26 FEBRUARY 2020

CAPITAL & COUNTIES PROPERTIES PLC ("CAPCO")

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Ian Hawksworth, Chief Executive, commented:

"Capco looks forward to the next phase of growth, with a strategic focus on the West End and Covent Garden, where we have created a world-class estate. As a strongly capitalised REIT, with access to substantial liquidity, Capco is well-positioned to take advantage of investment opportunities whilst also offering resilience during periods of economic uncertainty. Our creative approach to leasing and asset management continues to contribute to increased footfall and tenant sales at Covent Garden, giving us confidence in the long-term prospects of the business to deliver superior total returns to our shareholders."

Capco is positioned as a strongly capitalised prime central London REIT

Key financials

- Equity attributable to owners of the Parent of £2.5 billion (2018: £2.7 billion)
- EPRA NAV 293 pence per share, a decrease of 10 per cent (2018: 326 pence per share and Jun 2019: 315 pence per share), driven primarily by Earls Court and Covent Garden valuation movement
- Total property value £2.8 billion, a decrease of 1.7 per cent (like-for-like) (2018: £2.8 billion adjusted for the sale of Earls Court interests)
- Underlying EPS 1.0 pence per share (2018: 0.9 pence per share)
- Proposed final 2019 dividend of 1.0 pence per share resulting in a full-year dividend of 1.5 pence per share
- Total shareholder return of 14 per cent in 2019

Strong balance sheet with significant financial flexibility

- Sale of Capco's interests in Earls Court for £425 million, enhancing financial flexibility and positioning Capco to capitalise on investment opportunities
- Current group loan to value of 16 per cent, before receipt of Earls Court deferred consideration (2018:18 per cent)
- Group cash and undrawn facilities £895 million (2018: £854 million)
- Group net debt £442 million (2018: £573 million), with capital commitments of £14 million (2018: £53 million)
- Weighted average debt maturity of 4.9 years (2018: 6 years) and weighted average cost of debt of 2.97 per cent (2018: 2.92 per cent)
- Intention to grow dividend distributions in line with progression in underlying earnings
- Return of capital of up to £100 million through share buyback programme this year

Covent Garden

An active year across the estate; average sales and footfall continue to trend upwards

- Continued growth in net rental income, up 1.8 per cent (like-for-like) and 7.0 per cent in absolute terms
- Robust demand across all uses; 92 new leases and renewals, representing £17.4 million contracted income transacted at 1.3 per cent above 31 December 2018 ERV
- 13 new brands opened across the estate including Lacoste, Polo Ralph Lauren, VyTA and Glossier
- Expansion and investment by global brands, including upsizing of Bucherer and extension of Apple lease
- High occupancy, renewal rates and strong demand for offices and residential

Resilient performance

- London's West End has proved to be more resilient than the wider UK market but is not unaffected
- Total property value of £2.6 billion, a decrease of 1.4 per cent (like-for-like) (2018: £2.6 billion) driven by positive performance across the estate, offset by negative adjustments at Long Acre and James Street
- ERV broadly stable, -0.1 per cent (like-for-like) to £108 million (2018: £108 million)
- Equivalent yield up 6 basis points to 3.65 per cent (2018: 3.59 per cent)
- Initial yield moved from 2.4 per cent to 2.5 per cent as the reversionary potential continues to be captured
- EPRA vacancy remains stable at 3 per cent (2018: 3 per cent) with a small number of units available for letting

Strong track record of investment activity

- Accretive investment and aggregation of ownership of Covent Garden estate generating £1.2 billion of value since 2010
- Award winning Floral Court residential new-build apartments fully sold for £100 million of cumulative proceeds
- Over £70 million invested in 2019 through targeted acquisitions on the southern side of the estate and pipeline of additional opportunities under review

Other investments

- Sale of Capco's interests in Earls Court for £425 million, in line with long-term strategy
- Deferred consideration of £210.4 million from the sale of Earls Court to be received over the next two years
- Lillie Square Phase 2 completion and handover on track for 2020, over 80 per cent pre-sold representing approximately £100 million of sales proceeds (Capco share)

KEY FINANCIALS

	2019	2018
Equity attributable to owners of the Parent	**£2,478m**	£2,736m
Equity attributable to owners of the Parent per share	**£290.0p**	£321.6p
-9.6% Total return in 2019 (2018: -2.0%)		
EPRA net asset value	**£2,506m**	£2,777m
EPRA net asset value per share	**292.9p**	325.7p
Dividend per share	**1.5p**	1.5p
-5.4% Total property return in 2019 (2018: -0.4%)		
Property market value[1]	**£2,774m**	£3,268m
Net rental income from continuing operations[2]	**£61.2m**	£57.5m
Loss for the year attributable to owners of the Parent	**£(253.6)m**	£(56.9)m
Headline loss per share[3]	**(2.2)p**	(0.8)p
Basic loss per share[3]	**(29.7)p**	(6.7)p
Underlying earnings per share[3]	**1.0p**	0.9p

1. On a Group share basis. Refer to Property Data for the Group's percentage ownership of property.
2. On a Group share basis. Refer to the Financial Review.
3. From continuing and discontinued operations. Refer to Consolidated Underlying Profit Statement.

ENQUIRIES

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A presentation to analysts and investors will take place today at 08.15am at the offices of UBS, 5 Broadgate, London, EC2M 2QS. The presentation will also be available to international analysts and investors through a live audio call and webcast and after the event on the Group's website at www.capitalandcounties.com.

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

CHAIRMAN'S STATEMENT

Overview

It has been an active year for Capco culminating in the separation of its two prime central London estates, through the sale of Earls Court, implementing a long-held strategic objective of the Company. Capco is now positioned as a strongly capitalised prime central London property REIT centred around its Covent Garden estate, with a focus on driving long-term rental and dividend growth. Backed by a strong balance sheet, the business has significant financial flexibility to capitalise on further investment opportunities and is well-positioned to deliver superior long-term total returns for shareholders.

Strongly capitalised prime central London REIT

Having assessed the structure of the Group, the Board determined that separation of its two estates was in shareholders' interests. The Board considered the merits of various options in relation to Earls Court, focusing on value and deliverability whilst having regard to long-term shareholder value, prudent capital management and market conditions.

Towards the end of the year, Capco completed the sale of its interests in Earls Court, excluding Lillie Square, to APG and Delancey (on behalf of its client fund) for £425 million. The transaction was consistent with Capco'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.

On 21 October 2019, Candy Ventures announced that it was in the early stages of considering a possible cash offer for the Company, resulting in Capco entering into an offer period for the purposes of the Takeover Code. On 15 November 2019, following Capco's announcement concerning the sale of its interests in Earls Court, Candy Ventures confirmed that it did not intend to make an offer for Capco. No substantive approach regarding an offer was made to the Company by Candy Ventures or any other party. The Board looks forward with full confidence in the Company's strategy and management to continue to deliver significant shareholder value.

Capco converted to UK REIT status in December 2019 and will grow dividend distributions to shareholders in line with progression in underlying earnings.

Performance

Capco's total shareholder return for the year, which comprises share price performance plus the dividends paid during the year, was 14 per cent. Total return for the year, which represents the change in net assets plus the dividends paid during the year, was -10 per cent. The total value of Capco's property portfolio fell by 1.7 per cent on a like-for-like basis to £2.8 billion.

Covent Garden continues to capture its reversionary potential, securing 7 per cent growth in net rental income. The West End remains resilient, however it is not unaffected by the well-documented challenges in the retail sector. Against this backdrop, Covent Garden's ERV remained broadly stable at -0.1 per cent like-for-like. Movements in ERV and yield have resulted in a property valuation decline of 1.4 per cent like-for-like.

The implementation of our strategy at Covent Garden has created a highly attractive destination for occupiers and visitors, which has continued to benefit from positive trading conditions with enhanced footfall and average tenant sales trending upwards. High-quality global brands including Dominique Ansel, Polo Ralph Lauren and Glossier have been introduced, further strengthening Covent Garden's attractiveness as a leading global retail and dining destination.

The sales programme for the new-build residential component of Floral Court, The Floral Court Collection, completed successfully with cumulative proceeds of over £100 million received from the sale of all 29 apartments. The Group has invested over £70 million in the acquisition of a number of properties offering significant repositioning opportunities.

Although the sale of Earls Court resulted in a loss on disposal and related one-off costs, the Board believes that separation of the two assets through sale, enhances the strategic flexibility of Capco, allowing the business to pursue a focused strategy from a position of financial strength, with modest capital commitments and access to close to £900 million of liquidity.

Other investments of Capco include a joint venture interest in the Lillie Square development which continues to progress on schedule. Handover of Phase 2 apartments is expected to complete during 2020.

Financial position, share buyback programme and dividends

Responsible capital management and a flexible funding structure with access to significant liquidity ensures Capco maintains a strong financial position. Capco maintains a disciplined approach to capital allocation in order to position the business for growth and optimise long-term returns for shareholders. Capco intends to return up to £100 million to shareholders through a share buyback programme this year.

By focusing on delivering income growth and implementing cost efficiencies, the Company will grow dividend distributions to shareholders in line with progression in underlying earnings. The Directors are proposing a final dividend of 1.0 pence per share, which brings the total dividend for 2019 to 1.5 pence per share (2018: 1.5 pence).

The Board and employees

The Board continued to review its composition over the course of 2019, to ensure that we have the appropriate mix of skills and experience at an appropriate cost to deliver Capco's strategy as a central London focused REIT.

Gary Yardley, a founding Executive Director and Managing Director and CIO, stepped down from the Board in June 2019, leaving the company after over nine years of service. We thank him for his outstanding contribution to the development and growth of the Company. In addition, after more than nine years' service as a Non-executive Director and representative of the Gordon family, Graeme Gordon retired from the Board in May 2019. We are grateful for his commitment, wisdom and support of the Company. We welcomed Jonathan Lane as a Non-executive Director in March 2019.

Andrew Strang, who joined the Board on Capco's inception in 2010, and Gerry Murphy, who would have become the Chairman of the Earls Court business had a demerger been undertaken, will each retire from the Board at the forthcoming AGM. We thank Andrew for his long and valuable service and the benefit of his extensive knowledge of the market place, and Gerry for his significant contribution to the Board, not least in respect of preparations for the potential demerger. These Board changes result in a number of changes to Non-executive Directors' Committee memberships and roles, which are set out in a separate announcement.

Following a review of Board composition after the sale of the Group's interests in Earls Court, we are delighted that Michelle McGrath, who has been a senior executive of the company for six years, most recently as Director of Covent Garden, will join the Board as an Executive Director with effect from 26 February 2020. I look forward to working with each of the Directors as we pursue our strategy to deliver long-term total returns as a central London focused REIT.

The work required during 2019 to achieve the separation of the Group's assets required very significant and intensive work from the Executive Directors and employees across the business, during a period of considerable uncertainty. It would not have been possible to deliver the desired outcome for our shareholders without these efforts, and the Board would like to thank each of them for their commitment and professionalism.

Board oversight

The Board ensures that it has clear oversight of the business by receiving regular updates from Executive Directors and senior management at each of our formal Board meetings and the more informal Board updates. We also regularly visit both Covent Garden and Lillie Square to see the assets for ourselves and speak to operational management, ensuring that we are well aware of the business' opportunities and challenges, as well as the views of a range of stakeholders including shareholders, local communities, partners, lenders, government and employees.

Voting on AGM resolutions

Capco is listed in London and Johannesburg, and a significant proportion of the Company's shares is held by South African investors. At 31 December 2019, the South African section of the share register accounted for 31 per cent of the total register (2018: 40 per cent). As we have previously reported, there are sometimes different market expectations in the UK and South Africa. One such example is the level of authority to issue new shares that shareholders expect to grant to Boards. The Board considers that, in order to preserve flexibility, it is appropriate to seek the level of authorities typically expected by shareholders in UK listed companies where possible. In 2019 this resulted in significant votes against two of our AGM resolutions, one of which was withdrawn prior to the meeting, and Capco's repeated inclusion in The Investment Association's public register of shareholder dissent. The Board continues to engage with shareholders to explain its rationale and ensure it understands views on this matter.

Looking ahead

2019 was a year of significant positive change. Capco ended the year in a strong position having achieved its strategic objective of separation of its two London estates. The Company is now positioned as a central London focused REIT with significant financial flexibility to capitalise on growth opportunities.

Covent Garden demonstrated resilient performance in a challenging environment. Whilst we can expect continued market uncertainty over the year ahead, we are confident about the long-term fundamentals of the Covent Garden estate, our market position and the prospects for central London. Our ambition is to build on the success of Covent Garden, to generate superior total returns for our shareholders over the long-term through creative asset management, investment and specialisation in central London real estate.

With our clear and focused strategy, world-class estate, experienced management team and creative approach, supported by strong financial resources, Capco is well-positioned to deliver income and dividend growth for our shareholders.

Henry Staunton

Chairman

25 February 2020

CHIEF EXECUTIVE'S REVIEW

Capco is positioned as a strongly capitalised REIT centred around its landmark Covent Garden estate

Capco entered 2020 looking forward to the next phase of growth for the business, from a position of financial strength and with a strategic focus on the West End and Covent Garden, where we have assembled and created a world-class estate.

Against a backdrop of political and economic uncertainty, the disposal of Earls Court places the Company in a strong financial position. The subsequent simplification of the Group enables a clear focus on growing the value of our investment at Covent Garden. With the ability to drive growth in net rental income, operate under a much reduced cost base, and access to significant liquidity, the Group is well-positioned to capitalise on investment opportunities and target the delivery of superior long-term total returns to shareholders.

Strategy, investment and capital allocation

Our investment strategy will focus on value creation opportunities in central London. Our track record in creative asset management has repositioned the Covent Garden estate, now comprising 81 properties, into higher value uses and helped create a world-class estate. We are confident that this experience can be further deployed on the estate and in new acquisitions. Our strong balance sheet and access to significant liquidity provides the opportunity for expansion whilst offering insulation during uncertain economic periods.

The Group is in a strong financial position, with a loan to value ratio of 16 per cent (before receipt of the deferred consideration from the sale of Earls Court) and access to available facilities and cash of approximately £900 million. Substantially all of the Company's property value is within the Covent Garden business, with the assets currently independently valued at £2.6 billion. Capco has a track record of accretive investment and aggregation of ownership in the district and it is intended that opportunities to expand our ownership in the area will be pursued.

The Board has set balance sheet leverage parameters of up to 40 per cent loan to value, with an appropriate level of interest cover. During 2019, over £70 million of capital has been invested through a number of acquisitions, primarily on the southern side of the estate which offers significant value creation opportunities over the medium-term. Each investment is assessed on its own merits primarily, together with analysis of any wider benefits to the overall portfolio.

The Group will maintain a disciplined approach to capital allocation, assessing the merits of all capital decisions including investment in owned assets, development and repositioning opportunities, accretive acquisitions on or near the Covent Garden estate, opportunistic investments in London, the disposal of non-strategic assets and the return of surplus capital to shareholders as appropriate. The Board intends to return up to £100 million to shareholders through a share buyback programme this year.

In view of Capco's recent conversion to REIT status, its dividend distributions are expected to grow over the coming years in line with progression in underlying earnings. Capco's immediate priority is to right size the Company targeting administration costs of £20 million in 2021. Our ambition is to build on the success of Covent Garden, to grow the income and generate attractive returns for our shareholders over the long-term through investment and specialisation in central London real estate.

Valuation and performance

The total property value of the Group declined by 1.7 per cent (like-for-like) in the year to 31 December 2019 to £2.8 billion. Against a challenging retail backdrop, Covent Garden declined by 1.4 per cent (like-for-like) to £2.6 billion, driven by movements in ERV which decreased by 0.1 per cent (like-for-like) and a widening in the equivalent yield of 6 basis points.

The majority of the portfolio continues to generate positive performance, offset by negative adjustments on Long Acre and James Street, which have seen high rates of growth over recent years and have the characteristics of relatively larger store sizes and absolute rents. At the end of the year, there was a small number of units, with a concentration in retail space, available for letting on the estate representing 3.2 per cent vacancy overall.

Capco continues to capture the portfolio's reversionary potential into contracted income, reporting 7 per cent overall growth in net rental income for the year. Positive demand across all uses has resulted in 92 new lettings and renewals, securing £17.4 million of rental income at 1.3 per cent above December 2018 ERV.

Central London retail is not unaffected by the challenged environment, with examples of national retailers making group-wide decisions which are not necessarily reflective of trading performance on the estate. Capco takes a proactive approach to tenant management and closely monitors performance whilst ensuring it provides an environment for brands to thrive. Trading performance on the estate remains positive with average retail and restaurant sales continuing to grow, demonstrating Covent Garden's differentiation and strength.

Capco's investment at Lillie Square decreased in value by 5.4 per cent (like-for-like) to £178 million at 31 December 2019 due to changes in valuers' assumptions. The sale of Earls Court is consistent with Capco's long-term strategy of monetising a series of investments over time with a focus on growing its central London property investment business, centred around Covent Garden. Although the sale of Earls Court crystallised a loss against balance sheet value, Capco has strengthened its financial flexibility and positioned the Company with significant liquidity to enable it to capitalise on further investment opportunities. The loss on sale of Earls Court and the decline in the value of Covent Garden have resulted in EPRA net asset value declining by 10 per cent over the year to 293 pence per share.

Valuations

	Market Value 2019 £m	Market Value 2018 £m	Valuation Change Like-for-Like[1]
Covent Garden	**2,596**	**2,610**	(1.4)%
Other[2]	**178**	**658**	(5.4)%
Group share of total property[3]	**2,774**	**3,268**	(1.7)%

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

2 Represents the Group's 50 per cent share of the Lillie Square joint venture in 2019. 2018 includes Capco's interests in Earls Court Properties which were disposed of during 2019.

3 A reconciliation of carrying value of investment, development and trading property to the market value is shown in note 11 'Property Portfolio'.

As required by the provisions of Royal Instituion of Chartered Surveyors ("RICS") guidelines, the valuer has evaluated each Covent Garden property on an individual basis, rather than valuing the portfolio as a whole or in combinations of parts. The total valuation of the estate is £2.6 billion and represents the aggregated value of the individual properties, with no reflection of any additional estate premium which potential investors may ascribe to the 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.

Environment, Stakeholders and People

As responsible owners of the estate we continue to support and preserve Covent Garden's rich heritage which is an integral part of the West End. Capco promotes a collaborative approach to working with local communities to ensure understanding and support of the business initiatives on the estate. These include minimising the impact of operations on the environment by employing an active approach to air quality, congestion, environmental and sustainability issues, and implementing initiatives that improve the quality of the environment for all, such as pedestrianisation and increasing greenery.

Capco works closely with stakeholders and collaborates on key estate initiatives, including public realm to further enhance the customer experience and accessibility of the estate, improving pedestrian flows and dwell times.

We aim to release the potential of our talented and diverse workforce, providing opportunities for leadership and responsibility whilst harnessing the creative passion we all share for Covent Garden.

Covent Garden, a world-class estate

Capco has transformed the Covent Garden estate into a prime district in the heart of London's West End with a differentiated offer, delivering an attractive environment for over 40 million visitors every year. The estate is of a scale and in single ownership which is difficult to assemble or replicate. The portfolio comprises 549 units of shops and restaurants as well as offices, hotels, museums and residential assets. Its rare attributes underpin the resilience of the estate and continue to provide a degree of insulation from broader economic headwinds. Across the estate, 53 per cent of the value is represented by retail, 22 per cent by F&B use, 14 per cent office, 8 per cent residential and 3 per cent leisure.

Generally, trading conditions on the estate in 2019 were positive and average tenant sales continued to trend upwards. We are also encouraged by positive footfall data as the pedestrian flow across the estate continues to evolve. The demographic breakdown of consumers visiting the estate has changed significantly over time with higher levels of consumer spend on average. The customer mix is now approximately 40 per cent international, 40 per cent Londoners and 20 per cent domestic visitors which compares with an historic mix heavily oriented towards the UK and lower spend tourists. Improving the brand mix and targeted marketing initiatives have resulted in higher dwell times, frequency of visits and average spend. These positive operating fundamentals give us confidence in the long-term prospects of the business.

Retailers continue to adapt to changes in consumer shopping behaviour and evolve their physical retail offers to place more emphasis on customer experience, service and flagship retailing with better digital engagement. Capco offers a unique customer experience, utilising the historic Piazza through events and cultural installations to drive global estate recognition and footfall. Our focused digital outreach continues to drive engagement and customer insight opportunities.

Covent Garden's global positioning continues to appeal to brands to meet evolving consumer demand. During the year Apple agreed to extend its lease, resulting in its occupation for a further 15 years and luxury retail operator Bucherer agreed terms to upsize its offering underlining the importance of the Covent Garden location for global brands. We have seen strong demand for the Market Building with leasing deals agreed with premium retailers Strathberry, Happy Socks, Hawkers and L'Occitane. The repositioning of Floral Street continues with the introduction of A.P.C., American Vintage, Ganni and Glossier. Polo Ralph Lauren and Lulu Guinness have been signed to King Street as well as Pandora and Lacoste on James Street, strengthening the position of Covent Garden as one of London's most desirable retail destinations.

The range of dining concepts on the estate has been broadened further, with the introduction of differentiated concepts including Big Mamma, VyTA, The Dominique Ansel Treehouse, Santa Nata and Wahlburgers. The latest additions further enhance Covent Garden's attractiveness as a dining destination.

Demand for office space in Covent Garden remains strong as the district has become a prime office location underpinned by the appeal of the iconic estate and its excellent connectivity. The residential for lease portfolio is performing well, with a high rate of renewals recorded above previous passing rent. A successful sales programme in relation to the award winning Floral Court residential collection has resulted in the sale of all 29 apartments, at better than anticipated prices, for £100 million cumulative proceeds demonstrating our disciplined approach to capital management. This year we have invested over £70 million in the estate through targeted acquisitions on the southern side which offer value creation opportunities.

Other investments

The Lillie Square joint venture continues to progress. Handover of units sold in Phase 1 is complete, with a small number of units available. Over 80 per cent of Phase 2 has been reserved or exchanged, with gross proceeds of approximately £100 million (Capco share) expected on handover during 2020.

Sir Donald Gordon

In November 2019, we were very sorry to learn that Sir Donald Gordon had passed away at the age of 89. Sir Donald was a remarkable man who, in addition to many philanthropic works, founded both the Liberty Life Insurance group in South Africa, and the Liberty International property group in the UK, from which the Capco business was launched in its current form. Sir Donald was the Chairman of Liberty International until 2005.

Outlook

Capco has grown significantly over the last 10 years and we are proud of our achievements. The Company has extensive knowledge of investing in the central London property market which is our core business. As a result of actions in 2019, Capco is a strong and resilient company positioned for future growth from the iconic Covent Garden estate in the heart of London. Whilst there will be broader market challenges, not least as the UK transitions from exiting the EU, with new government policy directives including changes to labour access, trade regulations and movement of goods and the potential impact of the coronavirus (COVID-19), however we firmly believe that London remains a destination of choice for capital, talent and tourism.

Our investment strategy will focus on generating superior long-term returns from investing in central London, with a focus on the continued progression of value and income at Covent Garden alongside a reduced cost base. Our strong balance sheet and access to significant liquidity provides resilience, a platform for expansion and confidence in the long-term prospects of the business.

Ian Hawksworth

Chief Executive

25 February 2020

STRATEGIC REPORT

COVENT GARDEN

A word-class retail and dining destination in the heart of London's West End

Capco's Covent Garden estate is a carefully assembled property portfolio in the heart of London's West End, comprising retail, dining, leisure and cultural space complemented by high quality offices and premium residential apartments. The assembly of the estate has been delivered through disciplined investment over time. Capco has established Covent Garden as a world-class estate of approximately 1.2 million square feet of lettable space, across 81 buildings and 549 units, currently valued at £2.6 billion, through a clear and focused strategy centred on creative asset management, focusing on the consumer and introducing high quality restaurant and retail concepts complemented by high quality office and residential accommodation.

Covent Garden is a highly attractive location, recognised as one of the world's most popular business, leisure and visitor destinations attracting over 40 million domestic and international customer visits per annum.

Despite the challenging backdrop, average tenant sales and footfall have recorded positive growth during the year. Capco continues to focus on relevant concepts and highly-productive categories such as jewellery and watches, accessories, cosmetics, health and wellbeing and there is an increasing representation from brands generating higher sales densities.

The increasing significance of online purchases by consumers and the evolving omni-channel sales strategies pursued by retailers underpin the importance for brands in choosing leading global destinations. Covent Garden is a high footfall location and offers retailers and visitors a differentiated experience in a managed estate environment, with many brands chosing Covent Garden as their first physical global or UK presence.

In researching emerging ideas and concepts, the team identifies global trends, meeting retailers, identifying brands and concepts suitable for its vision for Covent Garden. Digitally native brands which originate online are increasingly recognising the importance of a physical presence in terms of customer acquisition and retention, alongside the economic opportunity. Capco has the infrastructure and platform in place to support new to the UK or physical format retailers in order to accelerate the process of bringing target brands to London. This forward-thinking dynamic approach to contemporary retail and dining ensures Covent Garden provides a differentiated offering to meet ever-evolving consumer expectations. Capco has a clear estate marketing strategy focusing on the consumer calendar. Capco's collaborative approach provides brands with an opportunity to participate in the estate marketing, particularly through its digital channels and activations using the Piazza. The collaborative and integrated approach helps drive footfall and tenant sales.

Capco engages actively with its audiences through multi-channel marketing activities such as events, brand partnerships and digital outreach, as well as investment in high quality public realm to enhance the overall customer experience on the estate. Covent Garden has a significant social media presence and is established as one of the most highly engaged destinations in the world through Instagram, Facebook and Twitter.

2019 was another active year with the portfolio delivering resilient performance. Demand for space continued to be positive. 92 leasing transactions including new leases and renewals were completed representing £17.4 million of rental income per annum transacted at 1.3 per cent above 31 December 2018 ERV (H1 2019: 40 transactions representing £13 million of rental income, H2 2019: 52 transactions representing £4.4 million of rental income).

In 2019, net rental income was £61.5 million, up 1.8 per cent (like-for-like) or 7 per cent overall compared to 2018, as the reversionary potential continued to be captured. The valuation of the estate decreased by 1.4 per cent on a like-for-like basis to £2.6 billion. ERV remained broadly stable at £108 million, a like-for-like decline over the year of -0.1 per cent. The valuation adjustment occurred mainly on Long Acre and James Street, with positive performance across the balance of the estate. The equivalent yield increased by 6 basis points to 3.65 per cent.

Retail – a leading destination for brands

As one of central London's most iconic destinations, Covent Garden is home to over 140 British, global and independent retail brands. An emphasis on the customer is essential to ensuring that the estate continues to thrive as a leading destination for Londoners, domestic and international visitors, as well as office occupiers and residents. Retail space represents 53 per cent of the portfolio by value.

Demand for the Market Building continues to be strong, sunglasses brand Hawkers and beauty concept L'Occitane opened stores in the Market Building, joining Happy Socks which was introduced earlier in the year. British independent premium accessories brand Strathberry is the latest signing and will open in the coming months. In addition, eyewear brand For Art's Sake opened its first standalone retail store in the Market Building.

Polo Ralph Lauren opened a menswear store on King Street in December 2019. British brand Lulu Guinness has agreed terms to open on King Street, joining Parisian womenswear brand ba&sh which opened a store. French sportswear brand Lacoste and jewellery brand Pandora both opened new stores on James Street.

Apple carried out an extensive refurbishment of its flagship store in Covent Garden and during the year the lease was extended, resulting in occupation for a further 15 years.

Luxury retail operator Bucherer has agreed terms to upsize its offering to a more prominent flagship store within the Royal Opera House Arcade. Bucherer's re-location over the coming months builds on the ongoing strategic positioning of the arcade as a premium shopping location.

In addition, travel money specialist ChangeGroup, will open a new lounge located on Russell Street, the first of its kind in London's West End offering cash VAT refunds for shoppers from outside the EU.

Repositioning of Floral Street continues with US ethical fashion brand Free People opening its first permanent store outside of the US at 28 Floral Street. American Vintage will open this summer offering ready-to-wear and accessories collections, influenced by the founder's extensive travels throughout the US. British fashion brand Jigsaw upsized its Floral Street store to a flagship Jigsaw in Carriage Hall, replacing The Shop at Bluebird. Parisian label A.P.C. opened on Floral Street in December offering menswear, womenswear and accessories. Fitness technology company Peloton continues the fit-out of its European flagship training studio which will live-stream classes to members worldwide. American casual men's apparel brand UNTUCKit opened on Long Acre, its first physical store in the UK. Subsequent to the year end, Danish fashion brand Ganni signed on Floral Street and is due to open in the coming months.

The new retail additions continue to position Covent Garden as one of London's best retail destinations offering a wide range of high quality brands. Capco continues to create unique customer experiences on the estate. For the Christmas trading period, cosmetics brands Glossier and Huda Beauty launched concepts on Floral Street and the East Piazza, which also hosted the Tiffany & Co. ice-skating rink.

Glossier is a digital-first beauty company and a millennial-favourite with a cult online following. Its Floral Street store has been its most successful to date welcoming over 100,000 customers since opening in November 2019, with the highest average daily sales of any of its global stores. Due to its success, occupation has been extended for a further 12 months.

Dining – one of London's best dining destinations

Introducing high quality innovative food concepts has been central to the dining strategy for Covent Garden. The estate offers differentiated dining experiences, from casual to premium and is one of London's best dining destinations. Dining space represents 22 per cent of the portfolio by value. The estate's transformation has been well received and recognised by consumers, with the restaurants continuing to generally report growth in turnover in contrast to well-documented issues experienced in the broader UK market.

Set within a stunning two-storey space on Floral Street, The Dominique Ansel Treehouse opened in February 2020. This new first to London restaurant from Chef Dominique Ansel, named World's Best Pastry Chef by the World's Best 50 Awards, offers a bakery boutique with a wide range of desserts and pastries on the ground floor. A cosy seated bistro is located in the 'treetop canopy' on the upper floor. The new addition anchors the western end of Floral Street, which continues its ongoing repositioning.

Santa Nata, which specialises in authentic Portuguese custard tarts opened on Russell Street and Italian restaurant VyTA Santa Margherita opened in the Market Building offering all-day dining on the Piazza. Wahlburgers, the casual dining burger restaurant and bar, opened its first restaurant outside the US on James Street, offering a classic American menu.

Big Mamma restaurant group, which is behind recently launched London venues Gloria and Circolo Popolare, plans to open a new 227-cover restaurant later this year, with dual frontage on Henrietta Street and Maiden Lane, offering a vibrant take on traditional Italian trattoria experience.

Offices – prime office location

Covent Garden is a prime office location underpinned by the appeal of the overall estate and its excellent connectivity. There is a population of over 140,000 workers within a half mile radius of the estate. Covent Garden has a contemporary office portfolio ranging from warehouses to newly refurbished space, offering both multi-tenanted and single occupancy workspace. The portfolio continues to attract financial services, technology, creative industries and SMEs maintaining high occupancy rates. Office space represents 14 per cent of the portfolio by value.

Occupants are attracted to the estate environment, which includes high quality retail and F&B options in the surrounding area as well as offering a secure environment 24-hours a day.

Flexible office space continues to be a growing component of the London office market, helping to promote small businesses and contributing to the city's growth. In recent years, the demand for greater flexibility has grown. A number of office lettings have been achieved during the year, most notably the letting of 22 Long Acre to global co-working space provider WeWork. WeWork will add to the already thriving office community in the area.

In addition, Peloton has chosen Floral Street for its London offices, extending its lease to cover approximately 4,000 square feet of office space taking its total space to 23,000 square feet in total, including the retail component.

Residential – prime residential address

Covent Garden is established as a premium residential address with over 10,000 residents living within a 15 minute walk of the estate.

During the year, there continued to be strong leasing demand for residential accommodation across the estate. Residential space represents 8 per cent of the portfolio by value. The residential portfolio is operating close to full occupancy with a high rate of renewals recorded above previous passing rent.

All 29 new-build apartments comprising the Floral Court Collection have been sold, generating over £100 million in cumulative gross proceeds, including 22 apartments representing over £80 million in 2019. Residents are attracted to the iconic location, distinctive product and high levels of customer service.

This award winning development was named 'Best London Home – Under 100 units' at the Evening Standard Awards 2019 and Best Interior Design as well as the Development and Judges Award: Interior Design of the Year at The Sunday Times British Home Awards 2019. Global awards include Chicago Athenaeum International Architecture Award and AIA NY Design Awards Winner 'Honor'. The development has also been shortlisted for an award in the global BREEAM 2020 Awards under the category Homes: Post Construction Award.

Leisure

The broader Covent Garden area contains over 7,000 hotel rooms within a half mile radius, with over 60 per cent operating as 4-star and 5-star hotels. This reflects the spending power of visitors who stay in close proximity to the estate. The area is also home to numerous theatres containing approximately 40,000 seats, further enhancing the estate's destination and leisure status.

Hotel accommodation on the estate continues to be well received. The Henrietta Hotel will launch an additional 22 rooms this summer, in response to strong demand. The design-led boutique hotel originally opened in 2017 with 18 rooms, and is home to the Henrietta bistro, offering Basque-inspired cuisine. In addition, Z Hotels operates a 111-room hotel on the estate.

Investment activity

Capco's strong balance sheet and access to substantial liquidity provides significant financial flexibility. Capco's extensive knowledge of the district, close network of contacts and proven track record means Capco is often the best positioned to acquire properties, frequently off-market. Every building has a plan that is updated regularly, analysing forward-looking returns.

In 2019, over £70 million has been invested through the acquisition of target properties located on the southern side of the estate, which offer value creation opportunities. In February 2019, Capco acquired 39-40 Bedford Street which comprises 11,140 square feet of office and residential space, for £13.2 million (before purchaser's costs) located at an important entry point to the estate.

In November 2019, Capco acquired the freehold interest of Sussex Mansions, 36-39 Maiden Lane for £17.8 million (before purchaser's costs). The building comprises a restaurant let to Franco Manca, as well as office and residential space, presenting asset management opportunities. The property generates an annual rental income of £0.6 million across 13,300 square feet.

In addition, Capco also completed the acquisition of the freehold interest of 5-6 Henrietta Street for £35 million (before purchaser's costs). The multi-let building produces an annual rental income of £1.2 million across 14,300 square feet which comprises 8,200 square feet of restaurant space let to Din Tai Fung and four floors of office space which are currently vacant.

There are a number of properties on or around the estate being actively tracked for acquisition and repositioning opportunities. There are active asset management and refurbishment initiatives across the estate. Capco undertakes repurposing activities to ensure units are readily utilisable for tenants upon signing. Opportunities to implement further creative asset management initiatives are identified to improve the rental prospects and value of buildings across the portfolio, the timing of which is dependent on when vacant possession is achieved. Capco also regularly considers opportunities for value creation in the upper parts of buildings, typically through high quality office conversions for lease or premium apartments for sale or lease or in certain cases maison style retailing and F&B.

Redevelopment opportunities have been identified including the Wellington block and other large scale opportunities in particular on the southern side of the estate. Capco continues to review proposals for the Wellington block, a scarce island site in central London, with various planning consents in place across multiple uses including office on the upper floors with retail and restaurants on ground floor as well as consent for a hotel. Capco recently secured an enhanced hotel planning consent extending the key count to 146, with an investment decision expected to be made this year.

Environment and Public Realm

Capco acts as a responsible owner of the estate. As the principal landowner of such a high footfall, globally recognised destination in London's West End, Capco has responsibilities to and works closely with a wide range of stakeholders. The heritage of Covent Garden is central to the fabric of the West End and Capco works to restore the heritage of its iconic buildings whilst also improving the energy efficiency of them. Capco promotes a collaborative approach to working with local communities to ensure understanding and support of the business initiatives on the estate and provides support for selected charity partners. Capco aims to minimise the impact of operations on the environment by employing an active approach to air quality, congestion, environmental and sustainability issues, and implementing initiatives which improve the quality of the environment for all, such as pedestrianisation and increasing greenery.

In early 2020, environmental charity Hubbub had an interactive 'Pollution Pavilion' in Covent Garden to raise public awareness of air quality issues and encourage conversation about air pollution. The unique installation displayed large balloons that changed colour reflecting annual nitrogen dioxide (NO_2) data drawn from five different locations across London to help visitors visualise air pollution levels. As the pedestrianised heart of the capital, Covent Garden enjoys some of the best air quality in central London, and Capco continues to embrace measures to improve and maintain this. Capco was proud to support this important initiative which will help to work towards a cleaner, greener capital.

Future Priorities

Capco continues to implement its strategy for Covent Garden through creative asset management and investment, and attracting high quality retail brands and dining concepts to the estate. By introducing a differentiated tenant mix to address the evolving needs of the consumer, Capco aims to capture the reversionary income potential of the portfolio while continuing to drive ERV progression over the medium-term.

Further to this, Capco will continue to judge the long-term return profile of its assets and monetise value selectively as demonstrated by the sale of the new-build apartments at Floral Court as well as continue to invest in the estate and expand its ownership through acquisitions. The southern side of the estate offers a number of opportunities to create value and an investment decision on the repositioning of the Wellington block is expected later this year. Capco is committed to consumer engagement, aiming to continue enhancing the customer environment and develop Capco's extensive ESG agenda including a commitment to air quality, greening, waste management, charitable support, community engagement and responsible ownership.

Other Investments

Sale of Capco's interests in Earls Court for £425 million

In November 2019, having prepared the land for future development, Capco completed the sale of its interests in Earls Court, excluding Lillie Square, to APG and Delancey (on behalf of its client fund) for £425 million (the "Disposal").

Net proceeds from the initial payment were approximately £175 million (adjusting for net debt and other completion items). The balance of £210 million will be payable in two equal instalments, 12 months and 24 months after completion. The second deferred payment receivable by Capco would be accelerated in part to the extent that payments made by Capco to the London Borough of Hammersmith and Fulham pursuant to the Conditional Land Sale Agreement ("CLSA") are refunded to the Purchaser. Further consideration may be payable to Capco in limited circumstances.

This transaction is consistent with Capco'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. The disposal is for total consideration of £425 million, and compares to a balance sheet value at 30 June 2019 of £508 million. Taking into account revaluation movements in the first half, transaction costs and the present value adjustment on the deferred consideration, the disposal resulted in a decline in NAV of £191 million, equivalent to 22 pence per share.

The balance sheet value of the Earls Court interests at 30 June 2019 subject to the transaction (the "Disposal Group") comprised:

- 63 per cent interest in Earls Court Partnership Limited ("ECPL"): the investment vehicle with Transport for London ("TfL") in respect of the site formerly the location of the Earls Court exhibition centres and certain assets on and around Lillie Road valued at £389 million (Capco's share of ECPL net debt as at 30 June 2019 was approximately £38 million);
- Other related assets around Earls Court valued at £36 million; and
- Capco's interests in respect of the Conditional Land Sale Agreement ("CLSA") in relation to the West Kensington and Gibbs Green Estates, comprising prepayments and capitalised costs, with a carrying value of £83 million.

Lillie Square

Capco owns 50 per cent in Lillie Square, a one million square foot (GEA) residential development located in West London. The development can deliver over 600 private and 200 affordable homes across three phases. Development of Lillie Square is well-progressed with over £450 million of cumulative sales contracted across Phase 1 and 2.

Handover of Phase 1 sold units is complete, with a small number of units available. £133 million (Capco share) of Phase 1 sales proceeds have been received. Over 80 per cent of Phase 2 (160 of the 186 units) have been reserved or exchanged. Handover of sold units is expected in 2020 with gross proceeds of approximately £100 million (Capco share).

Future priorities are to continue to progress Lillie Square through the delivery of Phase 2, ensuring successful completion and handover to all purchasers and continued sales of the remaining inventory.

Innova

Capco has a 50 per cent interest in the Innova Investment joint venture ("Innova") with Network Rail, which explores potential opportunities for future redevelopments at significant railway station sites across London. Capco and Network Rail have funded works which has enabled significant progress in developing a technical solution to allow re-development of Clapham Junction station. With such a large, complex project the business funding model is yet to be determined and a detailed review by Network Rail regarding next steps is underway. There still exists an opportunity for Capco through the Innova investment to participate over the long-term, however at this stage there is no certainty and therefore Capco took the prudent approach to impair its investment in Innova in full in the first half of 2019.

FINANCIAL REVIEW

During 2019 the Group completed the sale of its interests at Earls Court and converted to REIT status. The Group is now well-positioned with a clear focus to grow its property investment business centred around the Covent Garden estate, supported by a strong balance sheet. With a loan to value ratio of 16 per cent and access to liquidity of £895 million the Group has the ability to capitalise on investment opportunities and deliver long-term shareholder value.

The Covent Garden estate has recorded positive performance with growth in rental income, an active period in terms of letting and asset management activity, and encouraging indicators including enhanced footfall and tenant sales. In addition, £94 million was invested into Covent Garden through £75 million of acquisitions (including costs) and £19 million of capital expenditure.

Covent Garden now accounts for 94 per cent of the portfolio value as measured by the Group's share of total investment, development and trading property. The remaining new-build Floral Court apartments, including the award winning penthouse, have been sold during the year generating £80 million of net proceeds (and cumulative proceeds of £100 million). The property valuation of the Covent Garden estate has decreased by 1.4 per cent as a result of movements in yields and ERV. The Group has, however, continued to realise rental growth with an increase of 7.0 per cent overall in net rental income or 1.8 per cent on a like for like basis.

On 29 November 2019 the Group sold its interests in Earls Court Properties, retaining its interests in the Lillie Square joint venture. Headline consideration was £425 million and after the deduction of net debt and working capital, the Group received cash proceeds of £175 million on completion with £210 million to be received over the next two years. The total loss on sale, including revaluation movements and transaction costs, was £191 million. This includes £10 million representing the time-discounted value of the deferred consideration, which will be recognised as income as the balance of the consideration is received.

Handover and completion in relation to the sale of Phase 2 apartments at Lillie Square is expected during the course of 2020, with proceeds of £100 million (Group share) expected to be received by the joint venture.

Overall net assets of the Group were £2.5 billion. EPRA net asset value per share decreased by 10.1 per cent during the year, from 325.7 pence at 31 December 2018 to 292.9 pence. Combined with the 1.5 pence dividend paid to shareholders during the year, the total return for 2019 is -9.6 per cent. Total shareholder return for the year, reflecting movement in the share price together with the value of dividends, is 14 per cent.

Underlying earnings from continuing activities were £9.5 million compared to £9.8 million for 2018, with continued net rental income growth at Covent Garden offset by an increase in administration expenses.

As a REIT and with a simpler organisational structure, the Group will focus on growing rental income and achieving operating efficiencies to develop dividend distributions in line with underlying earnings, whilst maintaining an appropriate capital structure and investing strategically to grow the business and deliver shareholder value.

Basis of preparation

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

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

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

Discontinued operation

On 29 November 2019 the Group completed the sale of its interests in Earls Court, excluding Lillie Square, to APG and Delancey (on behalf of its client fund) for £425 million. As Earls Court Properties represented a major line of business, its results and cash flows have been reported for the period 1 January 2019 to 29 November 2019 as having arisen from a discontinued operation. This extends to the prior period comparative which has been re-presented to reflect the disposal. The Empress State Building which was sold on 26 March 2018 was previously part of the Earls Court Properties business and therefore has also been classified as a discontinued operation in the comparative period. Further information on the disposal of the Earls Court Properties business is set out in note 8 'Discontinued Operation'.

FINANCIAL POSITION

At 31 December 2019 the Group's EPRA net asset value was £2.5 billion (31 December 2018: £2.8 billion), representing 293 pence per share (31 December 2018: 326 pence).

SUMMARY ADJUSTED BALANCE SHEET

	2019		
	Group Share £m	**Joint ventures[1] £m**	**IFRS £m**
Investment, development and trading property	**2,706.8**	**(161.3)**	**2,545.5**
Net debt	**(441.8)**	**38.0**	**(403.8)**
Other assets and liabilities[2]	**222.1**	**113.7**	**335.8**
Net assets attributable to owners of the Parent	**2,487.1**	**(9.6)**	**2,477.5**
Adjustments:			
Fair value of derivative financial instruments			**3.6**
Unrecognised surplus on trading property			**15.9**
Revaluation of other non-current assets			**9.6**
Deferred tax adjustments			**(0.8)**
EPRA net asset value			**2,505.8**
EPRA net asset value per share (pence)[3]			**293**

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

	2018			
	Group Share £m	Joint ventures[1] £m	NCI[2] £m	IFRS £m
Investment, development and trading property	3,198.2	(133.4)	270.7	3,335.5
Net debt	(572.7)	9.4	(21.4)	(584.7)
Other assets and liabilities[3]	123.0	111.7	(1.9)	232.8
Non-controlling interest	–	–	(247.4)	(247.4)
Net assets attributable to owners of the Parent	2,748.5	(12.3)	–	2,736.2
Adjustments:				
Fair value of derivative financial instruments				(0.7)
Unrecognised surplus on trading property				25.7
Revaluation of other non-current assets				12.3
Deferred tax adjustments				3.5
EPRA net asset value				2,777.0
EPRA net asset value per share (pence)[4]				326

1. Primarily Lillie Square.
2. Non-controlling interest represents TfL's 37 per cent share of ECPL.
3. IFRS includes amounts receivable from joint ventures which eliminate on a Group share basis.
4. Adjusted, diluted number of shares in issue at 31 December 2018 was 852.6 million.

Investment, development and trading property

The Group share of investment, development and trading property carrying value, excluding the discontinued Earls Court Properties business, has increased from £2,700.4 million at 31 December 2018 to £2,706.8 million. This movement comprises acquisitions of £74.9 million and capital expenditure of £51.5 million offset by disposals at Floral Court and Lillie Square of £78.9 million, and a revaluation loss of £41.1 million.

The acquisitions were located mainly in the southern side of the estate at Covent Garden, enhancing the Group's position in the area and providing medium term repositioning and asset management opportunities. Capital expenditure of £19.4 million at Covent Garden relates to a number of smaller projects and the Lillie Square spend of £32.1 million was in relation to construction and fit out of phase 2 of the development.

The IFRS loss on revaluation of investment and development property was £41.1 million which relates to the Covent Garden portfolio, driven by movements in yield and ERV. Including the revaluation loss on Earls Court Properties for the period to 29 November 2019 of £96.6 million (Group share), the total loss on revaluation of investment and development property from continuing and discontinued operations was £137.7 million. The unrecognised surplus on trading property declined by £10.2 million, and together with the revaluation on investment and development property the total revaluation loss was £147.9 million representing a 5.2 per cent decrease in value, which compares with the MSCI Capital Return for the equivalent period of a 3.1 per cent loss.

Total property return, including the loss on disposal of Earls Court Properties, was a 5.4 per cent loss. The MSCI Total Return Index recorded a 2.1 per cent gain for the corresponding period.

Trading property is carried on the consolidated balance sheet at the lower of cost and market value, therefore valuation surpluses on trading property are not recorded. Any unrecognised surplus is however reflected within the EPRA net asset value measure. During the year £1.4 million of the unrealised trading property surplus has been realised. At 31 December 2019, the unrecognised surplus on trading property was £15.9 million (31 December 2018: £25.7 million) which arises solely on the Group's share of trading property at Lillie Square.

Debt and gearing

The Group maintains a strong balance sheet with diversified sources of funding, a relatively low loan to value ratio, significant headroom against debt covenants, access to substantial liquidity, limited capital commitments, a balanced debt maturity profile and appropriate hedging against movements in interest rates. This enables the Group to deploy capital on the estate and in new acquisitions as well as the ability to return surplus capital to shareholders. The Company intends to return up to £100 million to shareholders through a share buyback programme in 2020.

The Group's cash and undrawn committed facilities at 31 December 2019 were £895.2 million (31 December 2018: £854.4 million). A reconciliation between Group share and IFRS is shown below:

	2019				2018			
	Group Share	**Joint ventures[1]**	**NCI[2]**	**IFRS**	Group Share	Joint ventures[1]	NCI[2]	IFRS
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Cash and cash equivalents	**170.6**	**(17.5)**	**–**	**153.1**	49.9	(20.4)	3.0	32.5
Undrawn committed facilities	**724.6**	**(9.6)**	**–**	**715.0**	804.5	(35.0)	32.0	801.5
Cash and undrawn committed facilities	**895.2**	**(27.1)**	**–**	**868.1**	854.4	(55.4)	35.0	834.0

1. Primarily Lillie Square.

2. Non-controlling interest represents TfL's 37 per cent share of ECPL.

Net debt decreased by £131 million to £442 million, principally as a result of receiving the initial disposal proceeds from the sale of Earls Court Properties. Further proceeds of £210 million are expected to be received over the next two years. As set out in the summary adjusted balance sheet, net debt on an IFRS basis was £404 million.

During the year the Lillie Square joint venture exercised a one-year extension to its credit facility. As a result the Group's earliest repayment date on its facilities is May 2021.

The gearing measure most widely used in the industry is loan to value ("LTV"), which is calculated on the basis of net debt divided by the carrying value of the Group's property portfolio. The Group focuses most on an LTV measure that includes the notional share of joint venture interests but excludes the share of the non-controlling interest. The LTV of 16.3 per cent remains comfortably within the Group's limit of no more than 40 per cent with the level of interest cover expected to improve as rental income growth and cost efficiencies are delivered.

	2019	2018
Loan to value	**16.3%**	17.9%
Interest cover	**130.8%**	149.0%
Weighted average debt maturity	**4.9 years**	6.0 years
Weighted average cost of debt	**3.0%**	2.9%
Gross debt with interest rate protection	**91%**	88%

The Group's policy is to eliminate substantially the medium and long-term risk arising from interest rate volatility. The Group's banking facilities are arranged on a floating rate basis but are generally swapped to fixed rate or capped using derivative contracts. At 31 December 2019 the proportion of gross debt with interest rate protection was 91 per cent (31 December 2018: 88 per cent) and the £705 million revolving credit facility was undrawn.

The Group remains compliant with all of its debt covenants, details of which are set out on page 53, and has significant levels of headroom against covenants across all of its debt facilities.

At 31 December 2019 the Group had capital commitments of £13.6 million (£53.4 million at 31 December 2018), of which £7.0 million related to Covent Garden and £6.6 million to Lillie Square.

	2019				2018			
	Group Share	**Joint ventures[1]**	**NCI[2]**	**IFRS**	Group Share	Joint ventures[1]	NCI[2]	IFRS
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Capital commitments	**13.6**	**(6.6)**	**–**	**7.0**	53.4	(32.4)	1.4	22.4

1. Primarily Lillie Square.

2. Non-controlling interest represents TfL's 37 per cent share of ECPL.

CASH FLOW

A summary of the Group's cash flow for the year ended 31 December 2019 is presented below:

SUMMARY CASH FLOW

	2019		
	Group Share £m	Joint ventures[1] £m	IFRS £m
Operating cash flows after interest and tax from continuing activities	**(14.0)**	**(5.4)**	**(19.4)**
Purchase and development of property, plant and equipment	**(126.5)**	**32.1**	**(94.4)**
Transactions with joint venture partners and non-controlling interests	**(0.8)**	**(0.7)**	**(1.5)**
Net sales proceeds from discontinued operation	**168.9**	**–**	**168.9**
Net sales proceeds from subsidiaries	**0.2**	**–**	**0.2**
Net sales proceeds from property	**84.3**	**(4.7)**	**79.6**
Net cash flow before financing from continuing activities	**112.1**	**21.3**	**133.4**
Issue of shares	**0.5**	**–**	**0.5**
Financing	**25.5**	**(25.5)**	**–**
Dividends paid	**(9.5)**	**–**	**(9.5)**
Other	**(1.8)**	**–**	**(1.8)**
Net cash flow from continuing activities[2]	**126.8**	**(4.2)**	**122.6**
Net cash flow from discontinued operation	**(2.0)**	**–**	**(2.0)**
Net cash flow	**124.8**	**(4.2)**	**120.6**

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

	Re-presented 2018		
	Group Share £m	Joint ventures[1] £m	IFRS £m
Operating cash flows after interest and tax from continuing activities	3.2	2.5	5.7
Purchase and development of property, plant and equipment	(91.5)	33.4	(58.1)
Transactions with joint venture partners	(1.1)	(1.1)	(2.2)
Net sales proceeds from discontinued operation	250.0	–	250.0
Net sales proceeds from subsidiaries	1.8	–	1.8
Net sales proceeds from property	50.1	(30.8)	19.3
Net cash flow before financing from continuing activities	212.5	4.0	216.5
Issue of shares	0.1	–	0.1
Financing	(168.2)	3.2	(165.0)
Transactions with discontinued operation	(37.3)	–	(37.3)
Dividends paid	(8.2)	–	(8.2)
Other	(4.0)	–	(4.0)
Net cash flow from continuing activities[2]	(5.1)	7.2	2.1
Net cash flow from discontinued operation	1.8	–	1.8
Net cash flow	(3.3)	7.2	3.9

1. Primarily Lillie Square.
2. Net cash flow is based on unrestricted cash and cash equivalents and therefore does not include the movement in Lillie Square deposits on a Group share basis of £1.9 million.

Operating cash outflows of £14.0 million are as a result of changes in net working capital requirements and transaction-related costs.

During the year, £94.4 million was invested at Covent Garden for the purchase of three properties and subsequent expenditure for the development of property. At Lillie Square, £32.1 million was incurred for the construction of Lillie Square Phase 2.

The sale of 22 apartments at Covent Garden, including three that were classified as held for sale as at 31 December 2018, generated £79.6 million of net sales proceeds from property with a further £4.7 million received on Lillie Square phase 1 disposals. The completion of Lillie Square Phase 2 handovers is expected during 2020.

The disposal of the discontinued operation Earls Court Properties resulted in a net inflow of £168.9 million after taking into account the transfer of the disposal Group's bank accounts.

An additional £25.5 million was drawn on the Lillie Square facility to fund the construction of Phase 2, resulting in a year-end debt position of £55.5 million (Capco share).

Dividends paid of £9.5 million reflect the final dividend payment made in respect of the 2018 financial year and the interim dividend paid in September 2019. This was higher than the previous year due to a lower level of take-up of the scrip dividend alternative, 25 per cent versus 35 per cent for the dividends in 2018.

IFRS cash and cash equivalents increased by £120.6 million to £153.1 million.

FINANCIAL PERFORMANCE

The Group presents underlying earnings and underlying earnings per share in addition to the amounts reported on a Group share basis. The Group considers this presentation to provide useful information as it removes unrealised and certain other items and is therefore more representative of the recurring, underlying performance of the business.

SUMMARY INCOME STATEMENT

	2019		
Continuing operations	**Group Share £m**	**Joint ventures[1] £m**	**IFRS £m**
Net rental income	**61.2**	**(0.1)**	**61.1**
Loss on revaluation and sale of investment and development property	**(43.3)**	**–**	**(43.3)**
Administration expenses	**(42.6)**	**(0.8)**	**(43.4)**
Net finance costs	**(20.9)**	**0.2**	**(20.7)**
Taxation	**(1.0)**	**–**	**(1.0)**
Other[2]	**(18.3)**	**3.3**	**(15.0)**
Loss for the year attributable to owners of the Parent from continuing operations	**(64.9)**	**2.6**	**(62.3)**
Adjustments[3]:			
Loss on revaluation and sale of investment and development property			**43.3**
Profit on sale of subsidiaries			
Administration expenses – non-underlying			**9.7**
Other			**16.6**
Taxation on non-underlying items			**2.2**
Underlying earnings from continuing operations			**9.5**
Underlying earnings from discontinued operations			**(0.5)**
Underlying earnings			**9.0**
Underlying earnings per share (pence):			
From continuing operations			**1.1**
From discontinued operation			**(0.1)**
Underlying earnings per share (pence)			**1.0**
Weighted average number of shares			**853.0m**

1. Lillie Square and Innova.

2. Includes impairment of other receivables and other finance income.

3. Further details regarding the EPRA and Company specific adjustments are disclosed within note 10 'Earnings Per Share and Net Assets Per Share'.

	Re-presented 2018		
Continuing operations	Group Share £m	Joint ventures[1] £m	IFRS £m
Net rental income	57.5	(0.1)	57.4
Profit on revaluation and sale of investment and development property	39.2	–	39.2
Administration expenses	(33.7)	(0.5)	(34.2)
Net finance costs	(19.2)	0.2	(19.0)
Taxation	(4.3)	–	(4.3)
Other[2]	10.1	(11.9)	(1.8)
Profit for the year attributable to owners of the Parent from continuing operations	49.6	(12.3)	37.3
Adjustments[3]:			
Profit on revaluation and sale of investment and development property			(39.2)
Administration expenses – non-underlying			4.9
Other			3.8
Taxation on non-underlying items			3.0
Underlying earnings from continuing operations			9.8
Underlying earnings from discontinued operations			(1.8)
Underlying earnings			8.0
Underlying earnings per share (pence):			
From continuing operations			1.1
From discontinued operation			(0.2)
Underlying earnings per share (pence)			0.9
Weighted average number of shares			852.4m

1. Lillie Square and Innova.

2. Includes impairment of other receivables and other finance income.

3. Further details regarding the EPRA and Company specific adjustments are disclosed within note 10 'Earnings Per Share and Net Assets Per Share'.

Income

Net rental income has increased by £3.7 million due to £0.7 million of like-for-like growth and £3.0 million through current and prior year acquisitions and developments. The Group continues to convert reversionary potential into contracted rents resulting in like-for-like net rental income growth at Covent Garden of 1.8 per cent. ERV at Covent Garden decreased like-for-like by 0.1 per cent though due to acquisitions has increased overall from £107.7 million to £108.4 million. Rental collection metrics continue to be strong with limited bad debt provisions and a small number of units available for letting, representing a vacancy rate of 3.2 per cent. CVAs and tenant failures have not been a material feature at Covent Garden, however actions in relation to a small number of tenancies have had an impact on net rental income in 2019.

Loss on revaluation and sale of investment and development property

The loss on revaluation of the Group's investment and development property was £41.1 million. The loss is predominantly as a result of an outward yield movement of six basis points, resulting in an equivalent yield of 3.65 per cent at 31 December 2019.

The sale of all 22 remaining new-build apartments at Floral Court, including the three apartments which were accounted for as held for sale at 31 December 2018, completed with gross proceeds of £81.0 million. This resulted in a loss for the year of £2.2 million when compared to 2019 opening valuation, taking into account marketing and other costs. The successful residential sales programme marks the completion of an important project for the Covent Garden estate, which has contributed to enhanced footfall patterns and the repositioning of Floral Street.

Administration expenses

Underlying administration expenses have increased by £4.1 million from £28.8 million to £32.9 million. £9.7 million (2018: £4.9 million) of costs were incurred during the year in relation to the possible demerger and related activities. The allocation of administration expenses to the discontinued operation has been based primarily on asset value. The consolidation of Group central and business activities, including the rationalisation of office locations, is ongoing. The Group is targeting underlying administration costs of £20 million for the 2021 financial year, and encouraging early progress towards this has been made.

Net finance costs

Net finance costs increased to £20.9 million from £19.2 million, due in part to interest being capitalised on the Floral Court scheme in the prior year. The principal components of interest costs relate to the Covent Garden private placement notes and revolving credit facility together with commitment fees, offset in part by interest income on cash balances.

Taxation

The Group's tax policy, which has been approved by the Board and has been disclosed to HM Revenue & Customs, 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.

The Group elected for UK tax purposes to convert to a UK Real Estate Investment Trust ("REIT"), with effect from 9 December 2019. As a result the Capco group will therefore no longer pay UK direct tax on profits and gains arising from its qualifying property rental business provided that certain conditions are met.

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 HM Revenue & Customs 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.

The total tax charge for the year, made up of both underlying tax and non-underlying tax, is £1.0 million.

Tax on underlying profits of the Group was a tax credit of £1.2 million which arose mainly from the reversal of a £3.4 million deferred tax liability following conversion to a UK REIT. The main rate of corporation tax remained unchanged at 19 per cent throughout the period. The corporation tax rate is set to fall to 17 per cent with effect from 1 April 2020.

Contingent tax, the amount of tax that would become payable on a theoretical disposal of all investment property held by the Group, was nil (31 December 2018: nil). A disposal of the Group's trading properties at their market value, before the utilisation of carried forward available losses, would result in a corporation tax charge to the Group of £3.0 million (19 per cent of £15.9 million).

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 and share buyback

The Board has proposed a final dividend of 1.0 pence per share to be paid on 14 May 2020 to shareholders on the register at 17 April 2020. Subject to SARB approval, the Board intends to offer a scrip dividend alternative.

As a REIT, the Group is required to distribute at least 90 per cent of its net rental income (calculated with reference to tax rules) to shareholders as a PID. The Board intends that the interim dividend for 2020 will include an element which will be treated as a PID, for tax purposes, in respect of the qualifying rental profits arising in 2019. The Group is targeting a progressive dividend policy in line with growth in underlying earnings as a result of delivering growth in net rental income, reduction of cost and capital efficiency.

The Group is in a strong financial position and maintains a disciplined approach to capital allocation. It is well-positioned to invest in existing assets through creative asset management, repositioning and development initiatives, as well as in new assets through acquisitions. In addition, surplus capital will be returned to shareholders as appropriate. As part of its capital management activities in 2020, Capco intends to return up to £100 million to shareholders through an on-market share buyback programme.

Going concern

At 31 December 2019 the Group had cash and undrawn committed facilities of £895.2 million and its capital commitments were £13.6 million. With a weighted average debt maturity of five years, loan to value ratio of 16 per cent and sufficient headroom against all financial covenants, there continues to be a reasonable expectation that the Company and 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 2019 Annual Report & Accounts.

Situl Jobanputra
Chief Financial Officer

25 February 2020

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

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

Risk is a standing agenda item at 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 operational and commercial activity across the Group and are therefore responsible for the management of business risk. The Executive Risk Committee, comprising of the Executive Directors, the Group Financial Controller, Director of Covent Garden and Managing Director of Earls Court 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 quarterly basis by the Executive Risk Committee so that trends and emerging risks can be identified and reported to the Board.

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

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

In recent years the UK has experienced heightened economic and political uncertainty. The UK is now in a transition period after leaving the EU on 31 January 2020 with discussions around trade and other arrangements expected to continue throughout the year. Uncertainty remains as to the outcome of those discussions, in particular in relation to international trade arrangements and the overall impact on the UK economy. As a result there may be continued volatility in consumer, occupier and broader corporate behaviour and decision-making. The risk of a disorderly outcome remains and will continue to be a relevant consideration for decision-making. To date, occupier demand for the Covent Garden estate has remained resilient with tenant sales continuing to trend upwards, in contrast with much of the broader market.

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 from the UK leaving the EU. The main areas that may affect the Group directly are:

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

Whilst it is not possible to predict the overall outcome, the Board continues to monitor external events and appropriate action is being undertaken to ensure that the business remains resilient and well-positioned for the long-term.

London, as a highly desirable global city, continues to attract both domestic and international businesses and people and we would expect this leading position to be maintained over time, particularly for the West End.

In November 2019 the Group sold its interests in Earls Court Properties, excluding Lillie Square, and the Group's principal risks have been updated accordingly. As noted in the financial review, deferred consideration of approximately £210 million is due to be received by the Group by the end of 2021.

Emerging risks

The Group monitors its emerging risks, including the impacts of climate change and more recently the spread of the coronavirus (COVID-19), and considers mitigating actions which the Group currently deploys and could deploy with regards to these emerging risks.

CORPORATE RISKS

Risk	Impact on strategy	Mitigation	Change in 2019
Economic conditions			
Decline in real estate valuations due to macro-economic conditions Relative attractiveness of other asset classes or locations Inability of the Group to adopt the appropriate strategy or to react to changing market conditions or changing consumer behaviour	Reduced return on investment and development property Higher finance costs Reduced profitability	Focus on prime assets Regular assessment of investment market conditions including bi-annual external valuations Regular strategic reviews Strategic focus on creating retail-led destinations and residential districts with unique attributes	-
Funding			
Lack of availability or increased cost of debt or equity funding	Reduced financial and operational flexibility Increased cost of borrowing Delay to development works Constrained growth, lost opportunities	Maintain appropriate liquidity to cover commitments Target longer and staggered debt maturities, and diversified sources of funding Consideration of early refinancing Covenant headroom monitored and stress tested Derivative contracts to provide interest rate protection Development phasing to enable flexibility and reduce financial exposure	-
Political climate			
Uncertain political climate or changes to legislation and policies, including as a result of political change or the process of elections A disorderly exit from the EU at the end of the transition period could cause an adverse impact on business and consumer confidence, increase material costs and reduce labour supply	Inability to deliver business plan Reduced rental income and/or capital values as tenants could suffer staff shortages, increased import prices, longer lead times and lower availability of stock	Monitoring proposals and emerging policy and legislation Engagement with key stakeholders and politicians Diversified occupiers with limited exposure to any one tenant	-
Catastrophic external event			
Such as a terrorist attack, health pandemic or cyber crime	Diminishing London's status Heightened by concentration of investments Reduced rental income and/or capital values Business disruption or damage to property Reputational damage	Terrorism insurance On-site security Health and safety policies and procedures Close liaison with police, National Counter Terrorism Security Office (NaCTSO) and local authorities Regular training	-
People			
Inability to retain and recruit the right people and develop leadership skills within the business	Inability to execute strategy and business plan Constrained growth, lost opportunities	Succession planning, performance evaluations, training and development Long-term and competitive incentive rewards	-

Risk	Impact on strategy	Mitigation	Change in 2019
Health, safety and the environment			
Accidents causing loss of life or very serious injury to employees, contractors, occupiers and visitors to the Group's properties Activities at the Group's properties causing detrimental impact on the environment	Prosecution for non-compliance with legislation Litigation or fines Reputational damage Distraction of management	Health and safety procedures across the Group Appointment of reputable contractors External consultants undertake annual audits in all locations Adequate insurance held to cover the risks inherent in construction projects	-
Compliance with law, regulations and contracts			
Breach of legislation, regulation or contract Inability to monitor or anticipate legal or regulatory changes	Prosecution for non-compliance with legislation Litigation or fines Reputational damage Distraction of management	Appointment of external advisers to monitor changes in law or regulation Members of staff attend external briefings to remain cognisant of legislative and regulatory changes	-

PROPERTY RISKS

Risk	Impact on strategy	Mitigation	Change in 2019
Leasing			
Inability to achieve target rents or to attract target tenants due to market conditions Competition from other locations/formats	Decline in tenant demand for the Group's properties Reduced income and increased vacancy Reduced return on investment and development property	Quality tenant mix Strategic focus on creating retail destinations with unique attributes	↑ The retail environment continues to present challenges for certain occupiers
Planning and development			
Unfavourable planning policy, legislation or action impacting on the ability to secure planning approvals or consents Decline in returns from development due to market conditions or increased construction costs or delays	Impact on land valuations and realisation Lower development returns due to lower sales proceeds, higher costs or delay	Engagement with local and national authorities Pre-application and consultation with key stakeholders and landowners Engagement with local community bodies Focus on prime assets Regular assessment of market conditions and development strategy Business strategy based on long-term returns Professional teams in place to manage costs and deliver programme	-

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities

The statement of Directors' responsibilities has been prepared in relation to the Group's full Annual Report & Accounts for the year ended 31 December 2019. Certain parts of the Annual Report & Accounts are not included within this announcement.

We confirm to the best of our knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and

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

Signed on behalf of the Board on 25 February 2020

Ian Hawksworth
Chief Executive
25 February 2020

Situl Jobanputra
Chief Financial Officer
25 February 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 £m	Re-presented[1] 2018 £m
Continuing operations			
Revenue	2	**79.4**	74.7
Rental income		**77.6**	71.3
Rental expenses		**(16.5)**	(13.9)
Net rental income	2	**61.1**	57.4
Other income		**1.8**	3.4
(Loss)/gain on revaluation and sale of investment and development property	3	**(43.3)**	39.2
Impairment of other receivables	4	**(21.0)**	(19.4)
		(1.4)	80.6
Administration expenses		**(43.4)**	(34.2)
Operating (loss)/profit		**(44.8)**	46.4
Finance income	5	**0.5**	0.3
Finance costs	6	**(21.2)**	(19.3)
Other finance income	5	**11.9**	12.0
Change in fair value of derivative financial instruments		**(5.2)**	2.2
Net finance costs		**(14.0)**	(4.8)
Share of post-tax loss from joint venture	13	**(2.5)**	–
(Loss)/profit before tax		**(61.3)**	41.6
Current tax		**(2.1)**	(2.2)
Deferred tax		**1.1**	(2.1)
Taxation	7	**(1.0)**	(4.3)
(Loss)/profit for the year from continuing operations		**(62.3)**	37.3
Discontinued operation			
Loss for the year from discontinued operation	8	**(245.5)**	(160.9)
Loss for the year		**(307.8)**	(123.6)
Loss attributable to:			
Owners of the Parent		**(253.6)**	(56.9)
Non-controlling interest	14	**(54.2)**	(66.7)
Earnings per share attributable to owners of the Parent[2]			
Basic and diluted loss per share	10	**(29.7)p**	(6.7)p
Earnings per share from continuing operations attributable to owners of the Parent[2]			
Basic and diluted (loss)/earnings per share	10	**(7.3)p**	4.4p
Weighted average number of shares	10	**853.0m**	852.4m

1. The comparative period has been re-presented to present the discontinued operation separately from continuing operations. Details of the discontinued operation are disclosed within note 8 'Discontinued operation'.

2. Earnings per share from the discontinued operation are shown in note 10 'Earnings per Share and Net Assets Per Share'.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 £m	Re-presented[1] 2018 £m
Loss for the year		**(307.8)**	(123.6)
Total comprehensive (expense)/income for the year		**(307.8)**	(123.6)
Attributable to:			
Owners of the Parent		**(253.6)**	(56.9)
Non-controlling interest	14	**(54.2)**	(66.7)
Arising from:			
Continuing operations		**(62.3)**	37.3
Discontinued operation	8	**(245.5)**	(160.9)

1. The comparative period has been re-presented to present discontinued operation separately from continuing operations. Details of the discontinued operation are disclosed within note 8 'Discontinued operation'.

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	**2019 £m**	2018 £m
Non-current assets			
Investment and development property	11	**2,545.5**	3,335.5
Property, plant and equipment	12	**5.7**	3.1
Investment in joint ventures	13	**0.3**	17.3
Derivative financial instruments	20	**–**	0.7
Deferred tax		**6.6**	5.5
Trade and other receivables	15	**248.8**	222.8
		2,806.9	3,584.9
Current assets			
Trade and other receivables	15	**139.4**	38.3
Cash and cash equivalents	16	**153.1**	32.5
		292.5	70.8
Assets classified as held for sale	11	**–**	8.4
		292.5	79.2
Total assets		**3,099.4**	3,664.1
Non-current liabilities			
Borrowings, including finance leases	18	**(555.3)**	(616.5)
Derivative financial instruments	20	**(3.6)**	–
		(558.9)	(616.5)
Current liabilities			
Borrowings, including finance leases	18	**(1.6)**	(0.7)
Other provisions		**–**	(2.0)
Tax liabilities		**(2.1)**	(2.4)
Trade and other payables	17	**(59.3)**	(58.9)
		(63.0)	(64.0)
Total liabilities		**(621.9)**	(680.5)
Net assets		**2,477.5**	2,983.6
Equity			
Share capital	22	**213.6**	212.7
Other components of equity		**2,263.9**	2,523.5
Equity attributable to owners of the Parent		**2,477.5**	2,736.2
Non-controlling interest	14	**–**	247.4
Total equity		**2,477.5**	2,983.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

		Equity attributable to owners of the Parent								
	Note	Share capital £m	Share premium £m	Merger reserve[1] £m	Share-based payment reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2018		212.2	221.1	425.8	6.3	(0.6)	1,935.0	2,799.8	305.8	3,105.6
Loss for the year		–	–	–	–	–	(56.9)	(56.9)	(66.7)	(123.6)
Total comprehensive expense for the year ended 31 December 2018		–	–	–	–	–	(56.9)	(56.9)	(66.7)	(123.6)
Transactions with owners										
Ordinary shares issued[2]	22	0.5	4.5	–	–	–	(0.5)	4.5	–	4.5
Dividends	9	–	–	–	–	–	(12.7)	(12.7)	–	(12.7)
Realisation of merger reserve[1]		–	–	(4.0)	–	–	4.0	–	–	–
Realisation of share-based payment reserve on issue of shares		–	–	–	(0.1)	–	–	(0.1)	–	(0.1)
Fair value of share-based payment		–	–	–	2.4	–	–	2.4	–	2.4
Tax relating to share-based payment	21	–	–	–	–	–	(0.8)	(0.8)	–	(0.8)
Contribution from non-controlling interest	14	–	–	–	–	–	–	–	8.3	8.3
Total transactions with owners		0.5	4.5	(4.0)	2.3	–	(10.0)	(6.7)	8.3	1.6
Balance at 31 December 2018		**212.7**	**225.6**	**421.8**	**8.6**	**(0.6)**	**1,868.1**	**2,736.2**	**247.4**	**2,983.6**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(253.6)**	**(253.6)**	**(54.2)**	**(307.8)**
Total comprehensive expense for the year ended 31 December 2019		**–**	**–**	**–**	**–**	**–**	**(253.6)**	**(253.6)**	**(54.2)**	**(307.8)**
Transactions with owners										
Ordinary shares issued[2]	22	**0.9**	**3.3**	**–**	**–**	**–**	**(0.4)**	**3.8**	**–**	**3.8**
Dividends	9	**–**	**–**	**–**	**–**	**–**	**(12.7)**	**(12.7)**	**–**	**(12.7)**
Realisation of merger reserve[1]		**–**	**–**	**(54.2)**	**–**	**–**	**54.2**	**–**	**–**	**–**
Realisation of share-based payment reserve on issue of shares		**–**	**–**	**–**	**(3.5)**	**–**	**6.2**	**2.7**	**–**	**2.7**
Fair value of share-based payment		**–**	**–**	**–**	**0.9**	**–**	**–**	**0.9**	**–**	**0.9**
Realisation of cash flow hedge		**–**	**–**	**–**	**–**	**0.2**	**–**	**0.2**	**–**	**0.2**
Contribution from non-controlling interest	14	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.0**	**1.0**
Derecognition of non-controlling interest at disposal	14	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(194.2)**	**(194.2)**
Total transactions with owners		**0.9**	**3.3**	**(54.2)**	**(2.6)**	**0.2**	**47.3**	**(5.1)**	**(193.2)**	**(198.3)**
Balance at 31 December 2019		**213.6**	**228.9**	**367.6**	**6.0**	**(0.4)**	**1,661.8**	**2,477.5**	**–**	**2,477.5**

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

2. Share premium includes £3.2 million (2018: £4.5 million) of ordinary shares issued relating to the bonus issued in lieu of cash dividends. Refer to note 9 'Dividends' for further information.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 £m	Re-presented 2018 £m
Cash flows from operating activities			
Cash generated from operations	25	**1.7**	27.9
Interest paid		**(20.2)**	(20.3)
Interest received		**0.5**	0.3
Tax paid		**(1.4)**	(2.2)
Net cash (outflow)/inflow from continuing operating activities		**(19.4)**	5.7
Net cash outflow from discontinued operating activities	8	**(2.2)**	(21.5)
Net cash outflow from operating activities		**(21.6)**	(15.8)
Cash flows from investing activities			
Purchase and development of property		**(94.4)**	(58.1)
Sale of property[1]		**79.6**	19.3
Investment in joint venture		**–**	(0.4)
Sale of discontinued operation	8	**168.9**	250.0
Sale of subsidiaries[2]		**0.2**	1.8
Loan advances to joint ventures		**(1.5)**	(1.8)
Net cash inflow from continuing investing activities		**152.8**	210.8
Net cash outflow from discontinued investing activities	8	**(4.8)**	(25.1)
Net cash inflow from investing activities		**148.0**	185.7
Cash flows from financing activities			
Issue of shares		**0.5**	0.1
Borrowings drawn		**105.0**	20.0
Borrowings repaid		**(105.0)**	(185.0)
Principal element of lease payment		**(0.9)**	–
Purchase and repayment of derivative financial instruments		**(0.9)**	(4.0)
Cash dividends paid	9	**(9.5)**	(8.2)
Transactions with discontinued operation[3]		**–**	(37.3)
Net cash outflow from continuing financing activities		**(10.8)**	(214.4)
Net cash inflow from discontinued financing activities	8	**5.0**	48.4
Net cash outflow from financing activities		**(5.8)**	(166.0)
Net increase in cash and cash equivalents		**120.6**	3.9
Unrestricted cash and cash equivalents at 1 January		**32.5**	28.6
Unrestricted cash and cash equivalents at 31 December	16	**153.1**	32.5

1. Includes £9.0 million for the disposal of property designated as held for sale at 31 December 2018.
2. Sale of subsidiaries includes deferred consideration of £0.2 million (2018: £1.8 million) relating to the disposal of The Brewery by EC&O Limited on 9 February 2012.
3. Relates to transactions between the Group's treasury function and the discontinued operation. The Group operates a central treasury function which manages and monitors the Group's cash balances.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

The financial information set out in this announcement does not constitute the Group's consolidated financial statements for the years ended 31 December 2019 or 2018, but is derived from those financial statements. Statutory financial statements for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's Annual General Meeting. The external auditor has reported on those financial statements; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498 of Companies Act 2006.

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, IFRS Interpretations Committee ("IFRS IC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full financial statements that comply with IFRS in March 2020.

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

The accounting policies used by the Group in these condensed financial statements are consistent with those applied in the Group's financial statements for the year to 31 December 2018, as amended to reflect the adoption of new standards, amendments and interpretations which became effective in the year.

During 2019, the following accounting standards and interpretations have been adopted by the Group:

IFRS 9 'Financial Instruments' (amendment)
IFRS 16 'Leases'
IAS 19 'Employee benefits' (amendment)
IAS 28 'Investments in associates' (amendment)
Amendments to IFRS (Annual improvements cycle 2015-2017)

As the Group is predominantly a lessor, IFRS 16 'Leases' did not have a material impact on adoption. Where the Group is currently a lessee, this relates only to immaterial contracts.

The Group has made changes to its accounting policies however the adoption did not have a material impact on the consolidated financial statements of the Group.

The other pronouncements had no significant impact on the condensed consolidated financial statements.

At the date of approval of the consolidated financial statements the following standards and interpretations which have not been applied in the financial statements were in issue but not effective, and in some cases have not been adopted for use in the European Union:

IFRS 3 'Business combinations' (amendment)
IAS 1 'Presentation of financial statements' (amendment)
IAS 8 'Accounting policies, changes in accounting estimates and errors' (amendment)

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

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 valuation of the Group's property portfolio is inherently subjective due to the assumptions as outlined within note 11 'Property Portfolio' and this subjectivity may result in a material adjustment to the carrying amounts of the assets and liabilities year on year. As a result, the valuations the Group places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate and could therefore have a material effect on the Group's financial performance and position.

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, significant disposals, scope of consolidation, provisions, share-based payment and contingent liabilities.

Going Concern

The Directors are satisfied that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements and for this reason the consolidated financial statements have been prepared on a going concern basis.

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;
- Lillie Square represents the Group's interests in Lillie Square and a number of smaller properties in the adjacent area;
- Other comprises Innova, The Great Capital Partnership, Earls Court Properties (up until disposal on 29 November 2019), the Empress State Building (up until disposal on 26 March 2018) and other head office companies and investments, including the payment of internal rent.

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%**
Lillie Square	
Lillie Square Joint Venture	**50%**
Lillie Square Holding Group	**100%**
Other	
Innova	**50%**
GCP	**50%**
Earls Court Properties[1]	**0%**
Other	**100%**

1. Earls Court Properties represented the Group's interest in the Earls Court area comprising properties held in ECPL, EC Properties LP and Empress State Building. ECPL was 63 per cent owned until 29 November 2019. EC Properties LP was 100 per cent owned until 29 November 2019. Empress State was 100 per cent owned until 26 March 2018. Subsequent to this the Group share ownership in ECPL, EC Properties LP and Empress State Building is nil.

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

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

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

Continuing operations	Covent Garden £m	Lillie Square £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
	2019					
Rental income	**77.6**	**0.8**	**–**	**78.4**	**(0.8)**	**77.6**
Proceeds from sale of trading property	**–**	**5.1**	**–**	**5.1**	**(5.1)**	**–**
Other income	**–**	**–**	**0.9**	**0.9**	**0.9**	**1.8**
Revenue	**77.6**	**5.9**	**0.9**	**84.4**	**(5.0)**	**79.4**
Rent receivable	**72.7**	**0.2**	**–**	**72.9**	**(0.2)**	**72.7**
Service charge income	**4.9**	**0.6**	**–**	**5.5**	**(0.6)**	**4.9**
Rental income	**77.6**	**0.8**	**–**	**78.4**	**(0.8)**	**77.6**
Rental expenses[1]	**(16.1)**	**(0.8)**	**(0.3)**	**(17.2)**	**0.7**	**(16.5)**
Net rental income/(expense)	**61.5**	**–**	**(0.3)**	**61.2**	**(0.1)**	**61.1**
Profit on sale of trading property	**–**	**0.9**	**–**	**0.9**	**(0.9)**	**–**
Other income	**–**	**–**	**0.9**	**0.9**	**0.9**	**1.8**
Loss on revaluation and sale of investment and development property	**(43.3)**	**–**	**–**	**(43.3)**	**–**	**(43.3)**
Impairment of other receivables	**–**	**–**	**(15.0)**	**(15.0)**	**(6.0)**	**(21.0)**
Write down of trading property	**–**	**(0.4)**	**–**	**(0.4)**	**0.4**	**–**
Segment profit/(loss)	**18.2**	**0.5**	**(14.4)**	**4.3**	**(5.7)**	**(1.4)**
Unallocated costs:						
Administration expenses				**(42.6)**	**(0.8)**	**(43.4)**
Operating loss				**(38.3)**	**(6.5)**	**(44.8)**
Net finance costs[2]				**(25.6)**	**11.6**	**(14.0)**
Share of post-tax loss from joint ventures				**–**	**(2.5)**	**(2.5)**
Loss before tax				**(63.9)**	**2.6**	**(61.3)**
Taxation				**(1.0)**	**–**	**(1.0)**
Loss for the year from continuing operations				**(64.9)**	**2.6**	**(62.3)**
Discontinued operation						
Loss for the year from discontinued operation				**(245.5)**	**–**	**(245.5)**
Loss for the year				**(310.4)**	**2.6**	**(307.8)**
Loss attributable to:						
Owners of the Parent				**(256.2)**	**2.6**	**(253.6)**
Non-controlling interest				**(54.2)**	**–**	**(54.2)**
Summary balance sheet						
Total segment assets[3]	**2,617.8**	**189.7**	**223.7**	**3,031.2**	**(84.9)**	**2,946.3**
Total segment liabilities[3]	**(600.9)**	**(76.3)**	**(20.0)**	**(697.2)**	**75.3**	**(621.9)**
Segmental net assets	**2,016.9**	**113.4**	**203.7**	**2,334.0**	**(9.6)**	**2,324.4**
Unallocated assets[2]				**153.1**	**–**	**153.1**
Net assets				**2,487.1**	**(9.6)**	**2,477.5**
Other segment items:						
Depreciation	**(0.2)**	**–**	**(1.1)**	**(1.3)**	**–**	**(1.3)**
Capital expenditure[4]	**(94.3)**	**(32.2)**	**(6.1)**	**(132.6)**	**28.5**	**(104.1)**

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

2 SEGMENTAL REPORTING CONTINUED

Reportable segments

Continuing operations	Re-presented 2018 Covent Garden £m	Lillie Square £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Rental income	71.3	0.8	–	72.1	(0.8)	71.3
Proceeds from sale of trading property	–	31.0	–	31.0	(31.0)	–
Other income	–	–	1.8	1.8	1.6	3.4
Revenue	71.3	31.8	1.8	104.9	(30.2)	74.7
Rent receivable	66.9	0.2	–	67.1	(0.2)	66.9
Service charge income	4.4	0.6	–	5.0	(0.6)	4.4
Rental income	71.3	0.8	–	72.1	(0.8)	71.3
Rental expenses[1]	(13.8)	(0.5)	(0.3)	(14.6)	0.7	(13.9)
Net rental income/(expense)	57.5	0.3	(0.3)	57.5	(0.1)	57.4
Profit on sale of trading property	–	6.7	–	6.7	(6.7)	–
Other income	–	–	1.8	1.8	1.6	3.4
Gain/(loss) on revaluation and sale of investment and development property	39.4	(0.2)	–	39.2	–	39.2
Impairment of other receivables	–	–	–	–	(19.4)	(19.4)
Write down on trading property	–	(0.5)	–	(0.5)	0.5	–
Segment profit/(loss)	96.9	6.3	1.5	104.7	(24.1)	80.6
Unallocated costs:						
Administration expenses				(33.7)	(0.5)	(34.2)
Operating profit/(loss)				71.0	(24.6)	46.4
Net finance costs[2]				(17.1)	12.3	(4.8)
Profit/(loss) before tax				53.9	(12.3)	41.6
Taxation				(4.3)	–	(4.3)
Profit/(loss) for the year from continuing operations				49.6	(12.3)	37.3
Discontinued operation						
Loss for the year from discontinued operation				(160.9)	–	(160.9)
Loss for the year				(111.3)	(12.3)	(123.6)
Loss attributable to:						
Owners of the Parent				(111.3)	54.4	(56.9)
Non-controlling interest				–	(66.7)	(66.7)

	Covent Garden £m	Earls Court Properties and Lillie Square[4] £m	Other £m	Group total £m	Consolidation adjustments £m	IFRS total £m
Summary balance sheet						
Total segment assets[3]	2,642.7	751.3	40.9	3,434.9	205.2	3,640.1
Total segment liabilities[3]	(603.8)	(98.0)	(8.6)	(710.4)	29.9	(680.5)
Segmental net assets	2,038.9	653.3	32.3	2,724.5	235.1	2,959.6
Unallocated assets[2]				24.0	–	24.0
Net assets				2,748.5	235.1	2,983.6
Other segment items:						
Depreciation	(0.4)	(1.2)	(0.2)	(1.8)	(0.1)	(1.9)
Capital expenditure	(60.3)	(49.6)	–	(109.9)	24.6	(85.3)

1. Comprises service charge and other non-recoverable costs.
2. The Group operates a central treasury function which manages and monitors the Group's finance income and costs on a net basis and the majority of the Group's cash balances.
3. Total segmental assets and total segmental liabilities exclude loans between and investments in Group undertakings.
4. Earls Court Properties represented the Group's interest in the Earls Court area which comprised of properties held in ECPL, Lillie Square, the Empress State Building (up until disposal on 28 March 2018) and a number of smaller properties in the Earls Court area. ECPL and a number of smaller properties in the Earls Court area were disposed of on 29 November 2019.

3 (LOSS)/GAIN ON REVALUATION AND SALE OF INVESTMENT AND DEVELOPMENT PROPERTY

Continuing operations	2019 £m	Re-presented 2018 £m
(Loss)/gain on revaluation of investment and development property	**(41.1)**	37.2
(Loss)/gain on sale of investment and development property	**(2.2)**	2.0
(Loss)/gain on revaluation and sale of investment and development property	**(43.3)**	39.2

4 IMPAIRMENT OF OTHER RECEIVABLES

Continuing operations	2019 £m	Re-presented 2018 £m
Impairment of other receivables	**21.0**	19.4

Following an impairment review of amounts receivable from joint ventures by the Group, a net impairment of £21.0 million has been recognised (2018: £19.4 million). This impairment consists of £8.5 million (2018: £19.4 million) in relation to the Lillie Square joint venture and £12.5 million (2018: nil) in relation to the Group's investment in the Innova joint venture.

The Lillie Square joint venture is in a net liability position. It incurs amortisation charges on deep discount bonds that were issued to the Group and Kwok Family Interests ("KFI") which has contributed to the cumulative losses. The Group has recognised £11.3 million (2018: £12.0 million) finance income on these deep discount bonds. Although the Group's investment in the Lillie Square joint venture has been previously fully impaired and the Group's carrying value of investment in Lillie Square is nil, the Group has issued funding in the joint venture in the form of an intercompany loan and deep discount bonds.

An impairment assessment was performed in accordance with IFRS 9 'Financial instruments' comparing the carrying amount of the intercompany debtor and deep discount bonds to the present value of the estimated future cash flows. This has resulted in a write down of £8.5 million (2018: £19.4 million) during the year, of which £1.2 million has been recognised against the intercompany debtor (2018: £1.8 million) and £7.3 million against the deep discount bonds (2018: £17.6 million).

The impairment of amounts receivable from joint ventures recognised by the Group in the year of £8.5 million (cumulative £75.5 million) and the finance income on the Lillie Square deep discount bonds of £11.3 million have been calculated based on the requirements under IFRS 9 'Financial instruments'. Had the impairments been calculated taking into consideration the Group's economic position with reference to the Group's share of losses in the Lillie Square joint venture the impairment of amounts receivable from joint venture would have been £2.9 million (cumulative £56.1 million) and the finance income on the deep discount bonds would have been £6.6 million in the year. The total current year difference between the IFRS 9 basis and economic position basis of £2.7 million (cumulative £9.6 million) is adjusted from EPRA adjusted earnings and EPRA NAV measures as the difference does not reflect the operational performance or the assets and liabilities expected to crystallise in normal circumstances.

5 FINANCE INCOME

Continuing operations	2019 £m	2018 £m
Finance income:		
On deposits and other	**0.5**	0.3
Finance income	**0.5**	0.3
Other finance income:		
On deep discount bonds[1]	**11.3**	12.0
On deferred consideration[2]	**0.6**	–
Other finance income	**11.9**	12.0

1. Excluded from the calculation of underlying earnings as deep discount bonds eliminate on a Group share basis.

2. Excluded from the calculation of underlying earnings as the deferred consideration relates to the proceeds from the sale of Earls Court Properties during the year.

6 FINANCE COSTS

Continuing operations	2019 £m	Re-presented 2018 £m
Finance costs:		
On bank overdrafts, loans and other	**20.4**	20.6
On obligations under finance leases	**0.8**	0.7
Gross finance costs	**21.2**	21.3
Interest capitalised on property under development	**–**	(2.0)
Finance costs	**21.2**	19.3

Interest is capitalised, before tax relief, on the basis of the weighted average cost of debt of 3.0 per cent (2018: 2.9 per cent) applied to the cost of property under development during the year.

7 TAXATION

Continuing operations	2019 £m	2018 £m
Current income tax:		
Current income tax charge excluding non-underlying items	**1.4**	1.4
Current income tax	**1.4**	1.4
Deferred income tax:		
On accelerated capital allowances	**(3.4)**	1.1
On fair value of derivative financial instruments	**(0.9)**	1.2
On Group losses	**3.2**	0.9
On other temporary differences	**0.3**	(0.6)
Deferred income tax	**(0.8)**	2.6
Current income tax charge on non-underlying items	**–**	0.8
Adjustments in respect of previous years – current income tax	**0.7**	–
Adjustments in respect of previous years – deferred income tax	**(0.3)**	(0.5)
Total income tax charge reported in the consolidated income statement	**1.0**	4.3

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

Tax on discontinued operation of £1.2 million (2018: nil) as disclosed within note 8 'Discontinued operation' relates to current tax adjustments in respect of previous years.

Following the enactment of Finance (No. 2) Act 2015 and Finance Act 2016, the main rate of corporation tax reduced to 19 per cent from April 2017 and will reduce further to 17 per cent from April 2020.

Following conversion to a UK REIT on 9 December 2019 the Capco Group is exempt from UK Corporation Tax and UK Capital Gains Tax on its Qualifying REIT activities. Non-REIT activities will continue to be subject to UK Corporation Tax and UK Capital Gains Tax.

8 DISCONTINUED OPERATION

On 29 November 2019, the Group sold its interests in Earls Court, excluding Lillie Square, to APG and Delancey (on behalf of its client fund) for £425 million. As Earls Court Properties represented a major line of business, its results and cash flows have been reported for the period 1 January 2019 to 29 November 2019 as having arisen from a discontinued operation. This extends to the prior period comparative which has been re-presented to reflect the disposal. The Empress State Building which was sold on 26 March 2018 was previously part of the Earls Court Properties business and therefore has also been classified as a discontinued operation in the comparative period.

(Loss)/ profit from discontinued operation after tax included in the consolidated Income Statement:

	2019 £m	2018 £m
(Loss)/profit from discontinued operation after tax		
Earls Court Properties	**(151.3)**	(193.0)
Empress State Building	**–**	2.6
(Loss)/profit on disposal of discontinued operation	**(10.2)**	29.5
IFRS 5 impairment of discontinued operation	**(84.0)**	–
Loss from discontinued operation after tax	**(245.5)**	(160.9)
Attributable to:		
Owners of the Parent	**(191.3)**	(94.2)
Non–controlling interest	**(54.2)**	(66.7)

Earls Court Properties

On 29 November 2019, the Group completed the sale of its interest in Earls Court Properties (excluding Lillie Square) for a total gross cash consideration of £425.0 million, on a cash-free and debt-free basis. Total consideration will be paid to Capco on a phased basis, with 45 per cent received on completion and the balance receivable in two equal tranches over two years. The disposal was in line with the Group's stratgy of monetising investments at Earls Court over time with a focus on growing its central London property investment business, centred around Covent Garden. After adjusting for net debt, working capital adjustments, transaction-related costs and other completion items, net proceeds received were £145.3 million with £7.0 million outstanding to pay on transaction related costs and working capital adjustments. The balance of £210.4 million is receivable in two equal instalments 12 months and 24 months after completion. The deferred payments receivable by the Group would be accelerated in part to the extent that payments made by Capco to the London Borough of Hammersmith and Fulham pursuant to the CLSA are refunded to the Purchaser after completion. Further consideration may be payable to Capco in limited

8 DISCONTINUED OPERATION CONTINUED

circumstances, however this is not expected to be material. Based on the net assets at the date of disposal, after the deduction of an IFRS 5 impairment, a loss of £10.2 million has been recognised on the sale.

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

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

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

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

Summarised income statement	Period ended 29 November 2019 £m	Year ended 31 December 2018 £m
Revenue	**3.6**	3.7
Net rental income	**3.1**	3.1
Loss on revaluation and sale of investment and development property	**(151.6)**	(185.3)
Impairment of investments and other receivables	**–**	(3.8)
Administration expenses	**(4.0)**	(7.0)
Operating loss	**(152.5)**	(193.0)
Loss from discontinued operation before tax	**(152.5)**	(193.0)
Taxation	**1.2**	–
Loss from discontinued operation after tax[1]	**(151.3)**	(193.0)
IFRS 5 impairment of discontinued operation	**(84.0)**	–
Loss on disposal of discontinued operation	**(10.2)**	–
Loss on disposal and IFRS 5 impairment of discontinued operation	**(94.2)**	–
Loss for the period from discontinued operation after tax	**(245.5)**	(193.0)
Attributable to:		
Owners of the Parent	**(191.3)**	(126.3)
Non-controlling interest	**(54.2)**	(66.7)
Underlying earnings from discontinued operation		
Loss for the period from discontinued operation	**(191.3)**	(126.3)
Group adjustments:		
Loss on revaluation and sale of investment and development property	**151.6**	185.3
Loss on disposal and IFRS 5 impairment of discontinued operation	**94.2**	–
Impairment of investments and other receivables	**–**	3.8
Non-controlling interest in respect of the Group adjustments	**(55.0)**	(67.3)
Tax adjustments	**–**	0.1
Underlying loss from discontinued operation	**(0.5)**	(4.4)

1. Consists of £97.1 million (2018: £126.3 million) attributable to owners of the Parent and £54.2 million (2018: £66.7 million) attributable to non-controlling interest.

8 DISCONTINUED OPERATION CONTINUED

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

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

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

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

Summarised cash flows	**Period ended 29 November 2019 £m**	Year ended 31 December 2018 £m
Net cash outflow from discontinued operating activities	**(2.2)**	(21.1)
Purchase and development of property, plant and equipment	**(7.9)**	(26.4)
Sale of property	**3.1**	1.6
Net cash outflow from discontinued investing activities	**(4.8)**	(24.8)
Borrowings drawn	**4.0**	2.8
Contribution from non-controlling interest	**1.0**	8.3
Funding from Group treasury[1]	**–**	36.6
Net cash inflow from discontinued financing activities	**5.0**	47.7
Net movement in unrestricted cash and cash equivalents	**(2.0)**	1.8
Unrestricted cash and cash equivalents at 1 January	**8.0**	6.2
Unrestricted cash and cash equivalents at period end	**6.0**	8.0

1. Relates to transactions between the Group's treasury function and the discontinued operation. The Group operates a central treasury function which manages and monitors the Group's cash balances.

Empress State Building

On 26 March 2018, the Group completed the sale of the Empress State Building a for total cash consideration of £250.0 million. The disposal was effected by way of a sale of the entire issued share capital of Empress Holdings Limited and its subsidiaries ("Empress Holdings Group") which held the freehold interest in the Empress State Building. The disposal was in line with the Group strategy of realising value at Earls Court over time. After transaction related costs, net proceeds received were £248.9 million. Based on the net assets at the date of disposal a profit has been recognised on the sale of £29.5 million.

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

	26 March 2018 £m
Investment and development property	220.0
Other non-current liabilities	(0.6)
Net assets	219.4
Net consideration[1]	248.9
Profit on sale of discontinued operations	29.5

1. Cash consideration received on completion was £250.0 million. This differs to net consideration above by £1.1 million due to transaction-related costs.

8 DISCONTINUED OPERATION CONTINUED

The Empress State results, which have been included in the income statement as part of the a discontinued operation, were:

Summarised income statement	Period ended 26 March 2018 £m
Revenue	3.9
Net rental income	3.9
Administration expenses	(1.3)
Operating profit	2.6
Profit before tax	2.6
Profit after tax	2.6
Discontinued operation	
Profit on disposal of discontinued operation	29.5
Profit for the period from discontinued operation	32.1
Group adjustments:	
Profit on sale of discontinued operation	(29.5)
Underlying earnings from discontinued operation	2.6

The Empress State Building cash flows, which have been included in the consolidated statement of cash flows as part of the discontinued operation, were:

Summarised cash flows	Period ended 26 March 2018 £m
Net cash outflow from discontinued operating activities	(0.4)
Purchase and development of property	(0.3)
Net cash outflow from discontinued investing activities	(0.3)
Funding from Group treasury[1]	0.7
Net cash outflow from discontinued financing activities	0.7
Net movement in unrestricted cash and cash equivalents	–
Unrestricted cash and cash equivalents at 1 January	–
Unrestricted cash and cash equivalents at end of the period	–

1. Relates to transactions between the Group's treasury function and the discontinued operation. The Group operates a central treasury function which manages and monitors the Group's cash balances.

9 DIVIDENDS

	2019 £m	2018 £m
Ordinary shares		
Prior year final dividend of 1.0p per share (2018: 1.0p)	**8.5**	8.5
Interim dividend of 0.5p per share (2018: 0.5p)	**4.2**	4.2
Dividend expense	**12.7**	12.7
Bonus issue in lieu of cash dividends[1]	**(3.2)**	(4.5)
Cash dividends paid	**9.5**	8.2
Proposed final dividend of 1.0p per share (2018: 1.0p)	**8.5**	8.5

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

As a REIT, Capco must distribute at least 90% of the Group's income profits from its tax-exempt property rental business by way of a dividend, which is known as a Property Income Distribution (PID). These distributions can be subject to withholding tax at 20%. Dividends from profits of the Group's taxable residual business are non-PID and will be taxed as an ordinary dividend.

10 EARNINGS PER SHARE AND NET ASSETS PER SHARE

(a) Earnings per share

	2019			Re-presented 2018		
	(Loss)/ earnings £m	**Shares[1] million**	**(Loss)/ earnings per share (pence)**	(Loss)/ earnings £m	Shares[1] million	(Loss)/ earnings per share (pence)
Continuing and discontinued operation attributable to owners of the Parent						
Basic loss	**(253.6)**	**853.0**	**(29.7)**	(56.9)	852.4	(6.7)
Dilutive effect of contingently issuable share option awards	**–**	**0.7**	**–**	–	0.9	–
Dilutive effect of contingently issuable deferred share awards	**–**	**0.5**	**–**	–	0.2	–
Dilutive effect of contingently issuable matching nil cost options awards	**–**	**–**	**–**	–	0.1	–
Dilutive effect of deferred bonus share option awards	**–**	**–**	**–**	–	0.6	–
Diluted loss	**(253.6)**	**854.2**	**(29.7)**	(56.9)	854.2	(6.7)
Continuing operations attributable to owners of the Parent						
Basic (loss)/earnings	**(62.3)**	**853.0**	**(7.3)**	37.3	852.4	4.4
Diluted (loss)/earnings	**(62.3)**	**854.2**	**(7.3)**	37.3	854.2	4.4
Discontinued operation attributable to owners of the Parent						
Basic loss	**(191.3)**	**853.0**	**(22.4)**	(94.2)	852.4	(11.1)
Diluted loss	**(191.3)**	**854.2**	**(22.4)**	(94.2)	854.2	(11.1)

Continuing operations attributable to owners of the Parent						
Basic (loss)/earnings	**(62.3)**			37.3		
Group adjustments:						
Impairment of other receivables[2]	**11.9**			12.3		
Loss/(gain) on revaluation and sale of investment and development property	**43.3**			(39.2)		
Change in fair value of derivative financial instruments	**5.2**			(2.2)		
Deferred tax adjustments	**(4.3)**			2.3		
Joint venture adjustments:						
Profit on sale of trading property[3]	**(0.9)**			(6.7)		
Write down of trading property	**0.4**			0.5		
EPRA adjusted earnings on continuing operations[4]	**(6.7)**	**853.0**	**(0.8)**	4.3	852.4	0.5
Administration expenses – non-underlying[5]	**9.7**			4.9		
Tax adjustments	**6.5**			0.6		
Underlying earnings from continued operations	**9.5**	**853.0**	**1.1**	9.8	852.4	1.1
Underlying earnings from discontinued operation	**(0.5)**	**853.0**	**(0.1)**	(1.8)	852.4	(0.2)
Underlying earnings[4]	**9.0**	**853.0**	**1.0**	8.0	852.4	0.9

1. Weighted average number of shares in issue has been adjusted by 1.6 million (2018: 3.3 million) for the issue of bonus shares in connection with the scrip dividend scheme.
2. Impairment of other receivables of £11.9 million (2018: £12.3 million) includes impairments under IFRS 9 of the amounts receivable from joint ventures above/below the Group's share of losses in the Lillie Square joint venture, amortisation of deferred consideration receivable from the Earls Court Properties disposal and impairment in relation to the Group's investment in the Innova joint venture. Further details are disclosed within note 4 'Impairment of Other Receivables' and note 5 'Finance Income'.
3. Profit on sale of trading property relates to Lillie Square sales and includes £0.4 million (2018: £0.2 million) of marketing and selling fees on a Group share basis. Marketing fees include costs for units that have not yet completed.
4. EPRA earnings and underlying earnings have been reported on a Group share basis.
5. Non-underlying administration expenses totalled £9.7 million (2018: £4.9 million) which relates to the costs incurred in respect of the potential demerger of the Group. These costs have been classified as non-underlying as they do not represent the recurring, underlying performance of the Group.

10 EARNINGS PER SHARE AND NET ASSETS PER SHARE CONTINUED

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

(a) Earnings per share continued

	2019			Re-presented[1] 2018		
	(Loss)/ earnings £m	**Shares[2] million**	**(Loss)/ earnings per share (pence)**	(Loss)/ earnings £m	Shares[2] million	(Loss)/ earnings per share (pence)
Continuing and discontinued operation attributable to owners of the Parent						
Basic loss	**(253.6)**	**853.0**	**(29.7)**	(56.9)	852.4	(6.7)
Group adjustments:						
Loss on revaluation and sale of investment and development property	**194.9**			146.1		
Deferred tax adjustments	**0.3**			0.9		
Non-controlling interest in respect of the Group adjustments	**(54.2)**			(67.3)		
Loss/(profit) on disposal and IFRS 5 impairment of discontinued operation	**94.2**			(29.5)		
Headline loss	**(18.4)**	**853.0**	**(2.2)**	(6.7)	852.4	(0.8)
Dilutive effect of contingently issuable share option awards	**–**	**0.7**		–	0.9	
Dilutive effect of contingently issuable deferred share awards	**–**	**0.5**		–	0.2	
Dilutive effect of contingently issuable matching nil cost options awards	**–**	**–**		–	0.1	
Dilutive effect of deferred bonus share option awards	**–**	**–**		–	0.6	
Diluted headline loss	**(18.4)**	**854.2**	**(2.2)**	(6.7)	854.2	(0.8)

1. The comparative has been re-presented to include profit on disposal of discontinued operation as an adjustment to headline earnings.

2. Weighted average number of shares in issue has been adjusted by 1.6 million (2018: 3.3 million) for the issue of bonus shares in connection with the scrip dividend scheme.

(b) Net assets per share

	2019			2018		
	Net assets £m	**Shares million**	**NAV per share (pence)**	Net assets £m	Shares million	NAV per share (pence)
Net assets attributable to owners of the Parent	**2,477.5**	**854.3**	**290.0**	2,736.2	850.8	321.6
Effect of dilution on exercise of contingently issuable share option awards	**–**	**0.7**		–	0.8	
Effect of dilution on vesting of contingently issuable deferred share awards	**–**	**0.5**		–	0.3	
Effect of dilution on exercise of contingently issuable matching nil cost option awards	**–**	**–**		–	0.1	
Effect of dilution on exercise of deferred bonus share option awards	**–**	**–**		–	0.6	
Diluted NAV	**2,477.5**	**855.5**	**289.6**	2,736.2	852.6	320.9
Group adjustments:						
Fair value of derivative financial instruments	**3.6**			(0.7)		
Unrecognised surplus on trading property – Joint venture	**15.9**			25.7		
Revaluation of other non-current assets[1]	**9.6**			12.3		
Deferred tax adjustments	**(0.8)**			3.5		
EPRA NAV	**2,505.8**	**855.5**	**292.9**	2,777.0	852.6	325.7
Fair value of derivative financial instruments	**(3.6)**			0.7		
Excess fair value of debt over carrying value	**(1.7)**			14.0		
Deferred tax adjustments	**0.8**			(3.5)		
EPRA NNNAV	**2,501.3**	**855.5**	**292.4**	2,788.2	852.6	327.0

1. This relates to the impairment under IFRS 9 of amounts receivable from joint ventures above the Group's share of losses in the Lillie Square joint venture. Further details are disclosed within note 4 'Impairment of Other Receivables'.

11 PROPERTY PORTFOLIO

a) Investment and development property

	Property portfolio			Tenure	
	Covent Garden £m	Other[1] £m	Total £m	Freehold £m	Leasehold £m
At 1 January 2018	2,493.7	1,152.0	3,645.7	1,720.5	1,925.2
Additions from acquisitions	18.7	10.6	29.3	19.2	10.1
Additions from subsequent expenditure	41.6	14.4	56.0	23.2	32.8
Disposals	(17.3)	(1.6)	(18.9)	(18.1)	(0.8)
Sale of discontinued operation	–	(220.0)	(220.0)	(220.0)	–
Classified as held for sale [2]	(8.4)	–	(8.4)	(8.4)	–
Gain/(loss) on revaluation[3]	37.3	(185.5)	(148.2)	5.7	(153.9)
At 31 December 2018	**2,565.6**	**769.9**	**3,335.5**	**1,522.1**	**1,813.4**
Additions from acquisitions	**74.9**	**–**	**74.9**	**69.2**	**5.7**
Additions from subsequent expenditure	**19.4**	**9.8**	**29.2**	**15.6**	**13.6**
Disposals	**(74.8)**	**(2.9)**	**(77.7)**	**(15.6)**	**(62.1)**
Sale of discontinued operation	**–**	**(623.7)**	**(623.7)**	**(124.7)**	**(499.0)**
Loss on revaluation[3]	**(41.1)**	**(151.6)**	**(192.7)**	**(24.9)**	**(167.8)**
At 31 December 2019	**2,544.0**	**1.5**	**2,545.5**	**1,441.7**	**1,103.8**

1. Included in 'Other' is the Group's interest in Earls Court Properties and Empress State Building which were disposed of on 29 November 2019 and 26 March 2018 respectively. Details of the disposals is set out in note 8 'Discontinued Operation'.
2. This relates to apartments at the Floral Court Collection in Covent Garden which had exchanged before 31 December 2018 and completed in early 2019.
3. Loss on revaluation of £192.7 million (2018: loss of £148.2 million) includes a loss on revaluation of £151.6 million (2018: £185.3 million) which relates to Earls Court Properties for the period prior to disposal which is included in the loss for discontinued operation in the consolidated income statement. The remainder of the loss, relating to continuing operations is recognised in the consolidated income statement within loss on revaluation and sale of investment and development property.

b) Market value reconciliation of total property

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

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

11 PROPERTY PORTFOLIO CONTINUED

b) Market value reconciliation of total property continued

	Covent Garden £m	Other[1] £m	Total £m
Carrying value of investment and development property at 31 December 2018[2]	2,565.6	769.9	3,335.5
Adjustment in respect of fixed head leases	(6.1)	–	(6.1)
Adjustment in respect of tenant lease incentives	50.5	–	50.5
Market value of investment and development property at 31 December 2018	2,610.0	769.9	3,379.9
Joint venture:			
Group share of carrying value of joint venture investment, development and trading property at 31 December 2018	–	133.4	133.4
Group share of unrecognised surplus on joint venture trading property[3]	–	25.7	25.7
	2,610.0	929.0	3,539.0
Non-controlling interest adjustment:			
Market value of non-controlling interest in investment, development and trading property at 31 December 2018	–	(270.7)	(270.7)
Market value of investment, development and trading property on a Group share basis at 31 December 2018	2,610.0	658.3	3,268.3

1. 'Other' includes the Group's interest in Earls Court Properties which was disposed of on 29 November 2019.

2. Included within investment and development property £3.7 million of interest capitalised during the year on property under development.

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

At 31 December 2019, the Group was contractually committed to £7.0 million (2018: £22.4 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. Refer to note 23 'Capital Commitments' for further information on capital commitments.

The fair value of the Group's investment, development and trading property at 31 December 2019 was determined by independent, appropriately qualified external valuers, JLL for Lillie Square and CBRE Ltd for the remainder of the Group's property portfolio. The valuations conform to the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards. Fees paid to valuers are based on fixed price contracts.

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

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

Valuations take into account tenure, lease terms and structural condition. The inputs underlying the valuations include market rent or business profitability, likely incentives offered to tenants, forecast growth rates, yields, discount rates, construction costs including any site specific costs (for example Section 106), professional fees, planning fees, developer's profit including contingencies, planning and construction timelines, lease re-gear costs, planning risk and sales prices based on known market transactions for similar properties or properties similar to those contemplated for development. As at 31 December 2019 all Covent Garden properties are valued under the income capitalisation technique.

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

There are often restrictions on both freehold and leasehold property which could have a material impact on the realisation of these assets. The most significant of these occur when planning permission is required or when a credit facility is in place. These restrictions are factored into the property's valuation by the external valuer. Refer to disclosures surrounding property risks on page 21.

12 PROPERTY, PLANT AND EQUIPMENT

	2019			2018		
	Property £m	**Plant and equipment £m**	**Total £m**	Property £m	Plant and equipment £m	Total £m
Net carrying value at 1 January	**–**	**3.1**	**3.1**	–	4.6	4.6
Additions[1]	**5.4**	**0.4**	**5.8**	–	0.4	0.4
Disposals	**–**	**(1.9)**	**(1.9)**	–	–	–
Depreciation charge	**(0.7)**	**(0.6)**	**(1.3)**	–	(1.9)	(1.9)
Net carrying value at 31 December	**4.7**	**1.0**	**5.7**	–	3.1	3.1

1. From 1 January 2019, under IFRS 16 'Leases', the Group recognises a right-of-use asset and a lease liability, over its leased office building. The lease is measured at the present value of the lease payments, discounted at the weighted average borrowing rate of 1.5 per cent. Refer to note 19 'Finance lease obligations' for further information on the lease liability.

Property consists of finance leased office buildings.

13 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 2019, joint ventures comprise the Lillie Square joint venture ("LSJV"), Innova Investment ("Innova") and The Great Capital Partnership ("GCP"). On 29 April 2013, the Group exchanged contracts for the disposal of the final asset, Park Crescent West, in GCP which has since been accounted for as a discontinued operation.

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	**2019 £m**	2018 £m
Summarised income statement		
Revenue	**11.8**	62.3
Net rental income	**–**	0.1
Proceeds from the sale of trading property	**10.2**	62.0
Cost of sale of trading property	**(7.6)**	(48.2)
Agent, selling and marketing fees	**(0.8)**	(0.4)
Write down of trading property	**(0.7)**	(1.0)
Administration expenses	**(0.6)**	(2.4)
Finance costs[1]	**(13.4)**	(21.2)
Loss for the year after taxation	**(12.9)**	(11.1)

1. Finance costs includes £13.2 million (2018: £20.9 million) which relates to the amortisation of deep discount bonds that were issued by LSJV to the Group and KFI. The bonds are redeemable at their nominal value of £276.1 million on 24 August 2021. The discount applied is unwound over the period to maturity using an effective interest rate. Finance income receivable to the Group of £11.3 million (2018: £12.0 million) is recognised in the consolidated income statement within other finance income.

13 INVESTMENT IN JOINT VENTURES CONTINUED

LSJV	2019 £m	2018 £m
Summarised balance sheet		
Investment and development property	**3.7**	3.7
Other non-current assets	**4.6**	4.6
Trading property	**318.9**	263.1
Cash and cash equivalents[1]	**33.9**	40.2
Other current assets	**–**	0.2
Borrowings	**(110.9)**	(59.5)
Other non-current liabilities[2]	**(252.9)**	(239.7)
Amounts payable to joint venture partners[3]	**(74.8)**	(73.7)
Other current liabilities[1]	**(41.9)**	(45.3)
Net liabilities	**(119.4)**	(106.4)

Capital commitments	**13.3**	64.8

Carrying value of investment, development and trading property	**322.6**	266.8
Unrecognised surplus on trading property[4]	**31.7**	51.4
Market value of investment, development and trading property[4]	**354.3**	318.2

1. Includes restricted cash and cash equivalents of £26.0 million (2018: £34.3 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 £26.0 million (2018: £34.3 million) within other current liabilities.
2. Other non-current liabilities relate to deep discount bonds. Recoverable amounts receivable by the Group, net of impairments, of £98.4 million (2018: £94.4 million) are recognised on the consolidated balance sheet within non-current trade and other receivables.
3. Amounts payable to joint venture partners relate to working capital funding advanced by the Group and KFI.
4. The unrecognised surplus on trading property and the market value of LSJV's property portfolio are shown for informational purposes only and are not a requirement of IFRS. Trading property continues to be measured at the lower of cost and net realisable value.

Innova

On 29 June 2015, the Group acquired a 50 per cent interest in Innova, a joint venture arrangement with Network Rail Infrastructure Limited ("NRIL"). Total acquisition costs were £14.5 million, £2.0 million of which is contingent on achieving consent to develop specific railway sites with NRIL. 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 income statement and balance sheet of Innova are presented below.

Innova	2019 £m	2018 £m
Summarised balance sheet		
Other receivables	**–**	5.4
Cash and cash equivalents	**0.9**	0.5
Other current liabilities	**(0.5)**	(0.4)
Net assets	**0.4**	5.5

13 INVESTMENT IN JOINT VENTURES CONTINUED

Reconciliation of summarised financial information:

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

	GCP £m	LSJV £m	Innova £m	Total £m
Net assets/(liabilities) of joint ventures at 31 December 2018	0.1	(106.4)	5.5	(100.8)
Elimination of joint venture partners' interest	–	53.2	(2.8)	50.4
Cumulative losses restricted[1]	–	53.2	–	53.2
Goodwill on acquisition of joint venture[2]	–	–	14.5	14.5
Carrying value at 31 December 2018	0.1	–	17.2	17.3
Net assets/(liabilities) of joint ventures at 31 December 2019	**0.1**	**(119.4)**	**0.4**	**(118.9)**
Elimination of joint venture partners' interest	**–**	**59.7**	**(0.2)**	**59.5**
Cumulative losses restricted[1]	**–**	**59.7**	**–**	**59.7**
Carrying value at 31 December 2019	**0.1**	**–**	**0.2**	**0.3**

1. Cumulative losses restricted represent the Group's share of losses in LSJV which exceed the Group's investment in the joint venture. As a result the carrying value of the investment in LSJV is £nil (2018: £nil) in accordance with the requirements of IAS 28.

2. In accordance with the initial recognition exemption provisions under IAS 12 'Income Taxes', no deferred tax is recognised on goodwill.

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 2018	0.1	–	16.8	16.9
Loss for the year[1]	–	(5.6)	–	(5.6)
Loss restricted[1]	–	5.6	–	5.6
Issue of equity loan notes	–	–	0.4	0.4
At 31 December 2018	**0.1**	**–**	**17.2**	**17.3**
Loss for the year[1]	**–**	**(6.4)**	**(2.5)**	**(8.9)**
Loss restricted[1]	**–**	**6.4**	**–**	**6.4**
Issue of equity loan notes	**–**	**–**	**(14.5)**	**(14.5)**
At 31 December 2019	**0.1**	**–**	**0.2**	**0.3**

1. Share of post-tax loss from joint ventures in the consolidated income statement of £2.5 million (2018: £nil) comprises loss for the year of £8.9 million (2018: £5.6 million) and loss restricted totalling £6.4 million (2018: £5.6 million).

14 NON-CONTROLLING INTEREST

On 29 November 2019, the Group completed the sale of its interests in Earls Court, including ECPL, a company in which the Group held 63 per cent interest. TTL Earls Court Properties Limited, a subsidiary of TfL, held a 37 per cent non-controlling interest in ECPL. Further information on the sale of Earls Court Properties business can be found in note 8 'Discontinued Operation'.

The accumulated non-controlling interest is presented below.

Discontinued operation	**2019 £m**	2018 £m
At 1 January	**247.4**	305.8
Loss and total comprehensive expense for the year attributable to non-controlling interest	**(54.2)**	(66.7)
Contribution from non-controlling interest	**1.0**	8.3
Derecognition of non-controlling interest at disposal	**(194.2)**	–
At 31 December	**–**	247.4

15 TRADE AND OTHER RECEIVABLES

	2019 £m	2018 £m
Non-current		
Other receivables[1]	**99.1**	83.5
Prepayments and accrued income[2]	**51.3**	44.9
Amounts receivable from joint ventures[3]	**98.4**	94.4
Trade and other receivables	**248.8**	222.8
Current		
Rent receivable	**4.3**	6.7
Other receivables[1]	**118.6**	16.6
Prepayments and accrued income[2]	**16.5**	15.0
Trade and other receivables	**139.4**	38.3

1. Includes £200.8 million which represents the discounted balance of the deferred consideration in respect of the Earls Court Disposal, which is receivable in two equal instalments, 12 months and 24 months after completion. Included in prior year non-current receivables is £75.0 million payment to LBHF which formed part of the CLSA. The CLSA was included in the Earls Court Properties disposal.
2. Includes tenant lease incentives, comprising surrender premia paid and incentives offered to new tenants, of £57.7 million (2018: £50.5 million).
3. Non-current amounts receivable from joint ventures relate to deep discount bonds that were issued by LSJV to the Group. The bonds are redeemable at their nominal value of £138.1 million on 24 August 2021. This balance has been impaired by £34.4 million (2018: £27.0 million). Current amounts of £41.1 million due from LSJV in relation to working capital funding advanced by the Group have been impaired in full.

16 CASH AND CASH EQUIVALENTS

	2019 £m	2018 £m
Cash at hand	**1.1**	4.6
Cash on short-term deposit	**152.0**	27.9
Cash and cash equivalents	**153.1**	32.5

17 TRADE AND OTHER PAYABLES

	2019 £m	2018 £m
Rent received in advance	**15.9**	16.7
Accruals and deferred income	**23.6**	22.9
Trade payables	**–**	0.1
Other payables	**17.7**	15.5
Other taxes and social security	**2.1**	3.7
Trade and other payables	**59.3**	58.9

18 BORROWINGS, INCLUDING FINANCE LEASES

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

	2018						
	Carrying value £m	Secured £m	Unsecured £m	Fixed rate £m	Floating rate £m	Fair value £m	Nominal value £m
Current							
Finance lease obligations	0.7	0.7	–	0.7	–	0.7	0.7
Borrowings, including finance leases	0.7	0.7	–	0.7	–	0.7	0.7
Non-current							
Bank loans	63.4	65.8	(2.4)	–	63.4	66.4	66.4
Loan notes	547.7	–	547.7	547.7	–	530.7	550.0
Borrowings	611.1	65.8	545.3	547.7	63.4	597.1	616.4
Finance lease obligations	5.4	5.4	–	5.4	–	5.4	5.4
Borrowings, including finance leases	616.5	71.2	545.3	553.1	63.4	602.5	621.8
Total borrowings, including finance leases	617.2						
Cash and cash equivalents	(32.5)						
Net debt	584.7						

19 FINANCE LEASE OBLIGATIONS

Finance leases included within investment and development property

(a) Minimum lease payments under finance leases obligations

	2019 £m	2018 £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 finance leases	**(15.5)**	(15.5)
Present value of finance lease obligations	**6.1**	6.1

(b) Present value of minimum finance lease obligations	**2019 £m**	2018 £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

19 FINANCE LEASE OBLIGATIONS CONTINUED

Finance 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 (2018: £1.2 million).

These finance lease liabilities are effectively secured obligations, as the rights to the leased asset revert to the lessor in the event of default.

Finance lease included within property, plant and equipment

(a) Minimum lease payments under finance leases obligations

	2019 £m	2018 £m
Not later than one year	**0.9**	–
Later than one year and not later than five years	**3.7**	–
Later than five years	**0.3**	–
	4.9	–
Future finance charges on finance leases	**(0.2)**	–
Present value of finance lease obligations	**4.7**	–

(b) Present value of minimum finance lease obligations	2019 £m	2018 £m
Not later than one year	**0.9**	–
Later than one year and not later than five years	**3.5**	–
Later than five years	**0.3**	–
	4.7	–

Finance lease liabilities included under property, plant and equipment are in respect of a lease over office buildings occupied by the Group. The lease is unsecured, at a fixed rate, held at fair value and matures in 2025.

20 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

		2019		2018	
	Note	Carrying value £m	(Loss)/gain to income statement £m	Carrying value £m	(Loss)/gain to income statement £m
Derivative financial assets		**–**	**–**	0.7	(1.6)
Total held for trading assets		**–**	**–**	0.7	(1.6)
Cash and cash equivalents	16	**153.1**	**–**	32.5	–
Other financial assets[1]		**320.1**	**–**	117.8	–
Total cash and other financial assets		**473.2**	**–**	150.3	–
Derivative financial liabilities		**(3.6)**	**(5.2)**	–	3.8
Total held for trading liabilities		**(3.6)**	**(5.2)**	–	3.8
Borrowings, including finance leases	18	**(556.9)**	**–**	(617.2)	–
Other financial liabilities[2]		**(45.5)**	**–**	(44.6)	–
Total borrowings and other financial liabilities		**(602.4)**	**–**	(661.8)	–

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

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

Fair value estimation

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

The different valuation levels are defined as follows:

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

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

Level 3: where one or more inputs to valuation are not based on observable market data. Valuations at this level are more subjective and therefore more closely managed, including sensitivity analysis of inputs to valuation models.

20 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES CONTINUED

The tables below present the Group's financial assets and liabilities recognised at fair value at 31 December 2019 and 31 December 2018. There were no transfers between levels during the year.

	2019				2018			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial assets								
Total assets	**–**	**–**	**–**	**–**	–	0.7	–	0.7
Derivative financial liabilities								
Total liabilities	**–**	**(3.6)**	**–**	**(3.6)**	–	–	–	–

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

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

21 DEFERRED TAX

The decrease in corporation tax rate referred to in note 7 '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 2019 (2018: £nil). The Group's contingent tax liability on investment properties, calculated on the same basis but based on a deemed market value disposal at year end, is £nil (2018: £nil).

A disposal of the Group's trading properties at their market value as per note 11 'Property Portfolio', before utilisation of carried forward losses, would result in a corporation tax charge to the Group of £3.0m (19 per cent of £15.9m).

	Accelerated capital allowances £m	**Fair value of investment & development property £m**	**Fair value of derivative financial instruments £m**	**Other temporary differences £m**	**Group losses £m**	**Total £m**
Provided deferred tax provision:						
At 1 January 2018	3.0	–	(1.2)	(1.8)	(7.8)	(7.8)
Recognised in income	1.1	–	1.2	(1.1)	0.1	1.3
Recognised directly in equity	–	–	–	0.8	–	0.8
Reduction due to rate change	–	–	–	–	0.8	0.8
Released on discontinued operation	(0.6)	–	–	–	–	(0.6)
At 31 December 2018	**3.5**	**–**	**–**	**(2.1)**	**(6.9)**	**(5.5)**
Adjustment to opening balance	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Recognised in income	**–**	**–**	**(0.8)**	**–**	**(0.1)**	**(0.9)**
Released on conversion to UK REIT	**(3.4)**	**–**	**–**	**–**	**3.3**	**(0.1)**
Adjustment in respect of rate change	**–**	**–**	**–**	**0.2**	**–**	**0.2**
At 31 December 2019	**0.1**	**–**	**(0.8)**	**(1.9)**	**(4.0)**	**(6.6)**
Unprovided deferred tax assets:						
At 1 January 2018	–	(64.7)	–	–	(8.7)	
Movement during the year	–	(31.0)	–	–	(0.6)	
At 31 December 2018	**–**	**(95.7)**	**–**	**–**	**(9.3)**	
Income statement items	**–**	**–**	**–**	**–**	**(8.3)**	
Released on discontinued operation	**–**	**95.7**	**–**	**–**	**7.3**	
At 31 December 2019	**–**	**–**	**–**	**–**	**(10.3)**	

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

22 SHARE CAPITAL AND SHARE PREMIUM

Issue type	Transaction date	Issue price (pence)	Number of shares	Share capital £m	Share premium £m
At 1 January 2018			849,060,146	212.2	221.1
Scrip dividend – 2017 final	May	265	1,295,154	0.3	3.5
Scrip dividend – 2018 interim	September	253	394,791	0.1	1.0
Share-based payment[1]			56,165	0.1	–
At 31 December 2018			**850,806,256**	**212.7**	**225.6**
Scrip dividend – 2018 final	May	245	**409,364**	**0.1**	**1.0**
Scrip dividend – 2019 interim	September	187	**1,197,901**	**0.3**	**2.2**
Share-based payment[2]			**1,885,642**	**0.5**	**0.1**
At 31 December 2019			**854,299,163**	**213.6**	**228.9**

1. In 2018 a total of 56,165 new shares were issued to satisfy employee share scheme awards.
2. In 2019 a total of 1,885,642 new shares were issued to satisfy employee share scheme awards.

At 25 February 2020, the Company had an unexpired authority to repurchase shares up to a maximum of 85,082,015 shares with a nominal value of £21.3 million, and the Directors had an unexpired authority to allot up to a maximum of 565,038,955 shares with a nominal value of £141.3 million of which 283,323,110 with a nominal value of £70.8 million can only be allotted pursuant to a fully pre-emptive rights issue.

23 CAPITAL COMMITMENTS

At 31 December 2019, the Group was contractually committed to £7.0 million (2018: £22.4 million) of future expenditure for the purchase, construction, development and enhancement of investment, development and trading property. All of the £7.0 million committed is committed 2020 expenditure. The prior year capital commitments included commitments of £18.6 million relating to Earls Court Properties which was disposed of during the year.

The Group's share of joint venture capital commitments arising on LSJV amounts to £6.6 million (2018: £32.4 million).

24 CONTINGENT LIABILITIES

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

25 CASH FLOW INFORMATION

(a) Cash generated from continuing operations

Continuing operations	Note	2019 £m	Re-presented 2018 £m
(Loss)/profit before tax		**(61.3)**	41.6
Adjustments:			
Loss/(gain) on revaluation and sale of investment and development property	3	**43.3**	(39.2)
Impairment of other receivables	4	**21.0**	19.4
Loss from joint ventures	13	**2.5**	–
Depreciation		**1.3**	0.6
Amortisation of tenant lease incentives and other direct costs		**3.9**	(1.0)
Share-based payment[1]		**4.1**	2.4
Finance income	5	**(0.5)**	(0.3)
Finance costs	6	**21.2**	19.3
Other finance income	5	**(11.9)**	(12.0)
Change in fair value of derivative financial instruments		**5.2**	(2.2)
Change in working capital:			
Change in trade and other receivables		**(8.0)**	(3.3)
Change in trade and other payables		**(19.1)**	2.6
Cash generated from continuing operations		**1.7**	27.9

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

25 CASH FLOW INFORMATION CONTINUED

(b) Cash generated from discontinued operation

Discontinued operation	Note	2019 £m	Re-presented 2018 £m
Loss before tax		**(152.5)**	(190.4)
Adjustments:			
Loss on revaluation and sale of investment and development property	8	**151.6**	185.3
Impairment of other receivables		**–**	3.8
Depreciation		**0.8**	1.3
Change in working capital:			
Change in trade and other receivables		**0.3**	(18.3)
Change in trade and other payables		**(2.4)**	(3.2)
Cash used in discontinued operation		**(2.2)**	(21.5)

(c) Reconciliation of cash flows from financing activities

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

	Note	Long-term borrowings £m	Short-term borrowings £m	Derivative financial instruments £m	Total liabilities from financing activities £m
Balance at 1 January		**616.5**	**0.7**	**(0.7)**	**616.5**
Cash flows from financing activities					
Proceeds from loans and borrowings		**105.0**	**–**	**–**	**105.0**
Repayment of borrowings		**(105.0)**	**–**	**–**	**(105.0)**
Sale of discontinued operation		**(63.5)**	**–**	**–**	**(63.5)**
Principal element of lease payment		**–**	**(0.9)**	**–**	**(0.9)**
Purchase and repayment of derivative financial instruments		**–**	**–**	**(0.9)**	**(0.9)**
Total cash flows used in financing activities		**(63.5)**	**(0.9)**	**(0.9)**	**(65.3)**
Non-cash movements from financing activities					
Facility fees amortised		**1.4**	**–**	**–**	**1.4**
Finance lease addition		**3.8**	**1.8**	**–**	**5.6**
Changes in fair value	20	**–**	**–**	**5.2**	**5.2**
Borrowing costs capitalised		**(2.9)**	**–**	**–**	**(2.9)**
Total non-cash flows from financing activities		**2.3**	**1.8**	**5.2**	**9.3**
Balance at 31 December		**555.3**	**1.6**	**3.6**	**560.5**

26 RELATED PARTY TRANSACTIONS

Transactions with Directors

Key management compensation[1]	2019 £m	2018 £m
Salaries and short-term employee benefits	**3.7**	3.0
Share-based payment	**2.9**	1.5
Termination benefits	**0.7**	–
	7.3	4.5

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.

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 13 'Investment in Joint Ventures', 15 'Trade and other receivables' and 23 'Capital commitments'. During the year the Group recognised management fee income of £1.8 million (2018: £3.4 million) that was earned on an arm's length basis.

26 RELATED PARTY TRANSACTIONS CONTINUED

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, Andrew Strang, a Non-executive Director of Capital & Counties Properties PLC, Situl Jobanputra, Chief Financial Officer of Capital & Counties Properties PLC, and Graeme Gordon, a Non-executive Director of Capital & Counties Properties PLC until 3 May 2019, either solely or together with family members, own apartments in the Lillie Square development. The disclosures in respect of these purchases were included in previous financial statements.
- In addition, in September 2019, Henry Staunton, Chairman of Capital & Counties Properties PLC, together with a family member completed the acquisition of a car parking space in the Lillie Square development, for a purchase price of £75,000. £33,900 reflecting VAT and legal fees was received on completion and the balance was settled from a refund for apartment enhancements that were previously paid for but not implemented.
- As owners of apartments in the Lillie Square development, the Directors are required to pay annual ground rent and insurance premium fees and biannual service charge fees. During 2019, £41,686 had been received in relation to these charges. Certain payments in relation to these charges were made in advance and £1,328 had been received for 2020 as at 31 December 2019.

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.

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED)

1. PROPERTY DATA AS AT 31 DECEMBER 2019

	Market value £m	Ownership
Covent Garden	**2,595.6**	**100%**
Lillie Square	**177.1**	**50%**
Other	**1.5**	**100%**
Group share of total property	**2,774.2**	
Investment and development property	**2,598.9**	
Trading property	**175.3**	

2. ANALYSIS OF CAPITAL RETURN FOR THE YEAR

Like-for-like capital	**Market value 31 December 2019 £m**	Market value 31 December 2018 £m	**Revaluation loss[1] 31 December 2019 £m**	**Decrease**
Covent Garden	**2,525.8**	2,538.5	**(36.0)**	**(1.4)%**
Other[2]	**178.6**	159.6	**(10.3)**	**(5.4)%**
Total like-for-like capital	**2,704.4**	2,698.1	**(46.3)**	**(1.7)%**
Investment and development property	**2,529.1**	2,541.8	**(36.0)**	**(1.4)%**
Trading property[3]	**175.3**	156.3	**(10.3)**	**(5.5)%**
Non like-for-like capital				
Acquisitions	**69.8**	–	**(5.1)**	
Disposals	**–**	570.2	**–**	
Group share of total property	**2,774.2**	3,268.3	**(51.4)**	**(1.8)%**
Investment and development property	**2,598.9**	3,111.1	**(41.1)**	**(1.6)%**
Trading property[3]	**175.3**	157.2	**(10.3)**	**(5.5)%**
All property				
Covent Garden	**2,595.6**	2,610.0	**(41.1)**	**(1.6)%**
Other[2]	**178.6**	658.3	**(10.3)**	**(5.4)%**
Group share of total property	**2,774.2**	3,268.3	**(51.4)**	**(1.8)%**

1. Revaluation loss includes amortisation of lease incentives and fixed head leases.
2. Relates to the Group's interest in Lillie Square and Earls Court Properties. Earls Court Properties was disposed of 29 November 2019.
3. Represents unrecognised surplus and write down or write back to market value of trading property. Presented for information purposes only.

ANALYSIS OF PROPERTY PORTFOLIO (UNAUDITED) CONTINUED

3. ANALYSIS OF NET RENTAL INCOME FOR THE YEAR

Like-for-like net rental income from continuing operations	2019 £m	2018 £m	Increase
Covent Garden	**55.6**	54.7	**1.8%**
Other	**(0.2)**	–	
Total like-for-like net rental income	**55.4**	54.7	**1.7%**
Like-for-like investment and development property	**55.4**	54.7	**1.7%**
Non like-for-like net rental income			
Acquisitions	**0.3**	–	
Developments	**5.4**	2.5	
Disposals	**–**	0.1	
Prior year acquisitions (like-for-like capital)	**0.1**	0.2	
Total net rental income	**61.2**	57.5	**6.8%**
Investment and development property	**61.3**	57.6	**6.8%**
Trading property	**(0.1)**	(0.1)	

All property			
Covent Garden	**61.5**	57.5	**7.0%**
Other	**(0.3)**	–	
Group share of total net rental income	**61.2**	57.5	**6.8%**

4. ANALYSIS OF COVENT GARDEN BY USE

31 December 2019

	Initial yield (EPRA)	Nominal equivalent yield	Passing rent £m	Occupancy rate	Weighted average unexpired lease years	Market value £m	ERV £m	Net area million Sq ft
Retail						**1,386.8**	**55.5**	**0.4**
F&B						**568.5**	**24.0**	**0.2**
Office						**360.2**	**19.7**	**0.3**
Residential						**198.4**	**5.7**	**0.2**
Leisure						**80.4**	**3.4**	**0.1**
Other						**1.3**	**0.1**	**–**
Total	**2.50%**	**3.65%**	**66.4**	**96.8%**	**8.6**	**2,595.6**	**108.4**	**1.2**

CONSOLIDATED UNDERLYING PROFIT STATEMENT

For the year ended 31 December 2019

Group share	2019 £m	2018 £m
Continuing operations:		
Net rental income	**61.2**	57.5
Other income	**0.9**	1.8
Administration expenses	**(32.9)**	(28.8)
Operating profit	**29.2**	30.5
Finance costs	**(21.4)**	(19.5)
Finance income	**0.5**	0.3
Net finance costs	**(20.9)**	(19.2)
Profit before tax	**8.3**	11.3
Taxation	**1.2**	(1.5)
Underlying earnings from continuing operations	**9.5**	9.8
Underlying earnings from discontinued operation	**(0.5)**	(1.8)
Underlying earnings	**9.0**	8.0
Underlying earnings per share (pence):		
From continuing operations	**1.1**	1.1
From discontinued operation	**(0.1)**	(0.2)
Underlying earnings per share (pence)	**1.0**	0.9
Weighted average number of shares	**853.0m**	852.4m

FINANCIAL COVENANTS

For the year ended 31 December 2019

Financial covenants on non-recourse debt

	31 December 2019			
Group share	**Maturity**	**Loan(s) outstanding at 31 December 2019[1] £m**	**LTV covenant**	**Interest cover covenant**
Covent Garden[2]	**2022–2037**	**550.0**	**60%**	**120%**
Lillie Square	**2021**	**55.5**	**75%**	**n/a**
Total		**605.5**		

1. The loan values are the nominal values at 31 December 2019 shown on a Group share basis. The balance sheet value of the loans includes any unamortised fees.
2. Covent Garden comprises £705 million Revolving Credit Facility ("RCF") maturing in 2022 with £nil drawn and £550 million Private Placement unsecured notes maturing between 2024 and 2037.

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 these results.

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 Group considers the presentation of underlying earnings to be useful supplementary information as it removes unrealised and certain other items and therefore represents the recurring, underlying performance of the business. The property portfolio presents the Group share of property market value which is the economic value attributable to the owners of the Parent. Financial debt ratios are supplementary ratios which we believe are useful in monitoring the capital structure of the Group. Additionally loan to value and interest cover are covenants within many of the Group's borrowing facilities.

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

APM	Nearest IFRS measure	Explanation and reconciliation
EPRA earnings and earnings per share	Profit for the year and basic earnings per share	Note 10
EPRA NAV and NAV per share	Net assets attributable to shareholders	
Underlying earnings and earnings per share	Basic earnings per share	
Market value of property portfolio	Investment, development and trading properties	Note 11
Loan to value	N/A	Financial Review, page 14
Interest cover	N/A	
Gross debt with interest rate protection	N/A	
Weighted average cost of debt	N/A	

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

SELECTED PERFORMANCE MEASURES

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

APM	Definition of measure	Page	2019	2018
Alternative to Income Statement				
EPRA earnings	Recurring earnings from core operational activity	37	**(£6.7)m**	£4.3m
EPRA earnings per share	EPRA earnings per weighted number of ordinary shares	37	**(0.8)p**	0.5p
Underlying earnings	Profit for the year excluding unrealised and one-off items	37	**£9.0m**	£8.0m
Underlying earnings per share	Underlying earnings per weighted number of ordinary shares	37	**1.0p**	0.9p
Alternative to Balance Sheet				
Market value of property portfolio	Market value of investment, development and trading properties	39,40	**£2,774.2m**	£3,268.3m
EPRA NAV	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	38	**£2,505.8m**	£2,777.0m
EPRA NAV per share	EPRA NAV per the diluted number of ordinary shares	38	**292.9p**	325.7p
EPRA triple net assets	EPRA NAV amended to include the fair value of financial instruments and debt	38	**£2,501.3m**	£2,788.2m
EPRA triple net assets per share	Diluted triple net assets per the diluted number of ordinary shares	38	**292.4p**	327.0p
Other				
Cash and undrawn committed facilities (Group share)	Cash and cash equivalents plus undrawn committed facilities shown on a Group share basis	14	**£895.2m**	£854.4m
Cash and undrawn committed facilities (IFRS)	Cash and cash equivalents plus undrawn committed facilities shown on an IFRS basis	14	**£868.1m**	£834.0m
EPRA net initial yield	Annualised rental income less non-recoverable costs as a percentage of market value plus assumed purchaser's costs	N/A	**2.5%**	2.4%
EPRA topped-up initial yield	Net initial yield adjusted for the expiration of rent-free periods	N/A	**2.9%**	2.7%
EPRA vacancy	ERV of un-let units expressed as a percentage of the ERV of let and under offer units plus ERV of un-let units, excluding units under development	17	**3.2%**	2.7%
Occupancy	ERV of occupied space as a percentage of ERV of combined portfolio	N/A	**96.8%**	97.3%
Loan to value	Net debt divided by the carrying value of the property portfolio	14	**16.3%**	17.9%
Interest cover	Underlying operating profit divided by net underlying finance costs	14	**130.8%**	149.0%
Gross debt with interest rate protection	Proportion of the gross debt with interest rate protection	14	**91%**	88%
Weighted average cost of debt	Cost of debt weighted by the drawn balance of external borrowings	14	**3.0%**	2.9%

SELECTED PERFORMANCE MEASURES CONTINUED

In October 2019 EPRA released updated Best Practice Recommendations which will become effective for accounting periods commencing 1 January 2020. As required, the Group has continued to present the EPRA NAV and EPRA NNNAV within note 10 ‘Earnings per share and Net Assets per share’. In addition to this, the new metrics are set out below for illustrative purposes:

	2019		
	EPRA NRV[1]	**EPRA NTA[2]**	**EPRA NDV[3]**
IFRS Equity attributable to shareholders	**2,477.5**	**2,477.5**	**2,477.5**
Diluted NAV	**2,477.5**	**2,477.5**	**2,477.5**
Group adjustments:			
Revaluation of other non-current assets[4]	**9.6**	**9.6**	**9.6**
Unrecognised surplus on trading property – Joint venture	**15.9**	**15.9**	**15.9**
Diluted NAV at Fair Value	**2,503.0**	**2,503.0**	**2,503.0**
Fair value of derivative financial instruments	**3.6**	**3.6**	**–**
Real Estate Transfer Tax[5]	**171.6**	**–**	**–**
Excess fair value of debt over carrying value	**–**	**–**	**(1.7)**
Deferred tax adjustments	**(0.8)**	**(0.8)**	**–**
NAV	**2,677.4**	**2,505.8**	**2,501.3**
Diluted number of shares	**855.5**	**855.5**	**855.5**
NAV per share (pence)	**312.9**	**292.9**	**292.4**

1. NRV is defined by EPRA as net reinstatement value.
2. For the Group, the EPRA NTA (net tangible assets) results in the same NAV and NAV per share as the current EPRA NAV measure.
3. For the Group, the EPRA NDV (net disposal value) results in the same NAV and NAV per share as the current EPRA NNNAV measure.
4. This relates to the impairment under IFRS 9 of amounts receivable from joint ventures above the Group’s share of losses in the Lillie Square joint venture. Further details are disclosed within note 4 ‘Impairment of Other Receivables’.
5. Real Estate Transfer Tax represents purchasers’ costs.

DIVIDENDS

The Directors of Capital & Counties Properties PLC have proposed a final dividend per ordinary share (ISIN GB00B62G9D36) of 1.0 pence payable on 14 May 2020.

Dates

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

Sterling/Rand exchange rate struck:	2 April 2020
Sterling/Rand exchange rate and dividend amount in Rand announced:	3 April 2020
Ordinary shares listed ex-dividend on the Johannesburg Stock Exchange:	15 April 2020
Ordinary shares listed ex-dividend on the London Stock Exchange:	16 April 2020
Record date for final dividend in UK and South Africa:	17 April 2020
Election date for scrip dividend alternative (SA) by noon:	24 April 2020
Election date for scrip dividend alternative (UK) by 5:30pm:	24 April 2020
Dividend payment date for shareholders	14 May 2020

South African shareholders should note that, in accordance with the requirements of Strate, the last day to trade cum-dividend will be 14 April 2020 and that no dematerialisation of shares will be possible from 15 April 2020 to 17 April 2020 inclusive. No transfers between the UK and South Africa registers may take place from 3 April 2020 to 17 April 2020 inclusive.

Subject to SARB approval, the Board intends to offer an optional scrip dividend alternative in respect of the 2019 final dividend.

No element of the 2019 final dividend will be treated as a Property Income Distribution ("PID") for tax purposes. The Board intends that the interim dividend for 2020 will include an element which will be treated as a PID, for tax purposes, in respect of the qualifying rental profits arising in 2019.

The above dates are proposed and subject to change.

Important information for South African shareholders

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

The final cash dividend declared by the Company will constitute a dividend for Dividends Tax purposes, declared in respect of a share listed on the exchange operated by the JSE. Dividends Tax will therefore be withheld from the amount of the final cash dividend which is paid at a rate of 20 per cent, unless a shareholder qualifies for an exemption and the prescribed requirements for effecting the exemption, as set out in the rules of the Scrip Dividend Scheme, are in place by the requisite date.

It is the Company's understanding that the issue and receipt of shares pursuant to the scrip dividend alternative will not have any Dividends Tax nor income tax implications. The new shares which are acquired under the scrip dividend alternative should not comprise of a "foreign dividend" nor a "foreign return of capital" and will be treated as having been acquired for nil consideration.

Any residual cash payments to account for fractional share payments will be subject to Dividends Tax, which will be withheld from the residual payment to South African shareholders at a rate of 20 per cent, unless a shareholder qualifies for an exemption and the prescribed requirements for effecting the exemption (as set out in the Scrip Dividend Scheme Booklet) are in place by the requisite date.

This information is included only as a general guide to taxation for shareholders resident in South Africa 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.

GLOSSARY

Alternative Performance Measure (APM)

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

Capco

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

Cash and undrawn committed facilities

Cash and cash equivalents plus undrawn committed facilities.

CLSA

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

Diluted figures

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

Earls Court

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

Earls Court Masterplan

The Earls Court Masterplan, created by Sir Terry Farrell and Partners, is the consented scheme for the transformation of Earls Court and West Kensington Opportunity Area. The London Borough of Hammersmith & Fulham and The Royal Borough of Kensington & Chelsea formally granted outline planning permission for the Earls Court Masterplan on 14 November 2013.

Earls Court Properties

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

EBITDA

Earnings before interest, tax, depreciation and amortisation.

EC1 & EC2

The site formerly the location of the Earls Court 1 and Earls Court 2 Exhibition Centres.

ECPL

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

EPRA

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

EPRA earnings

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

EPRA earnings per share

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

EPRA net asset value (NAV)

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

EPRA net asset value per share

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

EPRA net disposal value (NDV)

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

EPRA net disposal value per share

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

EPRA net initial yield

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

EPRA net tangible assets (NTA)

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

EPRA net tangible assets per share

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

EPRA net reinstatement value (NRV)

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

EPRA net reinstatement value per share

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

EPRA topped-up initial yield

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

EPRA triple net asset value (NNNAV)

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

EPRA triple net asset value per share

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

EPRA vacancy

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

ESB

Empress State Building.

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.

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.

GLA

Greater London Authority.

Gross income

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

Headline earnings

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

HMRC

Her Majesty's Revenue and Customs.

IFRS

International Financial Reporting Standards.

Innova

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

JSE

Johannesburg Stock Exchange.

Kwok Family Interests (KFI)

Joint venture partner in the Lillie Square development.

LBHF

The London Borough of Hammersmith & Fulham.

Like-for-like property

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

Loan to value (LTV)

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

LSJV

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

MSCI

Producer of an independent benchmark of property returns. Previously known as Investment Property Databank (IPD).

NAV

Net Asset Value.

Net debt

Total borrowings less cash and cash equivalents.

NIA

Net Internal Area.

Net rental income (NRI)

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

Nominal equivalent yield

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

NRIL

Network Rail Infrastructure Limited.

Occupancy rate

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

Passing rent

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

P.A.

Per annum.

Property income distributions (PIDs)

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

RBKC

Royal Borough of Kensington and Chelsea.

Real estate investment trust (REIT)

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

Real Estate Transfer Tax

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

RICS

Royal Institution of Chartered Surveyors.

SAICA

South African Institute of Chartered Accountants.

SARB

South African Reserve Bank.

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.

SMEs

Small and medium-sized enterprises.

Tenant lease incentives

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

TfL

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

Total property return (TPR)

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

Total return (TR)

The growth in EPRA NAV per share plus dividends per share paid during the year.

Total shareholder return (TSR)

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

Underlying earnings

Profit for the year excluding impairment charges, net valuation gains/losses (including profits/losses on disposals), net refinancing charges, costs of termination of derivative financial instruments and non-recurring costs and income. 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.

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").