide range of the Company's stakeholders and position the Company well for recovery. These benefits were balanced against consideration of an appropriate level of finance costs and commitments. This assessment underpinned the Board's proactive actions during 2021, including the completion of a new unsecured £300 million revolving credit facility (replacing the existing facility, which was due to mature at the end of December 2022), and realisation of proceeds through the sale of assets. The Board considered the financial strength of the Company before paying the interim dividend to shareholders in September and is recommending a final dividend as part of these results.	
ESC strategy and Net Zero Carbon commitment	The Board recognises that the important risk posed by climate change requires urgent action. Accordingly, during the year the Board approved a new ESC strategy, and committed to publish and then approved the Company's Net Zero Carbon Pathway, under which the Company will become Net Zero Carbon by 2030. In considering these commitments, the Board noted the costs that would be associated with becoming Net Zero Carbon, but recognised the extensive benefits that would be delivered for a wide range of stakeholders over time. The Board is cognisant that achieving these commitments will require collaboration with various stakeholder groups over a number of years, and will receive regular updates on progress and stakeholder views. (Read more on page 71.)	
Employee engagement, safety and well-being	Capco's business model and strategy place our high-performing people and culture at the heart of delivering long-term value creation for the benefit of our stakeholders. The Board was keen to ensure that the Company's employees were appropriately supported whilst they worked remotely and that their safety and well-being were safeguarded. The Board received regular updates on remote working, Capco's COVID-secure head office, and employee views and received a briefing on the results of Capco's first employee engagement survey, and the planned actions arising from the survey.	

S172 factor	Relevant disclosure and page number
The likely consequences of any decision in the long-term	– Business model and Group strategy – page 18 – Risk management – page 22 – Financial review – page 57 – Going concern and Viability statement – pages 31 to 32 – Our people – page 81 – Employee engagement – page 34 – Matters considered by the Board in 2021 – page 93 – Diversity and inclusion – pages 83 and 99 – Health and safety – page 84
The interests of the Company's employees	– Our people – page 81 – Stakeholder engagement – page 33 – Modern Slavery and Human Trafficking Statement – website – Nomination Committee report – page 98 – Our values – pages 3 and 19 – Our approach to remuneration below Board level – pages 82 and 107 – Human rights – page 83 – Matters considered by the Board in 2021 – page 93 – Oversight of culture and values – page 94 – ESC strategy – page 68
The need to foster the Company's business relationships with suppliers, customers and others	– Stakeholder engagement – page 33 – Our values – pages 3 and 19 – Modern Slavery and Human Trafficking Statement – website – Human rights – page 83 – Matters considered by the Board in 2021 – page 93 – ESC strategy – page 68
The impact of the Company's operations on the community and the environment	– ESC strategy – page 68 – Environment and sustainability – page 72 – Stakeholder engagement – page 33 – Community – page 79 – Health and safety – page 84 – TCFD disclosure – page 76 – Net Zero Carbon Pathway – website
The desirability of the Company maintaining a reputation for high standards of business conduct	– Our values – pages 3 and 19 – Culture – pages 82 and 94 – Purpose – pages 3 and 18 – Risk management – page 22 – Stakeholder engagement – page 33 – Corporate governance report – page 86 – Whistleblowing – page 104 and website – Internal controls – page 104 – Health and safety governance – page 85
The need to act fairly as between members of the Company	– Shareholder engagement – page 36 and 94 – Annual General Meeting – pagess 95, 123 and website – Rights attached to shares – page 122 – Voting rights – page 122

COVENT GARDEN

Covent Garden Independent Valuation

£1,729m

Summary

- Total property value £1.7 billion
- Net rental income to £46.2 million
- ERV £76.2 million
- 60 leasing transactions, £11 million of contracted income
- Realised £95 million of proceeds

Strategy

- Drive rental growth and capture value appreciation
- Creative asset management across the portfolio
- Attract the best brands and concepts to meet evolving consumer demand
- Investment to drive expansion accelerate return and change
- 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, across 71 buildings and 503 units. Covent Garden provides a broad range of unit sizes, ensuring it attracts a wide spectrum of retail and F&B occupiers. Capco has transformed Covent Garden into a global destination having curated one of the strongest retail and dining line-ups in the world within a heritage setting.

"We are encouraged by the levels of activity secured during 2021 at Covent Garden and improving valuations in the second half of the year. Through its active asset management and investment priorities, Covent Garden is well positioned for recovery."

Michell McGrath, Executive Director

Portfolio value by use

49%	Retail
25%	Food & beverage
16%	Office
7%	Residential
3%	Leisure / other

Performance

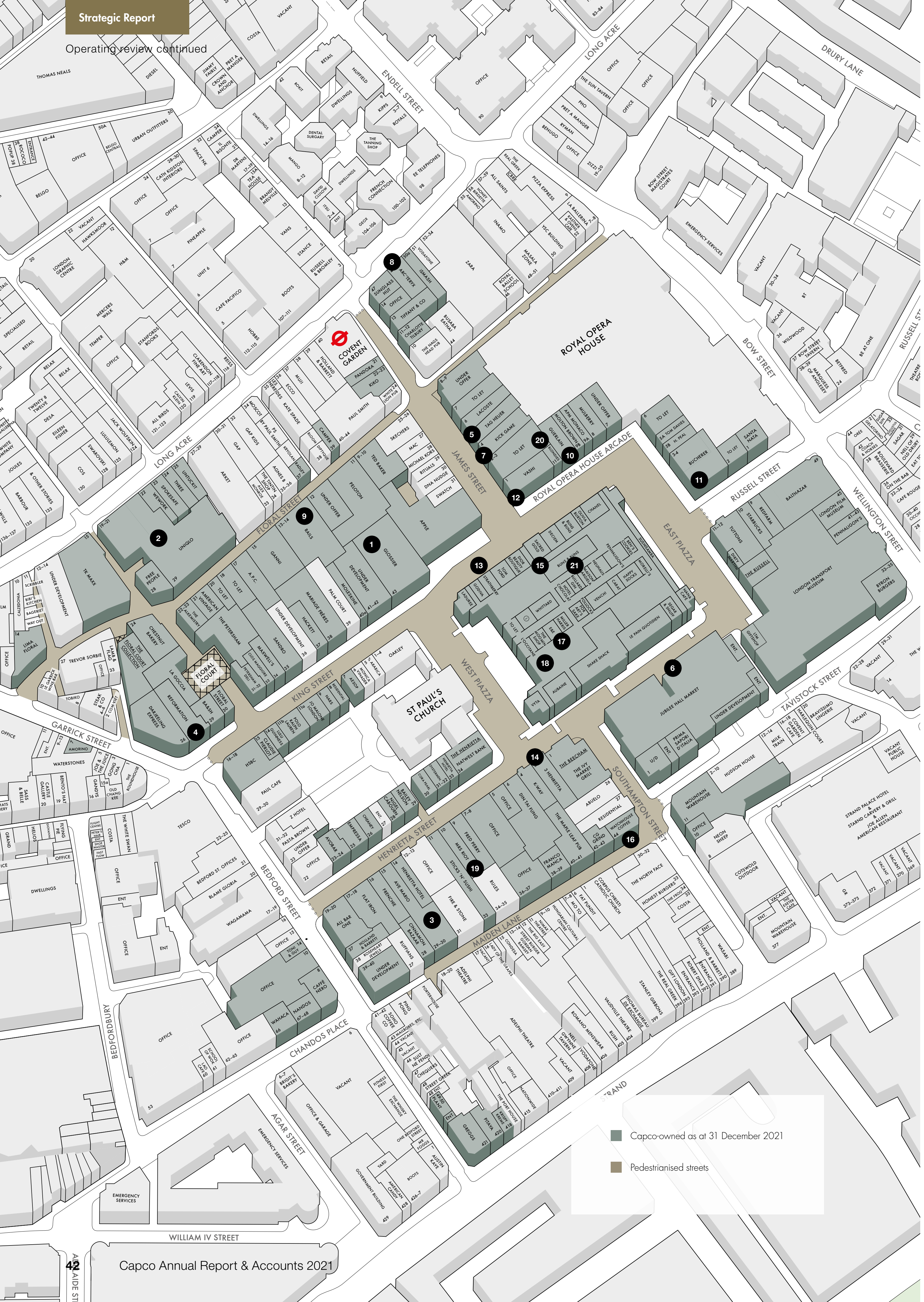
The UK was in its third national lockdown for the first quarter of the year prior to the initial reopening in April and May. Against this backdrop, the Covent Garden portfolio was valued at £1,688 million at 30 June 2021, a like-for-like capital decline over six months of 4.9 per cent. The total valuation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

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

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

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

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



New brands introduced

1. Glossier.
2. UNIQLO
3. AVE MARIO
4. Reformation
5. TAGHeuer
6. Experimental Cocktail Club
7. KICK GAME
8. ARC'TERYX
9. Rails
10. GUERLAIN
11. BUCHERER
12. VASHI
13. STRATHBERRY
14. 3HenriettaSt. CoventGarden.
15.
16. WatchHouse.
17. e&e
18. Floozie
19. MRS RIOT
20. Blondies Kitchen
21.

Underlying net rental income (Covent Garden)

£52.1m

2021	52.1
2020	44.1
2019	61.5

Estimated rental value (ERV)

£76.2m

2021	76.2
2020	80.8
2019	108.4

Capital value

£1.7bn

2021	1,729
2020	1,825
2019	2.596

Gross Income[1]

£57.4m

2021	57.4
2020	65.3
2019	68.5

Metrics above are not adjusted for 2020 and 2021 disposals

1. Covent Garden passing rent plus sundry non-leased income.

London's leading district across digital channels

Total social audience

c.600K

Website page views in 2021

>4m

Active digital channels

Glossier

Retail

Capco's emphasis on the consumer is essential to ensuring that the estate is positioned as a leading destination for visitors. Retail space represents 49 per cent of the portfolio by value. Capco's retail strategy is to focus on concepts relevant to the consumer in targeted categories with a strong omni-channel presence. These targeted categories include luxury, jewellery, digitally native and sustainable.

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

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

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

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

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

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

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

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

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

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

New leasing transactions
60

New openings
14

New signings
16

Outdoor seats
1,000

Al fresco restaurants
55

Pedestrianised Streets
6

Dining

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

The majority of restaurants offer high quality and experience, often with an all-day offer, with many brands choosing Covent Garden as their first global or UK presence rather than standard chain restaurants. Restaurateurs tend to invest significant capital fitting out, therefore, leases tend to be longer than for retail units. Dining space represents 25 per cent of the portfolio by value.

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

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

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

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

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

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

Ave Mario

Open air pedestrianised environment

During 2021 we collaborated with a range of our stakeholders to successfully deliver an extension of the al fresco dining scheme, which was originally implemented in 2020. As a result, 1,000 outdoor dining seats are available at food and beverage occupiers across the estate. The al fresco dining scheme includes over 55 restaurants and spans six streets as well as the historic Piazza. The majority offering weatherproof areas for our visitors to enjoy, with new heaters and lighting installed on large parasols, alongside existing windbreaks.

The extended al fresco dining scheme delivers direct benefits to our occupiers, our visitors and the local community.

The original scheme was created in line with Westminster City Council's wider al fresco scheme. Capco undertook a detailed consultation with a wide reach, engaging with the local community to ensure that they were supportive of the proposed extension and that their views were taken into account.

Office

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

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

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

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

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

Residential

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

King Street, Residential

Accelerating value creation through active asset management

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

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

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

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

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

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

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

Acquisition opportunities have remained limited with assets in the area tightly held underpinning the enduring appeal of the West End. However as the market continues to recover, more opportunities are likely to arise. Capco has a strong balance sheet and access to significant liquidity to take advantage of such opportunities. There are a number of properties on or around the estate being actively tracked for repositioning opportunities. Capco's extensive knowledge of the district, close network of contacts and proven track record mean Capco is often the best positioned to acquire properties, frequently off-market.

Consumer engagement and positioning a world-class estate

Capco continues to implement its consumer focused marketing strategy and is collaborating closely with occupiers and stakeholders to promote Covent Garden and the West End. Similar to 2020, Capco's reopening strategy was centred on providing its customers the confidence to reopen and encouraging visitors to return, whilst protecting the estate and ensuring its attractiveness over time. Customer sales data has improved significantly with positive trajectory throughout the second half of the year including the important Christmas trading period.

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

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

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

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

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

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

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

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

Sustainability, environment and stakeholder engagement

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

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

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

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

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

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

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

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

Throughout COVID Capco did not furlough any of its employees nor has it taken up any other Government support measures. During 2021, Capco conducted an employee survey which received both very high engagement scores and a very high response rate of over 90 per cent, as well as high scores in most areas. The survey covered the following topics:

King Street

working at Capco, corporate strategy (including sustainability) and support, dealing with the pandemic, new ways of working and a feedback section. The employee survey results demonstrated Capco's entrepreneurial and dynamic culture with strong and positive performance. A number of employee-led working groups have been established to consider matters highlighted in the survey results and recommendations will be brought forward for implementation as appropriate.

Capco continues to support local charities and community foundations including the Young Westminster Foundation "Mastering My Future" programme, which aims to raise young people's awareness of employment prospects, offering support skills, as well as the Covent Garden Dragon Hall Trust support programme. Financial aid is provided in support of homelessness, food banks, and the elderly as well as hospitality, culture and retail foundations. During November 2021, in partnership with charity Only A Pavement Away which works alongside Crisis, Capco ran a charity auction with prizes from shops and restaurants from across the Covent Garden estate.

Future priorities

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

We will work towards our ambition of becoming Net Zero Carbon by 2030 as well as focus on our commitments to air quality, greening and waste management, alongside charitable support and community engagement as a responsible owner.

Driving animation across the estate

2021 Marketing activity snapshot

An agile and sustained programme of promotions and estate activations targeting core audience groups including domestic visitors, families and Londoners:

- Celebrating Covent Garden's status as home of arts and culture with a series of bespoke events and installations from British artists Lakwena and Chila Burman as well as hosting 'ROH Unlocked', an open air festival in partnership with the Royal Opera House
- Al fresco dining and bar concepts on the Piazza including a Rosé Festival, Ice Cream Festival and Summer Festival celebrating music, food and performance
- Unique and interactive family friendly experiences from Disney and LEGO®
- Supporting our retailers with key campaigns including British Beauty Week in partnership with the British Beauty Council, and an estate wide partnership with American Express
- An engaging Christmas programme which delivered daily snowfall, a Mulled Wine Festival, an estate takeover from Disney's Frozen and a Christmas Village offering seasonal dining experiences and festive performances
- Community-oriented initiatives included a fruit and vegetable garden for residents and a charity auction supporting homelessness charity Only a Pavement Away

Other Investments

Ownership of 25.2% Shaftesbury PLC shares

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

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

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

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

Lillie Square

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

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

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

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

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

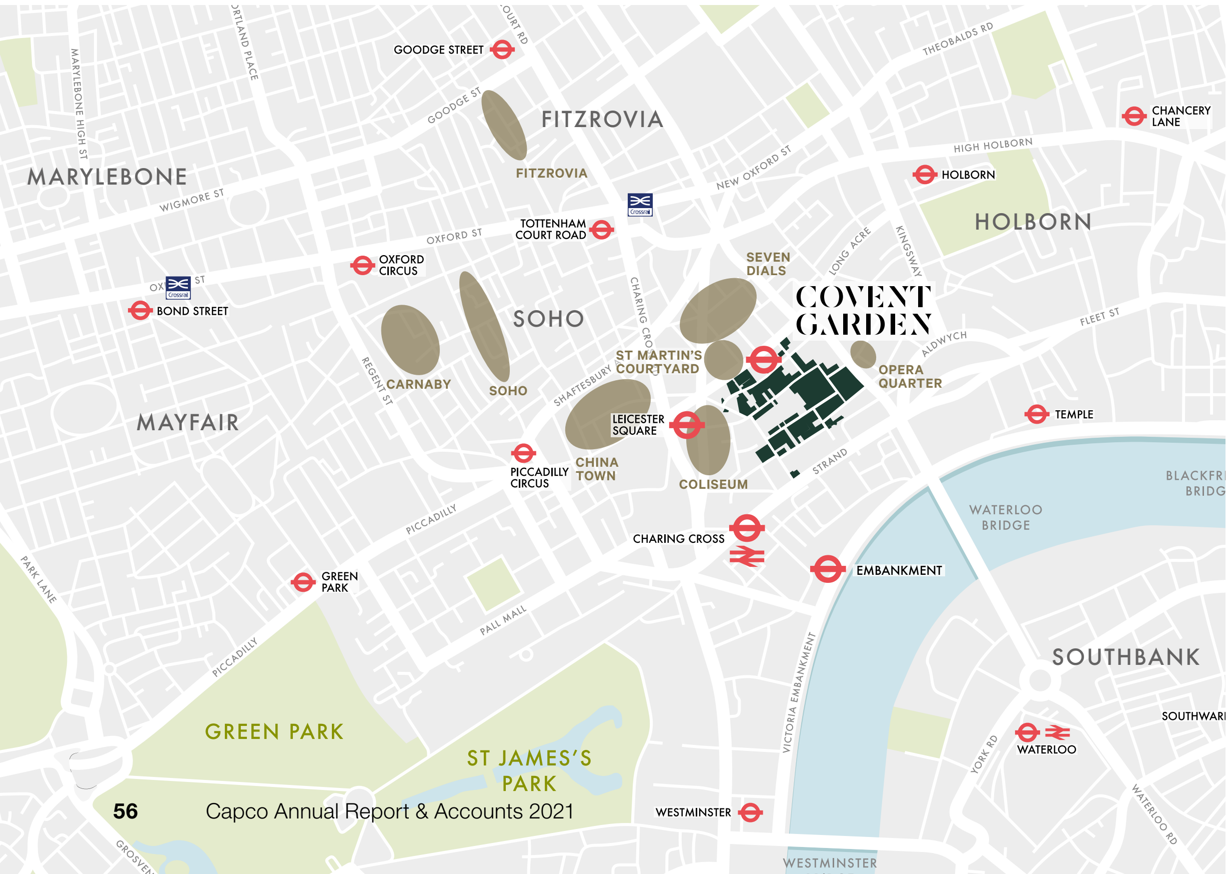
Earls Court deferred proceeds

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

+19%
Growth in Shaftesbury investment (since acquisition)

£15m
Earls Court deferred consideration received

£47m
Gross sales from Lillie Square



Capco Ownership

Shaftesbury Ownership

Strong financial position

Portfolio valuation
£2.4bn

Covent Garden
£1,729m

Shaftesbury investment
£596m

Lillie Square
£86m

2021 Financial results

Net rental income	£46m
Profit for the year from continuing operations	£29m
Underlying net rental income	£52m[1]
Underlying earnings	£4m[1]
Total property value	£1.8bn[1]
Dividends per share	1.5p
Net assets	£1.8bn[1]
EPRA NTA per share	212.4p
Net debt to gross assets	24%[1]
Cash and undrawn facilities	£652m[1]
Total return	0.4%
Total shareholder return	16.5%

1. Group share.

Situl Jobanputra
Chief Financial Officer

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

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

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

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

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

Rental Income

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

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

> "The Group is strongly positioned for recovery, growth and long-term value creation, and we are encouraged by improving operational and financial indicators, particularly during the second half of 2021."
>
> Situl Jobanputra, Chief Financial Officer

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

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

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

Lease modification costs and impairment of tenant lease incentives of £5.9 million are excluded from underlying net rental income as they are at levels not experienced in the past nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude. On an underlying basis, net rental income has increased by £8.7 million to £52.3 million, with the main contributors being the significantly lower expected credit loss, partly offset by a decrease in gross rental income.

16.5%
Total Shareholder Return

0.4%
Total Return

1.5%
Total Property Return

Balance Sheet

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

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

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

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

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

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

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

Basis of preparation

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

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

The Group uses Alternative Performance Measures ("APMs"), financial measures which are not specified under IFRS, to monitor the performance of the business. These include a number of the financial highlights shown on page 5. Many of the APMs included are based on the EPRA Best Practice Recommendations reporting framework, which aims to improve the transparency, comparability and relevance of published results of public real estate companies in Europe.

One of the key performance measures the Group uses is underlying earnings. The Group considers the presentation of underlying earnings to be useful supplementary information as it removes unrealised and certain other items and therefore better represents the recurring, underlying performance of the business. Items that are excluded are net valuation gains or losses (including profits or losses on disposals), fair value changes, impairment charges, net refinancing charges, costs of termination of derivative financial instruments and other non-recurring costs and income. Given the scale of the rental support provided to tenants during the current year and during 2020, the non-cash lease modification costs and impairment of incentives are material and at levels not experienced prior to the pandemic nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude. Accordingly, they have been excluded from underlying earnings on a basis consistent with the comparative period. Underlying earnings is reported on a Group share basis.

A summary of EPRA performance measures and key Group measures included within these financial statements is shown in EPRA measures within Other Information.

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.

Net rental income

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

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

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

Summary Income Statement

	2021			2020		
Continuing operations	Group share £m	Joint ventures[1] £m	IFRS £m	Group share £m	Joint ventures[1] £m	IFRS £m
Net rental income[2]	**46.4**	**(0.2)**	**46.2**	15.8	0.1	15.9
Loss on revaluation and sale of investment and development property	**(15.8)**	**–**	**(15.8)**	(693.3)	0.2	(693.1)
Change in fair value of listed equity investment	**44.6**	**–**	**44.6**	50.9	–	50.9
Administration expenses[3]	**(22.7)**	**(0.1)**	**(22.8)**	(31.5)	0.5	(31.0)
Net finance costs[4]	**(31.4)**	**0.2**	**(31.2)**	(23.8)	0.2	(23.6)
Taxation	**(0.7)**	**–**	**(0.7)**	1.0	–	1.0
Other[5]	**(73.3)**	**82.3**	**9.0**	1.1	(24.9)	(23.8)
(Loss) / profit for the year attributable to owners of the Parent from continuing operations	**(52.9)**	**82.2**	**29.3**	(679.8)	(23.9)	(703.7)
Adjustments[6]:						
Net rental income – non-underlying[2]			**5.9**			27.8
Loss on revaluation and sale of investment and development property			**15.8**			693.1
Change in fair value of listed equity investment			**(44.6)**			(50.9)
Administration expenses – non-underlying[3]			**2.8**			6.5
Other[5]			**(6.2)**			22.5
Taxation on non-underlying items			**1.1**			(1.5)
Underlying earnings / (loss)			**4.1**			(6.2)
Underlying earnings / (loss) per share (pence)			**0.5**			(0.7)
Weighted average number of shares			**851.3m**			852.2m

1. Lillie Square and Innova Investment.
2. Net rental income includes £5.9 million (2020: £27.8 million) of non-underlying costs in relation to lease modification and impairment of tenant incentives. Underlying net rental income, excluding these items, is £52.3 million (2020: £43.6 million).
3. Administration expenses includes £2.8 million (2020: £6.5 million) of non-underlying costs primarily related to the assignment of the Group's previous head office lease totalling £1.8 million and legal and other transaction-related costs incurred, including in respect of internal group restructurings, which are all considered non-underlying in nature (2020: primarily related to the Shaftesbury investment).
4. Excludes other finance income and costs and change in fair value of derivative financial instruments.
5. Includes other costs/income, impairment of other receivables and other finance income including change in fair value of derivatives.
6. Further details regarding the EPRA and Company specific adjustments are disclosed within note 15 'Earnings Per Share and Net Assets Per Share'.

Net rental income

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

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

Loss on revaluation and sale of investment and development property

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

Administration expenses

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

Administration expenses

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

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

Net finance costs

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

Taxation

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

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

As a UK REIT, the Group is exempt from UK corporation tax on income and gains from qualifying activities. As a minimum, 90 per cent of the income arising from qualifying activities and 100 per cent of the UK REIT investment profits are required to be distributed as Property Income Distribution ("PID") to the shareholders of the Group. Non-REIT activities, such as disposals of trading property, are subject to UK corporation tax in the normal way. A tax charge can arise for the Group (currently at 19 per cent) if the minimum PID requirement is not met within 12 months of the end of the period. There was no PID payable by the Group in 2021 in relation to the Group's qualifying activities for 2020. During the year, the Group has paid a PID of £2.1 million partly settling the majority of its PID requirement for the year to 31 December 2021, with the balance expected to be settled during 2022.

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

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

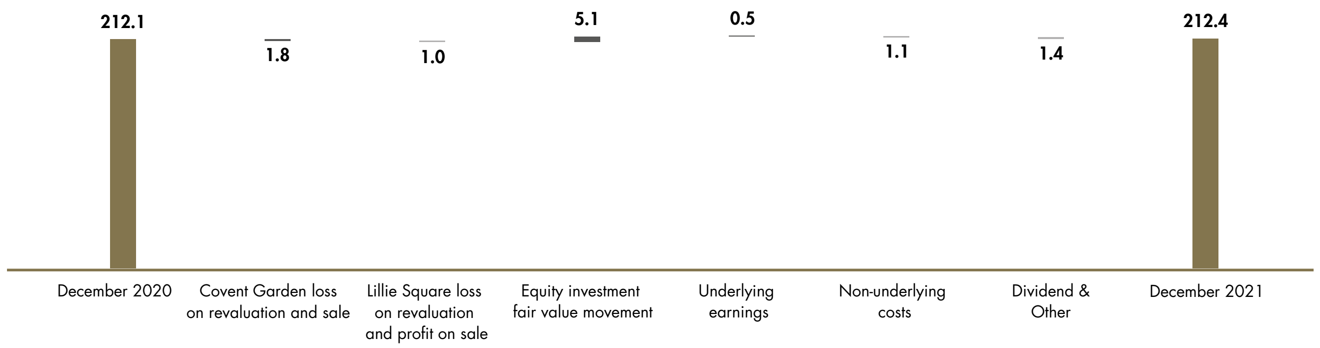
Whilst the Group is a REIT, it is subject to a number of taxes and certain sector specific charges in the same way as non-REIT companies. The Group is committed to paying its fair share of tax including liabilities arising from stamp duty land tax, employment taxes, irrecoverable VAT, and corporation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

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

Dividends

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

EPRA net tangible assets per share 0.2% to 212.4 pence



Financial Position

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

Summary Adjusted Balance Sheet

	2021			2020		
	Group share £m	Joint ventures[1] £m	IFRS £m	Group share £m	Joint ventures[1] £m	IFRS £m
Investment, development and trading property	**1,778.5**	**(84.0)**	**1,694.5**	1,908.8	(113.0)	1,795.8
Financial assets at fair value through profit and loss	**596.4**	**–**	**596.4**	551.8	–	551.8
Net debt	**(599.3)**	**(22.7)**	**(622.0)**	(710.4)	(5.1)	(715.5)
Other assets and liabilities[2]	**18.1**	**99.4**	**117.5**	42.9	84.7	127.6
Net assets attributable to owners of the Parent	**1,793.7**	**(7.3)**	**1,786.4**	1,793.1	(33.4)	1,759.7
Adjustments:						
Fair value of derivative financial instruments			**(1.1)**			7.2
Fair value adjustment of financial instrument – exchangeable bond option			**16.8**			5.5
Unrecognised surplus on trading property			**0.1**			2.2
Revaluation of other non-current assets			**7.3**			33.4
Deferred tax adjustments			**0.2**			(2.2)
EPRA net tangible assets			**1,809.7**			1,805.8
EPRA net tangible assets per share (pence)[3]			**212.4**			212.1

1. Primarily Lillie Square.
2. IFRS includes amounts receivable from joint ventures which eliminate on a Group share basis.
3. Adjusted, diluted number of shares in issue at 31 December 2021 was 851.9 million (2020: 851.5 million).

Investment, development and trading property

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

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

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

Total property return for the year was 1.5 per cent. The MSCI Total Return Index recorded a 19.9 per cent gain for the corresponding period.

Trading property is carried on the consolidated balance sheet at the lower of cost and net realisable value, therefore valuation surpluses on trading property are not recorded. Any unrecognised surplus is however reflected within the EPRA net tangible assets measure. At 31 December 2021, the unrecognised surplus on trading property was £0.1 million (31 December 2020: £2.2 million) which arises solely on the Group's share of trading property at Lillie Square.

Financial assets at fair value through profit or loss

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

Debt and gearing

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

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

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

1. Primarily Lillie Square.

	2021	2020
Net debt to gross assets	**24.3%**	27.5%
Loan to value – Covent Garden debt covenant	**14.7%**	19.3%
Interest cover – Group	**111.5%**	76.1%
Interest cover – Covent Garden debt covenant	**225.1%**	53.8%
Weighted average debt maturity – drawn and undrawn facilities	**4.8 years**	4.1 years
Weighted average debt maturity – drawn facilities	**4.9 years**	5.4 years
Weighted average cost of debt	**2.8%**	2.6%
Gross debt with interest rate protection	**100%**	100%

Balanced capital structure

Group net debt: gross assets

24%

Covent Garden

Net debt of £254 million[1]
- (2020: £352 million)

New £300 million revolving credit facility agreed September 2021
- Fully undrawn
- Marginal cost of drawdown c.1.75% per annum, December 2024 maturity[2]

£550 million US PP loan notes[3]
- Fixed rate debt (average cost 2.9%)
- Range of maturities 2024 – 2037

1. Comprises £550m of private placement notes and cash
2. Initial three year term with two one-year extension options
3. Before upcoming prepayment of £75m nominal value of notes

Shaftesbury investment

£275 million exchangeable bond with pledge over c.10% of Shaftesbury PLC shares
- 2% per annum coupon, March 2026 maturity
- Flexibility to satisfy exchange through shares and/or cash
- Exchange price of 723.5p (two-way adjustment subject to dividend threshold)

£125 million loan
- Dec 2023 maturity
- Secured on Shaftesbury PLC shares

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

The gearing measure most widely used in the industry is loan to value ("LTV"), however in order to address the fact that LTV does not take into account the value of the shareholding in Shaftesbury, the Group focusses on the ratio of net debt to gross assets which stood at 24.3 per cent at 31 December 2021. This is comfortably within the Group's limit of no more than 40 per cent.

The Group's policy is to eliminate substantially the medium and long-term risk arising from interest rate volatility. The Group's banking facilities are arranged on a floating rate basis but are generally swapped to fixed rate, capped or collared using derivative contracts. At 31 December 2021 the proportion of gross debt with interest rate protection was 100 per cent (31 December 2020: 100 per cent). The £300 million revolving credit facility was undrawn at year end. Subsequent to the year end the Group commenced arrangements to repay £75 million of US private placement notes at a cost of approximately £81 million including make-whole costs. The notes form part of the £150 million issuance completed in 2014, have a coupon of 3.6 per cent, and are set to mature in 2024 and 2026. The pro forma weighted average debt maturity on drawn facilities will increase to 5.0 years and the weighted average cost of debt will reduce to 2.7 per cent.

The principal financial covenants within the Covent Garden debt are to maintain a loan to value ratio of not more than 60 per cent and an interest cover ratio of at least 120 per cent. Based on the current level of net debt of £254 million and loan to value position under the Covent Garden debt, there is substantial headroom with the ability for property valuations to fall, by a further 76 per cent. Although interest cover covenant waivers were in place for 2021, the interest cover ratio in relation to the Covent Garden debt was 225 per cent, comfortably ahead of the covenant level of 120 per cent.

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

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

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

1. Primarily Lillie Square.

Cash Flow

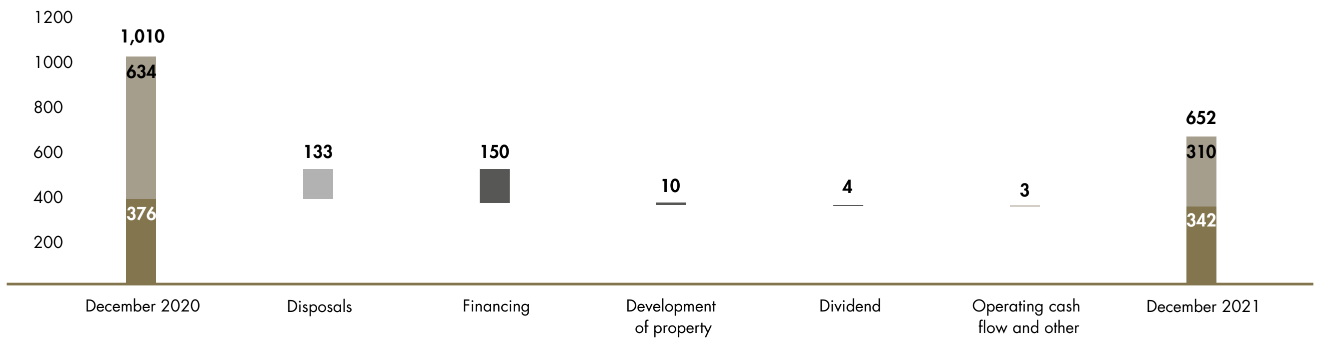
A summary of the Group's cash flow for the year ended 31 December 2021 is presented below:

Summary Cash Flow

	2021			2020		
	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	**1.5**	**(1.0)**	**0.5**	(51.7)	(3.1)	(54.8)
Purchase and development of property, plant and equipment	**(9.5)**	**1.6**	**(7.9)**	(31.0)	7.1	(23.9)
Transactions with joint venture partners	**(0.5)**	**(0.5)**	**(1.0)**	1.6	1.6	3.2
Net sales proceeds from discontinued operations	**15.2**	**–**	**15.2**	194.1	–	194.1
Net sales proceeds from property and investments	**118.0**	**(23.3)**	**94.7**	134.5	(57.5)	77.0
Equity investment acquisition	**–**	**–**	**–**	(500.9)	–	(500.9)
Net cash flow before financing	**124.7**	**(23.2)**	**101.5**	(253.4)	(51.9)	(305.3)
Financing	**(149.5)**	**5.9**	**(143.6)**	488.8	51.2	540.0
Share buyback	**–**	**–**	**–**	(11.8)	–	(11.8)
Dividends paid	**(4.0)**	**–**	**(4.0)**	(4.6)	–	(4.6)
Other	**–**	**–**	**–**	(6.3)	–	(6.3)
Net cash flow[2]	**(28.8)**	**(17.3)**	**(46.1)**	212.7	(0.7)	212.0

1. Primarily Lillie Square.
2. Net cash flow is based on unrestricted cash and cash equivalents. The movement in Lillie Square deposits on a Group share basis of £5.3 million is therefore not included (2020: £7.5 million).

Main areas of cash movement



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

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

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

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

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

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

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

Going concern

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

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

There continues to be a reasonable expectation that the Group will have adequate resources to meet both ongoing and future commitments for at least 12 months from the date of signing these financial statements. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the 2021 Annual Report & Accounts.

Situl Jobanputra
Chief Financial Officer

22 February 2022

Delivering positive outcomes

Our Environment, Sustainability and Community ("ESC") strategy

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.

Underpinned by a commitment to

The highest standards of health and safety	Ethical practices and transparent reporting	Well-being

For more on health, safety and well-being, see pages 82 and 85.

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

Our ESC strategy is fundamental to Capco's business. Through our long-term approach and responsible stewardship we deliver value for stakeholders. Our activities during 2021 have delivered progress against all four pillars of our ESC strategy. The most significant achievement was our commitment to Net Zero Carbon by 2030 and the subsequent publication of our Net Zero Carbon Pathway. This landmark commitment sets out how we will approach this urgent and vital undertaking in a way which recognises the needs of our heritage estate and stakeholders. Our focus is first to reduce greenhouse gas emissions from our buildings and operations as far as possible and then to offset any residual emissions. This requires action across five areas and more detail on these areas and our targets can be found on page 71. Capco is joining the Race to Zero and we will have our carbon reduction targets validated by the Science Based Targets initiative to confirm that they are consistent with limiting global temperature rise to no more than 1.5°C above pre-industrial levels.

During 2021 Capco undertook the first ecological surveys of the Covent Garden estate in partnership with the Wild West End. We will use the findings to develop a formal biodiversity action plan which will support nature-based solutions in our refurbishment projects and our extensive estate planting by prioritising pollinators and native plants. Supporting biodiversity feeds in to all four pillars of our strategy through mitigation of the effects of climate change, improving air quality using natural methods, using innovative nature-based solutions which would otherwise require more carbon intensive solutions and providing a welcoming environment to the Covent Garden community and visitors alike.

We are now entering the sixth year of supporting London air quality monitoring through our partnership with Imperial College. Throughout that time Covent Garden has consistently had some of the cleanest air in central London.

Innovation through both new technology and the simplicity of creative new approaches is central to our ESC strategy, particularly in tackling climate change, and consequently is a guiding principle for Capco's people as we deliver against our overall strategy, including against the four ESC pillars.

Sustainability indices

Our participation in external sustainability indices and benchmarks helps us monitor our performance and identify opportunities for improvement. In 2021 we achieved our third Gold award for reporting in line with the EPRA Sustainability Best Practice Recommendations for Reporting, as well as improving our CDP and GRESB ratings where we have regained our green star. We continue to report under FTSE4Good and S&P Global.

Net Zero Pathway

The five key actions within our Net Zero Pathway are:

50% embodied carbon reduction

to below 475kg CO_2e per m^2 by 2030 by prioritising innovative refurbishment using sustainable materials and using Whole Life Carbon assessments

60% operational carbon reduction

by 2030 to 90kWh/m^2/GIA per annum (commercial) by driving down energy demand in all our activities

Prioritise innovation and renewables

through new technologies and energy initiatives as well as working with an innovative supply chain

Enhance climate adaptation

to improve building resilience

Residual emission offsetting

using certified schemes

Environment and sustainability

Capco is taking a responsible and forward-looking approach to environmental issues and the principles of sustainability.

Our focus this year has been to accelerate progress against the four pillars which underpin our ESC strategy. Our achievements and commitments for the coming year are driven by these pillars and are also intended to address both climate-related risks and opportunities. A summary of our 2021 achievements and our commitments for the coming year is set out below and further detail on our activities is set out on pages 73 to 75. More detail on the fourth pillar of People and Community can be found from page 79.

2021 Achievements

- Publication of Net Zero Carbon Pathway including detailed three-year targets and alignment to the Paris Agreement 1.5°C scenario
- Committed to achieving Net Zero Carbon in own operations by 2024
- Operational energy: A like-for-like reduction of c. 13 per cent on 2019 levels and c. 90 per cent of landlord areas in Covent Garden now have energy efficient lighting
- First publication of estate EPC rating distribution, showing 94 per cent of estate rated A-D
- 12 new commercial green leases in line with Better Building Partnership completed
- Installed water efficient fixtures in all our refurbishment projects and identified further opportunities for rainwater harvesting
- 100 per cent diversion of waste from landfill for the Covent Garden Market Building and our own offices
- 99 per cent diversion of project and development waste from landfill
- Received EPRA Gold award for sustainability reporting for third consecutive year
- GRESB score increased to 65 and green star awarded, CDP Rating increased to B
- Completed first estate-wide ecological surveys following becoming a partner in Wild West End
- Donation of approximately £600,000 in value of time, in-kind contributions and cash to local community
- Installation of estate urban farm producing sustainable produce for community and raising awareness

Our 2022 Commitments

- Secure Science Based Targets initiative validation of our Net Zero targets
- Publish Net Zero Pathway documents: Carbon Offsetting policy, Occupier Sustainable Fitout Guide, Climate change risk analysis
- Achieve greater than 5 per cent like-for-like operational energy improvement based on a 2019 benchmark
- Integrate operational and embodied carbon budget for each building using Whole Life Carbon methodology
- Intensify customer engagement programme on sustainability through use of surveys
- Increase proportion of EPCs compliant with 2027 C rating target by 5 per cent
- Implement identified rainwater harvesting and greywater recycling and establish water targets
- Continue to divert at least 95 per cent of waste from landfill arising from our projects and development
- Launch Biodiversity Action Plan
- Launch Covent Garden Community Charter
- Determine approach for publication of air quality (internal and external) across the estate
- Establish parameters for London university sustainable engineering intern programme for innovation

60%
Carbon footprint reduction on 2019 baseline

31%
Reduction in Scope 1 & 2 emissions on 2019 baseline

100%
Scope 1 & 2 emissions offset

Tackle climate change

Capco recognises the urgent responsibility to tackle climate change and this is reflected in our 2030 Net Zero Carbon target. We have a strong track record of restoring and celebrating the heritage of the Covent Garden estate through considered refurbishments and developments.

Tackling climate change in an urban environment must also prioritise natural capital as well as greenhouse gas emissions. We will continue to prioritise both nature-based solutions and biodiversity following our first ecological surveys of the estate during 2021.

Our next steps are principally set out in the Net Zero Pathway and in our 2022 commitments. We will focus on:

- communication and engagement with stakeholders, including suppliers and customers;
- further integrating our Net Zero approach across all aspects of our business, including leasing, customer selection, development, property management, marketing, events and future consideration of sustainability-linked financing; and
- developing our staff capability in this area through training and development programmes.

We continue to embed sustainable practices and make year-on-year improvements in all areas of our performance as set out in our 2021 achievements and 2022 commitments.

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

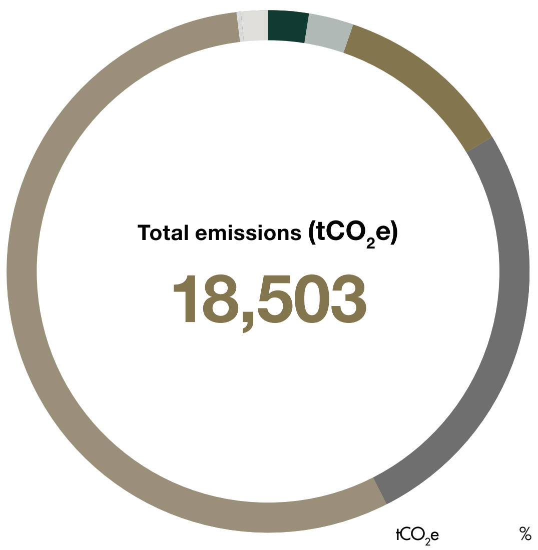
Carbon footprint and energy management

Our 2019 carbon footprint was published in our Net Zero Carbon Pathway. We have used the same GHG protocol methodology to calculate our 2021 footprint which is set out to the right. The landlord (Scope 1 & 2) emissions over which we have direct operational control have fallen by c.30 per cent compared to the 2019 baseline, driven by disposals and like-for-like Covent Garden GHG emissions falling by 12.8 per cent compared to 2019. While the like-for-like movement partly reflects the impact of COVID-19, the reductions are also a consequence of continued intervention with building efficiency measures. The overall reduction in the carbon footprint is driven by a significant fall in Scope 3 emissions, particularly in relation to capital goods, where the baseline year 2019 included the completion of the Lillie Square development. Given the nature of long-term capital investment in our assets, it is expected that this element of the footprint will vary with the volume of works completed in any given financial year, but with a long-term downward trend on an absolute and per m² basis. We will continue to increase the amount of data we capture to reduce the proportion of estimation required, as well as enhancing transparency over time.

As set out in our Net Zero Carbon Pathway, our approach to offsetting includes collaborating on local projects, particularly those which aim to convert more carbon intensive energy such as gas to electricity. In this context, we have continued our long-term engagement with Westminster City Council to replace gas street lighting and upgrade electric lights to LED lighting. Approximately 60 per cent of street lighting is now LED across the estate. We continue to work with our stakeholders to convert the remaining gas powered lights on the estate to LED lighting consistent with the heritage nature of the area.

We are committed to transparent environmental reporting of the estate and the graph on page 75 sets out the current EPC performance of our estate. The Minimum Energy Efficiency Standards ("MEES") regulations set out minimum level certification required for all new lettings on an accelerating basis from 2023. Our objective is to improve EPC performance whenever we undertake any works to our assets, and we have set accelerated targets around this in our Net Zero Carbon Pathway. Our green lease structures also ensure that occupiers do not undertake works which will reduce the rating of the individual unit. A total of 319 demises are required to be assessed for EPC purposes. This excludes residential properties where the rental level is below the MEES threshold (primarily long leasehold) as well as other units including outdoor barrows, storage, electric substation and other ancillary units. Currently 94 per cent of units are

2021 Carbon footprint (tCO_2e)

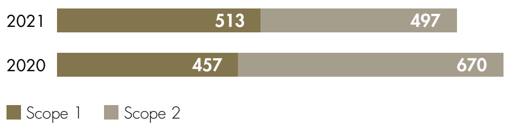


	tCO_2e	%
Scope 1: Landlord Gas[1]	507	2.7%
Scope 1: Landlord Refrigerant Gas & Fuel[1]	6	0.0%
Scope 2: Landlord Electricity[1]	497	2.7%
Scope 3: Capital Goods	2,028	11.0%
Scope 3: Purchased Goods & Services	4,856	26.3%
Scope 3: Tenant Operations	10,294	55.6%
Scope 3: Business Travel	6	0.0%
Scope 3: Waste	13	0.1%
Scope 3: Employee Commuting	23	0.1%
Scope 3: Transmission & Distribution	273	1.5%

1. Includes common parts, shared services and voids

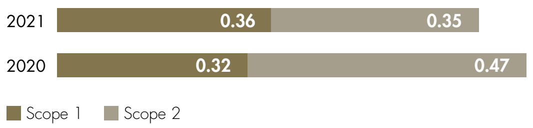
Greenhouse Gas ("GHG") Emissions Data for year ended December 2021

Total Scope 1 & 2 GHG emissions (location-based method[1])

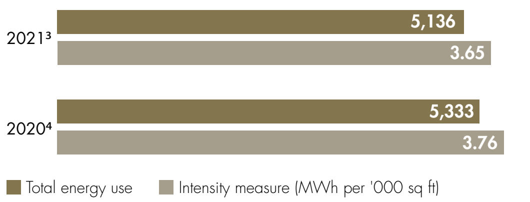


Total Scope 2 GHG emissions (market-based method[2])

Intensity measure: Tonnes of CO_2e per '000 sq ft



Total energy consumption (MWh)



1. 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 200.
2. 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 200.
3. The total energy consumption for 2021 comprised: 2,765,529 kWh (54 per cent) gas, 2,342,495 kWh (46 per cent) electricity and 27,600 kWh (zero per cent) transport.
4. 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.

assessed at level A-D, with a small number of the remaining units either at level E or in development. Our long-term management of EPC performance means we are well-placed to meet our targets ahead of statutory regulation timelines. We continue to address these units as part of our ongoing capital investment programme in the estate. Approximately 90 per cent of landlord areas in Covent Garden now use LED lighting. We continue to roll out smart metering to best prioritise and target energy efficiency initiatives.

Greenhouse gas emissions including Streamlined Energy and Carbon Reporting ("SECR")

Capco has engaged Carbon Footprint Limited to provide independent verification of the calculation of 2021 GHG emissions assertion, in accordance with the industry recognised standard ISO 14064-3. We continue to reflect progress across all reported SECR measures, other than market-based Scope 2 emissions. These have risen where previously let space is returned to space with a higher emission factor tariff than our own renewable tariffs. Given the nature of tenant electricity procurement, some variability in market-based Scope 2 emissions is expected over time. Our verification process has additionally included a review of our Scope 3 emissions given the high proportion of our overall carbon footprint which these make up.

Further details of our methodology to calculate GHG emissions can be found on page 200.

Waste and water management

We continue to work to raise awareness of recycling opportunities across the estate to support our aim of improving recycling rates across the Covent Garden portfolio, in addition to the two food waste recycling facilities on the estate. In partnership with our waste contractor, Veolia, and one of our occupiers in the Market Building, we have instigated a waste trial aimed at reducing overall waste volumes, increasing the proportion of waste recycled and reducing the amount sent to the "energy from waste" plant. We continue to divert 100 per cent of non-hazardous waste from the Covent Garden Market Building from landfill. Additionally, the upcoming launch of our Covent Garden Community Charter aims to further reduce food waste as well as addressing waste delivery consolidation across Covent Garden.

Within our own offices, we continue to raise awareness of recycling and all excess IT or furniture equipment continues to be diverted for refurbishment or re-use through our charitable partners.

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. As with energy efficiency, COVID-19 has undoubtedly had an impact on water usage, nevertheless, water usage over the last two years has fallen on average by more than 25 per cent. We have now identified an opportunity for rainwater harvesting using existing flood mitigation measures and are using peat-free compost in our planting which significantly improves water retention and consequently reduces watering requirement.

2030
Net Zero Carbon commitment

2024
Commitment to be carbon neutral in corporate actions

94%
Covent Garden estate rated EPC A-D

12.8%
Like-for-like energy reduction on Covent Garden estate on 2019 levels

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

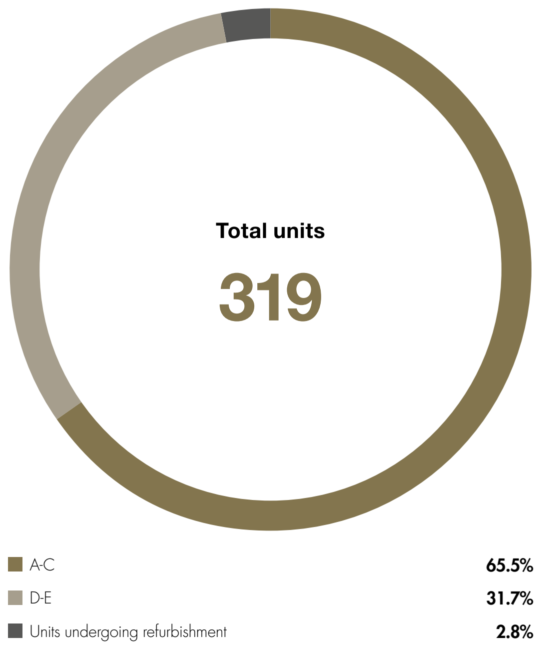
Capco's Net Zero Carbon commitment is predicated on reducing emissions as far as possible, and then offsetting the residual emissions. For the first time this year, Capco will fully offset the Scope 1 & 2 emissions arising from real estate activities totalling 1,016 tCO_2e as shown in our SECR reporting on page 74.

In addition, we will continue to offset our business travel. Our offsets will be nature-based, remove incremental atmospheric carbon and provide long-term carbon storage solutions. As set out in our commitments, during 2022, we will publish our carbon offsetting policy which is a critical part of our activities to reach Net Zero Carbon by 2030.

Responsible development

In 2021 we published an updated Sustainability Framework for Projects and Development which sets out the detailed standards required, and in addition, our Pathway sets clear short and medium-term embodied carbon targets to reach our Net Zero Carbon commitment by 2030. We will refresh our framework to align with these targets, and now target an EPC B rating on all developments where heritage buildings allow, as well as a minimum SKA level of 'Silver' on all major projects and refurbishments. We have set an internal carbon price, currently £95 per tonne to align with the 2021 London Plan and will continue to review building certification to increase the proportion and level of certification across the estate.

Energy Performance Certificates (EPC) by number



Given relatively limited capital activity across the estate, there were two completed projects in the period, an office refurbishment on King Street which achieved a SKA Silver certification and improved EPC from E to C, and a restaurant refurbishment on Maiden Lane which achieved a SKA Silver and EPC C rating. We continue to explore how we can drive EPC performance in heritage buildings.

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

Improve air quality

Capco continues to support air quality, prioritising cleaner air through reduced numbers of vehicle movements and use of cleaner vehicles. Capco has consistently sought to introduce additional pedestrian streets across the Covent Garden districts since 2006. Following the introduction of additional al fresco seating, Capco has continued to work actively with Westminster City Council to launch the recently implemented Covent Garden Neighbourhood Traffic Management Scheme. We support and manage the scheme through our operational teams. Extensive greening has also been undertaken to improve the pedestrianised environment. Plant species are chosen to maximise their potential to improve air quality. We are working with our neighbours and Westminster City Council to explore further ways to reduce service vehicle traffic through delivery and waste consolidation and both themes will feature on launch of our Covent Garden Community Charter. We continue to explore ways to improve access to universal electric vehicle charging points to maximise their use, particularly by commercial vehicles. We are conducting a pilot of new indoor air quality sensors which in addition to the usual humidity, carbon dioxide and temperature also monitor particulates and volatile organic compounds ("VOCs"). The sensors may be introduced elsewhere across the estate should the pilot be successful.

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 on a number of our developments. This year, we have secured planning consent to trial photovoltaic tiles within the conservation area on King Street. We have also launched our first farm initiative which uses hydroponic towers made from recycled ocean plastic to grow herbs and salad within a retail unit. The growing process uses up to 95 per cent less water than traditional planting and growing food close to where it is consumed greatly reduces the "farm to fork" distance and associated carbon. The produce is primarily distributed to our community partners.

We will continue to seek out 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 are actively exploring an intern programme with local universities. Such partnerships will continue to be considered in order to champion change.

Task Force on Climate-related Financial Disclosures ("TCFD")

Following our first response to the TCFD recommendations in the 2020 Annual Report & Accounts, Capco became a formal TCFD supporter and we continue to broaden and deepen our understanding of climate-related risks and opportunities for the business under the direction of the Company's ESC Committees. The following pages set out our approach.

With the exception of the Strategy recommendation (c) which is partially addressed, we believe this disclosure addresses all of the recommendations and recommended disclosures of the TCFD framework. Capco has undertaken an initial assessment of both physical and transitional risk under scenarios as set out on page 77 and is completing an update using the GRESB tools for both physical and transitional risk during 2022. Given the geographical concentration of our assets, Capco will perform the assessments on a selection of assets rather than every single property.

Governance

Describe the Board's oversight of climate-related risks and opportunities

The Board sets and oversees the Capco Environment, Sustainability & Community ("ESC") strategy which includes climate-related issues, and has established the Board ESC Committee, which is chaired by Non-executive Director Charlotte Boyle, and comprises the Chairman, Chief Executive and all other Non-executive Directors, to oversee 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 a principal risk in its own right. The Board receives regular updates on relevant matters and ESC developments from the Director of Sustainability and Technology. More information on the Board ESC Committee and the Executive Risk Committee, including the frequency of their meetings, can be found on pages 22, 93, 96, 97 and 105.

Describe management's role in assessing and managing climate-related risks and opportunities

The Chief Executive, on behalf of the Board, maintains operational oversight of the ESC Management Committee. This Committee is responsible for supporting the Board ESC Committee in assessing, monitoring and mitigating climate-related risks and acting upon climate-related opportunities. The ESC Management Committee includes Charlotte Boyle, the Company Secretary, the General Counsel, the Head of HR, the Director of Sustainability and Technology and employees from relevant areas of the Company, and is attended by our retained sustainability adviser. Further details on the matters considered by the ESC Management Committee and the frequency of its meetings can be found on page 97. 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. A scenario-based risk assessment which follows the IPCC climate projections is in progress to better understand 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 we are 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 and sustainability-certified buildings	Short-term
Energy-efficient buildings: resulting in lower emissions and energy costs	Short-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

Capco has published its Net Zero Carbon Pathway which sets out how the Group will deliver its Net Zero Carbon commitment by 2030. The Group continues to allocate resources to refurbishment and energy efficiency improvements as part of its annual budgeting process and has set an internal carbon price, currently at £95 per tonne, which is considered as part of capital investment decisions. In addition, the Group is committed to enhancing the reporting of its own and tenant use of resources and has committed modest sums to improve the coverage of "smart" meters. The Group has set a minimum SKA standard of 'Silver' on all major refurbishments and a target energy performance (EPC rating) of B for its 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 and improved investment yields as they meet occupier and investor requirements. The Group is also considering the potential for sustainability-linked financing which may offer reduced financing costs.

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's valuers have regard to the individual climate-related risks and opportunities relevant to the assets in the context of RICS guidance and make adjustments where appropriate; the value impacts of sustainability where recognised are reflecting the valuers' understanding of how market participants include sustainability requirements in their bids and the impact on market valuations.
– The Group has adopted relevant provisions of the Better Building Partnership's green lease into its commercial lease standard, and to date 12 commercial green leases have been signed. We have increased occupier 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. In 2021, Capco published its Pathway to be Net Zero Carbon by 2030. In developing the Pathway, we set a GHG emissions baseline using our 2019 performance. This baseline was used to determine targets that align with SBTi climate-related scenarios to limit global temperature rises to 1.5°C. These scenarios allow us to identify the core areas for focused action to reduce emissions and enhance the long-term resilience of the estate. For example, we will explore the impact of embodied carbon emissions by assessing the Whole Life Carbon and implementing measures to achieve performance benchmarks set by industry guidance such as LETI. Capco is currently updating its climate risk scenario analysis using the GRESB portal and the results will be incorporated into our strategy.

Risk management

Describe the organisation's processes for identifying and assessing climate-related risk

Capco's processes for identifying and assessing climate-related risks use the same methodologies as all business risks and these risks are incorporated into the Group's principal 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 processes for identifying and assessing risk are detailed comprehensively on pages 22 to 30.

Describe the organisation's processes for managing climate-related risk

Capco has an Executive Risk Committee, comprising the Executive Directors, the General Counsel, the Group Financial Controller and the Director of Sustainability and Technology, which is the executive level management forum for the review and discussion of risks, controls and mitigation measures. Senior management from each division and corporate function identify and manage risks for their division and complete and maintain a risk register. Climate-related risks and opportunities are presented to the Board via the Company's ESC Board Committee and ESC Management Committee.

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

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. Management of climate-related risks is integrated into the organisation via a programme of staff engagement and training.

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, including occupier 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 and SKA) – Waste resulting from our offices and the Covent Garden Market Building Capco publishes these metrics in an annual disclosure that follows the best practice sustainability recommendations ("sBPR") set by EPRA. In 2021, the Group achieved a Gold rating for the third consecutive year 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. Given the proportion of these estimated emissions, a core element of our approach will be to improve data access and quality and to engage actively with our supply chain to ensure their commitment to reach Net Zero Carbon aligns with our own. As we progress our Net Zero Carbon commitment, Capco will report on embodied carbon. In addition to the detailed sustainability disclosures that Capco provides via our website, we respond to the following indices and initiatives: – CDP – FTSE4Good – Global Real Estate Sustainability Benchmark (GRESB) – S&P Global/Corporate Sustainability Assessment
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks	A breakdown of Scope 1, Scope 2 and Scope 3 GHG emissions is disclosed on page 74. In line with Streamlined Energy and Carbon Reporting ("SECR") requirements, energy use and an intensity metric are disclosed on page 74. The Group discloses a further breakdown of GHG emissions and other metrics in the 2021 EPRA sBPR report.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	30 per cent of the Executive Directors' non-financial performance measures under the annual bonus scheme relate to the Company's ESC strategy, including the implementation of the Net Zero Carbon Pathway. Within the Net Zero Carbon Pathway, a number of detailed targets have been set to be achieved by 2030, alongside interim targets on a three-year cycle including: – Reducing embodied carbon by 50 per cent – Reducing operational carbon by 60 per cent – Prioritising innovation and on-site renewable technologies – Enhancing climate change adaptation and resilience – Offsetting 100 per cent of residual carbon emissions (after taking all viable efficiency and carbon reduction actions) The performance against these targets is monitored by the Board ESC Committee and reported to the Board. The carbon targets in the Net Zero Carbon Pathway include interim targets for 2024 and 2027. These are supported by the following additional climate-related performance targets: – A proportion of estate energy demand to be met by on-site renewables – An internal carbon price is established and carbon cost is being integrated into the financial decision-making process – Accelerated EPC targets with 2024 and 2027 requirements three years ahead of formal MEES requirements – 100 per cent of electricity purchased to be from renewable sources – Major refurbishment projects to achieve at least a 'Silver' SKA rating (where appropriate) Capco will continue to set year-on-year like-for-like energy and carbon reduction targets aligning with our Net Zero Carbon commitment to demonstrate single-year progress.

Community

During 2021, Capco continued to work to benefit the communities in which we operate and to support our chosen charities.

2021 Achievements

– Continued to engage with schools participating in the Capco Education Programme and identified new initiatives to benefit young people in the district
– Encouraged our employees to engage in responsibility initiatives by including an ESC objective in every employee's performance objectives

Our 2022 Commitments

– Continue our education programme, 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 during the year towards the wider community, either through an ESC-related project or a matched funded activity

Supporting the local community

Capco co-ordinated initiatives to promote a greener, more biodiverse and culturally rich estate at Covent Garden for the benefit of the local community. We provide support to a range of local community-focused programmes and are one of the main sponsors of the Covent Garden food bank, making significant contributions and providing assistance throughout the year.

When planning the proposed extension to the al fresco seating for restaurants across the estate, we engaged with local residents via a detailed consultation to ensure their views were properly considered, and were pleased that the majority of local residents were supportive of the proposal.

We intend to launch our Covent Garden Community Charter during 2022 for the benefit of the community and have been consulting with the local community on our plans. It is the intention that the Covent Garden Community Charter will be a voluntary code of conduct aimed at all Covent Garden occupiers to help engender a neighbourly approach to living and working in Covent Garden, whilst helping to support the more effective implementation of our ESC strategy.

Supporting Covent Garden's cultural heritage

The heritage of Covent Garden is important and we support a number of organisations that work in this area. During 2021, we funded an outdoor theatre stage for the IRIS Theatre Company at St. Paul's Church and our employees provided further marketing and promotional expertise to this community-based charity. We also donated to the Chicken Shed, a children's and youth theatre charity that engages in community outreach projects. Capco is a corporate sponsor of the Mousetrap Theatre Project, which provides a range of subsidised theatre programmes and creative learning projects accessible to young people, low-income families and those with additional needs.

£22,600
Total raised or donated by the Company for the 'Gift for Good' charity auction

7,100
participants in the Apple Market Challenge during its 15 years

We continued to support the arts as a patron of the British Fashion Council and British Beauty Council. During the summer, we sponsored and supported the Royal Opera House to deliver 'ROH Unlocked', a month long cultural programme showcasing the best of the Royal Ballet and Opera across the estate.

Homelessness

Capco hosted its second 'Gift for Good' charity auction in partnership with charity Only a Pavement Away which works alongside Crisis. The auction raised over £11,300, which was matched by Capco, raising a total of £22,600 for the charity.

During the year, Capco supported a number of homelessness charities including St Mungo's, a charity which works in the Covent Garden district supporting marginalised people to access recovery services, and The Connection at St. Martin's, a homelessness charity that helps people to move away from, and stay off, the streets of London. Capco remains a strategic corporate partner of LandAid, the property industry charity aimed at ending youth homelessness in the UK.

Our Finance and Corporate Services teams volunteered at The Felix Project, which uses surplus food to provide healthy meals to charities and schools to support vulnerable people.

Educational programmes

Young Westminster Foundation

Capco supported the Foundation's 'Mastering My Future' Programme, which aims to raise young people's awareness of employment opportunities, develop confidence, self-esteem and communication skills, and provide hands-on experience with employers. We are proud to have been a supporter of this charity since its inception four years ago.

We also co-ordinated a networking event to showcase the Westminster Employment Service to our food and beverage customers.

Apple Market Challenge

Capco facilitated the Apple Market Challenge for its 15th year. The initiative continues to be hugely successful and has now involved around 7,100 children since its inception. This year, pupils from four schools presented ideas for an innovative new product, which could be sold from the Apple Market in the Covent Garden Market Building. Four teams made the final round, and delivered their presentations to a panel of judges from our staff before a winner was chosen. The Challenge helps children to understand the various skills involved in running a small business, including marketing, design and finance. Our Director of Sustainability and Technology also spoke to the children about Capco's ESC strategy and sustainability initiatives.

Dragon Hall

We support Covent Garden Dragon Hall Trust with their digital support programme for the over-55's. The Trust provides one-to-one training, helping older people access online services including doctors' appointments, banking and shopping. They also provide hardware to encourage older people to get online without the initial cost outlay.

Other initiatives

During the year, one of our employees hosted a charity concert in aid of Blind Veterans UK, which helps ex-Service men and women of every generation rebuild their lives after sight loss. We also donated surplus IT equipment to the NHS Social Prescribers, One Westminster West End Community Trust, Age UK Westminster, West Central London Fixers and Single Homeless Project.

Community events

In conjunction with local residents and the Lord Mayor of Westminster Capco 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.

We continued to work with the Urban Land Institute on its Urban Plan Project. During the year we worked with students from Westminster Kingsway College and Ark Walworth Academy on an interactive online programme which 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 workshops and team-working challenges. A number of Capco employees participated in the sessions.

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. 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.

2021 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
- 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 2022 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

Well-being

The well-being of our people has continued to be of the upmost importance. We continued to support our employees during periods when government guidance advised working from home during 2021. 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. As part of our employee engagement survey, we sought views on how our employees felt supported by the Company during COVID-19. More detail on our well-being programme can be found on page 82.

Safe and welcoming offices

We re-consulted with our people prior to the offices reopening in line with government guidance, and individual and office risk assessments were refreshed. The measures to ensure our offices remained COVID-secure and in line with government guidance continued. We installed plasma air ionisers to air conditioning filters and added additional greenery to enhance the working environment for our people. Our people have enjoyed a safe return to the office, reporting in the employee survey that they felt it was a safe and friendly environment and they enjoyed being based at the heart of our Covent Garden estate.

5
hours ESC volunteering per employee

3
well-being days granted to each employee

Engagement

Capco ran its inaugural employee survey in 2021. The survey had a high response rate and received very positive feedback in all areas. The results were delivered to the Company and employee-led working groups were set up to look at areas of improvement in the following areas: New Ways of Work, Integration, Business Processes and Space. Recommendations and proposed next steps were then presented to the Executive Directors, leadership team and employees. Recommendations will be bought forward for implementation as appropriate during 2022. We intend to continue running periodic employee surveys.

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 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.

We make training available to all employees, and individual training and development needs are identified and discussed at performance review meetings with line managers. During 2021, our employees recorded 852 hours of training activity.

We sponsor individuals undertaking further professional qualifications, and encourage continuous learning, reflecting our commitment to a knowledge-based environment. Mental health eLearning continued to be provided to all employees.

We recognise that coaching and mentoring can have a significant impact on behaviours, and certain employees continue to benefit from bespoke coaching programmes. We provided specific training on working practices to junior team members during the year.

Performance management

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.

Annual performance objectives for each employee are agreed at performance check-in meetings, which take place at the beginning of the calendar year. Ongoing performance check-in meetings take place regularly throughout the year. Performance is measured against objectives set for the previous year and individual performance ratings underpin discretionary annual bonus awards.

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, an attractive package of additional benefits is available to all our people, which includes private medical insurance and dental cover. The Company currently contributes up to 15 per cent of salary to the MyCapco pension scheme, which will be increased to 17.5 per cent of salary during the year. 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 biennial medical through our external company GP based in Harley Street.

Lifestyle and well-being

During 2021, we hosted virtual seminars for our employees on a wide range of topics, including mental wellness, supporting dads, lower limb health issues, the importance of exercise and a session on oncology. We also had a specific emphasis on financial well-being, and ran a session for first-time home buyers. Other topics included will writing, protecting your wealth and saving and investing.

Recognising the impact of a third lockdown on our employees, Capco offered all employees three additional well-being days during the second quarter of 2021.

We encouraged our employees to stay active during periods when they were working from home, and we provided access to a Company-sponsored well-being app which provided yoga, Pilates, cardio, stretch and strength based exercises, as well as healthy recipes, mindfulness and meditation.

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.

A month-long employee well-being challenge "Steptober" took place during October with over half the Company participating and 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. The discretionary elements are available to all employees. We regularly benchmark our approach to reward to ensure that we are appropriately competitive in the market.

Bonus 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.

Diversity and inclusion

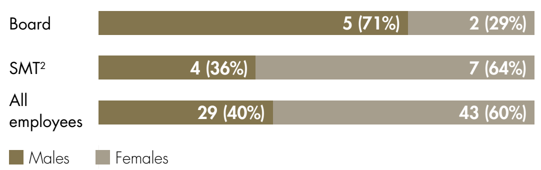
We believe that every person in the Company has a part to play in generating value and we understand fully the benefits of a diverse workforce. Diversity is considered when making appointments at all levels.

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 2021 is set out below.

Capco's maternity pay and shared parental leave benefits each pay six months' full pay. In addition, we regularly review our policies to be a more inclusive and supportive employer and introduced a domestic abuse policy during the year. Interactive Company-wide training was provided on the following areas: Ethnicity in Property; Inclusive Behaviours and Unconscious Bias; and Respect at Work.

We continue to 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 and also an anti-harassment and bullying policy, both of which are published on our website.

Gender diversity[1]



1. As at 31 December 2021
2. Senior Management (excluding Directors)

During the year Capco hosted a Real Estate Balance event with our Chief Executive, Ian Hawksworth, participating in the event as mentor. In addition, one of our employees co-chairs the Real Estate Balance NextGen Committee and delivered a presentation about Real Estate Balance and the committee to our Board.

This year we partnered with the social mobility charity UpReach and provided work experience to two students. We continue to support the Reading Real Estate Foundation's Access programme and provided an internship placement to one student. During 2022, we will provide a summer internship to a student under the 10,000 Black Interns programme.

We are keen to promote inclusivity and diversity amongst the wider community and worked with the Westminster Property Association during the year to promote their disability forum.

Human rights and UN Sustainable Development Goals

Capco does not have a stand-alone human rights policy, as the standards we expect to be adhered to are integrated within a number of our policies and procedures which relate to both our own employees and those of our supply chain. Capco's ESC strategy is aligned with the UN Sustainable Development Goals ("SDGs"). More information on the relevant SDGs can be found on page 68. Capco's ESC strategy and Supply Chain Policy can be found on our corporate website.

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 2021, we continued to raise awareness of modern slavery matters with those responsible for procurement.

We support a number of diversity initiatives

RICS INCLUSIVE EMPLOYER

employers network for equality and inclusion Member

REAL ESTATE BALANCE

upReach

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.

2021 Achievements

- Enhanced our visible leadership and developed our culture in safety, health and well-being
- Implemented a wide range of measures to support our employees' well-being
- Encouraged our contractors to give health an equal billing to safety
- Maintained an excellent Planned Preventative Maintenance ("PPM") dashboard rating and an Accident Frequency Rate ("AFR") of 0.00
- Became a CLOCS Champion for our construction projects
- Trialled enhanced Capco health and safety standards with certain suppliers
- Our COVID-19 Secure strategy continued to manage the risk of COVID outbreaks across the workforce and managed estates

2022 Commitments

There is an opportunity to continue to build on our recent achievements:

- Continue to promote a health and safety aware culture amongst our employees and supply chain, through Directors' tours, targeted training and risk awareness workshops with operational teams
- Enhance Capco health and safety standards for our supply chain where appropriate and embed these standards via engagement
- Upskill relevant employees on the emerging Building Safety Bill provisions, so as to ensure preparedness
- Provide safe, healthy and secure environments without incident and maintain an AFR of less than 0.20 across our projects

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.

Activities during the year

Capco continued to implement high standards of health and safety on its operations and development projects during the year, to ensure that the health, safety and well-being of stakeholders who visit and enjoy our assets, work at our offices or are engaged in our supply chain continued to be prioritised. During the year a review of the health, safety and well-being standards for works was conducted in line with emerging industry best practice and the enhanced standards were trialled with a contractor at Covent Garden. These were well-received and it is intended that the enhanced standards will be finalised and launched to further contractors as applicable during 2022.

In response to the pandemic, Capco and its key supply chain evolved its COVID-19 Secure strategy and management protocols in line with government and industry guidance and ensured that operational and development activities could continue to be delivered safely. At the Covent Garden estate, as the government restrictions encouraged a more intensive use of the outdoor areas, additional al fresco seating was installed to high health and safety standards, with a view to ensuring the safety and amenity of visitors to the estate.

We continued our focus on visible leadership in health, safety and well-being, ensuring that these were prioritised in decision-making. The increased presence of Directors on the estate has allowed more ad hoc tours of the estate, increasing awareness of health and safety matters across the business. Health and safety risk assessments continue to be undertaken on all new operations and projects.

Weekly health and safety inspections took place on our development projects and occupier fit-outs at Covent Garden, 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. The small works projects at the Lillie Square asset continued to adhere to the highest standards of health and safety. A total of 608,438 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.

We maintained our membership of the Considerate Constructors Scheme ("CCS") Client Partnership and the Construction Clients Leadership Group, reflecting our commitment to ensuring the highest standards of health and safety on construction projects across the Group. As a Client Partner, Capco requires the contractors we engage to be registered with the CCS and comply with all aspects of the Scheme's Code on our sites. We refreshed our Sustainable Development Framework during the year to include well-being target measures, aligned with our ESC strategy and responsible development approach.

We closely monitored the legislative developments of the Fire Safety Act 2021 and the Building Safety Bill with a view to ensuring that Capco will be fully compliant when the legislation becomes effective. There will be more to do in 2022, as the legislation evolves. We continue to contribute as part of the British Property Federation Sounding Board and Construction Clients Leadership Group.

The COVID-19 Working Group ensured that appropriate working arrangements for our employees remained in place. Working practices for our staff varied throughout the year and we ensured that our employees were consulted with on the developments to our COVID response at our offices. During the period, risk assessments (including for those returning to work) were utilised as appropriate to ensure the health, safety and well-being of our employees. Our employee engagement survey sought views on how our employees felt supported during COVID-19 and we were pleased that Capco's approach to managing the health and safety impact of the pandemic was appreciated, and that employees felt our head office was a safe and friendly environment and they enjoyed being based at the heart of our Covent Garden estate, and 86 per cent of our people felt happy with the communication from the Company. For more information on engagement with our employees during the year, please refer to the Stakeholder engagement section on page 34.

Health and well-being initiatives

During 2021, Capco continued to ensure that health and well-being were given equal consideration with safety.

In addition to our employee initiatives described on page 82, health and well-being initiatives were championed for the workforces on our projects. We also delivered mental health awareness training to one of our major suppliers.

Governance

The health and safety governance and reporting framework continues to function effectively across the business, ensuring robust management and monitoring of health and safety. Sector Safety Leadership Teams ("SSLTs") for each of the Group's activities, comprising senior management and relevant employees, 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. This included execution, monitoring and reporting of the COVID-19 secure protocols. The SSLTs are overseen by the Group Safety Leadership Team ("GSLT"), which is chaired by our General Counsel and attended by our Chief Executive, who is also responsible for health and safety at Board level. The GSLT facilitates the sharing of lessons learned and evolving best practice recommendations across the operational SSLTs, and reviews health and safety performance across the Group throughout the year.

The COVID-19 Working Group continued to report into the GSLT and to the Executive Directors on COVID-19 specific matters. Health and safety is a standing item on the Board's agenda and the Board receives regular formal reports, summarising health and safety performance, risks and achievements across the Group.

The OH&SMS continues to remain appropriate and operates effectively across the Group.

Training

Our training programme ensures a strong health and safety culture remains embedded within the organisation and is communicated to our supply chain. Having been disrupted by the pandemic, the structured Health & Safety IOSH Leading Safely and IOSH Managing Safely programmes have been reinstated for 2022. However, health and safety awareness workshops were held with the operational property teams, which enabled the teams to consider and discuss their health and safety responsibilities in a practical and open forum.

Reporting

No work-related employee fatalities were recorded in 2021 or since Capco's inception. There were no RIDDOR incidents reported across the Group during 2021. The AFR for Capco development projects, small projects and occupier fit-out works at the end of 2021 stood at 0.00. Capco's LTIFR for 2021 was 0.00.

The sections of the Annual Report which make up the Strategic Report are set out on page 121. The Strategic Report has been approved for issue by the Board of Directors on 22 February 2022.

On behalf of the Board

Ian Hawksworth
Chief Executive

Governance at a glance

Our Board in 2021

ESC

The Board maintained a close focus on ESC matters during the year. The Board ESC Committee provided regular updates to the Board, and was briefed on ESC initiatives across the business by the ESC Management Committee, including the development of the Net Zero Carbon Pathway. ESC matters approved by the Board during the year included the Company's ESC strategy and the finalised Net Zero Carbon Pathway, on the recommendation of Board ESC Committee.

Operations and team

The Board received regular updates throughout the year on operational matters including the tenant support programme, rental collection rate, marketing initiatives, footfall, lettings and new openings.

The Board also took a keen interest in the outcomes of the Company's first employee engagement survey and received updates on employee views from Charlotte Boyle, who is the Non-executive Director designated to report to the Board on employee views.

Finance

During the year, the Board oversaw a number of initiatives to ensure the Company maintained a strong balance sheet. These included the refinancing of the Covent Garden RCF, the transition from LIBOR to SONIA, the consideration of a number of financing and hedging options and the resumption of the Company's dividend programme.

Application of the Principles of the UK Corporate Governance Code 2018 (the "Code")

In addition to the reports listed on the contents page, the following sections of this Governance report outline how the Principles of the Code have been applied throughout the year:

Chairman's letter

"The Board ensures that we deliver the Company's strategy in a responsible manner and the way we do business reflects Capco's culture and values."

Henry Staunton, Chairman

Dear Shareholder,

I am pleased to introduce Capco's 2021 Corporate governance report.

Capco's proactive approach, commitment and creativity have positioned the business strongly for recovery ensuring the Company is well-placed financially and Covent Garden is the West End's most vibrant district with a world-class customer line-up. The effective execution of strategy has been reflected in the resilience of the business and the Company's returns for the year. We look ahead with confidence in the long-term prospects of the Covent Garden estate and London's West End.

Performance and dividend

Capco delivered total shareholder return for the year of 16.5 per cent, which comprises share price performance and the dividend paid in the year following the resumption of the Company's dividend programme. Total return for the year was 0.4 per cent, driven by a decline in property valuations in the first half of the year, offset by a 4.6 per cent like-for-like increase in the valuation of the Covent Garden estate to £1.7 billion in the second half of the year. The Board is recommending a final dividend of 1.0 pence per share, bringing the total dividend for the year to 1.5 pence per share, and intends to grow the Company's dividend over time.

Governance framework

The Board ensures that Capco operates responsibly as we deliver the Company's strategy, and that the way we do business reflects our culture and values. This report, and the Committee reports which follow, explain the ways in which the Board, its Committees and our broader governance framework work together to achieve our purpose of investing in and creating world-class places, focusing on central London, and using our vision, long-term approach and responsible stewardship, to deliver economic and social value and generate benefits for our stakeholders.

Culture and values

The Board monitors corporate culture and values throughout the year to ensure that they are aligned with Company purpose and the delivery of corporate strategy, and are embodied across the business. This year the Company launched its first employee engagement survey, and the Board was very pleased to see the results, which showed that our employees are proud to work for Capco and are engaged with our business, understanding our strategy and valuing our inclusive culture. This commitment is reflected in the professionalism and enthusiasm that I and my fellow Directors see around the business. You can read more about our culture and values on pages 3, 19, 82 and 94.

The Board's year

During 2021, as the challenges of COVID-19 continued, the Executive Directors ensured that the Board was kept fully updated on action taken by the business to ensure that an attractive, vibrant estate was maintained for when visitors were able to return to central London. We were particularly impressed with the direct engagement undertaken with our tenants and the programme of estate events and digital marketing which kept our visitors in touch with Covent Garden.

The main areas of focus for the Board during the year were oversight of the Group's operations, consideration of strategic matters, ensuring that the Company maintained a strong balance sheet, the approval of our Net Zero Carbon Pathway and consideration of Board composition and succession planning.

The Board

During 2021, the Board continued to consider succession planning to ensure that the Board has the appropriate mix of skills, independence and experience to deliver Capco's strategy as a prime central London focused REIT.

As reported last year, a search for the Company's next Chair is ongoing. It is currently anticipated that a successor will be in place to allow me to step down during the coming year, having served on the Capco Board since 2010. The ongoing search is described in the Nomination Committee report on page 98. The 2021 Board evaluation proposed that the Board be expanded from its current compact size, and so the appointment of one or more additional independent Directors is also being considered. In considering such appointments the Board is mindful of its commitment to increase its diversity over time.

During 2021 Charlotte Boyle stepped down as Chair of the Remuneration Committee in order to Chair the newly established Board ESC Committee which oversees the management of Capco's ESC strategy, and Jonathan Lane took over as Chairman of the Remuneration Committee. The Chief Executive and all the independent Non-executive Directors are also members of the Board ESC Committee. There were no other changes to the Board during the year.

Sustainability

Reflecting our commitment to responsible stewardship, and the Company's commitment to becoming Net Zero Carbon as a business by 2030, a key priority for the Board was the approval of the Company's Net Zero Carbon Pathway. This Pathway sets out five key activities on which the Company's approach will focus, ensuring that we reduce embodied and operational carbon over time, and prioritise innovation and use of renewable energy, enhance climate adaptations and improve building resilience, with residual emissions being offset via responsible certified schemes. The Board and the Board ESC Committee will closely monitor implementation of the Pathway over the coming years.

Our stakeholders

Engagement with the business's stakeholders is part of being a responsible business and is fundamental to the delivery of our Group strategy. The Board receives regular updates on the wide variety of engagement undertaken and the views of our stakeholders, and gives careful consideration to the likely impact of any recommended proposal on a range of stakeholders, to ensure that the decision aligns with Group strategy and values. You can read more about our engagement with our stakeholders on page 33.

Risk management

The Board has overall responsibility for risk management across the Group and consideration of risk and assessment of the effectiveness of the Group's risk management structure is embedded into the Board's processes. The Board receives thorough updates from the Executive Risk Committee (which assesses risk at management level) and Audit Committee throughout the year which ensures that the Board takes its decisions and considers the Group's principal risks from an informed position. In assessing the Group's principal risks, the Board considers those risks identified that were not realised, the effectiveness of mitigations, and whether there were any significant matters that had not previously been captured in the Group's risk register. Last year the Board added climate change as a new principal risk, reflecting the potential impact of climate change on the business. The Board will continue to monitor the Group's principal and emerging risks over the coming year. You can read more about our approach to risk management on pages 22 to 30 and 104.

Diversity

Diversity continues to be a focus for Capco and is high on the Board's agenda as we consider the appointment of new Directors. We hugely value the benefits of a diverse workforce and the Board has continued to support the Company's diversity initiatives during the year.

Voting on AGM resolutions

At Capco's 2021 Annual General Meeting, although the resolution was passed with the requisite majority, the Company received a significant shareholder vote against the resolution seeking a general authority for the Board to allot shares in the capital of the Company. Capco has its primary listing on the London Stock Exchange with a secondary listing on the JSE, and a proportion of the Company's shares are held by South African investors who sometimes have different market expectations to UK investors, particularly regarding the level of authority to issue new shares that shareholders expect to grant to boards. The Board engages regularly with our South African shareholders on this topic, and has noted their concerns. However, the Board continues to feel that, to preserve flexibility and competitive positioning, it is appropriate to seek the higher levels of authority expected by UK shareholders where possible.

Looking ahead

Whilst challenges remain, the Company enters 2022 strongly positioned to benefit from a recovery and take advantage of growth opportunities. The Covent Garden estate remains a world-class destination and the Board will continue to oversee our responsible stewardship of this landmark estate. We look ahead with confidence in the long-term prospects of the Covent Garden estate and London's West End.

Thanks

Finally, I would like to thank our shareholders and stakeholders for their continued support, and our Executive Directors and employees for their tremendous efforts during 2021.

It has been a privilege serving as your Chairman and I am confident of the Company's future success.

Henry Staunton
Chairman

22 February 2022

Board of Directors

E N

Ian Hawksworth, FRICS

Year of first appointment: 2010

Chief Executive

Ian has led Capco since inception, shaping strategy and driving performance. He has over 35 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.

External appointments: Non-executive Director of ChanceryGate Limited

Situl Jobanputra

Year of first appointment: 2017

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. He is also responsible for the management of the Shaftesbury investment. 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

Year of first appointment: 2020

Executive Director

Michelle leads the Group's asset management and leasing teams as well as asset acquisitions and disposals. Michelle works closely with the Chief Executive on strategy and investment 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

E N R

Henry Staunton

Year of first appointment: 2010

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

Year of first appointment: 2016

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 25 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 also 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

Year of first appointment: 2017

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 and Thatchers Cider Company Limited, a Non-executive adviser to Knight Frank LLP, and a Trustee of Alfanar, the venture philanthropy organisation. Charlotte is also Chair of UK for UNHCR.

External appointments: Chair, UK for UNHCR. Non-executive Director of Coca-Cola HBC AG and Thatchers Cider Company Limited. Non-executive adviser to Knight Frank LLP, and a Trustee of Alfanar

A E N R

Jonathan Lane OBE

Year of first appointment: 2019

Independent Non-executive Director

Jonathan 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.

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, corporate reporting, significant funding decisions and corporate transactions, ESC strategy, Net Zero Carbon Pathway, Modern Slavery Statement, delegated authority limits and our dividend and tax policies.

Board composition

As at 31 December 2021, the Board comprised the Chairman, three Executive Directors and three Non-executive Directors. The table on page 93 summarises the membership of the Board and Committees.

Biographies of each of the Directors can be found on pages 90 to 91, and additional information on Directors' skills and experience is included on page 100.

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 93 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 97.

The Chairman

Henry Staunton was appointed as Chairman of Capco in 2018, before the publication of the UK Corporate Governance Code 2018 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 four years, although he was appointed to the Capco Board in 2010.

In 2020 the Company reported that Henry Staunton had agreed to extend his tenure as Chairman until 2022 in light of challenging trading conditions resulting from the COVID-19 pandemic and to ensure stability following a period of significant change to the Board. The search for a new Chair is ongoing and the Company expects to announce the appointment of a new Chair before the end of the year. Henry Staunton has agreed to continue as Chairman until his successor is appointed. The Chairman continues to be viewed as independent by the Directors and has the full support of the Board until his successor is appointed.

The Board in 2021

The Board met formally throughout the year, via videoconference. Main meetings were timed around the financial calendar, with an annual strategy day, and additional meetings convened to consider specific matters as required. Attendance at Board and Committee meetings held during 2021 is shown on page 93.

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, regular informal update meetings are held between Board meetings to allow Board members adequate time to explore, understand and challenge matters under consideration, and the Chief Executive provides regular updates to Directors between meetings. The informal Board updates provide an opportunity for the Non-executive Directors to meet senior management and other Group employees.

During 2021, the Board received regular asset, financial, ESC and performance updates from the Executive Directors and senior management from each business area, and reports from the General Counsel, Company Secretary and Committee Chairs. The table on the following page shows the key areas considered by the Board during the year.

The Board establishes the Company's:

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.

Read more on pages 3 and 18.

Values

Collegiate, supportive and inclusive

Environmentally and socially responsible

High performance and entrepreneurial

Innovative and creative

Professional: We act with integrity and hold ourselves to the highest standards

Read more on pages 3 and 19.

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.

Read more on page 18.

and ensures that they are aligned with the Company's culture

Capco promotes a high-performance, entrepreneurial and inclusive culture, reflective of our business strategy.

Read more on pages 82 and 94.

Matters considered by the Board in 2021

Business strategy, new business and Directors	– Market conditions and the impact of COVID-19 and Brexit – Tenant support during COVID-19 – Investor relations – Corporate strategy and value maximisation – Performance of investment in Shaftesbury PLC – New business opportunities	– Capital allocation and key investment decisions – Third-party interests – Board and Committee composition and succession planning – REIT compliance – Tax policy
Properties	– Property valuations – Covent Garden performance	– Lillie Square operations – Acquisitions and disposals
Financial management and performance	– Annual and half year results and trading updates – Monitoring of liquidity – Covenant compliance and waivers – Going concern and viability analysis – Treasury and cash management	– Group tax position and structure – Market and broker updates – Dividends including property income distribution – Budget and business planning – Review of financing and hedging opportunities
ESC, stakeholders, governance, internal controls and risk	– Ensuring the safety of our people and other stakeholders during the COVID-19 pandemic – Shareholder engagement – Updates from Board Committees – Environmental, sustainability and community strategy, including approval of Net Zero Carbon Pathway and TCFD disclosures – Risk appetite, and principal and emerging risks – Health and safety – Assessment and monitoring of Company purpose, values and culture	– Internal Board evaluation – AGM resolutions and voting – Board Committees' terms of reference and schedule of matters reserved for the Board – Appointment of South African Sponsor – UK MAR and disclosure – Corporate policies – Corporate insurance – Internal audits – Modern Slavery Statement – Legal and regulatory updates

Attendance at meetings

The table below shows Directors' attendance at Board and Committee meetings held during 2021. In addition, the General Counsel attends each Board meeting and the Company Secretary attends each Board and Committee meeting. Regular Board updates were held between formal meetings.

Name	Independent[2]	Board	Audit	Remuneration	Nomination	ESC
Henry Staunton (Chairman)	N/A	17/17	–	6/6	3/3	3/3
Ian Hawksworth (Chief Executive)	No	17/17	–	–	3/3	3/3
Situl Jobanputra	No	17/17	–	–	–	–
Michelle McGrath	No	17/17	–	–	–	–
Charlotte Boyle	Yes	17/17	3/3	6/6	3/3	3/3
Jonathan Lane	Yes	17/17	3/3	6/6	3/3	3/3
Anthony Steains	Yes	16/17[1]	3/3	6/6	3/3	3/3
Total meetings held during the year		**17**	**3**	**6**	**3**	**3**

1. Due to a prior commitment, Anthony Steains was unable to attend one Board meeting which was called at short notice.
2. 50 per cent of the Board, excluding the Chairman, is independent.

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 receives updates on employee pay and conditions, the Board ESC Committee reviews ESC strategy and activity and 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 and inclusion. The Company's employee engagement survey allowed the Board to assess employee views of the Company's culture. 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 2020 and so an internal evaluation was conducted in 2021.

The Directors were each asked to complete a questionnaire covering all matters relating to the performance of the Board, its Committees and its Directors. A report was prepared by the Chairman and Company Secretary 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 page 95.

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 another internally facilitated Board evaluation will be undertaken in 2022.

During the year the Board also reviewed its governance processes, the flow of information to the Board and its Committees, and the ways in which the Board engaged with stakeholders and heard their views. The Board concluded that the various approaches used by the Company remained appropriate.

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.

The Board in action

Employee presentations

– At one of its regular update meetings the Board received presentations on Real Estate Balance and its NextGen Committee, and investment analysis from members of our asset management team. These presentations, which were well-received, gave the presenters Board exposure, and allowed our Directors the opportunity to meet some of the more junior members of our team.

Diversity initiatives

– The Board and its Committees received updates throughout the year on the Company's diversity initiatives, and were given the opportunity to participate in the diversity training provided to our employees.

Employee engagement survey

– Following the Company's first employee engagement survey, the Chief Executive and Head of HR updated the Board and its Committees on the survey's findings, and the progress of the employee-led working groups established to consider the workstreams that arose from the survey.

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, Executive Directors and Director 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 2021, Directors engaged with shareholders on matters including the Company's remuneration arrangements, AGM resolutions and AGM voting.

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 33 to 37.

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.

The Directors also receive regular updates from the Executive Directors and Head of HR on employee matters. This year particular updates were provided on the findings of the Company's first employee engagement survey and diversity and inclusion training provided to employees.

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 2022 AGM will be held on 28 June 2022. We 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 2022 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.

2021 Board evaluation

The Company had undertaken an externally facilitated evaluation in 2020

The Chairman and Company Secretary considered the approach to be taken and recommended that an internal evaluation be undertaken

The Nomination Committee approved the proposed approach

Each Director completed a questionnaire about the operation of the Board and its Committees

A report was prepared by the Chairman and Company Secretary and provided to the Board for consideration

A number of actions were agreed

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

Progress

Succession planning reviewed by the Nomination Committee

Culture and values regularly reviewed by the Board

Reports via ESC Management Committee working well

Actions for 2022

Consider Board size and composition

Ensure continued effective operation of Board ESC Committee

Ensure appropriately incentivising remuneration arrangements are in place

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 2021 is described on pages 98 to 120.

UK Corporate Governance Code 2018

Other than as explained within this report and below, the Company has applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 during 2021.

The Company is not yet in full compliance with provision 38 of the Code which requires the pension contribution rates for Executive Directors to be aligned with those of the workforce. However, the pension contribution rates for Executive Directors appointed since 1 January 2020 are aligned with the workforce opportunity and the contribution rate for other Executive Directors has been reducing on a phased basis since 2020 and will be in alignment with the maximum opportunity available to other employees by April 2022.

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 121 to 123.

Board

Collectively responsible for the long-term success of the Company.

Sets the Company's purpose, values and strategy. Monitors culture. Management of strategy, leadership and risk.

Audit Committee

Oversees financial reporting

Monitors internal controls, including risk management

Monitors the impact of the COVID-19 pandemic on financial reporting

Monitors internal and external auditors

Further information can be found in the Audit Committee report on pages 101 to 104, and Principal risks and uncertainties on pages 22 to 30.

Remuneration Committee

Sets Remuneration Policy

Sets remuneration and incentives for Executive Directors and designated senior management

Approves annual performance objectives

Further information can be found in the Directors' Remuneration report on pages 106 to 120.

Nomination Committee

Recommends Board appointments

Board succession planning

Reviews Directors' skills, experience and independence

Board evaluation

Further information can be found in the Nomination Committee report on pages 98 to 100.

Board ESC Committee

Monitors implementation of ESC strategy and Net Zero Carbon Pathway

Monitors employee engagement and people matters

Further information can be found in the Board ESC Committee Report on page 105 and the Responsibility report on pages 68 to 85.

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 Management 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 Monitors progress against actions stated in Net Zero Carbon Pathway Meets at least three times a year

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, portfolio and operational management. Supports the Chief Executive in developing and 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.
General Counsel	Alison Fisher	Provides legal advice and guidance to the Board; reports on corporate services activities.

Nomination Committee report

"The Committee's main focus in 2021 has been succession planning, both for myself as Chairman, and to ensure that the Board has an appropriately diverse balance of skills, independence and experience for the future."

Henry Staunton
Chairman

22 February 2022

Matters considered by the Committee during 2021 included:

- Board and Committee composition
- Chairman succession planning
- Succession planning below Board level
- Diversity at Board level and across the Company
- Internal 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

The Committee

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 2021 and the date of this report are listed in the box below. The Nomination Committee met three times during the year, and attendance at these meetings is shown in the table on page 93.

Overview

During 2021, the Committee's work focused on consideration of the composition of Capco's Board to ensure that the Company's Directors will have an appropriately diverse balance of skills, independence and experience as we look to the future.

As reported last year, a search for an external independent appointment who will become the Company's next Chair is ongoing. It is currently anticipated that a successor will be in place to allow Henry Staunton to step down during the coming year. Henry has agreed to continue as Chairman until his successor is appointed. In considering the appointment of a new Chair, the Committee is also giving careful consideration to the skills, experience and diversity that would be appropriate for the Board to have as Capco emerges from the challenges of the pandemic. The Company expects to announce the appointment of one or more new Non-executive Directors as the year progresses.

During 2021 Charlotte Boyle stepped down as Chair of the Remuneration Committee in order to chair the newly established Board ESC Committee which oversees the management of Capco's ESC strategy; membership of that Committee was confirmed as the Chief Executive and all the independent Non-executive Directors, and Jonathan Lane took over as Chairman of the Remuneration Committee.

Diversity continues to be a focus for Capco and is high on our agenda as we seek to appoint our new Directors. We hugely value the benefits of a diverse workforce and the Board has continued to support the Company's diversity initiatives during the year. We were particularly impressed by a presentation we received during the year on the work of Real Estate Balance and its NextGen Committee.

During 2022, 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 the Company seeks to capitalise on the opportunities available as we emerge from the pandemic.

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 100.

Director recruitment

Capco operates a rigorous and transparent recruitment process for new Directors, which is summarised in the graphic on the following page. Further information on the recruitment activity during 2021 and ongoing recruitment is provided below.

Chairman succession

Henry Staunton was appointed as Chairman of the Company in 2018, having first been appointed as a Non-executive Director in 2010. In 2021, the Company reported that, although no firm decision had been taken, it would be in the best interests of shareholders for Henry Staunton to extend his tenure as Chairman until 2022, due to the challenging trading environment resulting from the COVID-19 pandemic. During 2021 the Committee, at the request of the Board, began the search for a new Chair.

A role description and person specification were prepared, and Lygon Group, who provide no other services to the Company, was engaged to identify potential successor candidates. Lygon Group was selected because the firm has undertaken director searches for the Company in the past, and has a good understanding of Capco's business.

Lygon Group has considered a diverse range of candidates and prepared a list of potential candidates which the Committee is considering. The Committee will continue to progress the search in the coming months and expects to recommend the appointment of a new Chair before the end of the year.

Board composition

As reported on page 95, the 2021 Board evaluation found that it would be beneficial for Board diversity to be improved, and that there would be benefit to expanding the Board from its current compact size. Therefore, in addition to the Chair search, and with future succession planning in mind, the Committee has engaged Lygon to conduct searches for one or more additional Non-executive Directors. These appointments will likely follow that of the Chair. A range of skills and experience that would be desirable for these appointments has been identified, and the Board is mindful of its commitment to increase its diversity over time.

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, General Counsel, 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.

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 General Counsel and Company Secretary regularly update the Board on legal and corporate governance matters, and information on 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. During the year the Chief Executive updated the Committee on succession planning across the business.

Typical Director recruitment process

Nomination Committee considers Board composition and determines desired skills and experience

A person specification is prepared

An appropriate executive search firm is appointed 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

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 charts. 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. Almost 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 FTSE Women Leaders Review.

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.

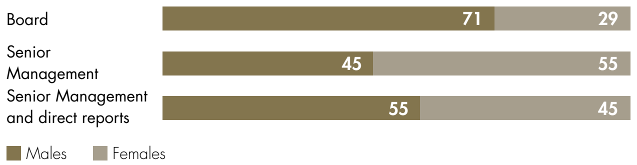
Capco supports a number of initiatives which promote diversity across the property industry, and we encourage all our employees to get involved. This year we launched a series of diversity and inclusion seminars championed by Situl Jobanputra and provided by BAME in Property, which were attended by most of our employees. 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, Women Talk Real Estate, Freehold, a networking forum for LGBT real estate professionals, and upReach, which supports university students from less advantaged backgrounds, helping them to secure career opportunities. 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 page 83.

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, strategy, investment, and commercial and financial management
Michelle McGrath	Commercial, leasing and asset management, investment and capital markets. Portfolio and operational management
Charlotte Boyle	Commercial and business leadership, with a particular focus on people, environmental and sustainability matters
Jonathan Lane	Real estate investment and commercial management
Anthony Steains	Corporate finance, Asian markets and strategy

Capco's Diversity (%)



Board ethnicity (%)

Board gender and ethnic diversity (%)

Audit Committee report

"Responsible oversight of financial reporting, internal controls and risk management procedures."

Anthony Steains, Chairman

Members:
- Anthony Steains (Chairman)
- Charlotte Boyle
- Jonathan Lane

I am pleased to introduce Capco's 2021 Audit Committee report.

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 2021. The most significant topics considered by the Committee during the year included the Group's property valuations, the ongoing impact of the COVID-19 pandemic on the Group's finances and reporting, taxation and the accounting treatment of significant or complex corporate transactions, particularly the restructuring of interest bearing loans to the Lillie Square joint venture and the change to the presentation of the income statement. 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.

PricewaterhouseCoopers LLP ("PwC") were reappointed as the Group's external auditors in 2020 following a tender process undertaken in 2019, and the 2021 audit was the second led by the current audit partner. I am pleased to report that PwC continue to provide an appropriately robust audit, with significant upfront involvement and challenge throughout the year, particularly on significant areas including accounting implications of COVID-19, including impairment of rent receivables and tenant incentives, financing structures and the going concern assessment. As a result of the continuing lockdowns, both the Capco and PwC teams were again working from home for various periods during year and so parts of the audit reviews were conducted remotely. The Committee is satisfied that despite these constraints the Company's internal controls continue to operate effectively.

Anthony Steains
Chairman

22 February 2022

The Audit Committee, reporting to the Board, monitors the integrity of the financial statements of the Group, oversees the financial reporting process, reviews significant financial reporting judgements, reviews and monitors the effectiveness of internal controls, internal audit, risk management controls and the statutory audit and monitors the independence of the statutory auditors and the provision of non-audit services.

As at 31 December 2021 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 Head of Tax, attended meetings by invitation to present reports required for the Committee to discharge its responsibilities.

The Audit Committee met three times during 2021. Attendance at these meetings is shown in the table on page 93. 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 2021.

The Audit Committee over the past 12 months

Regular meeting items	July 2021 meeting	November 2021 meeting	February 2022 meeting
Report from Group Financial Controller Accounting treatment of significant transactions Accounting standards and policies Property valuations External auditors' report Risk management review Regulatory update Internal auditor report Tax update Alternative performance measures	Interim results announcement Liquidity forecasting Going concern External auditors' report on annual audit and interim review 2021 audit plan and external auditors' engagement letter	Effectiveness and independence of external auditors Internal controls Viability statement review Corporate governance policies, Non-audit Services Policy and Committee terms of reference 2022 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 2021

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 16 on pages 158 to 160 of the notes to the financial statements.
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 were also reported by the Group Financial Controller. 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.

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 auditors in January 2020, the Committee has continued to monitor PwC's effectiveness and performance, 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 2021 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. 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

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 2021 were £522,000, of which £93,000 related to non-audit work (2020: £625,000 of which £65,000 related to non-audit work). Non-audit work during 2021 and 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 18 per cent of the total audit fees payable for the year (2020: 10 per cent). The total fees paid and payable to PwC in 2021 and 2020 are set out in the table on the next page.

Deloitte LLP acted as reporting accountants in relation to the Class 1 Circular issued during 2020.

Fees for non-audit services

	2021	2020
Total fees paid to PwC	**£522,000**	£625,000
Non-audit fees	**£93,000**	£65,000

Internal auditor

Internal audit plan

BDO LLP ("BDO") has been appointed to act as Capco's internal auditor. During 2021, BDO's audit plan included reviews of human resources and talent management, corporate governance, IT controls, contract management, payroll, service charges, business continuity and disaster recovery, financial management and budgetary control and legislative and regulatory compliance. No significant issues were raised during the reviews. During 2022, it is expected that the audit plan will include reviews of health and safety, property and investment acquisitions and disposals, employee benefits, Lillie Square estate management, commercial leasing, accounts payable, VAT, corporate tax, anti-corruption and Bribery Act and ESC.

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 Audit Committee. Accordingly, the Committee receives and considers a report from the Group Financial Controller on the Group's internal controls relating to risks, including the operation of the Group's risk management framework, collation of the Group risk register and the various matters considered by the Executive Risk Committee. The Committee also reviews the proposed principal risk disclosures before they are approved by the Board.

A description of the Group risk management framework and the review undertaken during the year is set out on page 22.

Viability statement

As part of its work in reviewing the Group's financial statements, the Committee reviews 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 pages 31 to 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 Group risk management framework and sets formal requirements 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.

Fair, balanced and understandable

Prior to the approval of the Annual Report & Accounts, the Audit Committee considers the matters reviewed during the year and the Group's principal risks, and makes a recommendation to the Board that, taken as a whole, the Annual Report & Accounts are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Board ESC Committee report

"The Committee oversees Capco's ESC activities, which underpin the Group's strategic priorities."

Charlotte Boyle, Chair

Matters considered by the Committee during 2021 included:

– ESC strategy
– Sustainability activities
– Community initiatives
– Net Zero Carbon Pathway
– TCFD disclosures
– People policies
– Employee engagement survey
– Employee benefits
– Well-being initiatives
– Diversity training
– Charitable donations

Members:

– Charlotte Boyle (Chair)
– Ian Hawksworth
– Jonathan Lane
– Henry Staunton
– Anthony Steains

I am pleased to introduce the Board ESC Committee report.

Responsible stewardship is a key strategic priority for Capco, and we aim to make Covent Garden a UK leader in sustainability for heritage environments by delivering environmental and social outcomes that enhance value for stakeholders while protecting the unique character and heritage of the estate. In support of this aspiration, the Board Environment, Sustainability and Community ("ESC") Committee has been established to oversee the Company's ESC activities on behalf of the Board.

The Company launched its new ESC strategy during 2021. The main areas of focus for the Committee during the year are explained below. The Company's full Responsibility report can be found on pages 68 to 85.

Committee

The Committee is chaired by Charlotte Boyle, and its membership includes the Company Chairman, Chief Executive and all the independent Non-executive Directors. In addition, the other Executive Directors, Director of Sustainability and Technology and Company Secretary are invited to attend the Committee's meetings, and external advisers will join meetings to contribute as required.

The remit of the Committee includes oversight of sustainability and environmental management across Capco's assets and business areas, the Company's carbon reduction commitment, certain people-related matters, community engagement, Capco's community support fund and charitable donations.

Oversight

At the beginning of 2021, the Company launched its new ESC strategy which sets out Capco's vision for the future, focusing on the themes of Environment & Sustainability and Community & People. The strategy is underpinned by four pillars which align with UN Sustainable Development Goals. The Committee receives regular updates from the Director of Sustainability and Technology and the ESC Management Committee on progress made against the Company's strategic commitments, and implementation of ESC activities across the business.

Net Zero Carbon

Capco's Net Zero Carbon Pathway, under which Capco has committed to becoming Net Zero Carbon as a business by 2030, was prepared and published during 2021. The Committee received regular updates during the preparation of the Pathway and scrutinised the final document before recommending it to the Board for approval.

TCFD

Before they were approved by the Board, the Committee reviewed Capco's TCFD disclosures to ensure that they accurately reflected the Company's approach to the management and reporting of climate-related risks and opportunities.

People

As part of its oversight of people-related matters, other than remuneration, the Committee reviews Capco's people policies on an annual basis on behalf of the Board to ensure that they remain appropriate and are aligned with the Company's culture and values. The Committee also received updates during the year on the results of the employee engagement survey, benchmarking of the Group's employee benefits, diversity training provided to employees and the well-being initiatives promoted by the business.

Outlook

Over the coming year, the Committee will continue to monitor ESC progress and achievements closely, reporting to the Board on successes and where additional action may be required. A key part of this will be considering actions proposed as the Company begins to implement the Net Zero Carbon Pathway and ensuring the governance framework supporting its implementation remains effective.

Charlotte Boyle
Chair of the Board ESC Committee

22 February 2022

Directors' Remuneration report

"Remuneration for 2021 reflects the proactive management positioning the business for recovery and growth."

Jonathan Lane OBE, Chairman

Matters considered by the committee during 2021 included:

- Executive Director and senior management remuneration
- Engagement with shareholders
- 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
- Legislative and regulatory developments
- Investor body guidelines
- 2021 Directors' Remuneration report
- Committee terms of reference
- Chairman's remuneration
- Chairman's and Chief Executive's expenses
- Institutional investor voting reports and voting at 2021 AGM

Members:

- Jonathan Lane (Chairman)
- Charlotte Boyle
- Henry Staunton
- Anthony Steains

Annual Statement

Dear Shareholder,

I am pleased to introduce the Directors' Remuneration report.

Following the significant challenges of 2020, 2021 saw stronger financial performance, delivering total shareholder return for the year of 16.5 per cent, reflecting the proactive approaches taken throughout the pandemic to ensure that Capco retained a strong balance sheet and that the Covent Garden estate remained well-occupied and ready to welcome visitors as the market recovered.

Capco did not take any direct government support during the pandemic and did not make use of the government's furlough scheme. No employees were made redundant as a result of the pandemic, and the Company did not reduce any employee salaries. Recognising the efforts and commitments of our employees during the pandemic the Company paid moderate bonuses to employees in respect of 2020. However, in recognition of the impact of the pandemic on shareholder returns, the Committee did not award annual bonuses in respect of 2020 or salary increases to the Company's Executive Directors last year, despite their excellent individual performance. The fees paid to the Chairman and Non-executive Directors were also not increased last year and no increases are proposed for the coming year.

The Committee seeks to ensure that Executive Director remuneration is appropriately motivating and retentive, and aligned with the shareholder experience. Reflecting the strong financial performance during the year, the Committee has made annual bonus awards and salary increases to the Executive Directors in respect of 2021. Full details of the main remuneration decisions taken by the Committee are set out below.

Performance measurement in 2021 and variable remuneration outcomes

2021 Annual bonus

The Company performed strongly during 2021 as the recovery from the impact of the pandemic began and the positive effects of the assistance provided by the business to support the Company's customers began to emerge. Positive shareholder returns under which NTA per share increased by 0.3p to 212.4p, and underlying EPS of 0.5p resulted in a payout of 66.7 per cent under the annual bonus financial targets.

The non-financial targets were assessed at 95 per cent, reflecting the achievement by each of the Executive Directors of strategic, financial, ESC and operational goals. Overall bonuses of 111 per cent of salary were awarded to the Executive Directors. Forty per cent of each bonus award will be deferred for three years in shares.

2019 PSP awards

The performance targets for the Performance Share Plan awards granted in 2019 are not expected to be met, and so these awards are expected to lapse entirely.

Executive Director remuneration in 2022

When setting Executive Director remuneration, the Committee considers a range of factors, including market comparators, personal and individual performance and employee remuneration across the business.

Employees

The remuneration structure for Capco's employees mirrors that of the Executive Directors, with employees being eligible for a discretionary bonus and PSP awards as well as their salary, pension and employee benefits. The Committee does not engage directly with the workforce, but receives regular updates on employee remuneration from the Chief Executive, and the Board as a whole received a briefing on the results of the Company's employee engagement survey. You can read more about our employee benefits on page 82.

This year, the average salary increase for employees (excluding promotions) below the Board was 4.9 per cent, reflecting current inflationary wage pressures in the market. All eligible employees will receive annual bonuses and share awards.

In addition, recognising the importance of saving for the future, the maximum employer pension contribution under the Company's defined contribution pension scheme will increase from 15 per cent of salary to 17.5 per cent with effect from 1 April 2022.

Salary review

The base salaries of Ian Hawksworth and Situl Jobanputra will be increased by 4.9 per cent, which is in line with the average salary increase awarded to the Group's employees, to £671,500 and £446,000 respectively. Michelle McGrath's salary on appointment to the Board was set at a discount to the market level recognising her promotion from within the Capco senior management team. Since then, she has progressed in her role and the Committee intends to continue to recognise this progression in her salary over time. From 1 April 2022, Michelle McGrath's salary will be increased by 3.8 per cent, in addition to the 4.9 per cent increase received by the other Executive Directors, to £375,000.

Annual bonus

The annual bonus opportunity for 2022 will remain at 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 2022 continue to include a significant emphasis on ESC matters, reflecting Capco's focus on these areas and aligning with Capco's new ESC strategy.

Pension contributions

As previously committed, the employer pension contributions for the Chief Executive and Chief Financial Officer were reduced from 24 per cent of salary to 20 per cent of salary in 2021, and will be further reduced to align with the maximum employer pension contribution for employees in April 2022. Following the increase in the maximum employer pension contribution for employees to 17.5 per cent of salary, all the Executive Directors will receive this rate from 1 April 2022.

PSP awards

PSP awards of 300 per cent of salary will be made to each Executive Director. The performance conditions that apply to the awards will be the same as in previous years.

Benefits

Benefits will continue to operate as in prior years. To equalise her benefits with those of the other Executive Directors, Michelle McGrath will also receive a car allowance from 1 April 2022.

ESC

As mentioned above, each of the Executive Director's non-financial performance targets include ESC targets which are aligned with the Company's ESC strategy. This year the weighting of the ESC targets within the annual bonus has been increased to 30 per cent of the non-financial measures. The Committee has concluded that it is premature to include additional ESC measures within the Company's remuneration structure at this time. The Committee believes that it is important that the Company's Executive remuneration reflects its ESC commitments, and will be considering how ESC targets can be further incorporated into the remuneration structure as it reviews and consults with shareholders on the Company's Remuneration Policy over the course of the coming year.

Conclusion

As the Company's 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. I encourage shareholders to support the operation of the Remuneration Policy, as explained within this report, at our forthcoming AGM.

Jonathan Lane OBE
Chair

22 February 2022

Supporting clarity, simplicity, proportionality, and predictability and ensuring risk mitigation and alignment to culture

The table below explains how both the current Remuneration Policy, and the Committee's practice in applying the Policy over the year under review, address the factors set out in Provision 40 of the UK Corporate Governance Code:

Clarity	Simplicity	Risk
– Clarity and transparency is achieved through a combination of explanations for decisions taken and disclosure of the nature and weighting of annual bonus and PSP performance measures. – The Remuneration Policy and its implementation look to support the wider Capco business strategy.	– Achieved by Executive Directors' remuneration being composed of a limited number of elements designed to balance the retention and incentivisation of Executive Directors with the delivery of strategy and shareholder returns. – Executive Director remuneration is composed of only four elements: base salary, pension and other benefits, annual bonus and PSP.	– A range of features of Executive Directors' remuneration assist in mitigating the risks of excessive rewards and inappropriate behaviour. – Executive Directors are expected to build a material shareholding which must be maintained for a period following departure, which aligns them with the long-term interests of Capco.

Predictability	Proportionality	Alignment to culture
– Some of the same features of Executive Directors' remuneration arrangements that mitigate risk also ensure that outcomes are within a predictable range. – Shareholders are provided with potential values which can be awarded to Executive Directors under the annual bonus and PSP.	– Achieved through strong links between Executive Directors' remuneration and corporate performance.	– Achieved through strong links between Executive Directors' remuneration and Capco's values: – Collegiate, supportive and inclusive – Environmentally and socially responsible – High performance and entrepreneurial – Innovative and creative – Professional: We act with integrity and hold ourselves to the highest standards

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 2022 are set out within the Annual Report on Remuneration, which starts on page 109.

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.

Element of remuneration	Operation and performance metrics
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. The maximum grant which may be made to participants as awards or nil-cost options is now 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 ("TR") – 50 per cent on relative Total Shareholder Return ("TSR") 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, which may be 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 from 1 April 2022 will be 17.5 per cent of salary). The pension contribution for Executive Directors appointed before the 2017 AGM reduced from 24 per cent to 20 per cent in 2021 and will reduce to 17.5 per cent from April 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 throughout 2021 and as at the date of this report is set out on page 106. In addition, the Chief Executive, Company Secretary and the Committee's remuneration adviser, Korn Ferry, 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 six meetings held during the year is shown in the table on page 93 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 106. 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 Statement of implementation of policy for 2022

Salary

The Executive Directors' salaries are reviewed annually. In 2022, the salaries of two of the Executive Directors will be increased by approximately 4.9 per cent, which is in line with the general increase being made to Group employee salaries (disregarding promotions). In addition to the 4.9 per cent increase, Michelle McGrath will also receive a 3.8 per cent increase to recognise her progression in role since promotion to the Board in 2020. The salaries for the Executive Directors are set out in the table below:

Executive Director salaries – 2021 and 2022

	2022	2021	% increase
Ian Hawksworth	**£671,500**	£640,000	**4.9**
Situl Jobanputra	**£446,000**	£425,000	**4.9**
Michelle McGrath	**£375,000**	£345,000	**8.7**

Pension and benefits

As described in the Remuneration Policy summary table on page 109.

Annual bonus

Opportunity

The annual bonus opportunity will remain unchanged for 2022. As explained in the Chair's letter on page 106, 40 per cent of the whole amount of any bonus awarded will be deferred into shares for three years.

Performance conditions

In common with previous years, the financial performance targets for the year ending 31 December 2022 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 2021, are shown in the table below. The relative weighting of financial and individual performance measures will also remain unchanged. Individual non-financial targets are set for each Executive Director.

Performance targets

The TPR target is included in the Company's KPIs on page 20. 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, or non-financial performance 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 pages 20 and 21.

2022 annual bonus 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 (Audited)

PSP awards of 300 per cent of 2022 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 2021 awards were made. The performance conditions and comparator group that will apply to these awards, and apply to the awards made since 2019, are set out in the tables below.

TR and TSR comparator group for PSP awards

- For awards made since 2021, the comparator group is the 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, Shaftesbury and Workspace

Performance conditions for PSP awards

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

Use of market purchased shares

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 2022 will be settled using shares purchased in the market.

Chairman and Non-executive Director remuneration

The Committee reviews the Chairman's fee and the remuneration of the Non-executive Directors is considered by the Chairman and the Chief Executive. The fees paid to the Chairman and Non-executive Directors are reviewed annually, although fees may not be increased every year. No increase was awarded for 2021, and following the 2021 reviews, it was agreed that no increase would be awarded for 2022. The Chairman's annual base fee for 2021 and 2022 is £284,000.

Non-executive Director fees for 2021 and 2022

	2022	2021	% increase
Basic fee	**£55,000**	£55,000	–
Committee member (except Nomination Committee)	**£7,000**	£7,000	–
Committee member (Nomination Committee)	**£6,200**	£6,200	–
Committee Chairman (except Nomination Committee)	**£16,600**	£16,600	–
Senior Independent Director	**£13,400**	£13,400	–

2.3 Single figure of remuneration

The table below shows the single figures of total remuneration paid to each Director in 2021 and 2020. The charts in Figure 1 on page 113 illustrate the contribution that each element of remuneration made to the total remuneration of the Executive Directors.

Single figure of remuneration 2021 and 2020 (Audited)

Executive Directors

	Fixed remuneration			Performance-related remuneration			Total remuneration		
				Single-year variable (annual bonus)[5]					
£000	Base salary[2]	Taxable benefits[3]	Pension-related benefits[4]	Cash	Deferred into shares	Multiple-year variable[6] (long-term)	Total fixed	Total performance-related	Total
2021									
Ian Hawksworth	**640**	**28**	**134**	**425**	**283**	**–**	**802**	**708**	**1,510**
Situl Jobanputra	**425**	**24**	**89**	**282**	**188**	**–**	**538**	**470**	**1,008**
Michelle McGrath[1]	**347**	**3**	**52**	**229**	**153**	**–**	**402**	**382**	**784**
2020									
Ian Hawksworth	635	26	152	–	–	–	813	–	813
Situl Jobanputra	418	25	100	–	–	–	543	–	543
Michelle McGrath[1]	288	2	29	–	–	–	319	–	319

Chairman and Non-executive Directors

	2021			2020		
£000	**Fees**	**Taxable benefits[7]**	**Total remuneration**	Fees	Taxable benefits[7]	Total remuneration
Henry Staunton	**284**	**17**	**301**	281	15	296
Charlotte Boyle	**85**	**–**	**85**	84	–	84
Jonathan Lane	**82**	**–**	**82**	72	–	72
Anthony Steains	**98**	**–**	**98**	88	8	96

1. Appointed on 26 February 2020.
2. The salary figure for Michelle McGrath includes approximately six weeks' maternity pay calculated on a weekly basis, as required by HMRC.
3. Comprises medical insurance and car allowance and/or benefit in kind value of company car, where applicable.
4. Comprises pension contributions or payments in lieu of pension contributions.
5. 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 2021, 40 per cent of the bonus was deferred in Capco shares.
6. The 2021 disclosure for Executive Directors comprises the estimated value on maturity of the 2019 PSP awards which had a performance period that ran from 2019 to 2021, and were expected to vest in early 2022. These awards are included in the 2021 single figure as the performance conditions relating to these awards had been substantially (but not fully) completed during 2021. The disclosure was calculated assuming that zero per cent of the PSP awards would vest. The 2018 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.
7. 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.

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 2021 single figures (%)

Composition of 2020 single figures (%)

2.4 Annual bonus outcomes for 2021

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 2021 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 2021, which are set out in the table on page 115, were based on 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 20 of the Annual Report. A summary of Directors' personal objectives is set out on page 114.

Outcome of 2021 annual bonus performance measures (Audited)

Outcome of financial measures: The Company's performance for the year ended 31 December 2021 exceeded the maximum performance targets for NTA and EPS performance. Accordingly, awards were made to the Executive Directors in respect of these financial performance measures. The threshold performance target for TPR was not met.

Outcome of non-financial measures: The Committee considered the performance of each Executive Director against the personal targets set for 2021. The Committee concluded that all three Executive Directors had performed exceptionally well, taking early action to position Covent Garden strongly for recovery, leading the business throughout the year, protecting the interests of the Company and its stakeholders, and successfully implementing a number of operational, financial and strategic objectives. This performance means that each Executive Director has been awarded a bonus in respect of the non-financial target element (under which up to 37.5 per cent of salary is payable).

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

Summary of Executive Directors' annual bonuses (Audited)

	2021			2020		
Executive Director	**Cash**	**Deferred Shares**	**Total**	Cash	Deferred Shares	Total
Ian Hawksworth	**£424,800**	**£283,200**	**£708,000**	–	–	–
Situl Jobanputra	**£282,094**	**£188,062**	**£470,156**	–	–	–
Michelle McGrath	**£228,994**	**£152,662**	**£381,656**	–	–	–

Outcomes of 2021 financial objectives

	Measure			
	Absolute NTA (25/75)	Relative TPR (25/75)	Underlying EPS (25/75)	**Total**
Ian Hawksworth	25/25	0/25	25/25	**50/75**
Situl Jobanputra	25/25	0/25	25/25	**50/75**
Michelle McGrath	25/25	0/25	25/25	**50/75**

Outcomes of 2021 annual bonus non-financial objectives

	Area of focus				
	Corporate	Financial	Commercial/ Transactions	People/ESC/ Organisational	**Total**
Ian Hawksworth	7.5/7.5	4.5/5.0	7.25/7.5	4.5/5.0	**23.75/25**
Situl Jobanputra	5.0/5.0	9.5/10.0	5.0/5.0	4.25/5.0	**23.75/25**
Michelle McGrath	2.5/2.5	3.25/3.75	12.5/12.5	5.5/6.25	**23.75/25**

Corporate
- Ran extensive investor relations programme to promote Capco as a leading central London REIT
- Management of investment in Shaftesbury PLC

Financial
- Managed debt covenant and liquidity position effectively through the pandemic period
- Undertook successful refinancing of the Covent Garden revolving credit facility and transition to SONIA for banking and hedging arrangements
- Undertook appropriate capital management and review of financing alternatives
- Delivered improved rent collection rates
- Delivered additional cost efficiencies, including further Group simplification
- Repaid Lillie Square debt facility

Commercial/Transactions
- Completed 60 new leases and renewals reflecting £11 million of contracted income
- Implemented phased tenant support framework
- Delivered successful openings across the estate
- Undertook strategic property disposals totalling £95 million
- Completion of the sale of 25 units at Lillie Square totalling £47 million gross proceeds
- High occupancy levels maintained across the estate with EPRA vacancy 2.6 per cent at 31 December 2021

People/ESC/Organisational
- Ensured continued health and safety of employees, tenants and visitors during COVID-19 pandemic
- Developed and published Net Zero Carbon Pathway
- Delivered extended al fresco dining and pedestrianisation of additional streets across the estate
- Ensured effective and secure remote working and COVID-safe return to the office
- Launched employee engagement survey and working groups to consider matters highlighted in the survey
- Promoted wide range of initiatives across the business to promote diversity, inclusion and well-being
- Implemented successful strategic marketing programme including cultural events, pop-ups and digital engagement, driving estate footfall primarily driven by domestic visitors and Londoners

Disclosure of 2021 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 2021 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.

2021 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%	173p	200p	212.4p	100%
Relative Total Property Return	33.33%	0	1.5% outperformance	-18.4% underperformance	0%
Underlying Earnings per Share	33.33%	(0.65)p	(0.5)p	0.5p	100%

2.5 Long-term incentive outcomes for 2021 (Audited)

In 2019, awards of 350 per cent of salary were made to Executive Directors under the Company's Performance Share Plan ("PSP"). The awards were subject to relative TR and relative TSR performance conditions over a performance period of 2019-2021. In early 2022, the Committee determined that Capco's TR and TSR were each not expected to equal the median of the comparator group vs an outperformance target of upper quartile performance, and as such the performance conditions relating to the 2019 PSP awards had not been met. Accordingly, the 2019 PSP awards are expected to lapse, and no value has been included in the single figure disclosures in respect of these awards.

Performance measure	Weighting	Threshold performance target (25 per cent)	Maximum performance target (100 per cent)	Expected performance	Estimated vesting percentage
Relative TR	50%	Median	Upper quartile	25th percentile	0%
Relative TSR	50%	Median	Upper quartile	25th percentile	0%

2.6 Scheme interests awarded during the financial year (audited)

The 2021 PSP awards are set out in the table below. The awards are subject to the performance measures set out on pages 110 and 111.

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[3]	Post-vesting holding period	Threshold vesting %[4]	Exercisable between
Ian Hawksworth	300 per cent of salary	167.96p	Nil	£1,919,999	1,143,129	2021–2023	2024–2025	12.5%	2024–2031
Situl Jobanputra	300 per cent of salary	167.96p	Nil	£1,274,999	759,109	2021–2023	2024–2025	12.5%	2024–2031
Michelle McGrath	300 per cent of salary	167.96p	Nil	£1,034,999	616,218	2021–2023	2024–2025	12.5%	2024–2031

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. The performance period runs from 1 January 2021 to 31 December 2023.
4. Assumes threshold vesting under one performance condition for annual PSP awards.

2.7 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 2021.

2.8 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 2021
Charlotte Boyle	1 October 2017	11 May 2021	6 months
Jonathan Lane	1 March 2019	11 May 2021	6 months
Henry Staunton	2 June 2010	11 May 2021	6 months
Anthony Steains	1 March 2016	11 May 2021	6 months

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

2.9 Total pension entitlement (Audited)

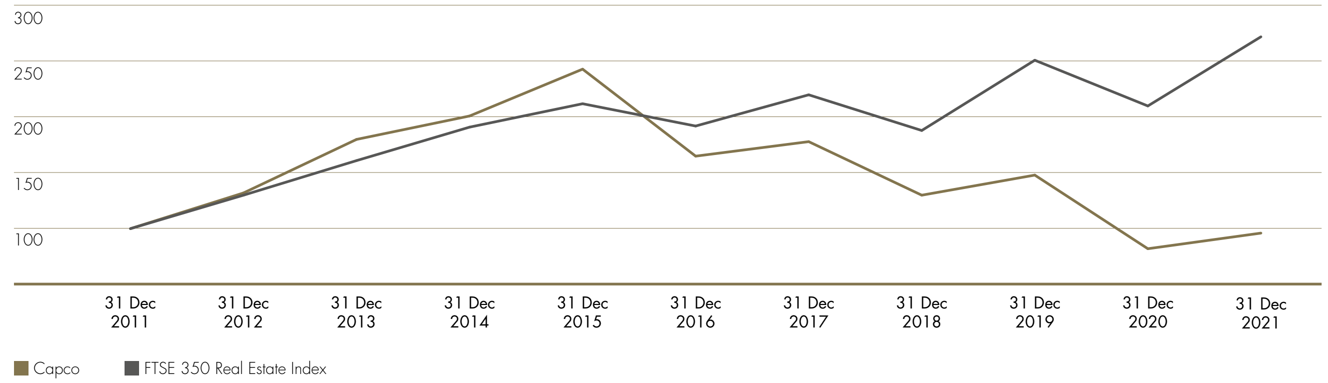
No Director participates in or has a deferred benefit under a defined benefit pension scheme.

2.10 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 2021 of £100 invested in Capital & Counties Properties PLC on 1 January 2012, 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
Single figure £000	8,968	3,530	3,396	3,275	918	1,307	991	1,566	813	**1,510**
Annual bonus % of max	95	94.67	96.73	91.25	21.25	61.60	23.75	83.33	0	**73.75**
MSP vesting % of max	100	100	93.1	40 or 80[1]	0	0	0	N/A	N/A	**N/A**
PSP vesting % of max	100	100	93.1	60	0	0	0	0	0	**0**

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

2.11 Percentage change in remuneration of Directors and employees

The table below shows the year-on-year percentage change in the remuneration for the years ended 31 December 2021 and 31 December 2020 of each Director compared with the average percentage change in remuneration for Capco employees.

	Salary/Fees		Benefits		Annual bonus	
	2021	2020	**2021[2]**	2020	**2021[3]**	2020
Executive Directors						
Ian Hawksworth	**0.79**	2.92	**7.69**	–	**N/A**	-100
Situl Jobanputra	**1.67**	7.18	**-4.00**	4.17	**N/A**	-100
Michelle McGrath[1]	**20.49**	N/A	**50.00**	N/A	**N/A**	N/A
Non-executive Directors						
Henry Staunton	**1.07**	2.55	**13.33**	25.0	**N/A**	N/A
Charlotte Boyle	**1.19**	1.20	**N/A**	N/A	**N/A**	N/A
Jonathan Lane[4]	**13.89**	30.91	**N/A**	N/A	**N/A**	N/A
Anthony Steains[4]	**11.36**	35.28	**-100.00**	-80.49	**N/A**	N/A
Average employee[5, 6]	**4.63**	4.94	**30.51**	12.34	**54.18**	-69.47

1. Appointed to Board on 26 February 2020. Change in salary reflects inclusion of full year's service for 2021.
2. Changes to benefits primarily reflect increased costs of health insurance and reduced travel expenses resulting from virtual Board meetings. Due to the relatively small values of these amounts, small absolute increases can result in large percentage changes.
3. The Executive Directors were not awarded bonuses in 2020 and so it is not possible to provide a percentage increase for 2021.
4. Increases in fees reflect the appointment of Anthony Steains as Senior Independent Director during 2020 and Jonathan Lane as Chairman of the Remuneration Committee during 2021.
5. 2021 increases reflect increased costs of health insurance and larger bonus awards made to employees in 2021.
6. 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 2020 and 31 December 2021, and has been calculated on a full-time equivalent basis. The Directors are excluded from the employee figures.

2.12 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 calculations are those employed by the Group at each year end, on a FTE basis. The remuneration figures for employees other than Executive Directors have been calculated using salaries payable from the April of the relevant year. The figure for Executive Directors' remuneration is the single figure of remuneration for each financial year.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Modified option A	23.9:1	14.2:1	9.5:1
2020	Modified option A	14.4:1	7.9:1	6.0:1

The remuneration used to calculate the 2021 pay ratios is set out below.

	Chief Executive £000	25th percentile £000	Median £000	75th percentile £000
Base salary	640	46	74	103
Total remuneration	1,510	63	106	158

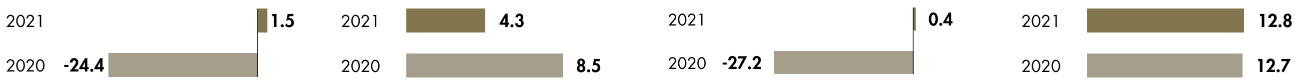
The Chief Executive's total remuneration for 2021 does not include any payment from the PSP. In years when PSP awards vest the pay ratios may be significantly greater than those for 2021, due to the relative weighting of variable remuneration for Executive Directors. In addition, due to the Group's relatively small number of employees, the ratios calculated may vary between years as a result of employees joining or leaving the Company.

2.13 Distribution statement

The bar 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 2020 and 31 December 2021, and the year-on-year 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 20. Accordingly, bar graphs showing Capco's one-year TPR and TR are also included.

Figure 3

Total property return (%) | Dividends (£m) | Total return (%) | Employee costs (£m)



Year-on-year change

+25.9% | **-£4.2m** | **+27.6%** | **+0.1m**

2.14 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 2021 and 22 February 2022, 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). There is a post-cessation shareholding requirement 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.

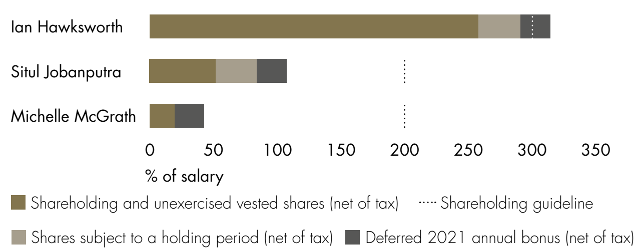
The current shareholdings of the Executive Directors, and their value based on a share price of 168.4 pence, being the price of a Capital & Counties Properties PLC share on 31 December 2021, are illustrated in the table below. The shares which are included in these holdings are those held beneficially 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. All the shares held by the Chief Financial Officer and Executive Director were purchased in the market, as no share awards have vested since they joined the Company.

Directors' shareholdings (including connected persons) – 2021 and 2020 (Audited)

	2021 Number	2020 Number
Chairman		
Henry Staunton	**350,000**	350,000
Executive		
Ian Hawksworth[1]	**909,492**	909,492
Situl Jobanputra[1]	**100,000**	100,000
Michelle McGrath[1,2]	**40,000**	40,000
Non-executive		
Charlotte Boyle	**15,052**	15,052
Jonathan Lane	**250,000**	250,000
Anthony Steains	**–**	–

1. Excludes deferred bonus awards.
2. Appointed to the Board on 26 February 2020.

Figure 4:
Value of Executive Director shareholdings and share interests as at 31 December 2021 (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	–	3,153,203	4,431,548
Situl Jobanputra	100,000	211,436	–	2,069,720	2,381,156
Michelle McGrath	40,000	–	–	1,345,337	1,385,337
Total	**1,049,492**	**580,289**	**–**	**6,568,260**	**8,198,041**

Outstanding awards made under PSP

a) Annual PSP awards[1]

Name	Year granted	Option price (pence) if any	Held at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2021	Exercisable during or between
Ian Hawksworth	2018[2]	Nil	789,483	–	–	789,483	–	–
	2019[2]	Nil	897,584	–	–	–	897,584	2022–2029
	2020[2]	Nil	1,112,490	–	–	–	1,112,490	2023–2030
	2021[2]	Nil	–	1,143,129	–	–	1,143,129	2024–2031
Situl Jobanputra	2018[2]	Nil	486,111	–	–	486,111	–	–
	2019[2]	Nil	571,848	–	–	–	571,848	2022–2029
	2020[2]	Nil	738,763	–	–	–	738,763	2023–2030
	2021[2]	Nil	–	759,109	–	–	759,109	2024–2031
Michelle McGrath	2018	Nil	148,643	–	–	148,643	–	–
	2019	241.76	12,409	–	–	–	12,409	2022–2029
	2019	Nil	202,680	–	–	–	202,680	2022–2029
	2020[2]	Nil	514,030	–	–	–	514,030	2023–2030
	2021[2]	Nil	–	616,218	–	–	616,218	2024–2031
Total			**5,474,041**	**2,518,456**	–	**1,424,237**	**6,568,260**	

1. Subject to performance conditions that apply to awards made under the PSP as set out on pages 110 and 111.
2. Subject to a two-year post-vesting holding period.

b) Deferred bonus awards

Name	Year granted	Option price (pence) if any	Held at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Held at 31 December 2021	Exercisable during or between
Ian Hawksworth	2017[1]	Nil	29,528	–	–	–	29,528	2020–2027
	2018[1]	Nil	102,153	–	–	–	102,153	2021–2028
	2019	Nil	44,722	–	–	–	44,722	2022–2029
	2020	Nil	192,450	–	–	–	192,450	2023–2030
Situl Jobanputra	2018[1]	Nil	58,289	–	–	–	58,289	2021–2028
	2019	Nil	28,986	–	–	–	28,986	2022–2029
	2020	Nil	124,161	–	–	–	124,161	2023–2030
Total			**580,289**	–	–	–	**580,289**	

1. Vested but unexercised.

The market price of Capital & Counties Properties PLC shares on 31 December 2021 (being the last day for trading during the year) was 168.4 pence and during the year the price varied between 186.3 pence and 129.4 pence. No Executive Directors exercised share options during the year and so the aggregate gain on exercise of share options was nil.

2.15 Remuneration Committee adviser

The Committee appointed Korn Ferry as its independent remuneration adviser in 2020, following a competitive process. During the year, the Committee received advice on matters including remuneration structure, incentive design and target-setting from its advisers. Korn Ferry is a member of the Remuneration Consultants Group and adheres to its code of conduct. The Committee has received confirmation of independence from 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 2021, the Company was charged a total of £57,425 by Korn Ferry in respect of advice to the Committee. Fees were charged on a time basis.

2.16 Statement of shareholder voting

The table below shows the results of the advisory vote on the 2020 Directors' Remuneration Report at the 2021 AGM and the binding vote on the current Remuneration Policy at the 2020 AGM.

Voting on Remuneration Policy and Remuneration Report at 2020 and 2021 AGMs

Year		Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
2021	Approval of Remuneration Report	641,795,381	94.12	40,093,171	5.88	681,888,552	5,125,267
2020	Approval of Remuneration Policy	491,278,465	70.41	206,419,016	29.59	697,697,481	5,337,096

This Remuneration report has been approved for issue by the Board of Directors on 22 February 2022.

Jonathan Lane OBE

Chairman of the Remuneration Committee

Directors' report

The Directors present their Annual Report and the audited consolidated financial statements for the year ended 31 December 2021.

Additional disclosures

Certain Directors' Report disclosures, including a number of those required under the Companies Act 2006, Listing Rules and Disclosure and Transparency Rules, have been incorporated into this Directors' Report by reference and can be found within the following sections of the Annual Report:

Company's listings

The Company has a primary and premium listing on the London Stock Exchange main market 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
Non-executive Directors:	Charlotte Boyle Jonathan Lane Anthony Steains

Biographies of each current Director can be found on pages 90 and 91 and details of each Director's interests in the Company's shares are set out on page 119.

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 2022 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

The Directors have proposed the following dividends:

Interim dividend paid on 23 September 2021	0.5p per ordinary share
Proposed final dividend to be paid on 8 July 2022	1.0p per ordinary share
Total proposed dividend for 2021	1.5p per ordinary share

The proposed final dividend will be paid on 8 July 2022 to shareholders whose names are on the register at 10 June 2022. The interim dividend was split equally between a Property Income Distribution ("PID") and non-PID. The proposed final dividend will also be split equally.

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
Legal & General Group Plc, Legal & General Investment Management (Holdings) Limited	43,488,953	5.10%	Indirect interest	7 October 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

Capital structure

Details of the Company's issued ordinary share capital, including details of movements in the issued share capital during the year, and authorities to issue or repurchase shares are shown in note 29 to the financial statements on page 176. Each share carries the right to one vote at general meetings of the Company. No shares were repurchased by the Company during the year.

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 27 on pages 168 to 174.

Change of control provisions

There are a number of agreements which (should consent not be obtained from the counterparty to a change of control) alter or terminate upon a change of control of the Company. The £300 million Covent Garden facility, the Covent Garden £150 million, £175 million and £225 million loan notes and the £125 million secured loan provide that outstanding facilities are required to be repaid on a change of control. The £275 million exchangeable bonds due 2026 provide a bondholder right of early redemption on a change of control, subject to certain exceptions. 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 to the Financial Conduct Authority and disclosed in accordance with Disclosure and Transparency Rule 5, as at 22 February 2022, are shown in the table above.

Corporate governance statement

The information fulfilling the requirements of the corporate governance statement can be found on pages 86 to 120, 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 17, 34, 38, 39, 68, 81 to 83, 85, 88, 94 and 105 and in note 7 on page 152.

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 on principal decisions taken by the Company is set out in our Stakeholder engagement section on pages 33 to 37 of this report. Further information related to engagement with various stakeholders during the year can be found on pages 10, 16, 17, 19, 48, 52 and 79 to 83.

The environment

Details of the Group's Environment, Sustainability and Community ("ESC") strategy and its aims and activities are set out on pages 68 to 85 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	153
Non-pre-emptive issue of equity	176
Interests in significant contracts	178

Going concern

As set out on page 32, 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 & 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.

Events after the reporting period

Details of events after the reporting period can be found in note 36 of the financial statements on page 181.

Annual General Meeting

The 2022 Annual General Meeting of the Company will be held on 28 June 2022. The Notice of Meeting will contain the specific details, and, together with an explanation of the business to be dealt with at the meeting, is included as a separate document sent to shareholders via electronic or hard copy means dependent on their election. The Notice of Meeting will be issued to shareholders at least 20 working days before the meeting, and will also be made available on the Company's website. Shareholders are requested to check the Company's website for the latest details concerning the 2022 AGM.

By Order of the Board.

Ruth Pavey
Company Secretary

22 February 2022

Directors' responsibilities

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts 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 UK-adopted international accounting standards and in accordance with International Financial Reporting Standards. 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether for the Group and Company, UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit/(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 133 to 188 were approved by the Board of Directors on 22 February 2022 and signed on its behalf by:

Ian Hawksworth
Chief Executive

Situl Jobanputra
Chief Financial Officer

Independent Auditors' Report to the Members of Capital & Counties Properties PLC

Report on the audit of the financial statements

Opinion

In our opinion, Capital & Counties Properties PLC 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 2021 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 2021 (the "Annual Report"), which comprise: the consolidated and Company balance sheets as at 31 December 2021; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company Statements of changes in equity and the consolidated and Company statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

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.

Other than those disclosed in note 7, we have provided no non-audit services to the Company or its controlled undertakings 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) – Valuation of investments in Group companies (Company)
Materiality	– Overall Group materiality: £27.9 million (2020: £29.1 million) based on 1 per cent of total assets – Overall Company Materiality: £23.1 million (2020: £23.2 million) based on 1 per cent of total assets – Performance materiality: £20.9 million (2020: £21.8 million) (Group) and £17.3 million (2020: £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.

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.

Valuation of investments in Group companies and amounts owed by subsidiaries (Company) is a new key audit matter this year. Going concern, accounting for Shaftesbury related transactions and COVID-19, which were key audit matters last year, are not included because they are no longer considered material items in the context of the Group audit or they have been considered within other Key Audit Matters. 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 note 16 to the financial statements.

The valuation of the Group's investment and development property is the key component of the net asset value and is also significant in the context of 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 £9.9 million (2020: loss of £692.2 million) as set out in note 16, 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, F&B, office and residential) as well as development property located in central London, are not uniform in nature.

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.

How our audit addressed the key audit matter

Assessing the valuers' expertise and objectivity

The valuers are well known and established firms and were engaged by the Directors, in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards ("RICS"). 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 the ongoing COVID-19 pandemic 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

Valuation of investment and development property (Group) continued

There is also growing scrutiny on the valuation of assets given the potential impact of the climate change agenda. Therefore in planning our audit we made inquiries to understand the extent of the potential impact of climate change risk on the Group's financial statements. Management considers that the impact of climate change does not have a material impact on the financial statements.

How our audit addressed the key audit matter

Assumptions and estimates used by the valuers continued

We considered how climate change risks would impact the assumptions such as capital expenditure made in the valuation of investment property. We also considered the consistency of the disclosures in relation to climate change made within the Annual Report. With the support of our internal valuation experts, we also questioned the external valuers as to the extent to which recent market transactions and expected rental values which they made use of in deriving their valuations took into account the impact of climate change and related ESG considerations.

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 2021, the Group has rent receivable balances of £17.8 million (2020: £34.7 million) against which an Expected Credit Loss (ECL) provision of £10.9 million (2020: £12.4 million) has been booked and £42.2 million (2020: £37.5 million) of unamortised lease incentives, against which an ECL provision of £3.4 million (2020: £6.1 million) has been booked.

The disruption created by COVID-19 and government actions restricting trading, has placed significant stress on the Group's tenants. In response to this, the Group has provided support to a number of its tenants over the past two years in the form of rent deferrals, rent-free periods and other arrangements, depending on the position of each tenant. These circumstances have resulted in a significant level of arrears as at 31 December 2021 and incremental lease incentives 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.

Whilst trading conditions for the Group's tenants improved during the second half of 2021, the effects of the pandemic may continue to be experienced for some time. In this context the estimation of an ECL provision against accounts receivables and unamortised lease incentives continues to be 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, 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 the appropriate level of ECL provisions, in particular given the impact that COVID-19 has had on the retail and food and beverage sectors, we identified this as a key audit matter.

How our audit addressed the key audit matter

We evaluated the methodology utilised by the Directors in determining the ECL provisions as at 31 December 2021 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
Valuation of investments in Group companies and amounts owed by subsidiaries (Company) Refer to Note III (Investment in Group companies) and note IV (Trade and other receivables) of the Company financial statements. The Company holds investments in Group companies of £516.4 million (2020: £516.4 million), and loans to subsidiaries of £1,793.0 million (2020: £1,794.4 million). Whilst these eliminate on consolidation in the Group financial statements, they are recorded in the Company financial statements. The impairment assessment of the Company's investments in and loans to subsidiaries was identified as a key audit matter given the assessment is impacted by the key judgements made in relation to the underlying valuation of investment property held by the subsidiaries. Management has concluded that no impairment was required.	We assessed the accounting policy for investments and loans in subsidiaries to ensure they were compliant with IFRS. We verified that the methodology used by management in arriving at the carrying value of investments in subsidiaries as at 31 December 2021, and the expected credit loss for the intercompany receivables, was compliant with IFRS. We obtained management's impairment assessment for the recoverability of investments in and loans to subsidiaries. We performed testing over management's impairment calculation and verified that no impairment was required. We identified the key judgement in assessing any requirement for impairment of investments in subsidiaries and loans to subsidiaries was the underlying valuation of investment and development property held by the Group's subsidiaries and joint ventures. For details of our procedures over investment property valuations please refer to the related Group key audit matter above. We have no issues to report in respect of this work.

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:

	Financial statements - Group	Financial statements - Company
Overall materiality	£27.9 million (2020: £29.1 million).	£23.1 million (2020: £23.2 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 finance costs. In order to reflect their specific characteristics, we applied materiality levels of 5 per cent of the five year average of net rental income from 2017 – 2021 and 5 per cent of current year gross 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 (2020: 75 per cent) of overall materiality, amounting to £20.9 million (2020: £21.8 million) for the Group financial statements and £17.3 million (2020: £17.4m) for the Company financial statements.

Materiality continued

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 £1.4 million (Group audit) (2020: £1.5 million) and £1.1 million (Company audit) (2020: £1.2 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:

– assessing the appropriateness of the Group's cash flow, liquidity and gearing covenant forecasts in the context of the Group's 2021 balance sheet
– understanding and assessing 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
– corroborating key assumptions (e.g. rental income and finance costs) to underlying documentation and ensuring this was consistent with our audit work in these areas
– testing the mathematical accuracy of management's cash flow models
– obtaining and reperforming 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
– considering 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
– reviewing the going concern disclosures in the financial statements
– reviewing 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

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 directors' 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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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 Statement of directors' responsibilities, 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 on next page.

Strategic report and Statement of Directors' Responsibilities

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Statement of Directors' Responsibilities for the year ended 31 December 2021 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 Statement of Directors' Responsibilities.

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 statement

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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, 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 financial statements such as 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 noncompliance 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 above).
– 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.

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.

Responsibilities for the financial statements and the audit continued

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.

Other required reporting

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 12 years, covering the years ended 31 December 2010 to 31 December 2021.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22 February 2022

Consolidated income statement

for the year ended 31 December 2021

	Note	2021 £m	Re-presented 2020[1] £m
Continuing operations			
Revenue	4	**68.0**	73.9
Cost of sales	5	**(21.8)**	(44.0)
Gross profit		**46.2**	29.9
Other income/(costs)	6	**3.0**	(1.0)
Administration expenses	7	**(22.8)**	(31.0)
Expected credit loss	27	**–**	(14.0)
Loss on revaluation and sale of investment and development property	8	**(15.8)**	(693.1)
Change in value of investments and other receivables	9	**11.6**	(28.2)
Fair value gain on financial assets at fair value through profit or loss	19	**44.6**	50.9
Operating profit/(loss)		**66.8**	(686.5)
Finance income	10	**0.5**	0.5
Finance costs	11	**(31.7)**	(24.1)
Other finance income	10	**8.1**	20.5
Other finance costs	11	**(1.8)**	(0.6)
Change in fair value of derivative financial instruments	20	**(11.9)**	(14.5)
Net finance costs		**(36.8)**	(18.2)
Profit/(loss) before tax		**30.0**	(704.7)
Current tax		**–**	0.8
Deferred tax		**(0.7)**	0.2
Taxation	12	**(0.7)**	1.0
Profit/(loss) for the year from continuing operations		**29.3**	(703.7)
Discontinued operation			
Profit for the year from discontinued operation	13	**–**	1.0
Profit/(loss) for the year		**29.3**	(702.7)
Profit/(loss) attributable to:			
Owners of the Parent		**29.3**	(702.7)
Earnings per share attributable to owners of the Parent[2]			
Basic and diluted earnings/(loss) per share		**3.4p**	(82.5)p
Earnings per share from continuing operations attributable to owners of the Parent[2]			
Basic and diluted earnings/(loss) per share	15	**3.4p**	(82.6)p
Weighted average number of shares	15	**851.3m**	852.2m

1. The Group has changed the way in which its performance is presented on the face of the income statement. The prior-year comparatives have been re-presented to reflect this change. The underlying results have not been affected and this modified presentation has had no effect on operating profit, profit before tax or profit for the year. Details of the re-presentation are set out in note 1 'Principal accounting policies'.
2. Earnings per share from the discontinued operation are shown in note 15 'Earnings per share and net assets per share'.

Consolidated statement of comprehensive income

for the year ended 31 December 2021

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

Consolidated balance sheet

as at 31 December 2021

	Note	2021 £m	2020 £m
Non-current assets			
Investment and development property	16	**1,694.5**	1,795.8
Property, plant and equipment	17	**0.6**	4.4
Investment in joint ventures	18	**0.3**	0.3
Financial assets at fair value through profit or loss	19	**596.4**	551.8
Derivative financial assets	20	**1.1**	-
Deferred tax	28	**6.1**	6.8
Trade and other receivables	21	**120.8**	118.2
		2,419.8	2,477.3
Current assets			
Trade and other receivables	21	**59.2**	65.7
Tax assets		**0.5**	-
Cash and cash equivalents	22	**319.0**	365.1
		378.7	430.8
Total assets		**2,798.5**	2,908.1
Non-current liabilities			
Borrowings, including lease liabilities	24	**(940.3)**	(1,079.0)
Derivative financial liabilities	20	**(32.1)**	(22.5)
		(972.4)	(1,101.5)
Current liabilities			
Borrowings, including lease liabilities	24	**(0.7)**	(1.6)
Tax liabilities		**–**	(1.0)
Trade and other payables	23	**(39.0)**	(44.3)
		(39.7)	(46.9)
Total liabilities		**(1,012.1)**	(1,148.4)
Net assets		**1,786.4**	1,759.7
Equity			
Share capital	29	**212.8**	212.8
Other components of equity		**1,573.6**	1,546.9
Equity attributable to owners of the Parent		**1,786.4**	1,759.7

These consolidated financial statements on pages 133 to 181 have been approved for issue by the Board of Directors on 22 February 2022 and signed on its behalf by:

Ian Hawksworth
Chief Executive

Situl Jobanputra
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve[1] £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2020		213.6	228.9	–	367.6	6.0	(0.4)	1,661.8	2,477.5
Loss for the year		–	–	–	–	–	–	(702.7)	(702.7)
Total comprehensive expense for the year ended 31 December 2020		–	–	–	–	–	–	(702.7)	(702.7)
Transactions with owners									
Ordinary shares issued[2]	29	0.7	3.3	–	–	–	–	–	4.0
Share buyback	29	(1.5)	–	1.5	–	–	–	(11.8)	(11.8)
Dividends	14	–	–	–	–	–	–	(8.5)	(8.5)
Realisation of merger reserve[1]		–	–	–	(53.9)	–	–	53.9	–
Realisation of share-based payment reserve on issue of shares		–	–	–	–	(0.9)	–	0.8	(0.1)
Fair value of share-based payment		–	–	–	–	1.3	–	–	1.3
Total transactions with owners		(0.8)	3.3	1.5	(53.9)	0.4	–	34.4	(15.1)
Balance at 31 December 2020		**212.8**	**232.2**	**1.5**	**313.7**	**6.4**	**(0.4)**	**993.5**	**1,759.7**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**29.3**	**29.3**
Total comprehensive income for the year ended 31 December 2021		**–**	**–**	**–**	**–**	**–**	**–**	**29.3**	**29.3**
Transactions with owners									
Ordinary shares issued[2]	29	**–**	**0.3**	**–**	**–**	**–**	**–**	**–**	**0.3**
Dividends	14	**–**	**–**	**–**	**–**	**–**	**–**	**(4.3)**	**(4.3)**
Realisation of merger reserve[1]		**–**	**–**	**–**	**(20.0)**	**–**	**–**	**20.0**	**–**
Realisation of share-based payment reserve on issue of shares		**–**	**–**	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Fair value of share-based payment		**–**	**–**	**–**	**–**	**1.5**	**–**	**–**	**1.5**
Realisation of cash flow hedge		**–**	**–**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Total transactions with owners		**–**	**0.3**	**–**	**(20.0)**	**1.3**	**0.1**	**15.7**	**(2.6)**
Balance at 31 December 2021		**212.8**	**232.5**	**1.5**	**293.7**	**7.7**	**(0.3)**	**1,038.5**	**1,786.4**

1. Represents non-qualifying consideration received by the Group following the share placing in May 2014 and previous share placements. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration and therefore will not form part of distributable reserves as they form part of linked transactions. Realised merger reserve relates to disposal of Southampton Street properties during the year (2020: the Wellington block during the prior year) as these properties were originally acquired using proceeds from the share placement.
2. Share premium includes £0.3 million (2020: £3.3 million) of ordinary shares issued relating to the bonus issue in lieu of cash dividends. Refer to note 14 'Dividends' for further information.

Statement of consolidated cash flows

for the year ended 31 December 2021

Continuing operations	Note	2021 £m	2020 £m
Cash flows from operating activities			
Cash generated/(utilised) from operations	32	**27.9**	(32.3)
Interest paid		**(26.3)**	(22.7)
Interest received		**0.4**	0.5
Tax paid		**(1.5)**	(0.3)
Net cash inflow/(outflow) from operating activities		**0.5**	(54.8)
Cash flows from investing activities			
Purchase and development of property		**(7.9)**	(23.9)
Sale of property		**94.7**	76.8
Sale of discontinued operation	13	**15.2**	194.1
Sale of subsidiaries[1]		**–**	0.2
Acquisition of listed equity investment		**–**	(500.9)
Loan advances (from)/to joint ventures		**(1.0)**	3.2
Net cash inflow/(outflow) from investing activities		**101.0**	(250.5)
Cash flows from financing activities			
Share buyback		**–**	(11.8)
Borrowings drawn		**–**	930.0
Borrowings repaid		**(140.0)**	(390.0)
Principal element of lease payments		**(0.2)**	(0.9)
Repayment of derivative financial instruments		**(3.4)**	(5.4)
Cash dividends paid	14	**(4.0)**	(4.6)
Net cash (outflow)/inflow from financing activities		**(147.6)**	517.3
Net (decrease)/increase in cash and cash equivalents		**(46.1)**	212.0
Unrestricted cash and cash equivalents at 1 January		**365.1**	153.1
Unrestricted cash and cash equivalents at 31 December	22	**319.0**	365.1

1. Sale of subsidiaries in the prior year included deferred consideration of £0.2 million relating to the disposal of The Brewery by EC&O Limited on 9 February 2012.

Notes to the accounts

for the year ended 31 December 2021

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"), and in accordance with UK-adopted 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, derivative financial instruments and equity investments held at fair value through profit or loss.

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 182-188.

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

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

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for annual periods that begin on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards:

- IAS 39 'Financial Instruments: Recognition and Measurement' (amendment) (Interest Rate Benchmark Reform)
- IFRS 7 'Financial Instruments: Disclosures' (amendment) (Interest Rate Benchmark Reform)
- IFRS 9 'Financial Instruments' (amendment) (Interest Rate Benchmark Reform)
- IFRS 16 'Leases' (amendment) (COVID-19 related Rent Concessions)
- Amendments to IFRS (Annual improvements cycle 2015-2017)

At the date of approval of the consolidated 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 under UK-adopted international accounting standards:

- IAS 1 'Presentation of Financial Statements' (amendment) (Classification of Liabilities as Current and Non-Current)
- IFRS 3 'Business Combinations' (amendment) (Reference to Conceptual Framework)
- IAS 16 'Property, Plant and Equipment' (amendment) (Proceeds before Intended Use)
- IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (Onerous contracts – Cost of fulfilling a contract)
- Amendments to IFRS (Annual improvements cycle 2018-2020)

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

A summary of the Group's principal accounting policies, which have been applied consistently across the Group, is set out on the following pages.

1 Principal accounting policies continued

Going concern

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

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

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

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

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

- A combination of rent concessions focusing particularly on the retail, F&B and leisure sectors, extended voids and tenant failures due to supply chain pressures and staff shortages, which have a consequent impact of a substantial reduction in forecast net rental income over the going concern period. The rental concessions provided to tenants, notably rent-free periods, create a divergence between cash collected and reported net rental income as rent-free periods are amortised over the lease term. These assumptions have also been factored into the expected credit loss assessment.
- Declines in rental values along with a widening of yields, result in further reduced asset values and a significant reduction in rental income. The Group has a strong financial position with net debt to gross assets of 24 per cent and access to cash and undrawn facilities of £652 million as at 31 December 2021.
- The impact of climate change risk is expected to be very limited within the going concern period. Interruptions to trade from severe weather events are possible but would be consistent with the impact considered in the severe but plausible downside scenario.

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

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

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

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

Basis of consolidation

These consolidated financial statements include the consolidation of the following limited partnerships: Capital & Counties CGP, Capco CGP 2012 LP (up until dissolution on 30 June 2021), CG Investments 2016 LP (up until dissolution on 30 June 2021) and Innova Investment Group Holdings LP. 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 or submit such annual reports accounts to Companies House.

The consolidated financial statements are prepared in British pounds sterling, which is also determined to be the functional currency of the Parent.

1 Principal accounting policies continued

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.

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 2021 was determined by independent, appropriately qualified external valuers CBRE for the Covent Garden estate and JLL for Lillie Square. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards.

As various inputs used in the valuation calculations are based on assumptions, property valuations are inherently subjective and subject to a degree of uncertainty. The Group's external valuers have made a number of assumptions as outlined within note 16 'Property Portfolio' in forming their opinion on the valuation of the Group's investment and trading properties and although these assumptions are in accordance with the RICS Valuation Professional Standards, if any prove to be incorrect, it may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position. The key unobservable inputs used in the valuation models and a sensitivity analysis for each are disclosed on page 160.

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

Assumptions are involved in the calculation of the impairment provision, using the expected credit loss model within IFRS 9, in respect of rent receivable balances outstanding at the period end. The expected credit loss rates are based on forward-looking information as well as historical evidence of collection with the Q2 2020 to Q4 2021 quarterly collection statistics providing twenty-one months of information as an indication of the COVID-19 trading period. However, in the current market, with continued uncertainty, additional information, including the draft Commercial Rents (Coronavirus) Bill, has been reviewed in calculating the expected credit loss. All tenants are allocated a risk rating, as determined by management, and provided a rating of maximum, high, medium and low risk. Maximum risk tenants are predominately in the retail and F&B sector. The classification is developed by taking into consideration information on the tenant's credit rating, current financial position, historical trading performance, historical default rate and the current impact of COVID-19 on the operational performance of the business.

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

The provision for expected credit loss against rent receivables is £10.9 million (2020: £12.4 million) and is included within the rent receivable balance included in note 21 'Trade and Other Receivables'. The expected credit loss recognised in the income statement reflects the rent receivables impaired in the year for tenant failures or tenants who have vacated as well as the movement on the balance sheet provision. In the current year the rent receivables impaired were offset by the movement in the balance sheet resulting in nil expected credit loss charge recognised in the income statement (2020: £14.0 million).

Retail and F&B represents approximately 74 per cent of the Group's portfolio and have been the sectors most impacted by COVID-19 and government restrictions, with these sectors making up over 80 per cent of the rent receivable balance. Tenants classified as maximum risk have been provided in full. The Group has effectively provided for 61 per cent of the net arrears. If the expected credit loss for high and medium risk tenants was increased by ten per cent the provision would increase by £0.1 million (2020: £0.5 million) and if low risk tenants are included it would increase by £0.3 million (2020: £0.7 million). If the expected credit loss was reduced by ten per cent the provision would decrease by £0.1 million (2020: £0.7 million) and if low risk tenants are included would reduce by £0.2 million (2020: £0.9 million).

1 Principal accounting policies continued

Critical accounting judgements and key sources of estimation and uncertainty continued

The key areas of accounting judgement are:

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

Other less significant judgements and sources of estimation and uncertainty relate to revenue recognition, REIT compliance, significant disposals, scope of consolidation, assessing the degree of control or influence the Group exercises over investments, provisions, share-based payments and contingent liabilities.

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.

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.

Other income

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.

Dividend income is included in other income in the income statement and recognised when the right to receive payment is established.

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.

1 Principal accounting policies continued

Income taxes continued

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 the income statement, statement of comprehensive income 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.

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 16 'Property Portfolio'.

1 Principal accounting policies continued

Trading property continued

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.

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.

1 Principal accounting policies continued

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.

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 and include the Group's investment in Shaftesbury PLC. 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. The Group has elected to measure its investment in Shaftesbury PLC at fair value through profit or loss, in accordance with IFRS 9. The Group does not have board representation on the Shaftesbury board, nor has there been an exchange of managerial personnel. The Group has not provided any guarantees of indebtedness, nor extended any credit to the company and does not exercise significant influence over the company. Accordingly the Group accounts for the investment at fair value through profit or loss.

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.

1 Principal accounting policies continued

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 counterparty'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 20 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.

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 are 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.

1 Principal accounting policies continued

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, which comprises the Shaftesbury PLC ("Shaftesbury") investment, Innova, The Great Capital Partnership and other head office companies and investments;
- Lillie Square which represents the Group's interests in Lillie Square and a number of smaller properties in the adjacent area.

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

Segment	Group share
Covent Garden	100%
Other	
Other, including the investment in Shaftesbury	100%
Innova	50%
GCP	50%
Lillie Square	
Lillie Square joint venture	50%
Lillie Square Holding Group	100%

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

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

2 Segmental reporting continued

Reportable segments

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

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

2 Segmental reporting continued

Reportable segments

2020

Continuing operations	Covent Garden £m	Other £m	Lillie Square £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Rental income	73.9	–	1.9	75.8	(1.9)	73.9
Proceeds from sale of trading property	–	–	64.9	64.9	(64.9)	–
Revenue	73.9	–	66.8	140.7	(66.8)	73.9
Rent receivable	68.8	–	0.2	69.0	(0.2)	68.8
Service charge income	5.1	–	1.7	6.8	(1.7)	5.1
Rental income	73.9	–	1.9	75.8	(1.9)	73.9
Property and service charge expenses	(15.8)	(0.4)	(2.0)	(18.2)	2.0	(16.2)
Expected credit losses	(14.0)	–	–	(14.0)	–	(14.0)
Underlying net rental income/(expense)	44.1	(0.4)	(0.1)	43.6	0.1	43.7
Lease modification and impairment of tenant lease incentives	(27.8)	–	–	(27.8)	–	(27.8)
Net rental income/(expense)	16.3	(0.4)	(0.1)	15.8	0.1	15.9
Other costs	–	(0.5)	–	(0.5)	(0.5)	(1.0)
Profit on sale of trading property	–	–	8.9	8.9	(8.9)	–
Write down of trading property	–	–	(1.4)	(1.4)	1.4	–
Loss on revaluation and sale of investment and development property	(692.6)	–	(0.7)	(693.3)	0.2	(693.1)
Change in value of investments and other receivables	–	–	–	–	(28.2)	(28.2)
Fair value gain on financial assets at fair value through profit or loss	–	50.9	–	50.9	–	50.9
Segment (loss)/profit	(676.3)	50.0	6.7	(619.6)	(35.9)	(655.5)
Unallocated costs:						
Administration expenses				(31.5)	0.5	(31.0)
Operating loss				(651.1)	(35.4)	(686.5)
Net finance costs				(23.8)	0.2	(23.6)
Net other finance costs				8.6	11.3	19.9
Change in fair value of derivative financial instruments				(14.5)	–	(14.5)
Loss before tax				(680.8)	(23.9)	(704.7)
Taxation				1.0	–	1.0
Loss for the year from continuing operations				(679.8)	(23.9)	(703.7)
Discontinued operation						
Profit for the year from discontinued operation				1.0	–	1.0
Loss for the year				(678.8)	(23.9)	(702.7)
Loss attributable to:						
Owners of the Parent				(678.8)	(23.9)	(702.7)
Summary balance sheet						
Total segment assets[1]	2,209.6	586.7	137.1	2,933.4	(46.8)	2,886.6
Total segment liabilities[1]	(740.5)	(408.3)	(12.9)	(1,161.7)	13.4	(1,148.3)
Segmental net assets	1,469.1	178.4	124.2	1,771.7	(33.4)	1,738.3
Unallocated assets[2]				21.4	–	21.4
Net assets				1,793.1	(33.4)	1,759.7
Other segment items:						
Depreciation	(0.3)	(1.2)	–	(1.5)	–	(1.5)
Capital expenditure	(19.1)	–	(8.1)	(27.2)	7.0	(20.2)

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

3 Underlying earnings

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

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

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

Lease modification expenses of £2.6 million (2020: £16.7 million) comprise directly attributable lease costs previously held on balance sheet and amortised in accordance with IFRS 16. These non-cash costs have been incurred as a result of the Group providing rental support to its tenants during the COVID-19 pandemic and have been written off in accordance with the Group's accounting policy. £3.3 million (2020: £11.1 million) of costs relating to the tenant lease incentives in respect of tenants who have entered administration or experienced significant disruptions to cash flows during the pandemic have been written off. Given the scale of the rental support provided to tenants in the current and prior year as a result of the COVID-19 pandemic, these non-cash lease modification expenses and impairment of incentives have been material and at levels not experienced in the past nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude. Accordingly they have been excluded from underlying profit on that basis, as disclosed in the Group's APM policy. Details of all APMs used by the Group are set out in the APM section on page 189.

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

3 Underlying earnings continued

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

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

	Note	2021 £m	2020 £m
Underlying earnings/(loss)		**4.1**	(6.2)
Adjustment to reconcile to IFRS:			
Lease modification expenses	5	**(2.6)**	(16.7)
Impairment of tenant lease incentives	5	**(3.3)**	(11.1)
Loss on revaluation and sale of investment and development property	8	**(15.8)**	(693.1)
Change in value of investments and other receivables	9	**11.6**	(28.2)
Non-underlying administration expenses	7	**(2.8)**	(6.5)
Other finance income	10	**8.1**	20.5
Other finance costs	11	**(1.8)**	(0.6)
Change in fair value of derivative financial instruments	20	**(11.9)**	(14.5)
Fair value gain on financial assets at fair value through profit or loss	19	**44.6**	50.9
Taxation		**(1.1)**	1.5
Other		**0.2**	0.3
Profit/(loss) for the year from continuing operations		**29.3**	(703.7)

4 Revenue

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

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

5 Cost of sales

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

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

6 Other income/(costs)

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

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

7 Administration expenses

Included within administration expenses in the income statement are:

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

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

(a) Employee costs

Continuing operations	2021 £m	2020 £m
Wages and salaries	**9.3**	9.7
Social security costs[1]	**1.1**	1.5
Other pension costs	**0.8**	0.5
Share-based payment	**1.6**	1.0
Total employee costs	**12.8**	12.7

1. Included in social security costs is a credit of £0.3 million for national insurance on share options (2020: credit of £0.3 million). The credit for both years is due to changes in vesting and forfeiture assumptions.

7 Administration expenses continued

(b) Employee numbers

Average monthly number of people (including Executive Directors) employed	2021	2020
Total average headcount	**69**	70

The details of individual Directors' remuneration and pension benefits as set out in the tables contained in the Directors' Remuneration Report on pages 106 to 120 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.

(c) Auditors' remuneration

Continuing operations	2021 £m	2020 £m
Remuneration to the principal auditors in respect of audit fees:		
Parent Company and Group consolidated financial statements	**0.3**	0.4
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	**0.4**	0.5
Audit related assurance services including interim review	**0.1**	0.1
Total fees for audit and audit related services	**0.5**	0.6

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. 2021 non-audit fees, including the interim review, represented 18.0 per cent of the total fee (2020: 13.0 per cent). Further details on the Audit Committee's non-audit services policy can be found on pages 103.

8 Loss on revaluation and sale of investment and development property

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

9 Change in value of investments and other receivables

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

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

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

Following the reduction in nominal value of the DDBs, the Group and KFI each provided an interest bearing loan of £81.5 million, bearing interest at 4.25 per cent, to the joint venture which were used to repay the DDBs at their revised nominal value. The effective interest rate was previously 12 per cent and this interest rate, together with the higher level of debt, had resulted in significant impairments, when assessing the future discounted cashflows of the joint venture, being recorded by the Group in prior periods. The reassessment using the loan now in place has resulted in a write back of £50.3 million of the previously impaired balance held as at 31 July 2021. Details of the interest bearing loans are set out in note 21 'Trade and other receivables'.

9 Change in value of investments and other receivables continued

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

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

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

The key assumptions made in the impairment assessment were the cash flows to be generated over the project life and the timing thereof. In terms of IFRS 9 requirements the Group applied a discount rate of 4.25 per cent (being the effective interest rate on the loan to the joint venture) to the cash flows which are in line with the strategic plan of the joint venture. As a result, the Group concluded that the recoverable amounts were greater than the carrying amounts of the interest bearing loan and working capital facility and wrote back £22.8 million of the previous impairments held against the working capital facility.

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

10 Finance income

Continuing operations	2021 £m	2020 £m
Finance income:		
On deposits and other	**0.5**	0.5
Finance income	**0.5**	0.5
Other finance income:		
On deep discount bonds[1]	**6.6**	11.3
On loan to joint venture[1]	**1.4**	–
On deferred consideration[2]	**0.1**	9.2
Other finance income	**8.1**	20.5

1. The Group earned interest on the deep discount bonds issued by the Lillie Square joint venture up to their redemption on 31 July 2021. The Group and KFI each provided an interest bearing loan to the joint venture that was used to redeem the DDBs. The interest earned on both these instruments are excluded from the calculation of underlying earnings as deep discount bonds and loans to joint ventures eliminate on a Group share basis due to the Lillie Square joint venture having the corresponding finance cost. Details of the DDB redemption is set out in note 9 'Change in value of investments and other receivables' and details of the interest bearings loans issued are set out in note 21 'Trade and other receivables'.
2. Excluded from the calculation of underlying earnings as the deferred consideration relates to the proceeds from the sale of Earls Court Properties during 2019.

11 Finance costs

Continuing operations	2021 £m	2020 £m
On bank facilities and loan notes	**22.8**	22.4
On exchangeable bonds[1]	**8.2**	0.9
On obligations under lease liabilities	**0.7**	0.8
Finance costs	**31.7**	24.1
Other finance costs:		
Non-underlying finance charges[2]	**1.8**	0.6
Other finance costs	**1.8**	0.6

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

12 Taxation

Continuing operations	2021 £m	2020 £m
Deferred income tax:		
On accelerated capital allowances	**0.1**	0.1
On fair value of derivative financial instruments	**2.2**	(1.5)
On Group losses	**(1.1)**	0.4
On other temporary differences	**(0.5)**	0.8
Deferred income tax	**0.7**	(0.2)
Adjustments in respect of previous years – current income tax	**–**	(0.8)
Total income tax charge/(credit) reported in the consolidated income statement	**0.7**	(1.0)

Factors affecting the tax charge for the year

The tax charge for the year is £0.7 million (2020: £1.0 million tax credit) against a profit before tax of £30.0 million (2020: £704.7 million loss). A reconciliation against the standard rate of corporation tax in the United Kingdom ("UK") is explained below:

Continuing operations	2021 £m	2020 £m
Profit/(loss) before tax	**30.0**	(704.7)
Profit/(loss) on ordinary activities multiplied by the standard rate in the UK of 19% (2020: 19%)	**5.7**	(133.9)
Revaluation (profits)/losses attributable to REIT business	**(6.6)**	121.9
Adjustments in respect of previous years	**–**	(0.8)
Expenses disallowed	**2.5**	12.4
Non-taxable items	**(0.5)**	(0.6)
REIT tax-exempt rental profits	**(0.1)**	–
Other temporary differences not provided	**0.8**	0.2
Restatement of deferred income tax following change in corporation tax rate	**(1.1)**	(0.2)
Total income tax charge/(credit) reported in the consolidated income statement	**0.7**	(1.0)

As a UK REIT, the Group is exempt from UK corporation tax on income and gains from qualifying activities. Non-qualifying activities are subject to UK corporation tax. As a UK REIT, Capco must distribute at least 90 per cent of the Group's income profits from its tax-exempt property rental business, and 100 per cent of the Group's UK REIT investment profits, by way of a dividend, which is known as a Property Income Distribution ("PID"). A corporation tax charge would arise for the Group at 19 per cent if the minimum PID requirement is not met within12 months of the end of the period. Further details regarding the PID is set out in note 14 'Dividends'.

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

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

13 Discontinued operation

On 29 November 2019, the Group sold its interests in Earls Court to APG and Delancey (on behalf of its client fund) for £425 million. The disposal was in line with the Group's strategy of monetising investments at Earls Court over time with a focus on growing its central London property investment business, centred around Covent Garden. As Earls Court Properties represented a major line of business, its results and cash flows were reported as having arisen from a discontinued operation.

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

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

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

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

	2021 £m	2020 £m
Deferred consideration[1]	**15.7**	194.7
Working capital and related adjustments[2]	**(0.5)**	(0.6)
Net cash consideration	**15.2**	194.1

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

14 Dividends

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

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

As a UK REIT, Capco must distribute at least 90 per cent of the Group's income profits from its tax-exempt property rental business, and 100 per cent of the Group's UK REIT investment profits, by way of a dividend, which is known as a Property Income Distribution ("PID"). These distributions can be subject to withholding tax at 20 per cent. Dividends from profits of the Group's taxable residual business are non-PID and will be taxed as an ordinary dividend. A corporation tax charge would arise for the Group at 19 per cent if the minimum PID requirement is not met within12 months of the end of the period.

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

15 Earnings per share and net assets per share

(a) Weighted average number of ordinary shares

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

1. Weighted average number of shares in issue for 2020 has been adjusted by 0.2 million for the 2021 issue of bonus shares (2020: 2.5 million) in connection with the scrip dividend scheme.
2. The dilutive effect of contingently issuable share option awards were not included in the calculation of diluted earnings per share for the year ended 31 December 2021 because they are anti-dilutive. These options could potentially dilute basic earnings per share in the future.

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

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

1. EPRA Earnings per share is disclosed in table 1 of the EPRA measures on page 191.

(c) Headline earnings per share

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

	2021			2020		
	Earnings £m	Shares[1] million	Earnings per share (pence)	Loss £m	Shares[1] million	Loss per share (pence)
Continuing and discontinued operations attributable to owners of the Parent						
Basic earnings/(loss)	**29.3**	**851.3**	**3.4**	(702.7)	852.2	(82.5)
Group adjustments:						
Loss on revaluation and sale of investment and development property	**15.8**			693.1		
Current tax adjustments	**–**			(0.6)		
Profit on disposal and IFRS 5 impairment of discontinued operation	**–**			(1.0)		
Joint venture adjustments:						
Loss on revaluation and sale of investment and development property	**–**			0.2		
Headline earnings/(loss)	**45.1**	**851.3**	**5.3**	(11.0)	852.2	(1.3)
Dilutive effect of contingently issuable share option awards[2]	**–**	**0.5**		–	0.3	
Dilutive effect of contingently issuable deferred share awards[2]	**–**	**0.1**		–	0.1	
Diluted headline earnings/(loss)	**45.1**	**851.9**	**5.3**	(11.0)	852.6	(1.3)

1. Weighted average number of shares in issue for 2020 has been adjusted by 0.2 million for the 2021 issue of bonus shares (2020: 2.5 million) in connection with the scrip dividend scheme.
2. Further information on these potential ordinary shares can be found in note 34 'Share-based payments'.

15 Earnings per share and net assets per share continued

(d) Net assets per share

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

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

1. This relates to the impairment under IFRS 9 of amounts receivable from joint ventures compared to the Group's share of losses in the Lillie Square joint venture.
2. This relates to the fair value of interest rate collars. Further details are disclosed within note 20 'Derivative financial instruments'.
3. Excludes fair value of exchangeable bond option component included under derivative liabilities as disclosed in note 20 '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 189 to 192 for further information.

16 Property portfolio

(a) Investment and development property

	Property portfolio			Tenure	
	Covent Garden £m	Other £m	Total £m	Freehold £m	Leasehold £m
At 1 January 2020	2,544.0	1.5	2,545.5	1,441.7	1,103.8
Additions from acquisitions	–	1.1	1.1	–	1.1
Additions from subsequent expenditure	19.1	–	19.1	14.7	4.4
Disposals	(77.7)	–	(77.7)	(77.5)	(0.2)
Loss on revaluation	(691.7)	(0.5)	(692.2)	(344.2)	(348.0)
At 31 December 2020	**1,793.7**	**2.1**	**1,795.8**	**1,034.7**	**761.1**
Additions from subsequent expenditure	**6.8**	**–**	**6.8**	**5.2**	**1.6**
Disposals	**(98.2)**	**–**	**(98.2)**	**(93.4)**	**(4.8)**
Loss on revaluation	**(9.9)**	**–**	**(9.9)**	**(0.8)**	**(9.1)**
At 31 December 2021	**1,692.4**	**2.1**	**1,694.5**	**945.7**	**748.8**

(b) Market value reconciliation of total property

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

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

1. The unrecognised surplus on trading property is shown for 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.

16 Property portfolio continued

At 31 December 2021, the Group was contractually committed to £4.1 million (2020: £0.8 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 30 'Capital commitments' for further information on capital commitments.

The fair value of the Group's investment, development and trading property at 31 December 2021 was determined by independent, appropriately qualified external valuers, CBRE for the Covent Garden estate and JLL for Lillie Square. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards. Fees paid to valuers are based on fixed price contracts.

Each year the Company appoints the external valuers. The valuers are selected based upon their knowledge, independence and reputation for valuing assets such as those held by the Group.

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

Valuations take into account tenure, lease terms and structural condition. The inputs underlying the valuations include market rent or business profitability, likely incentives offered to tenants, forecast growth rates, yields, discount rates, construction costs including any site specific costs (for example Section 106), professional fees, planning fees, developer's profit including contingencies, planning and construction timelines, lease re-gear costs, planning risk and sales prices based on known market transactions for similar properties or properties similar to those contemplated for development. As at 31 December 2021 all Covent Garden properties are valued under the income capitalisation technique.

As highlighted within the Group's Net Zero Carbon Pathway published in December 2021, developments and refurbishments form a key element of the Group's 2030 Net Zero Carbon Commitment. During the year the Group's additions from subsequent expenditure was £6.8 million (2020: £19.1 million). This sum included both capital works which enhanced the environmental performance of assets, and design stage work to deliver environmental enhancements. It is estimated that 80 per cent of the environmental performance of a new building is determined at the design stage. While new ground up development form a limited part of the Group strategy, the design stage on retrofitting and refurbishment, particularly of heritage buildings, is equally important to deliver Whole Life Carbon efficiency. For further details, refer to the Responsibility section of the Strategic Report on pages 68 to 85.

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

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

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

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

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

The different valuation levels are defined as:

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

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

Level 3: where one or more inputs to valuation are not based on observable market data. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models.

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

16 Property portfolio continued

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

Property portfolio	Market value 2021 £m	Market value 2020 £m	Valuation technique	Key unobservable inputs	Range (weighted average) 2021	Range (weighted average) 2020
Covent Garden	**1,728.5**	1,825.1	Income capitalisation	Estimated rental value per sq ft[1] per annum ("p.a.")	**£15–£214 (£76)**	£16-£215 (£76)
				Equivalent yield	**1.8%–6.0% (3.9%)**	1.8%-6.0% (3.9%)
Other	**2.1**	2.1	Income capitalisation	Estimated rental value per sq ft[1] p.a.	**£30–£38 (£31)**	£31-£38 (£32)
				Equivalent yield	**2.8%–3.7% (3.3%)**	2.9%-3.8% (3.3%)
At 31 December	**1,730.6**	1,827.2				

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 five per cent would result in an increased asset valuation of £71.9 million (2020: £69.5 million). A decrease in the estimated rental value of five per cent would result in a decreased asset value of £71.0 million (2020: £68.7 million). Conversely, an increased equivalent yield of 25 basis points would result in a decreased asset valuation of £105.2 million (2020: £111.0 million). A decreased equivalent yield of 25 basis points would result in an increased asset valuation of £119.8 million (2020: £125.7 million).

For Other properties valued under the income capitalisation method and if all other factors remained equal, an increase in estimated rental value of five per cent would result in an increased asset valuation of £0.1 million (2020: £0.1 million). A decrease in the estimated rental value of five per cent would result in a decreased asset value of £0.1 million (2020: £0.1 million). Conversely, an increased equivalent yield of 25 basis points would result in a decreased asset valuation of £0.2 million (2020: £0.2 million). A decreased equivalent yield of 25 basis points would result in an increased asset valuation of £0.2 million (2020: £0.2 million).

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

17 Property, plant and equipment

	2021 Property £m	2021 Plant and equipment £m	2021 Total	2020 Property £m	2020 Plant and equipment £m	2020 Total
Gross carrying value at 1 January	**5.4**	**7.7**	**13.1**	5.4	7.5	12.9
Accumulated depreciation at 1 January	**(1.6)**	**(7.1)**	**(8.7)**	(0.7)	(6.5)	(7.2)
Net carrying value at 1 January	**3.8**	**0.6**	**4.4**	4.7	1.0	5.7
Additions	**–**	**0.2**	**0.2**	-	0.2	0.2
Disposals[1]	**(3.8)**	**–**	**(3.8)**	-	-	-
Depreciation charge	**–**	**(0.2)**	**(0.2)**	(0.9)	(0.6)	(1.5)
Net carrying value at 31 December	**–**	**0.6**	**0.6**	3.8	0.6	4.4

1. Property consisted of leased office buildings which the Group vacated during the year via a lease to a third party. The Group incurred lease assignment costs of £1.8 million. Details are set out in note 7 'Administration expenses'.

18 Investment in joint ventures

Investment in joint ventures is measured using the equity method. All joint ventures are held with other joint venture investors on a 50:50 basis. At 31 December 2021, joint ventures comprise the Lillie Square joint venture ("LSJV"), Innova Investment ("Innova") and The Great Capital Partnership ("GCP").

LSJV

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

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

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

1. Finance costs includes £8.4 million (2020: £13.9 million) which relates to the amortisation of deep discount bonds that were issued by LSJV to the Group and KFI up to their redemption on 31 July 2021 and £2.9 million which relates to interest payable on the interest bearing loans issued to the joint venture by the Group and KFI during the year. Finance income receivable by the Group from LSJV of £8.0 million (2020: £11.3 million) is recognised in the consolidated income statement within other finance income. Details of the DDB redemption is set out in note 9 'Change in value of investments and other receivables' and details of the interest bearing loans issued are set out in note 21 'Trade and other receivables'.

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

1. Includes restricted cash and cash equivalents of £0.5 million (2020: £10.9 million) relating to amounts received as property deposits that will not be available for use by LSJV until completion of building work. There is a corresponding liability of £0.5 million (2020: £10.9 million) within other current liabilities.
2. Amounts payable to joint venture partners relate to working capital facilities advanced by the Group and KFI.
3. Other current liabilities includes a £163.0 million loan advanced by the Group and KFI to the joint venture. In the prior year this balance related to the deep discount bonds that were redeemed on 31 July 2021. Details of the DDB redemption is set out in note 9 'Change in value of investments and other receivables' and details of the interest bearing loans issued are set out in note 21 'Trade and other receivables'. Recoverable amounts receivable by the Group, net of impairments of nil million (2020: £85.0 million against the DDBs) are recognised on the consolidated balance sheet within non-current trade and other receivables.
4. The unrecognised surplus on trading property and the market value of LSJV's property portfolio are shown for informational purposes only and are not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value.

18 Investment in joint ventures continued

Innova

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

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

The summarised balance sheet of Innova is presented below. There was no movement through the income statement during the year.

Innova	2021 £m	2020 £m
Summarised balance sheet		
Cash and cash equivalents	**0.9**	0.9
Other current liabilities	**(0.5)**	(0.5)
Net assets	**0.4**	0.4

Reconciliation of summarised financial information

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

	GCP £m	LSJV £m	Innova £m	Total £m
Net assets/(liabilities) of joint ventures at 31 December 2020	0.1	(119.4)	0.4	(118.9)
Elimination of joint venture partners' interest	–	59.7	(0.2)	59.5
Cumulative losses restricted[1]	–	59.7	–	59.7
Carrying value at 31 December 2020	0.1	–	0.2	0.3
Net assets/(liabilities) of joint ventures at 31 December 2021	**0.1**	**(31.2)**	**0.4**	**(30.7)**
Elimination of joint venture partners' interest	**–**	**15.6**	**(0.2)**	**15.4**
Cumulative losses restricted[1]	**–**	**15.6**	**–**	**15.6**
Carrying value at 31 December 2021	**0.1**	**–**	**0.2**	**0.3**

1. Cumulative losses restricted represent the Group's share of losses in LSJV which exceed the Group's investment in the joint venture. This consists of losses taken through the Income Statement and the debt waiver that has been recorded directly within reserves. As a result the carrying value of the investment in LSJV is £nil (2020: £nil) in accordance with the requirements of IAS 28.

Reconciliation of investment in joint ventures:

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

Investment in joint ventures	GCP £m	LSJV £m	Innova £m	Total £m
At 1 January 2020	0.1	–	0.2	0.3
At 31 December 2020	**0.1**	**–**	**0.2**	**0.3**
Loss for the year[1]	**–**	**(12.0)**	**–**	**(12.0)**
Loss restricted[1]	**–**	**12.0**	**–**	**12.0**
Deemed equity investment[2]	**–**	**56.1**	**–**	**56.1**
Unwind of historic losses restricted[2]	**–**	**(56.1)**	**–**	**(56.1)**
At 31 December 2021	**0.1**	**–**	**0.2**	**0.3**

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

19 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	2021 £m	2020 £m
Listed equity securities[1]	**596.4**	551.8

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

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

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

20 Derivative financial instruments

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

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

1. On 30 November 2020 the Group issued £275 million of secured exchangeable bonds maturing in March 2026. The notes are exchangeable into cash or ordinary shares of Shaftesbury. The net proceeds received from the issue of the exchangeable bonds have been split between the financial liability element and an option component, representing the fair value of the embedded option to convert the financial liability into equity of Shaftesbury. The debt component is accounted for at amortised cost at the effective interest rate method and the derivative liability is accounted for at fair value through profit or loss.

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

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

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

21 Trade and other receivables

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

1. Includes tenant lease incentives, comprising surrender premia paid and incentives offered to tenants, of £42.2 million (2020: £37.5 million).
2. Non-current amounts receivable from joint ventures in the prior year related to deep discount bonds that were issued by LSJV to the Group. As at 31 December 2020, the nominal value of the bonds including interest of £144.5 million had been impaired by £59.5 million. Ahead of the DDBs maturing in August 2021, the Group and KFI restructured and redeemed the DDBs by each providing an interest bearing loan of £81.5 million to the joint venture. The loans bear interest at 4.25 per cent per annum and are repayable on demand, however it is not the intention of the Group to call on the loan in the next 12 months and so it has been presented as non-current. Current amounts receivable from joint ventures include working capital funding advanced to LSJV from the Group of £45.5 million (2020: £44.2 million) which has been impaired by £22.7 million (2020: £44.2 million).
3. Rent receivable is shown net of expected credit loss provision of £10.9 million (2020: £12.4 million).
4. Other receivables include the discounted balance of the deferred consideration in respect of the Earls Court disposal, which was receivable in two tranches in 2020 and 2021. The final instalment was received in November 2021. Details are set out in note 13 'Discontinued operation'.

22 Cash and cash equivalents

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

23 Trade and other payables

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

24 Borrowings, including lease liabilities

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

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

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

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

The fair value of the Group's borrowings have been estimated using the market value for floating rate borrowings, which approximates nominal value, and discounted cash flow approach for fixed rate borrowings, representing Level 2 fair value measurements as defined by IFRS 13. The different valuation levels are defined in note 16 'Property portfolio'.

The lease liability obligations are in respect of leasehold interests in investment and development property and in the prior year included a lease liability over corporate premises. Details of these leases are set out in note 25 'Lease liabilities'.

24 Borrowings, including lease liability continued

	2021			
	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	1,079.0	(365.1)	715.5
Borrowings repaid	–	(140.0)	140.0	–
Other net cash movements	(0.2)	(8.4)	(93.9)	(102.5)
Other non-cash movements	(0.7)	9.7	–	9.0
Balance at 31 December	0.7	940.3	(319.0)	622.0

	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	–	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 20 'Derivative financial instruments'.

The maturity profile of gross debt (excluding lease liabilities) is as follows:

	2021 £m	2020 £m
Wholly repayable in more than one year but not more than two years	125.0	140.0
Wholly repayable in more than two years but not more than five years	607.5	257.5
Wholly repayable in more than five years	217.5	692.5
	950.0	1,090.0

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 195.

25 Lease liabilities

Lease liabilities included within investment and development property

(a) Minimum lease payments under lease obligations

	2021 £m	2020 £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

	2021 £m	2020 £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 (2020: £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

	2021 £m	2020 £m
Not later than one year	–	0.9
Later than one year and not later than five years	–	2.9
	–	3.8
Future finance charges on lease liabilities	–	(0.1)
Present value of lease liability obligations	–	3.7

(b) Present value of minimum lease obligations

	2021 £m	2020 £m
Not later than one year	–	0.9
Later than one year and not later than five years	–	2.8
	–	3.7

Lease liabilities included under property, plant and equipment were in respect of a lease over office buildings occupied by the Group. The Group assigned the lease to a third party and vacated the premises during the year.

26 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:

	2021 £m	2020 £m
Not later than one year	**53.7**	61.3
Later than one year and not later than five years	**174.0**	169.1
Later than five years	**233.1**	261.9
	460.8	492.3

The consolidated income statement includes £0.1 million (2020: £0.2 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.

27 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

		2021		2020	
	Note	Carrying value £m	Gain/(loss) to income statement £m	Carrying value £m	(Loss)/gain to income statement £m
Derivative financial assets	20	**1.1**	**4.9**	–	–
Total held for trading assets		**1.1**	**4.9**	–	–
Cash and cash equivalents	22	**319.0**	**–**	365.1	–
Other financial assets[1]		**131.7**	**–**	138.4	–
Total cash and other financial assets		**450.7**	**–**	503.5	–
Investment held at fair value through profit or loss	19	**596.4**	**44.6**	551.8	50.9
Total investment held at fair value through profit or loss		**596.4**	**44.6**	551.8	50.9
Derivative financial liabilities	20	**(32.1)**	**(16.8)**	(22.5)	(14.5)
Total held for trading liabilities		**(32.1)**	**(16.8)**	(22.5)	(14.5)
Borrowings, including lease liability	24	**(941.0)**	**–**	(1,080.6)	–
Other financial liabilities[2]		**(25.4)**	**–**	(29.7)	–
Total borrowings and other financial liabilities		**(966.4)**	**–**	(1,110.3)	–

1. Includes rent receivable, amounts due from joint ventures, tax assets and other receivables. Prior year balance also included deferred consideration on the sale of Earls Court Properties.
2. Includes trade and other payables (excluding rents in advance) and tax liabilities.

27 Financial risk management continued

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.

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 2021 £m	Floating 2021 £m	Fixed/Capped 2020 £m	Floating 2020 £m
Nominal value of Group borrowings excluding lease liability	**825.0**	**125.0**	825.0	265.0
Nominal value of joint venture borrowings excluding lease liability	**–**	**–**	–	5.6
	825.0	**125.0**	825.0	270.6
Derivative impact (nominal value of derivative contracts)	**125.0**	**(125.0)**	270.6	(270.6)
Borrowings profile net of derivative impact	**950.0**	**–**	1,095.6	–
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 (2020: £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 2021 is £nil (2020: £nil). The hedge was 100 per cent effective; therefore no charge for an ineffective portion has been taken to the consolidated income statement.

During 2021, the Group replaced LIBOR with SONIA as the pricing benchmark on the secured bank loan, RCF and hedging arrangements.

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 2021 £m	Decrease in interest rates by 50 bps 2021 £m	Increase in interest rates by 50 bps 2020 £m	Decrease in interest rates by 50 bps 2020 £m
Effect on profit before tax (change in fair value of derivative financial instruments):				
Increase/(decrease)	**2.1**	**(2.1)**	4.1	(4.1)

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.

27 Financial risk management continued

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 statement of profit and loss:

Change in fair value of financial assets at fair value through profit or loss	**1% increase in share price 2021 £m**	**1% decrease in share price 2021 £m**	1% increase in share price 2020 £m	1% decrease in share price 2020 £m
Effect on profit before tax:				
Increase/(decrease)	**6.0**	**(6.0)**	5.5	(5.5)

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 achieve an appropriate balance between a number of factors, including tenor and costs.

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.

2021											
	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	**122.4**	**5.6**	**–**	**6.1**	**125.0**	**1.2**	**–**	**–**	**–**	**12.9**	**125.0**
Loan notes	**548.4**	**15.7**	**–**	**15.7**	**–**	**38.9**	**332.5**	**24.1**	**217.5**	**94.4**	**550.0**
Exchangeable bonds	**264.1**	**5.5**	**–**	**5.5**	**–**	**13.8**	**275.0**	**–**	**–**	**24.8**	**275.0**
Lease liabilities	**6.1**	**–**	**0.7**	**–**	**–**	**–**	**2.3**	**–**	**3.1**	**–**	**6.1**
Other payables	**25.4**	**–**	**25.4**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25.4**
	966.4	**26.8**	**26.1**	**27.3**	**125.0**	**53.9**	**609.8**	**24.1**	**220.6**	**132.1**	**981.5**

27 Financial risk management continued

Liquidity risk continued

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	29.7	–	29.7	–	–	–	–	–	–	–	29.7
Interest rate derivatives payable	3.8	–	–	0.1	–	3.7	–	–	–	3.8	–
	1,114.0	27.3	31.3	28.1	142.4	66.3	260.2	38.5	695.6	160.2	1,129.5

Contractual maturities reflect the expected maturities of financial instruments.

As disclosed in note 24, 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 195 'Financial covenants'.

Under the various debt agreements, covenants are monitored on a regular basis and regularly reviewed by 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.

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 2021 (2020: 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 2021 was £12.1 million (2020: £13.5 million).

During the year tenant default risk, and as such credit risk, remained high due to the continued 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 (F&B, 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.

27 Financial risk management continued

Credit risk continued

Ageing of gross trade receivables and loss allowances were as follows:

	2021 £m Gross carrying amount	2021 £m Loss allowance	2020 £m Gross carrying amount	2020 £m Loss allowance
Not yet due	**0.6**	**(0.3)**	2.0	(0.6)
0-90 days	**6.5**	**(1.4)**	11.9	(4.5)
91-180 days	**5.1**	**(0.4)**	14.2	(2.0)
Over 180 days	**9.2**	**(8.8)**	6.6	(5.3)
Trade receivables	**21.4**	**(10.9)**	34.7	(12.4)

As at 31 December 2021 there is a provision for trade receivables of £10.9 million (2020: £12.4 million). The total expense for the year is £nil (2020: £14.0 million), as shown in note 5 'Cost of sales', 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 in the prior year included £15.1 million of deferred consideration in respect of the Earls Court Properties disposal in 2019, as this was held at the net present value of future cash flows after deduction of the lifetime expected loss allowance. In November 2021, the remaining deferred consideration balance of £15.7 million was received, net of a £0.5 million working capital adjustment.

Amounts receivable from joint ventures:

Included within receivables, net of impairment is £22.8 million (2020: £nil) of amounts advanced to LSJV. The carrying value of the investment in LSJV is £nil (2020: £nil) as the Group's share of losses exceeds the cost of its investment. Total funding advanced to LSJV, including the interest bearing loan to the joint venture of £163.0 million has been impaired by £22.7 million. Details of the impairment and current year write back are set out in note 9 'Change in value of investments and other receivables'.

In the prior year total funding advanced to LSJV included the deep discount bonds of £188.7 million which had been impaired by £103.7 million (cumulative). The DDB's were redeemed in the current year and previous impairments were reversed as a result.

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 previously issued deep discount bonds. However, based on a market valuation undertaken by the Group's valuers JLL, there is an unrecognised surplus of £0.1 million (Group share) as at 31 December 2021. 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.

27 Financial risk management continued

Credit risk continued

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 2021 amounted to £341.7 million (2020: £375.8 million), including the Group's share of joint venture cash. The maximum fair value exposure to derivative financial instruments is £31.0 million (2020: £22.5 million).

Gross carrying value and loss allowance of other receivables (excluding trade receivables) are set out in the table below:

	2021 £m Gross carrying amount	2021 £m Loss allowance	2020 £m Gross carrying amount	2020 £m Loss allowance
Amounts receivable from joint ventures	**106.4**	**(22.7)**	188.7	(103.7)
Other receivables[1]	**42.2**	**(3.3)**	37.2	(6.1)

1. £3.3 million (2020:£6.1 million) loss allowance relates to the provision against tenant lease incentives. An additional amount of £5.0 million has also been derecognised in the prior 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 appropriately. The Group uses a mix of equity, debt and other financial instruments and aims to access both debt and equity capital markets efficiently.

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 ratio 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 64.

Net debt to gross assets	2021 £m	2020 £m
Total assets	**2,808.1**	2,954.8
Less: cash	**(341.7)**	(375.8)
	2,466.4	2,579.0
Net debt	**(599.3)**	(710.4)
	24.3%	27.5%

The maximum net debt to gross assets ratio for the year was 27.5 per cent and occurred in January 2021.

Interest cover	2021 £m	2020 £m
Finance costs	**(31.8)**	(24.3)
Finance income	**0.4**	0.5
	(31.4)	(23.8)
Underlying operating profit	**35.0**	18.1
	111.5%	76.1%

The minimum interest coverage ratio for the year was 76.1 per cent and occurred on 1 January 2021.

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 2021 the loan to value is 14.7 per cent (2020: 19.3 per cent). Interest cover ratio is calculated based on net rental income less a fixed administration cost divided by net finance costs. As at 31 December 2021 the interest cover ratio is 225.1 per cent (2020: 53.8 per cent). The interest cover ratio covenant had not been met for 31 December 2020 but a covenant waiver for that period and up to and including 31 December 2021 was in place.

27 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 16 'Property portfolio'.

The tables below present the Group's financial assets and liabilities recognised at fair value at 31 December 2021 and 31 December 2020. There were no transfers between levels during the year.

	2021				2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss								
Listed equity investment	**596.4**	**–**	**–**	**596.4**	551.8	–	–	551.8
Held for trading assets								
Derivative financial assets	**–**	**1.1**	**–**	**1.1**	–	–	–	–
Total assets	**596.4**	**1.1**	**–**	**597.5**	551.8	–	–	551.8
Held for trading liabilities								
Derivative financial liabilities	**–**	**(32.1)**	**–**	**(32.1)**	–	(22.5)	–	(22.5)
Total liabilities	**–**	**(32.1)**	**–**	**(32.1)**	–	(22.5)	–	(22.5)

The fair values of derivative financial instruments are determined from observable market prices or estimated using appropriate yield curves at 31 December each year by discounting the future contractual cash flows to the net present values. Listed equity investments are carried at fair value on the balance sheet and representing Level 1 fair value measurement. The fair value of listed equity investments are based on quoted market prices traded in active markets.

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

28 Deferred tax

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

Deferred tax on investment and development property is calculated under IAS 12 provisions on a disposals basis by reference to the properties' original tax base cost. Properties that fall within the Group's qualifying REIT activities will be outside the charge to UK corporation tax subject to certain conditions being met. The Group's recognised deferred tax position on investment and development property as calculated under IAS 12 is nil at 31 December 2021 (2020: nil).

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

	Accelerated capital allowances £m	Fair value of derivative financial instruments £m	Other temporary differences £m	Non-REIT group losses £m	Total £m
Provided deferred tax provision:					
At 1 January 2020	0.1	(0.8)	(1.9)	(4.0)	(6.6)
Recognised in income	0.1	(1.3)	1.0	0.4	0.2
Adjustment in respect of rate change	–	(0.2)	(0.2)	–	(0.4)
At 31 December 2020	**0.2**	**(2.3)**	**(1.1)**	**(3.6)**	**(6.8)**
Recognised in income	**0.1**	**2.2**	**(0.5)**	**–**	**1.8**
Adjustment in respect of rate change	**–**	**–**	**–**	**(1.1)**	**(1.1)**
At 31 December 2021	**0.3**	**(0.1)**	**(1.6)**	**(4.7)**	**(6.1)**
Unprovided deferred tax assets:					
At 1 January 2020	–	–	–	(10.3)	
Income statement items	–	–	–	2.0	
At 31 December 2020	–	–	–	**(8.3)**	
Income statement items				**(9.1)**	
At 31 December 2021				**(17.4)**	

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

29 Share capital and share premium

Group and Company

Issue type	Transaction date	Issue price (pence)	Number of shares	Share capital £m[1]	Share premium £m
At 1 January 2020			854,299,163	213.6	228.9
Share buyback[1]	February/March		(6,060,000)	(1.5)	–
Scrip dividend – 2019 final	May	152	2,530,598	0.6	3.3
Share-based payment[1]			313,882	0.1	–
At 31 December 2020			**851,083,643**	**212.8**	**232.2**
Scrip dividend – 2021 interim	September	176	**153,071**	**–**	**0.3**
Share-based payment[2]			**35,958**	**–**	**–**
At 31 December 2021			**851,272,672**	**212.8**	**232.5**

1. Nominal value of share capital of 25 pence per share
2. 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.
3. In 2020 a total of 313,882 new shares were issued to satisfy employee share scheme awards.
4. In 2021 a total of 35,958 new shares were issued to satisfy employee share scheme awards.

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

30 Capital commitments

At 31 December 2021, the Group was contractually committed to £4.1 million (31 December 2020: £0.8 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. The full amount is committed 2021 expenditure.

The Group's share of joint venture capital commitments arising on LSJV amounts to £1.3 million (2020: £1.4 million).

31 Contingent liabilities

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

32 Cash flow information

(a) Cash generated from continuing operations

Continuing operations	Note	2021 £m	2020 £m
Profit/(loss) before tax		**30.0**	(704.7)
Adjustments:			
Loss on revaluation and sale of investment and development property	8	**15.8**	693.1
Change in value of investments and other receivables	9	**(11.6)**	28.2
Fair value gain of financial assets at fair value through profit or loss	19	**(44.6)**	(50.9)
Depreciation	7	**0.2**	1.5
Amortisation of tenant lease incentives and other direct costs		**0.1**	23.4
Expected credit loss		**–**	14.0
Share-based payment[1]	34	**1.5**	1.4
Finance income	10	**(0.5)**	(0.5)
Other finance income	10	**(8.1)**	(20.5)
Finance costs	11	**31.7**	24.1
Other finance costs	11	**1.8**	0.6
Change in fair value of derivative financial instruments	20	**11.9**	14.5
Change in working capital:			
Change in trade and other receivables		**4.0**	(37.5)
Change in trade and other payables		**(4.3)**	(19.0)
Cash generated/(utilised) from operations		**27.9**	(32.3)

1. Relates to the IFRS 2 'Share-based payment' charge. Refer to note 34 'Share-based payments' for further details.

(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		**1,079.0**	**1.6**	**15.3**	**1,095.9**
Cash flows from financing activities					
Repayment of revolving credit facility	24	**(140.0)**	**–**	**–**	**(140.0)**
Principal element of lease payment		**–**	**(0.2)**	**–**	**(0.2)**
Total cash flows used in financing activities		**(140.0)**	**(0.2)**	**–**	**(140.2)**
Non-cash movements from financing activities					
Amortisation		**4.2**	**–**	**–**	**4.2**
Lease liability		**(2.9)**	**(0.7)**	**–**	**(3.6)**
Changes in fair value		**–**	**–**	**16.8**	**16.8**
Total non-cash flows from financing activities		**1.3**	**(0.7)**	**16.8**	**17.4**
Balance at 31 December		**940.3**	**0.7**	**32.1**	**973.1**

33 Related party transactions

(a) Transactions with Directors

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

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

Share dealings

No Director had any dealings in the shares of any Group company between 31 December 2021 and 22 February 2022, being a date less than one month prior to the date of the notice convening the Annual General Meeting.

Other than as disclosed in these accounts, no Director of the Company had a material interest in any contract (other than service contracts), transaction or arrangement with any Group company during the year ended 31 December 2021.

(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 18 'Investment in joint ventures', 21 'Trade and other receivables' and 30 'Capital commitments'. During the year the Group received management fees of £0.7 million (2020: cost of £1.0 million) that were charged on an arm's length basis.

Property purchased by Directors of the Company

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

– Henry Staunton, Chairman of Capital & Counties Properties PLC, and Situl Jobanputra, Chief Financial Officer of Capital & Counties Properties PLC, either solely or together with family members, own apartments in the Lillie Square development. The disclosures in respect of these purchases were included in previous financial statements. In addition, Henry Staunton, together with a family member, owns a car park space in the Lillie Square development.
– As owners of apartments and car park space in the Lillie Square development, the Directors are required to pay annual ground rent and insurance premium fees and bi-annual service charge fees. During 2021, £16,021.60 had been received in relation to these charges. £217.02 of such charges for 2021 remained outstanding as at 31 December 2021. Certain payments in relation to these charges were made in advance and £54.35 had been received in advance as at 31 December 2021.

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

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

34 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 2021 was £1.5 million (2020: £1.4 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 106 to 120.

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 2021 were exercisable between nil pence and 242 pence and have a weighted average remaining contractual life of six years and are exercisable between 2022 and 2031.

34 Share-based payments continued

(a) Market value option awards

	2021		2020	
	Number of market value options	Weighted average exercise price (pence)	Number of market value options	Weighted average exercise price (pence)
Outstanding at 1 January	605,884	231.6	907,020	228.8
Awarded during the year	188,170	168.0	102,886	201.4
Forfeited during the year	(75,239)	(238.4)	(280,094)	(260.7)
Exercised during the year[1]	(27,793)	(157.7)	(123,928)	(119.8)
Outstanding at 31 December	691,022	216.5	605,884	231.6
Exercisable at 31 December	–		27,793	

1. The weighted average share price at the date of exercise was 180.8 pence (2020: 234.5 pence).

(b) Nil cost option awards

	Number of nil cost options 2021	2020
Outstanding at 1 January	5,690,598	4,040,887
Awarded during the year	2,518,456	2,681,894
Forfeited during the year	(1,275,594)	(1,032,183)
Outstanding at 31 December	6,933,460	5,690,598
Exercisable at 31 December	189,970	29,528

(c) Deferred share awards

	Number of deferred share awards 2021	2020
Outstanding at 1 January	1,948,215	3,443,305
Awarded during the year	890,188	728,195
Forfeited during the year	(682,852)	(1,797,674)
Exercised during the year	(8,165)	(425,611)
Outstanding at 31 December	2,147,386	1,948,215

2. 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	2021	2020	2019	2018
Closing share price at grant date	173p	209p	241p	270p
Exercise price	0 – 188p	0-201p	0-241p	0-270p
Expected option life	3 – 6.5 years	3-6.5 years	3-6.5 years	3-6.5 years
Risk-free rate	0.2 – 0.5%	0.2-0.3%	0.6-0.8%	0.9-1.3%
Expected volatility	32.3 – 43.1%	26.8-33.0%	23.7-24.6%	24.3-30.0%
Expected dividend yield[1]	0.6%	0.7%	0.6%	0.6%
Average share price	167p	162p	238p	274p
Value per option	48–137p	40-142p	26-87p	33-115p

1. Expected dividend yield is based on public pronouncements about future dividend levels; all other measures are based on historical data.

35 Related undertakings

The Company's subsidiaries and other related undertakings at 31 December 2021 are listed on the following pages. 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.

Registered address: Regal House, 14 James Street, London, WC2E 8BU

Related undertakings	
20 The Piazza Limited	Capital & Counties Limited[1,2]
20 The Piazza Management Limited	CG Investments 2016 GP Limited[4]
22 Southampton Street Limited	CG Investments 2016 LP[5]
22 Southampton Street Management Limited	CG Investments 2016 Nominee Limited[4]
34 Henrietta Street Limited	CG Treasury Limited[1]
34 Henrietta Street Management Company Limited	Covent Garden (43 Management) Limited
C & C Management Services Limited[1]	Covent Garden (49 Wellington Street) Limited
C&C Properties UK Limited[1]	Covent Garden Group Holdings Limited
Capco CG 2012 Limited[4]	Covent Garden Holdings (No.1) Limited
Capco CG 2012 Nominee Limited [4]	Covent Garden Holdings (No.2) Limited
Capco CGP 2012 LP[5]	Covent Garden Management Services Limited[1]
Capco Covent Garden Limited[1]	Floral Court Collection Management Limited
Capco Covent Garden Residential Limited	Floral Court Limited
Capco Group Treasury Limited[1]	Innova Investment Partnership GP Limited (50%)[3]
Capco Investment London Limited[1]	Innova Investment Limited Partnership (50%)[3]
Capco Investment London 2 Limited[1]	Innova Investment Group Holdings GP Limited
Capco Investment London (No.1) Limited	Innova Investment Group Holdings LP
Capco Investment London (No.2) Limited	Innova Investment Group Holdings Nominee Limited
Capco Investment London (No.3) Limited	Innova Investment Management Limited
Capco Investment London (No.4) Limited	Lillie Square Clubhouse Limited (50%)[3]
Capco Investment London (No.5) Limited	Lillie Square Developments Limited (50%)[3]
Capco London Limited	Lillie Square GP Limited (50%)[3]
Capital & Counties CG Limited	Lillie Square LP (50%)[3]
Capital & Counties CGP	Lillie Square Management Limited (50%)[3]
Capital & Counties CG Nominee Limited	Lillie Square Nominee Limited (50%)[3]

1. Direct undertakings of the Parent.
2. Non-voting deferred shares.
3. Equity accounted joint ventures.
4. Dissolved on 28 September 2021.
5. Dissolved with effect from 30 June 2021.

35 Related undertakings continued

Registered address: 27 Esplanade, St Helier, Jersey, JE1 1SG

Related undertakings	
Capital & Counties CG (No. 1) Limited	CG Investments 2016 (No. 1) Limited[2]
Capital & Counties CG (No. 2) Limited	CG Investments 2016 (No. 2) Limited[3]
Capital & Counties Properties (Jersey) 3 Limited[1]	CG Investments 2016 Group Limited[4]
Capvestco 2 Limited[1]	Covent Garden Limited
Capvestco 3 Limited[1]	Covent Garden LP Limited[3]
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.
2. Dissolved on 5 August 2021.
3. Dissolved on 4 August 2021.
4. Dissolved on 9 August 2021.

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.

36 Events after the reporting date

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

Capital & Counties Properties PLC company balance sheet

as at 31 December 2021

	Note	2021 £m	2020 £m
Non-current assets			
Property, plant and equipment	II	–	3.8
Investment in Group companies	III	**516.4**	516.4
		516.4	520.2
Current assets			
Trade and other receivables	IV	**1,793.6**	1,794.9
		1,793.6	1,794.9
Total assets		**2,310.0**	2,315.1
Non-current liabilities			
Borrowings, including lease liability	V	**(264.1)**	(263.2)
Derivative financial instruments	VI	**(32.1)**	(15.3)
		(296.2)	(278.5)
Current liabilities			
Borrowings, including lease liability	V	–	(0.9)
Trade and other payables		**(0.9)**	(1.5)
		(0.9)	(2.4)
Total liabilities		**(297.1)**	(280.9)
Net assets		**2,012.9**	2,034.2
Equity			
Share capital	29	**212.8**	212.8
Other components of equity		**1,800.1**	1,821.4
Total equity		**2,012.9**	2,034.2

The loss for the year attributable to shareholders of the Company is £18.6 million (2020: £7.1 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 22 February 2022 and signed on its behalf by:

Ian Hawksworth
Chief Executive

Situl Jobanputra
Chief Financial Officer

Capital & Counties Properties PLC company statement of changes in equity

for the year ended 31 December 2021

	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 2020		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]	29	0.7	3.3	-	-	-	-	4.0
Share buyback	29	(1.5)	-	1.5	-	-	(11.8)	(11.8)
Dividends	14	-	-	-	-	-	(8.5)	(8.5)
Realisation of merger reserve[1]		-	-	-	(53.9)	-	53.9	-
Realisation of share-based payment reserve on issue of shares		-	-	-	-	(0.9)	0.8	(0.1)
Fair value of share-based payment		-	-	-	-	1.3	-	1.3
Total transactions with owners		(0.8)	3.3	1.5	(53.9)	0.4	34.4	(15.1)
Balance at 31 December 2020		**212.8**	**232.2**	**1.5**	**313.7**	**6.4**	**1,267.6**	**2,034.2**
Loss for the year		–	–	–	–	–	**(18.6)**	**(18.6)**
Total comprehensive income for the year ended 31 December 2021		–	–	–	–	–	**(18.6)**	**(18.6)**
Transactions with owners								
Ordinary shares issued[2]	29	–	**0.3**	–	–	–	–	**0.3**
Dividends	14	–	–	–	–	–	**(4.3)**	**(4.3)**
Realisation of merger reserve[1]		–	–	–	**(20.0)**	–	**20.0**	–
Realisation of share-based payment reserve on issue of shares		–	–	–	–	**(0.2)**	–	**(0.2)**
Fair value of share-based payment		–	–	–	–	**1.5**	–	**1.5**
Total transactions with owners		–	**0.3**	–	**(20.0)**	**1.3**	**15.7**	**(2.7)**
Balance at 31 December 2021		**212.8**	**232.5**	**1.5**	**293.7**	**7.7**	**1,264.7**	**2,012.9**

1. Represents non-qualifying consideration received by the Group following the share placing in May 2014 and previous share placements. The amounts taken to the merger reserve do not currently meet the criteria for qualifying consideration and therefore will not form part of distributable reserves as they form part of linked transactions. Realised merger reserve relates to disposal of Southampton Street properties during the year (2020: the Wellington block during the prior year) as these properties were originally acquired using proceeds from the share placement.
2. Share premium includes £0.3 million of ordinary shares issued relating to the 2021 bonus issue (2020: £3.3 million) in lieu of cash dividends. Refer to note 14 'Dividends' for further information.

Capital & Counties Properties PLC company statement of cash flows

for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Cash generated/(utilised) from operations	VIII	**8.8**	(257.7)
Interest paid		**(4.6)**	–
Net cash inflow/(outflow) from operating activities		**4.2**	(257.7)
Cash flows from financing activities			
Share buyback		**–**	(11.8)
Borrowings drawn		**–**	275.0
Principal element of lease payment		**(0.2)**	(0.9)
Cash dividends paid	14	**(4.0)**	(4.6)
Net cash (outflow)/inflow from financing activities		**(4.2)**	257.7
Net increase in cash and cash equivalents		**–**	–
Unrestricted cash and cash equivalents at 1 January		**–**	–
Unrestricted cash and cash equivalents at 31 December		**–**	–

Capital & Counties Properties PLC notes to the company accounts

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") and in accordance with UK-adopted 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 138 that are effective for annual periods that begin on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these 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 and trade and other payables are the same as those applied by the Group and are set out on pages 138 to 146. All other accounting policies have been applied consistently. No significant areas of estimation and uncertainty have been identified.

The auditors' remuneration for audit and other services is disclosed in note 7 to the Group accounts.

II Property, plant and equipment

	2021 £m	2020 £m
Gross carrying value at 1 January	**5.4**	5.4
Accumulated depreciation at 1 January	**(1.6)**	(0.7)
Net carrying value at 1 January	**3.8**	4.7
Disposals[1]	**(3.8)**	–
Depreciation charge	**–**	(0.9)
Net carrying value at 31 December	**–**	3.8

1. Property consisted of leased office buildings which the Group vacated during the year via a lease to a third party. The Group incurred lease assignment costs of £1.8 million. Details are set out in note 7 'Administration expenses'.

III Investment in Group companies

	2021 £m	2020 £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 (2020: £nil).

IV Trade and other receivables

	2021 £m	2020 £m
Current		
Amounts owed by subsidiaries	**1,793.2**	1,794.4
Prepayments and accrued income	**0.4**	0.5
Trade and other receivables	**1,793.6**	1,794.9

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 (2020: £nil).

V Borrowings, including lease liability

2021	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Non-current							
Exchangeable bonds	**264.1**	**264.1**	**–**	**264.1**	**–**	**259.1**	**275.0**
Borrowings	**264.1**	**264.1**	**–**	**264.1**	**–**	**259.1**	**275.0**
Total borrowings	**264.1**						

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	–	260.3	–	269.4	275.0
Lease liability obligation	2.9	–	2.9	2.9	–	2.9	2.9
Borrowings, including lease liability	263.2	260.3	2.9	263.2	–	272.3	277.9
Total borrowings, including lease liability	264.1						

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 16 'Property portfolio'.

The lease liability of the Company related to the lease liability over corporate premises. The company assigned the lease to a new tenant and vacated the premises during the year. Details of this lease is set out in note VII 'Lease liability'.

Analysis of movement in net debt (2021)	Current borrowings £m	Non-current borrowings £m	Cash and cash equivalents £m	Net debt £m
Balance at 1 January	**0.9**	**263.2**	**–**	**264.1**
Other net cash movements	**(0.2)**	**(4.4)**	**–**	**(4.6)**
Other non-cash movements	**(0.7)**	**5.3**	**–**	**4.6**
Balance at 31 December	**–**	**264.1**	**–**	**264.1**

V Borrowings, including lease liability continued

Analysis of movement in net debt (2020)	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

The maturity profile of gross debt (excluding lease liabilities) is as follows:

	2021 £m	2020 £m
Wholly repayable in more than two years but not more than five years	**275.0**	–
Wholly repayable in more than five years	**–**	275.0
	275.0	275.0

VI Derivative financial instruments

Derivative liabilities	2021 £m	2020 £m
Non-current		
Derivative liability – exchangeable bonds[1]	**(32.1)**	(15.3)
Derivative financial liabilities	**(32.1)**	(15.3)

1. On 30 November 2020 the Group issued £275 million of secured exchangeable bonds maturing in March 2026. The notes are exchangeable into cash or ordinary shares of Shaftesbury. The net proceeds received from the issue of the exchangeable bonds have been split between the financial liability element and an option component, representing the fair value of the embedded option to convert the financial liability into equity of Shaftesbury. The debt component is accounted for at amortised cost at the effective interest rate method and the derivative liability is accounted for at fair value through profit or loss.

VII Lease liability

Lease liability included within property, plant and equipment

(a) Minimum lease payments under lease obligations

	2021 £m	2020 £m
Not later than one year	**–**	0.9
Later than one year and not later than five years	**–**	3.0
	–	3.9
Future finance charges on lease liabilities	**–**	(0.1)
Present value of lease liability obligations	**–**	3.8

(b) Present value of minimum lease obligations

	2021 £m	2020 £m
Not later than one year	**–**	0.9
Later than one year and not later than five years	**–**	2.9
	–	3.8

Lease liabilities included under property, plant and equipment were in respect of a lease over office buildings occupied by the Group. The Group assigned the lease to a third party and vacated the premises during the year.

VIII Cash flow information

(a) Cash generated from continuing operations

Continuing operations	2021 £m	2020 £m
(Loss)/profit before tax	**(18.6)**	(6.8)
Adjustments:		
Depreciation	**–**	0.9
Finance costs	**8.2**	1.0
Other finance income	**(10.8)**	(6.9)
Change in fair value of derivative financial instruments	**16.8**	5.5
Change in working capital:		
Change in trade and other receivables	**10.5**	(246.3)
Change in trade and other payables	**2.7**	(5.1)
Cash generated/(utilised) from continuing operations	**8.8**	(257.7)

(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		**263.2**	**0.9**	**15.3**	**279.4**
Cash flows from financing activities					
Principal element of lease payment		**–**	**(0.2)**	**–**	**(0.2)**
Total cash flows used in financing activities		**–**	**(0.2)**	**–**	**(0.2)**
Non-cash movements from financing activities					
Lease liability		**(2.9)**	**(0.7)**	**–**	**(3.6)**
Amortisation		**3.8**	**–**	**–**	**3.8**
Changes in fair value		**–**	**–**	**16.8**	**16.8**
Total non-cash flows from financing activities		**0.9**	**(0.7)**	**16.8**	**17.0**
Balance at 31 December		**264.1**	**–**	**32.1**	**296.2**

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	2021 £m	2020 £m
Funding activities			
Capco Group Treasury Limited	Interest on intercompany loan	**10.8**	6.9

Significant balances outstanding at 31 December between the Parent Company and its subsidiaries are shown below:

Subsidiary	Amounts owed by subsidiaries 2021 £m	Amounts owed by subsidiaries 2020 £m
Capco Group Treasury Limited	**1,793.2**	1,794.2

The amount due from Capco Group Treasury Limited is unsecured, interest bearing at 0.6 per cent (2020: 0.6 per cent) and repayable on demand.

Alternative performance measures

for the year ended 31 December 2021

Alternative performance measures

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	2021	2020
Underlying earnings	Profit/(loss) for the period excluding unrealised and one-off items	Profit/(loss) for the year	Note 3	£4.1m	(£6.2)m
Underlying earnings per share	Underlying earnings per weighted number of ordinary shares	Basic earnings/(loss) per share	Note 3	0.5p	(0.7)p
EPRA earnings	Recurring earnings from core operational activity	Profit/(loss) for the year	EPRA measures Table 1	(£7.3)m	(£33.0)m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	Basic loss per share	EPRA measures Table 1	(0.9)p	(3.9)p
EPRA NTA	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	Net assets attributable to shareholders	Note 15 Table D	£1,809.7	£1,805.8m
EPRA NTA per share	EPRA NTA per the diluted number of ordinary shares	Net assets attributable to shareholders per share	Note 15 Table D	212.4p	212.1p
Market value of property portfolio	Market value of investment, development and trading properties	Investment, development and trading properties	Note 16	£1,814.7m	£1,942.4m
Interest cover	Underlying operating profit divided by net underlying finance costs	N/A	Note 27	111.5%	76.1%
Net debt to gross assets	Net debt divided by total assets excluding cash and cash equivalents	N/A	Note 27	24.3%	27.5%
Gross debt with interest rate protection	Proportion of the gross debt with interest rate protection	N/A	Note 27	100%	100%
Weighted average cost of debt	Cost of debt weighted by the drawn balance of external borrowings	N/A	Financial Review, page 64	2.8%	2.6%
Cash and undrawn committed facilities (Group share)	Cash and cash equivalents plus undrawn committed facilities shown on a Group share basis	N/A	Financial Review, page 64	£651.7m	£1,010.2m
Cash and undrawn committed facilities (IFRS)	Cash and cash equivalents plus undrawn committed facilities shown on an IFRS basis	N/A	Financial Review, page 64	£629.0m	£940.1m
Occupancy	ERV of occupied space as a percentage of ERV of combined portfolio	N/A	N/A	97.4%	96.5%

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

EPRA measures

for the year ended 31 December 2021

EPRA measures

EPRA Net Reinstatement Value ("EPRA NRV"), EPRA Net Tangible Assets ("EPRA NTA") and EPRA Net Disposal Value ("EPRA NDV") are alternative performance measures that are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA) to provide a transparent and consistent basis to enable comparison between European property companies. EPRA NTA is considered to be the most relevant measure for the Group's operating activity and is the primary measure of net asset value.

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

EPRA measure	Definition of measure	Table	2021	2020
EPRA earnings	Recurring earnings from core operational activity	1	**(£7.3)m**	(£33.0)m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	1	**(0.9)p**	(3.9)p
EPRA NTA (Net Tangible Assets)	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	Note 15 Table D	**£1,809.7m**	£1,805.8m
EPRA NTA per share	EPRA NTA per the diluted number of ordinary shares	Note 15 Table D	**212.4p**	212.1p
EPRA NDV (Net Disposal Value)	EPRA NTA amended to include the fair value of financial instruments and debt	Note 15 Table D	**£1,800.3m**	£1,758.2m
EPRA NDV per share	EPRA NDV per the diluted number of ordinary shares	Note 15 Table D	**211.3p**	206.5p
EPRA NRV (Net Reinstatement Value)	EPRA NTA amended to include real estate transfer tax	Note 15 Table D	**£1,925.6m**	£1,930.3m
EPRA NRV per share	EPRA NRV per the diluted number of ordinary shares	Note 15 Table D	**226.0p**	226.7p
EPRA net initial yield	Annualised rental income less non-recoverable costs as a percentage of market value plus assumed purchaser's costs	2	**3.2%**	3.3%
EPRA topped-up initial yield	Net initial yield adjusted for the expiration of rent-free periods	2	**3.8%**	3.6%
EPRA vacancy	ERV of un-let units expressed as a percentage of the ERV of the Covent Garden portfolio excluding units under development	3	**2.6%**	3.5%
Like-for-like net rental growth	Net rental income for properties which have been owned throughout both years without significant capital expenditure in either year, so income can be compared on a like-for-like basis.	Property portfolio Table 3	**23.7%**	(30.3)%

EPRA measures continued

1) EPRA Earnings per share

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

1. Weighted average number of shares in issue for 2020 has been adjusted by 0.2 million (2020: 2.5 million) for the issue of bonus shares in connection with the scrip dividend scheme.
2. Change in value of investments and other receivables of £11.6 million (2020: £28.2 million) includes impairments under IFRS 9 of the amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture, and impairment in relation to the Group's investment in the Innova joint venture. Further details are disclosed within note 9 'Change in value of investments and other receivables'.
3. Change in fair value of derivative financial instruments excludes change in fair value of derivative liability on bifurcated exchangeable bonds.
4. Profit on sale of trading property relates to Lillie Square sales and includes £0.1 million (2020: £1.0 million) of marketing and selling fees on a Group share basis.
5. EPRA earnings has been reported on a Group share basis.

EPRA measures continued

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

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

The EPRA Net Initial Yield and EPRA 'topped-up' Net Initial Yield are calculated based on EPRA guidelines and includes both Covent Garden and the Group's share of Lillie Square. The Covent Garden initial yield as determined by the valuer is disclosed in Table 4 of the Analysis of Property Portfolio on page 194.

3) EPRA vacancy rate

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

EPRA vacancy rate is performed only for the Covent Garden portfolio. Other investment and development properties held at Lillie Square total £1.6 million Group share (2020: £1.6 million Group share) and disclosure is not applicable.

4) Property related capex

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

Property portfolio

for the year ended 31 December 2021

Analysis of property portfolio

1. Property data as at 31 December 2021

	Market value £m	Ownership
Covent Garden	1,728.5	100.0%
Lillie Square	84.1	50.0%
Other	2.1	100.0%
Group share of total property	1,814.7	
Investment and development property	1,732.2	
Trading property	82.5	

2. Analysis of capital return for the year

Like-for-like capital	Market value 31 December 2021 £m	Market value 31 December 2020 £m	Revaluation loss[1] 31 December 2021 £m	Decrease
Covent Garden	1,728.5	1,726.2	(11.0)	(0.6)%
Other[2]	86.2	98.2	(14.1)	(14.1)%
Total like-for-like capital	**1,814.7**	1,824.4	**(25.1)**	**(1.3)%**
Investment and development property	1,732.2	1,729.9	(11.0)	(0.6)%
Trading property[3]	82.5	94.5	(14.1)	(14.6)%
Non like-for-like capital				
Disposals	–	118.0	1.1	
Group share of total property	**1,814.7**	1,942.4	**(24.0)**	**(1.3)%**
Investment and development property	1,732.2	1,828.8	(9.9)	(0.6)%
Trading property[3]	82.5	113.6	(14.1)	(14.6)%
All property				
Covent Garden	1,728.5	1,825.1	(9.9)	(0.6)%
Other[2]	86.2	117.3	(14.1)	(14.1)%
Group share of total property	**1,814.7**	1,942.4	**(24.0)**	**(1.3)%**

1. Revaluation loss includes amortisation of lease incentives and fixed head leases.
2. Relates to the Group's interest in Lillie Square.
3. Represents unrecognised surplus and write down or write back to market value of trading property. Presented for information purposes only.

Analysis of property portfolio 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	2021 £m	2020 £m	Increase
Covent Garden	50.4	41.6	21.6%
Other	0.2	(0.6)	
Total like-for-like net rental income	50.6	41.0	23.7%
Like-for-like investment and development property	50.6	41.2	23.0%
Like-for-like trading property	–	(0.2)	
Non like-for-like net rental income			
Disposals	1.7	2.6	
Group share of total net rental income (underlying)	52.3	43.6	20.4%
Investment and development property	52.3	43.8	19.7%
Trading property	–	(0.2)	
All property			
Covent Garden	52.1	44.1	18.5%
Other	0.2	(0.5)	
Group share of total net rental income (underlying)	52.3	43.6	20.4%
Lease modifications and impairment of tenant incentives	(5.9)	(27.8)	
Reported net rental income	46.4	15.8	194.7%
Covent Garden	46.2	16.3	183.1%
Other	0.2	(0.5)	

4. Analysis of Covent Garden by use

31 December 2021

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

Financial covenants

for the year ended 31 December 2021

Financial covenants

Financial covenants on non-recourse debt

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

1. The loan values are the nominal values at 31 December 2021 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.
2. Covent Garden comprises £300.0 million revolving credit facility ("RCF") maturing in September 2024, which is undrawn at 31 December 2021, and £550 million Private Placement unsecured notes maturing between 2024 and 2037.

Historical record

for the year ended 31 December 2021

Historical Record

Continuing and discontinued operations

Consolidated income statement	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Net rental income[1]	**46.4**	15.8	63.3	63.5	73.4
Profit on sale of trading property	**5.6**	8.9	0.9	6.7	14.5
Other income	**2.7**	(0.5)	1.0	1.8	2.3
Loss on revaluation and sale of investment and development property	**(15.8)**	(693.3)	(139.8)	(78.8)	(28.0)
Profit/(loss) on disposal and IFRS 5 impairment of discontinued operation	**–**	1.0	(94.2)	29.5	–
Revaluation of equity investment	**44.6**	50.9	–	–	–
Non-recurring (costs)/income	**(68.6)**	(1.4)	(15.4)	(4.3)	1.5
Administration expenses[2]	**(22.7)**	(31.5)	(46.6)	(41.6)	(41.4)
Operating (loss)/profit	**(7.8)**	(650.1)	(230.8)	(23.2)	22.3
Net finance costs	**(44.4)**	(29.7)	(25.5)	(17.1)	(16.0)
(Loss)/profit before tax	**(52.2)**	(679.8)	(256.3)	(40.3)	6.3
Taxation	**(0.7)**	1.0	0.1	(4.3)	(6.7)
Loss for the year	**(52.9)**	(678.8)	(256.2)	(44.6)	(0.4)

Consolidated balance sheet	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Investment and development property	**1,696.1**	1,797.4	2,547.3	3,066.7	3,318.1
Other non-current assets	**645.0**	599.7	165.1	157.2	155.1
Cash and cash equivalents	**341.7**	375.8	170.6	49.9	52.3
Other current assets	**125.3**	182.2	302.3	181.8	158.7
Total assets	**2,808.1**	2,955.1	3,185.3	3,455.6	3,684.2
Non-current borrowings, including lease liabilities	**(940.3)**	(1,084.5)	(610.8)	(621.9)	(785.3)
Other non-current liabilities	**(32.1)**	(22.5)	(3.6)	–	(5.8)
Current borrowings, including lease liabilities	**(0.7)**	(1.6)	(1.6)	(0.7)	(0.7)
Other current liabilities	**(41.3)**	(53.3)	(82.2)	(84.5)	(92.6)
Total liabilities	**(1,014.4)**	(1,161.9)	(698.2)	(707.1)	(884.4)
Net assets	**1,793.7**	1,793.1	2,487.1	2,748.5	2,799.8

Prepared on a Group share basis.

Per share information	Pence	Pence	Pence	Pence	Pence
Basic earnings/(loss) per share	**3.4**	(79.6)	(29.7)	(6.7)	(0.1)
Underlying earnings/(loss) per share	**0.5**	(0.7)	1.0	0.9	1.3
Basic net assets per share	**210.5**	210.4	290.0	321.6	329.7
EPRA NTA	**212.4**	212.1	292.9	325.7	333.8
Dividend per share	**0.5**	–	1.5	1.5	1.5

1. Underlying net rental income for continuing operations as at 31 December 2021 is £52.3 million (2020: £43.6 million).
2. Included in administration expenses for continuing operations as at 31 December 2021 is £2.8 million (2020: £6.5 million) of non-recurring administration costs which are excluded from the calculation of underlying earnings. Details are set out in note 7 'Administration Expenses'.

Board and advisers

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

Regal House
14 James Street
London
WC2E 8BU
Telephone: 020 3214 9150
Fax: 020 3214 9151

Registered number

7145051

Websites

www.capitalandcounties.com
www.coventgarden.london

Independent auditors

PricewaterhouseCoopers LLP

Solicitors

Herbert Smith Freehills LLP

Financial adviser

Rothschild & Co.

Corporate brokers

Jefferies International Limited
Peel Hunt LLP
UBS AG London Branch

SA sponsor

UBS South Africa (Pty) Ltd (until 24 February 2022)
Java Capital Trustees and Sponsors Proprietary Limited (from 25 February 2022)

Dividends

Dividends

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

Dates

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

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

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

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

The above dates are proposed and subject to change.

The dividend will be split equally between Property Income Distribution ("PID") and non-PID for tax purposes. The PID element will be subject to a deduction of a 20 per cent UK withholding tax unless exemptions apply. The non-PID element will be treated as an ordinary UK company dividend.

Information for shareholders

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

UK shareholders – PIDs

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

South African shareholders

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

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

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

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

Other overseas shareholders:

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

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

Glossary

Alternative performance measure (APM)

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

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.

Diluted figures

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

EPRA

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

EPRA earnings

Profit or loss for the 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

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

EPRA vacancy

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

ESC

Environment, Sustainability and Community.

Estimated rental value (ERV)

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

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 2020 and 2021 throughout comprise direct emissions, including fuel combustion in owned or controlled boilers, backup generators and vehicles. Scope 2 emissions for 2020 and 2021 comprise indirect emissions released from purchased electricity. Capco was 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. Scope 3 emissions comprise other indirect emissions from sources not owned or controlled by Capco, including customer and supply chain emissions. Capco has engaged Carbon Footprint Limited to provide independent verification of the 2021 greenhouse gas emissions assertion, in accordance with the industry recognised standard ISO 14064-3.

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 1/2021 issued by the South African Institute of Chartered Accountants ("SAICA"), a requirement of the Group's JSE listing. This measure is not a requirement of IFRS.

HMRC
Her Majesty's Revenue and Customs.

IFRS
International Financial Reporting Standards.

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

JSE
Johannesburg Stock Exchange.

Kwok Family Interests (KFI)
Joint venture partner in the Lillie Square development.

Like-for-like property
Property which has been owned throughout both 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.

London Inter-Bank Offered Rate (LIBOR)
Average rate of interest used in lending between leading banks in London, which is used as a reference for setting interest rates on other loans and other financial products.

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

Net Zero Carbon
When there is a balance between the amount of GHG emissions produced and the amount removed from the atmosphere, either by reduction in GHG emissions resulting from our buildings and operations or offset of unavoidable residual emissions.

NIA
Net Internal Area.

Nominal equivalent yield
Effective annual yield to a purchaser on the gross market value, assuming rent is receivable annually in arrear, 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 per cent of the Group's taxable income profits arising from its qualifying property rental business, by way of dividend. PIDs can be subject to withholding tax at 20 per cent. If the Group distributes profits from its non-qualifying business, the distribution will be taxed as an ordinary dividend in the hands of the investors.

Real Estate Investment Trust (REIT)
A REIT is exempt from corporation tax on income and gains of its property rental business (qualifying activities) provided a number of conditions are met. It remains subject to corporation tax on non-exempt income and gains (non-qualifying activities) which would include any trading activity, interest income and development/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 Corporate Sustainability Assessment
A sustainability index of Standard & Poor Global 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.

Sterling Overnight Interbank Average Rate (SONIA)
The average overnight Sterling risk-free interest rate, set in arrear, paid by banks for unsecured transactions.

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.

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 the current and prior year, non-cash lease modification expenses and impairment of tenant lease incentives have been excluded from underlying earnings due to being material and at levels not experienced in the past nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude. Underlying earnings is reported on a Group share basis.

Underlying earnings per share (EPS)
Underlying earnings divided by the weighted average number of shares in issue during the 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 the current and prior year, these balances have been excluded from underlying net rental income due to being material and at levels not experienced in the past nor expected to be incurred once tenant support measures required as a result of COVID-19 conclude.

Weighted average unexpired lease term

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

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").

Shareholder information

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.

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.linkgroup.com

For shareholders registered in South Africa:

Computershare Investor Services Proprietary Limited

Rosebank Towers, 1st Floor, 15 Biermann Avenue, Rosebank, 2196, 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 to Friday)

Email: web.queries@computershare.co.za
www.computershare.com

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:

- Updating your address details or registering a mandate to have your dividends paid directly to your bank account
- 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
- 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 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.

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: info@linksharedeal.com or telephone 0371 664 0445 (calls are charged at the standard geographic rate and will vary by provider; calls outside the UK are charged at the applicable international rate. Lines are open 8.00 am-4.30 pm Monday to Friday, excluding public holidays in England and Wales). Alternatively, 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 Group provides share registration services, or a nominee programme administered by Link Market Services Trustees Limited.

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) 11 506 4713 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.

Notes

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